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BYLAWS

OF THE

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.

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**BYLAWS
OF THE
BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.**

**ARTICLE I
PURPOSES**

Section 1.01 Purposes. Brushy Creek Regional Utility Authority, Inc. (the “Corporation”) is organized for the purpose of aiding, assisting, and acting on behalf of the cities of Round Rock, Cedar Park, and Leander, Texas (collectively, the “Cities”), in the performance of their governmental functions to promote the common good and general welfare of the Cities, including, without limitation, the financing, construction, acquisition, ownership, maintenance, and operation of a regional water transmission, treatment and distribution and/or regional wastewater transmission, treatment systems and/or water reuse system (the “Facilities”) on behalf of the Cities, and to perform such other governmental functions and purposes of the Cities as may be determined from time to time by the City Councils of the Cities (the “City Councils”).

The Corporation is formed pursuant to the provisions of Subchapter D, Chapter 431, Texas Transportation Code (the “Act”) as it now or may hereafter be amended, which authorizes the Corporation to assist and act on behalf of the Cities to accomplish any governmental purpose of the Cities and to engage in activities in the furtherance of the purposes for its creation.

The Corporation shall have and exercise all of the rights, powers, privileges, authority, and functions, now or hereafter, given by the general laws of the State of Texas to non-profit corporations incorporated under the Act including, without limitation, the Texas Non-Profit Corporation Act, Article 1396-1.01 et seq., Vernon’s Texas Civil Statutes.

The Corporation shall have all other powers of a like or different nature not prohibited by law which are available to non-profit corporations in Texas and which are necessary or useful to enable the Corporation to perform the purposes for which it is created, including the power to issue bonds, notes or other obligations, and otherwise exercise its borrowing power to accomplish the purposes for which it was created.

The Corporation is created as a local governmental corporation pursuant to the Act and shall be a governmental unit within the meaning of Subdivision (2), Section 101.001, Texas Civil Practice and Remedies Code. The operations of the Corporation are governmental and not proprietary functions for purposes of the Texas Tort Claims Act, Section 101.001 et seq., Texas Civil Practice and Remedies Code. The Corporation shall have the power to acquire land in accordance with the Act as amended from time to time.

ARTICLE II DIRECTORS

Section 2.01. Appointment, Classes, Powers, Number, and Term of Office. All powers of the Corporation shall be vested in the Board of Directors (the "Board"). The Board shall consist of three (3) persons. Each City shall have one (1) Director appointed by the respective City Council. Each Director shall be a resident of the City that appointed such Director.

The term of office for each Director of the Board shall be two (2) years. The terms of the Directors shall commence on the date that the respective City Councils make the appointment(s). Upon the expiration of the term of office of a Director, the City Council shall appoint a Director as stated above, and the term of office for each appointed Director shall also be two (2) years. The number of Directors may subsequently be either increased or decreased in accordance with the provisions of Article VI of the Articles of Incorporation of the Corporation.

Any Director may be removed at will by a majority vote of the City Council that made such appointment and such City Council shall appoint a new Director to complete the unexpired term.

In the event that a Director resigns or otherwise ceases to reside within the city limits of the City that appointed him/her, then such Director shall be considered removed from the Board and the appropriate City Council shall provide for the appointment of a new Director to complete the unexpired term.

Section 2.02. Meetings of Directors. The Directors may hold their meetings and may have an office and keep the books of the Corporation at

such place or places as the Board may from time to time determine; provided, however, in the absence of any such determination, such places shall be the registered office of the Corporation in the State of Texas.

The Board shall meet in accordance with and file notices of each meeting of the Board as is required by Chapter 551, Government Code (the "Open Meetings Act").

The Corporation, the Board, and any committee of the Board exercising the powers of the Board are subject to Chapter 552, Government Code, and (the "Public Information Act").

Section 2.03. Annual Meetings. The annual meeting of the Board shall be held at the time and at the location in any of the Cities designated by the resolution of the Board for the purposes of transacting such business as may be brought before the meeting.

Section 2.04. Regular Meetings. Regular meetings of the Board shall be held at such times and places as shall be designated, from time to time, by a resolution of the Board.

Section 2.05. Special and Emergency Meetings. Special and emergency meetings of the Board shall be held whenever called by the President of the Board or by a majority of the Directors.

The Secretary shall give reasonable notice to all Directors of each special meeting in person, by telephone, electronic transmission (e.g., facsimile transmission or electronic mail) or mail at least seventy-two (72) hours before the meeting. Unless otherwise indicated in the notice thereof, any and all matters pertaining to the purposes of the Corporation may be considered and acted upon at a special or emergency meeting; provided that all meetings shall comply with the Open Meetings Act.

Section 2.06. Quorum. A majority of the Board shall constitute a quorum for the consideration of matters pertaining to the purposes of the Corporation. Except as provided herein, and unless otherwise required by law, the affirmative votes of a majority of the Directors present and voting at a meeting shall constitute the act of the Board.

The affirmative votes of all three Directors shall be required to approve the following matters:

- 1) The amendment of the Articles of Incorporation;
- 2) The amendment of these Bylaws; and
- 3) The addition of new members to the Corporation.

A Director who is present at a meeting of the Board at which any corporate action is taken shall be presumed to have assented to such action, unless his or her dissent shall be entered in the minutes of the meeting or unless he or she shall file a written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Corporation immediately after the adjournment of the meeting; and the Secretary shall forward a copy of such dissent to the other Directors by mail within seven (7) days. Such right to dissent shall not apply to a Director who voted in favor of the action.

Section 2.07. Conduct of Business. At the meetings of the Board, matters pertaining to the purposes of the Corporation shall be considered in such order as from time to time the Board may determine.

At all meetings of the Board, the President shall preside, and in the absence of the President, the Vice-President shall preside. In the absence of the President and the Vice-President, an acting presiding officer shall be chosen by the Board from among the Directors present.

The Secretary of the Corporation shall act as secretary of all meetings of the Board, but in the absence of the Secretary, the presiding officer may appoint any person to act as secretary of the meeting.

Section 2.08. Compensation of Directors; Reimbursement for Expenses. Directors shall not receive any salary or compensation for their services as Directors. Directors shall be reimbursed for their actual expenses incurred in the performance of their duties as Directors.

Section 2.09. Director's Reliance on Consultant Information. A Director shall not be liable if while acting in good faith and with ordinary care, the Director relies on information, opinions, reports, or statements,

including financial statements and other financial data, concerning the Corporation or another person that were prepared or presented by:

- (a) one or more other officers or employees of the Corporation;
- (b) legal counsel, public accountants, or other persons as to matters the Director reasonably believes are within the person's professional or expert competence; or
- (c) a committee of the Board of which the Director is not a member.

ARTICLE III OFFICERS

Section 3.01. Titles and Term of Office. The officers of the Corporation shall be a President, a Vice-President, a Secretary, a Treasurer, and other officers as the Board may from time to time elect or appoint. The President shall also serve as Chairman of the Board and the Vice-President shall serve as Vice-Chairman of the Board. One person may hold more than one office, except that one person shall not concurrently hold the offices of President and Secretary. The term of office for each officer shall be two (2) years (or one (1) year)commencing with the date of the meeting of the Board at which each such officer is elected.

Any vacancy in the office of any officer shall be filled by a majority vote of the Board.

Section 3.02. Powers and Duties of the President. The President shall be a member of the Board and shall preside at all meetings of the Board. When authorized by the Board, the President or the Vice-President may sign and execute all bonds, notes, deeds, conveyances, franchises, assignments, mortgages, notes, contracts and other obligations in the name of the Corporation. The President shall have such other duties as are assigned by the Board. The President may call special and emergency meetings of the Board.

Section 3.03. Powers and Duties of the Vice-President. The Vice-President shall be a member of the Board and shall not be from the same City as the President. The Vice-President shall perform the duties and exercise the powers of the President upon the President's death, absence, disability, or resignation, or upon the President's inability to perform the duties of his or

her office. Any action taken by the Vice-President in the performance of the duties of the President shall be conclusive evidence of the absence or inability to act of the President at the time such action was taken. The Vice-President shall have such other powers and duties as may be assigned to him or her by the Board.

Section 3.04. Treasurer. The Treasurer shall have custody of all the funds and securities of the Corporation which come into his or her hands. When necessary or proper, he or she may endorse, on behalf of the Corporation, for collection, checks, notes and other obligations and shall deposit the same to the credit of the Corporation in such bank or banks or depositories as shall be designated in the manner prescribed by the Board; he or she may sign all receipts and vouchers for payments made to the Corporation, either alone or jointly with such other officer as is designated by the Board; he or she shall enter or cause to be entered regularly in the books of the Corporation to be kept by him or her for that purpose full and accurate accounts of all moneys received and paid out on account of the Corporation; he or she shall perform all acts incident to the position of Treasurer subject to the control of the Board; and he or she shall, if required by the Board, give such bond for the faithful discharge of his or her duties in such forms as the Board may require. The Treasurer need not be a member of the Board.

Section 3.05. Secretary. The Secretary shall keep or cause to be kept the minutes of all meetings of the Board in books provided for that purpose; he or she shall attend to the giving and serving of all notices; in furtherance of the purposes of the Corporation and subject to the limitations contained in the Articles of Incorporation, he or she may sign with the President in the name of the Corporation and/or attest the signatures thereof, all contracts, conveyances, franchises, bonds, deeds, assignments, mortgages, notes and other instruments of the Corporation; he or she shall have charge of the Corporation's books, records, documents and instruments, except the books of account and financial records and securities of which the Treasurer shall have custody and charge, and such other books and papers as the Board may direct, all of which shall at all reasonable times be open to the inspection of any Director upon application at the office of the Corporation during business hours; and, he or she shall, in general, perform all duties incident to the office of Secretary subject to the control of the Board. The Secretary need not be a Director.

Section 3.06. Compensation. Officers are not entitled to compensation except as otherwise provided in Section 2.08 of these Bylaws.

Section 3.07. Officer's Reliance on Consultant Information. In the discharge of a duty imposed or power conferred on an officer of the Corporation, the officer may in good faith and with ordinary care rely on information, opinions, reports, or statements, including financial statements and other financial data, concerning the Corporation or another person that were prepared or presented by:

- (a) one or more other officers or employees of the Corporation, including Directors; or
- (b) legal counsel, public accountants, or other persons as to matters the officer reasonably believes are within the person's professional or expert competence.

ARTICLE IV BUDGET

Section 4.01. Budget and Fiscal Year. The fiscal year of the Corporation shall commence on October 1st of each year and end on September 30th of the following year. At least ninety (90) days prior to October 1st of each year, the Board shall prepare and adopt a proposed budget of expected revenues and proposed expenditures for the next ensuing fiscal year. The budget shall contain such classifications and shall be in such form as may be prescribed from time to time by the City Councils. The budget proposed for adoption shall include the projected expenses, and such other budgetary information as shall be required by the City Councils for their approval and adoption. The budget shall be considered adopted upon formal approval of all three City Councils. Should any of the City Councils take no final action on or before October 1st, the proposed budget shall be deemed to have been finally adopted by such City Council.

**ARTICLE V
INDEMNIFICATION**

Section 5.01. Right to Indemnification.

- A. Definitions in this Article:
1. Covered person includes current and former Directors, committee members, employees of the Corporation, and officers and former officers and the estate of current or former Directors, ex-officio Directors, officers and former officers or employees of the Corporation
 2. Loss means a sum of money which a covered person is legally obligated to pay.
 3. Proceeding means any threatened, pending or completed claim, action, suit or civil, criminal, administrative, arbitratve or investigative proceeding.
- B. Coverage Generally. To the fullest extent permitted by law, the Corporation shall indemnify and defend a covered person in accordance with this Section from and against a loss arising in connection with a proceeding relating to an act or omission of the covered person during the course and scope of the covered person's office or employment for the Corporation.
- C. Additional Coverage. In addition to the coverage described in subsection B of this Section, the Corporation will pay the following:
1. The Corporation's expenses in investigating and defending the proceeding;
 2. Court costs assessed against a covered person;
 3. Reasonable expenses of the covered person incurred at the Corporation's request or with the Corporation's approval; and

4. Attorney's fees ordered by a court to be paid by the covered person.
- D. Criteria for Coverage. To be entitled to coverage under this Section, a covered person must:
1. Notify the Corporation's General Manager or legal counsel in writing as soon as practicable, but not later than three (3) working days, after receipt of written notice of a proceeding;
 2. Cooperate with the Corporation in the conduct of the proceeding, negotiation of settlements, and enforcement of any rights of the Corporation or the covered person against any claimant;
 3. Attend depositions, hearings and trials, and assist in securing evidence and obtaining attendance of witnesses;
 4. Not, except with the written consent of the Corporation's General Manager or legal counsel, enter into any agreement or stipulation concerning a proceeding;
 5. Not, except with the written consent of the Corporation's General Manager or legal counsel, or upon request of a public officer at the scene of an accident, give any oral or written statement concerning the accident; and
 6. Not, except at the covered person's own cost, voluntarily make any payment, assume any obligation or incur any expense in connection with a proceeding without the consent of the Corporation's General Manager or legal counsel.
- E. Exemptions. Coverage under this Section will not apply to a claim or suit brought against a covered person:
1. By the Corporation;

2. Arising from the intentional or knowing violation of a penal statute or law committed by or with the knowledge and consent of the covered person, or arising from a fraudulent act committed by or at the direction of the covered person;
 3. If the covered person joins or attempts to join a proceeding against the Corporation or an officer or employee of the Corporation with a proceeding against the covered person; or
 4. If the covered person fails to comply with subsection (e) of this Section.
- F. Investigation, negotiation, settlement. The Corporation may investigate, retain counsel, negotiate and settle any proceeding as it determines to be reasonable and prudent.
- G. Subrogation of rights. A covered person, in accepting coverage under this Section, agrees to allow the Corporation to be subrogated to any rights of the covered person to the extent of the Corporation's obligations and payments under this Section.
- H. Conflict of Interest. If the Corporation's General Manager or legal counsel determines there is a conflict between the interests of the Corporation and those of the person involved in a proceeding, the Corporation may designate and pay the reasonable fees of a separate attorney.
- I. Disciplinary action. Nothing in this Section will affect the Corporation's right to take disciplinary action against a covered person for conduct otherwise indemnified or defended by the Corporation under this Section.

Section 5.02. Indemnification of Employees and Agents. The Corporation, by adoption of a resolution of the Board, may indemnify and advance expenses to an employee or agent of the Corporation to the same extent and subject to the same conditions under which it may indemnify and advance expenses to Directors and officers under this Article V; and the Corporation may indemnify and advance expenses to persons who are not or

were not Directors, officers, employees or agents of the Corporation but who are or were serving at the request of the Corporation as a Director, officer, partner, venture proprietor, trustee, employee, agent or similar functionary of another foreign or domestic corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise against any liability asserted against him or her and incurred by him or her in such a capacity or arising out of his or her status such a person to the same extent that it may indemnify and advance expenses to Directors under this Article V.

Section 5.03. Non-exclusivity of Rights. The right to indemnification conferred in this Article V shall not be exclusive of any other right which a covered person may have or hereafter acquire under any law (common or statutory), these Bylaws, written agreement with the Corporation, vote of disinterested Directors or otherwise.

Section 5.04. Insurance. The Corporation may purchase and maintain insurance, at its expense, to protect itself and any covered person against any expense, liability or loss, whether or not the Corporation would have power to indemnify such person against such expense, liability or loss under this Article V.

Section 5.05. Savings Clause. If this Article V or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify and hold harmless each covered person with respect to a proceeding to the extent permitted by any applicable portion of this Article V that shall not have been invalidated and to the fullest extent permitted by applicable law.

ARTICLE VI CODE OF ETHICS

Section 6.01. Policy and Purposes.

- A. It is the policy of the Corporation that Directors and officers conduct themselves in a manner consistent with sound business and ethical practices; that the public interest always be considered in conducting corporate business; that the appearance of impropriety be avoided to ensure and maintain the public confidence in the Corporation; and that the Board establish

policies to control and manage the affairs of the Corporation fairly, impartially, and without discrimination.

- B. This Code of Ethics has been adopted as part of the Board's Bylaws for the following purposes: (a) to encourage high ethical standards in official conduct by Directors and corporate officers; and (b) to establish guidelines for such ethical standards of conduct.

Section 6.02. Unlawful Acts. A Director or officer shall not intentionally or knowingly offer, confer or agree to confer on another, or solicit, or agree to accept from another:

- (a) any benefit as consideration for the Director or officer's decision, opinion, recommendation, vote, or other exercise of discretion as a Director or officer;
- (b) any benefit as consideration for the Director's or officer's, decision, vote, recommendation, or other exercise of official discretion in a judicial or administrative proceeding; or
- (c) any benefit as consideration for a violation of a duty imposed by law on the Director or officer.

Section 6.03. Nepotism. No Director or officer shall appoint, or vote for, or confirm the appointment to any office, position, clerkship, employment or duty, or any person related within the second degree by affinity (marriage relationship) or within the third degree of consanguinity (blood relationship) to the Director or officer so appointing, voting or confirming, or to any other Director or officer. This provision shall not prevent the appointment, voting for, or confirmation of any person who shall have been continuously employed in such office, position, clerkship, employment or duty at least thirty (30) days prior to the appointment of the Director or officer so appointing or voting.

ARTICLE VII AMENDMENTS

Section 7.01. Amendments. A proposal to alter, amend, or repeal these Bylaws shall be made by the affirmative vote of all the Directors at any annual or regular meeting, or at any special meeting if notice of the proposed amendment be contained in the notice of said special meeting. However, any proposed change or amendment to the Bylaws must be approved by the three City Councils to be effective.

ARTICLE VIII CONSENT OF CITY COUNCILS

Section 8.01. Council Consent. To the extent that these Bylaws refer to approval by the Cities or refer to advice and consent by the Cities, such approval or advice and consent shall be evidenced by a certified copy of a resolution or other official action duly adopted by each of the City Councils.

ARTICLE IX DISTRIBUTION OF NET INCOME

Section 9.07. Distribution of Net Income. Unless otherwise determined by the City Councils in accordance with the provisions of Section 431.107 of the Transportation Code, any income earned by the Corporation after payment of reasonable expenses, debt, and the establishment of a reserve sufficient to cover estimated expenditures for future activities, shall either be retained by the Corporation or distributed to the Cities in an equitable manner to be determined by the three City Councils taking into consideration the relative use of the Facilities and the initial capital investments of the respective Cities. In the event that the Facilities cease to operate, the three City Councils may either direct that (a) the Corporation retain such income, but only in such a manner so as to ensure compliance with all then applicable federal tax law relating to the Corporation and its non-profit status, or (b) the Cities receive any such income earned by the Corporation in an equitable manner determined by the three City Councils as set forth above.

**ARTICLE X
AUTHORITY TO CONTRACT**

Section 10.01. Authority to Contract.

- A. The Board may, with the approval of the three (3) City Councils, contract with any qualified and appropriate person, association, corporation or governmental entity to perform and discharge designated tasks which will aid or assist the Board in the performance of its duties. However, no such contract shall ever be approved or entered into which seeks or attempts to divest the Board of its discretion and policy making functions in discharging the duties herein set forth.

- B. The Board may, with the approval of the three (3) City Councils, contract with one or more of the Cities to utilize the services of staff and employees of the respective Cities.

**ARTICLE XI
MISCELLANEOUS PROVISIONS**

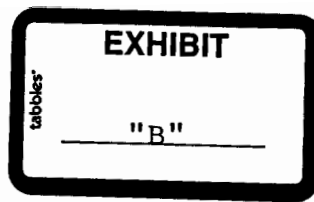
Section 11.01. Seal. The seal of the Corporation shall be such as from time to time may be approved by the Board.

Section 11.02. Notice and Waiver of Notice. Whenever any notice whatever is required to be given under the provisions of these Bylaws, such notice shall be deemed to be sufficient if given by depositing the same in a post office box in a sealed postpaid wrapper addressed to the person entitled thereto at his or her post office address, as it appears on the books of the Corporation, and such notice shall be deemed to have been given on the day of such mailing. A waiver of notice, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

Section 11.03. Resignations. Any Director or officer may resign at any time. Such resignations shall be made in writing and shall take effect at the time specified therein, or, if no time be specified, at the time of its receipt by the President or Secretary. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation.

Section 11.04. Gender. References herein to the masculine gender shall also refer to the feminine in all appropriate cases, and vice versa.

Section 11.05. Appropriations and Grants. The Corporation shall have the power to request and accept any appropriation, grant, contribution, donation, or other form of aid from the federal government, the State, or from any other source.



**MASTER CONTRACT FOR THE FINANCING,
CONSTRUCTION AND OPERATION OF THE BCRUA
REGIONAL WATER TREATMENT
AND DISTRIBUTION PROJECT**

Among

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC,

CITY OF CEDAR PARK

CITY OF LEANDER

AND

CITY OF ROUND ROCK

Dated: August __, 2008

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**MASTER CONTRACT FOR THE FINANCING, CONSTRUCTION AND OPERATION
OF THE BCRUA REGIONAL WATER TREATMENT
AND DISTRIBUTION PROJECT**

THIS MASTER CONTRACT FOR THE FINANCING, CONSTRUCTION AND OPERATION OF THE BCRUA REGIONAL WATER TREATMENT AND DISTRIBUTION PROJECT (the "Contract") is dated and entered into as of the ____ day of August, 2008, by and among the Brushy Creek Regional Utility Authority, Inc. ("BCRUA"), a non-profit corporation of the State of Texas (the "State"), created and existing under the laws of the State, including Subchapter D of Chapter 431 as amended, Texas Transportation Code, and the City of Cedar Park, Texas ("Cedar Park"), the City of Leander, Texas ("Leander"), and the City of Round Rock, Texas ("Round Rock") all home-rule municipalities and political subdivisions of the State (individually, the "City"; collectively, the "Cities"). The BCRUA and the Cities are collectively referred to herein as the "Parties."

RECITALS

WHEREAS, Subchapter D of Chapter 431 of the Texas Transportation Code, as amended (the "Act") authorizes municipalities to create one or more local government corporations to accomplish any governmental purpose of the Cities including to plan, finance, construct, own, operate, and/or maintain facilities necessary for the conservation, storage, transportation, treatment, and/or distribution of treated water, including a plant site, right-of-way, and property, equipment, and/or right of any kind useful in connection with the conservation, storage, transportation, treatment, and/or distribution of treated water that will ultimately provide an additional 105.8 million gallons per day of potable water supply to meet future water demands of the Cities based on current population projections and estimates (said facilities herein referred to as the "BCRUA System");

WHEREAS, the City Councils of Cedar Park, Leander, and Round Rock, respectively (collectively, the "Governing Bodies"), have authorized and approved the creation of the BCRUA as their constituted authority and instrumentality to accomplish the specific public purpose to plan, finance, construct, acquire, own, operate, or maintain facilities necessary for the conservation, storage, transportation, treatment, or distribution of treated water, including plant sites, rights-of-way, and property, equipment, or rights of any kind useful in connection with the conservation, storage, transportation, treatment, or distribution of treated water, pursuant to the provisions of the Act and other applicable law, including Section 791.026 Texas Government Code, as amended;

WHEREAS, the Cities, pursuant to the Act and other applicable law, have authorized the creation of the BCRUA, which affords the Cities and their ratepayers, respectively, the most efficient and cost-effective option for municipal water treatment;

WHEREAS, the Cities and the BCRUA anticipate that the BCRUA System will eventually supply 105.8 million gallons per day of potable water to the Cities as generally described in the Preliminary Engineering Report;

WHEREAS, the Cities and the BCRUA recognize that the establishment of the BCRUA system will occur in phases or stages that will occur over time and will depend on future growth and environmental conditions that are uncertain today;

WHEREAS, in furtherance of its purposes, the BCRUA will issue one or more series of bonds to finance the costs of the "BCRUA Project," as hereinafter defined;

WHEREAS, the Cities and the Lower Colorado River Authority ("LCRA") have previously entered into multiple agreements in anticipation of the regional water system, including, but not limited to, (i) the "Interlocal Agreement Regarding Design of New Hope Regional Waterline" among Round Rock, Cedar Park and LCRA dated December 15, 2005, (ii) the "Interlocal Agreement Regarding Construction of Regional Water Line" among Round Rock, Cedar Park, and LCRA dated March 23, 2006, (iii) the "Interlocal Agreement for Interim Water Supply" between Round Rock and Cedar Park dated March 9, 2006, (iv) the "Interlocal Agreement Regarding Water Supply Agreement Obligations" between LCRA and Cedar Park, dated March 9, 2006 and (v) the "Wholesale Potable Water Service Agreement" among the Brazos River Authority, LCRA and Leander dated March 2, 1998;

WHEREAS, the BCRUA intends to own, design, finance, construct, acquire, maintain, and operate the BCRUA Project in a manner that will allow the BCRUA to deliver potable water to the Cities on a regional basis;

WHEREAS, the Cities and the BCRUA, exercising their respective mutual authorities, wish to enter into this Contract in order to most efficiently and quickly obtain the capability to deliver treated water to the Cities;

WHEREAS, it is necessary that BCRUA construct facilities, intake structures, storage tanks, lines, booster pumps, treatment facilities, and other appurtenances necessary and sufficient for the delivery, treatment, and transmission of the raw water for which the Cities, individually, have contracted with the LCRA, as well any additional raw water which one or more of the Cities may acquire in the future, and acquire easements, rights-of-way, and other interests in land or other facilities necessary for the withdrawal, diversion, delivery, transmission and/or treatment of such raw water;

WHEREAS, the Cities, respectively, have contracted with LCRA, directly or indirectly, to purchase raw water from Lake Travis in sufficient quantities to meet each City's anticipated treatment capacity for the BCRUA Project (as hereinafter defined,) and each City shall make available sufficient raw water to the BCRUA for its reserved treatment capacity in the BCRUA Project;

WHEREAS, after treatment, the BCRUA, will deliver the treated water to the Cities, respectively, for use within their respective corporate limits or applicable service areas;

WHEREAS, the governing bodies of the Cities and the Board of Directors of the BCRUA have determined that the provisions of this Contract and all of the actions contemplated

herein are in compliance with the Texas State Water Plan and the Regional Water Plan adopted pursuant to Chapter 16, Subchapter C, Planning, of the Texas Water Code;

WHEREAS, the Cities, respectively, have adopted water conservation plans approved by the Texas Commission on Environmental Quality (“TCEQ”) prior to execution of this Contract;

WHEREAS, it is expected by the BCRUA and the Cities that as soon as practicable after the execution of this Contract the BCRUA will issue its Bonds in separate series (as hereinafter defined) for one or more of the Cities requesting financing through the BCRUA to pay for the BCRUA Project (as hereinafter defined);

WHEREAS, it is further acknowledged by the BCRUA and the Cities that this Contract covers only the first phase of the BCRUA System, and that any future phases of the BCRUA System may be accomplished by amending this Contract or by one or more separate future contracts among the BCRUA and one or more of the Cities, and by future series of bonds, which bonds may be payable from payments on parity with the payments under this Contract; and

WHEREAS, the BCRUA, to the best of its ability, shall in general do or cause to be done all such things as may be required or necessary for the proper acquisition, construction, and operation of the BCRUA Project;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the sufficiency of which are hereby conclusively acknowledged, and subject to the terms and conditions hereinafter set forth, the Cities and the BCRUA mutually undertake, promise, and agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATIONS

Section 1.1 Definitions. In addition to the terms defined above, the following terms shall have the meanings assigned to them below wherever they are used in this Contract, unless the context clearly requires otherwise:

(a) “Additional Bonds” means one or more series of additional Bonds which are issued by the BCRUA to finance completion of the BCRUA Project pursuant to Section 3.9 hereof or for any other lawful purpose.

(b) “Annual Payments” means the amount of money constituting the Operation and Maintenance Expenses, Overhead Expenses, and to the extent the BCRUA issues a series of Bonds on behalf of a City, the Bond Payment to be paid to the BCRUA by each City, on a several and not a joint basis as described in Section 4.1 and Section 4.5 hereof from the revenues of each City’s System as an operating and maintenance expense of each City’s System at the times and in the amounts required by Sections 4.5 and 9.2 of this Contract.

(c) “Authorized Representative” means any person at the time delegated authority to act on behalf of the Cities or the BCRUA, as the case may be, and designated as such in a written certificate, containing a specimen signature of such person, which, for the Cities shall be the City Manager, of each City or such other officers or employees of the Cities authorized to act on

behalf of the Cities during the respective City Manager's absence or incapacity, and for the BCRUA shall be the General Manager of the BCRUA or such other officer or employee of the BCRUA authorized to act on behalf of the BCRUA during the General Manager's absence or incapacity, unless a party notifies the other party in writing of a change in its Authorized Representative.

(d) "BCRUA" means the Brushy Creek Regional Utility Authority, Inc. and its lawful successors and assigns.

(e) "BCRUA Consulting Engineer(s)" means such engineering firm or firms as may be selected by the BCRUA.

(f) "BCRUA Project" means, collectively, the Land Interests and the improvements described in the recitals to this Contract and further described in the Preliminary Design Report, and as shown on Exhibit "D". Without limitation the BCRUA Project includes the facilities, lines, intake structures, storage tanks, booster pumps, and other appurtenances in the BCRUA Project as described in the Preliminary Design Report and owned by the BCRUA sufficient to treat the raw water and deliver the treated water to which the Cities, respectively, are entitled under this Contract.

(g) "BCRUA Project Costs" means and includes, without limitation, the following costs incurred for the BCRUA Project by or on behalf of the BCRUA or the Cities:

(i) the cost of acquisition of the Land Interests, including appraisals, closing costs and title insurance policies;

(ii) the cost of acquisition, construction, repair, replacement, improvement or decommissioning of the BCRUA Project, and any structure, item of equipment, or other item, used for, or in connection with, the BCRUA Project;

(iii) the cost of site preparation of the Land Interests, including demolition or removal of structures and improvements as necessary or incident to accomplishing the BCRUA Project;

(iv) the cost of engineering, legal, architectural or other related services;

(v) the preparation cost of plans, specifications, studies, surveys, cost estimates, and other expenses necessary or incident to planning, providing, or financing the BCRUA Project;

(vi) the cost of machinery, equipment, furnishings, and facilities necessary or incident to placing the BCRUA Project in operation;

(vii) finance charges and interest before, during, and after construction as permitted by the laws of the State;

(viii) costs incurred in connection with financing the BCRUA Project, including, without limitation:

(1) financing, legal, accounting, financial advisory, rating agency, and auditing fees, expenses and disbursements;

(2) the cost of printing, engraving, and reproduction services; and

- (3) the cost of a trustee's or paying agent's initial or acceptance fee and subsequent fees;
- (ix) all costs, fees and expenses of litigation of all kinds;
- (x) the cost of property casualty and public liability insurance;
- (xi) the fees and costs of the underwriters as the anticipated purchasers of the Bonds;
- (xii) reimbursement of the costs previously incurred by and agreeable to the other Cities with respect to the BCRUA Project; and
- (xiii) other costs generally recognized as a part of BCRUA Project construction costs.

BCRUA Project Costs will be allocated among the Cities in accordance with Exhibit "D".

(h) "Bond Payment(s)" means the amount of money to be paid to the BCRUA by a City, for the debt service or to fund or replenish any debt service reserve fund or other special or contingency fund or the payment of Trustee or other fees related to one or more series of Bonds issued for that City, which Bonds are payable from the gross revenues of the City's System as an operating and maintenance expense of the City's System at the times and in the amounts required to pay debt service on a series of Bonds issued for that City, at such time as further provided in Section 4.5 of this Contract. A City is responsible for paying debt service on only the series of Bonds issued for that City, after taking into account any capitalized interest funded from the proceeds of any series of Bonds issued for that City. A City is not responsible for paying debt service on any series of Bonds issued for another City.

(i) "Bond Resolution" means any resolution and/or trust indenture of the BCRUA, authorizing the issuance of and securing a series of Bonds and all amendments and supplements thereto authorized by such resolution to establish certain terms of the Bonds authorized by such resolution. Since separate series of Bonds will be issued for each City requesting financing, any such reference in this Contract means the Bond Resolutions related to the City for which such series of Bonds are being issued.

(j) "Bonds" means all bonds, notes, or other obligations hereafter issued by the BCRUA, for each City requesting financing, the proceeds of which shall be used to pay such City's share of BCRUA Project Costs, (including any Additional Bonds) or to refund any Bonds or to refund any such refunding Bonds.

(k) "Cities" means, collectively, the City of Cedar Park, Texas, the City of Leander, Texas, and the City of Round Rock, Texas. "City" means, respectively, the City of Cedar Park, Texas, the City of Leander, Texas, or the City of Round Rock, Texas.

(l) "City System" means and includes a respective City's existing combined waterworks and wastewater disposal system, together with all future extensions, improvements, enlargements, and additions thereto, including, to the extent permitted by law, and/or reclaimed water systems which are integrated with the waterworks or wastewater disposal system, and all replacements thereof, provided that, notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term City System shall not include any waterworks or wastewater facilities which are declared by a City not to be a part of its City System of such City and which are hereafter acquired or constructed by a respective City with the proceeds from

the issuance of "Special Project Bonds", which are hereby defined as being special revenue obligations of such City, which are not secured by or payable from the net revenues of a respective City System, but which are secured by and are payable solely from special contract revenues, or payments received by a City or any other legal entity, or any combination thereof, in connection with such facilities; and such revenues or payments shall not be considered as or constitute gross revenues of a respective City System, unless and to the extent otherwise provided in the ordinance or ordinances authorizing the issuance of such "Special Project Bonds."

(m) "Claim", as used in Section 12.13 of this Contract, means claims, demands, and expenses, including reasonable attorney's fees.

(n) "Code" means the Internal Revenue Code of 1986, and any amendments thereto, as in force and effect on the date of delivery of any series of Bonds.

(o) "Completion Date" means such term as it is defined in Section 3.9 of this Contract.

(p) "Construction Fund" means the fund created with that name pursuant to a Bond Resolution.

(q) "Credit Agreement" means any bond insurance policy or other credit agreement, as defined in and authorized by the provisions of Chapter 1371, as amended, Texas Government Code, which the BCRUA may execute relating to a series of Bonds.

(r) "Delivery Point" means the place, whether one or more, to which the BCRUA will deliver treated water to each City pursuant to this Contract.

(s) "Engineering Reports" means collectively the Preliminary Engineering Report ("PER") and the Preliminary Design Report ("PDR"). The Preliminary Design Report updates, and in some circumstances replaces and modifies, the Preliminary Engineering Report. In the event there is a conflict between the two reports, the Preliminary Design Report shall prevail. The Engineering Reports may be amended, modified and changed and superseded with the approval of the BCRUA and Cities, at any time prior to the execution of construction contracts for the BCRUA Project or as modified and changed by change orders issued after the execution of such construction contracts; provided, however, no such change order shall adversely affect any City without the unanimous consent of the Cities.

(t) "Fiscal Year" means the fiscal year, which currently begins on October 1 of each year and ends on September 30 of the following year.

(u) "Force Majeure" means such term as it is defined in Section 12.3 of this Contract.

(v) "General Manager" means the individual hired by the BCRUA to manage the affairs of the BCRUA.

(w) "Insurance Policy" means the insurance policy, if any, issued by the Insurer guaranteeing the scheduled payment of principal of and interest on a particular series of Bonds when due.

(x) "Insurer" means the company, if any, insuring a particular series of the Bonds, or any successor thereto or assignee thereof.

(y) "Land Interests" means the fee simple interests and/or the easements, right-of-way, and other interests in real property necessary for the acquisition, construction, and operation of the BCRUA Project.

(z) "MSRB" means the Municipal Securities Rulemaking Board and any successor to its duties.

(aa) "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.

(bb) "Operation and Maintenance Expenses" means all direct costs and expenses, fixed and variable, incurred by the BCRUA for its operation and maintenance of the BCRUA Project, including (for greater certainty but without limiting the generality of the foregoing) the costs of utilities, supervision, treatment, engineering, accounting, auditing, legal services, insurance premiums, supplies, services, and administration of the BCRUA Project, Overhead Expenses, and costs of operating, repairing, maintaining, and replacing equipment for proper operation and maintenance of the BCRUA Project. The term "Operation and Maintenance Expenses" does not include depreciation charges or such portion of the above-described costs to the extent such costs are paid pursuant to an agreement other than this Contract.

(cc) "Operations Committee" means the committee created in Article V of this Contract.

(dd) "Overhead Expenses" means the BCRUA's reasonable and necessary costs and expenses incurred at any time directly related to the issuance and servicing of the Bonds, the acquisition of Land Interests required for the BCRUA Project, the design, permitting, financing, acquisition, construction, and ownership of the BCRUA Project and any other activities required of or involving the BCRUA in connection with or attributable to the BCRUA Project or the Bonds.

(ee) "Permitted Liens" means

(i) minor irregularities, charges, liens, encumbrances, defects, easements, licenses, rights-of-way, servitudes, restrictions, mineral rights, and clouds on title which, in the opinion of counsel to the BCRUA, a copy of which shall be forwarded to each City, do not materially impair the use of the BCRUA Project for the purposes for which it is designed;

(ii) easements for roads (as used in this Contract, the term "roads" shall include, without limitation, streets, curbs, gutters, drains, ditches, sewers, conduits, canals, mains, aqueducts, aerators, connections, ramps, docks, viaducts, alleys, driveways, parking areas, walkways, and trackage), utilities (which for purposes of this Contract shall include, without limitation, water, sewer, electricity, gas, telephone, pipeline, railroad, and other collection, transportation, light, heat, power, and communication systems) and similar easements and other easements, rights-of-way, rights of flowage, flooding, diversion or outfall, licenses, restrictions, and obligations relating to the operation and maintenance of the BCRUA Project which, in the opinion of counsel to the BCRUA, a copy of which shall be forwarded to each City, do not materially impair the use of the BCRUA Project for the purposes for which it is designed; and

(iii) rights of the United States or any state or political subdivision thereof, or other public or governmental authority or agency or any other entity vested with the power of eminent domain to take or control property or to terminate any right, power, franchise, grant, license, or permit previously in force.

(ff) “Plans and Specifications” means the plans and specifications prepared for the BCRUA Project by the BCRUA Consulting Engineer(s), as the same may be revised from time to time in accordance with this Contract.

(gg) “Preliminary Design Report” or “PDR” means collectively the following described documents:

(i) *Treatment Plant PDR*. “Brushy Creek Regional Water Treatment Plant; Preliminary Design Report prepared by Camp Dresser & McKee, Inc., dated July, 2008;

(ii) *Raw Water PDR*, “Brushy Creek Regional Water Supply Project – Phase 1 Raw Water Facilities – Floating Intake and Raw Water Pipeline; Preliminary Design Report” prepared by Carter & Burgess, Inc., dated October 2007;

(iii) *Treated Transmission Main, Segment 1 PDR*, “Brushy Creek Regional Utility Authority 78 inch Water Transmission Main Preliminary Engineering Report: prepared by Lockwood, Andrews & Newnam, Inc., dated May 24, 2007; and

(iv) *Treated Transmission Main, Segment 2C PDR*, “Preliminary Engineering Report – Treated Water Transmission Line Segment 2C” prepared by K. Friese & Associates, Inc., dated September 2007.

(hh) “Preliminary Engineering Report” or “PER” means the “Cedar Park – Round Rock – Leander Regional Water Supply Project Preliminary Engineering Report,” prepared by HDR Engineering, Inc., dated January 2007.

(ii) “Prudent Utility Practice” means any of the practices, methods, and acts, in the exercise of reasonable judgment, in the light of the facts, including but not limited to the practices, methods, and acts engaged in or approved by a significant portion of the public utility industry prior thereto, known at the time the decision was made, that would have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety, and expedition. It is recognized that Prudent Utility Practice is not intended to be limited to the optimum practice, method, or act at the exclusion of all others, but rather is a spectrum of possible practices, methods, or acts which could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety, and expedition. In the case of any facility included in a City System which is owned in common with one or more other entities, the term “Prudent Utility Practice”, as applied to such facility, shall have the meaning set forth in the agreement governing the operation of such facility.

(jj) “Rule” means SEC Rule 15c2-12, as amended from time to time.

(kk) “Sale and Offering Documents” means any official notice of sale, official bid form, preliminary official statement, official statement, or other offering document for the Bonds.

(ll) “SEC” means the United States Securities and Exchange Commission and any successor to its duties.

(mm) "SID" means any entity designated by the State or an authorized department, officer, or agency thereof as, and determined by the SEC or its staff to be, a state information depository within the meaning of the Rule from time to time.

(nn) "State" means the State of Texas.

(oo) "TCEQ" means the Texas Commission on Environmental Quality or its successors or assigns.

(pp) "Trustee" means any trustee named under a trust indenture or the paying agent/registrar named in a paying agent/registrar agreement entered into by the BCRUA relating to the payment of a series of Bonds and authorized by a Bond Resolution.

(qq) "Utility Bond" means the bonds, notes and other obligations of a City outstanding from time to time secured by a lien on and pledge of the net revenues of that City's System or any part thereof, regardless of lien priority.

(rr) "TWDB" means the Texas Water Development Board or any successor entity thereto.

(ss) "TWDB Program" means the applicable TWDB programs.

(tt) "Water Rights" means each City's respective right to raw water under each City's contract with LCRA. Each City's right(s) to raw water are and shall remain the City's sole property. The BCRUA holds no raw water rights and will not acquire any raw water rights by virtue of this Contract.

Section 1.2 Interpretation. The table of contents and caption headings of this Contract are for reference purposes only and shall not affect its interpretation in any respect. Unless the context otherwise requires, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa. Defined terms include the plural and singular versions of the words. This Contract and all the terms and provisions shall be liberally construed to effectuate the purpose set forth herein and to sustain the validity of this Contract.

ARTICLE II

PURPOSE AND DESCRIPTION OF THE BCRUA PROJECT

Section 2.1 Raw Water Contracts. Each City, individually, has contracted with LCRA to purchase raw water from Lake Travis in sufficient quantities to meet the long-term projected demands for treated water for each City. Each City has conducted its own investigation and, based solely thereon, has determined that it has contracted for and acquired sufficient quantities of raw water to meet its own needs. A copy of the contract between the City of Round Rock and LCRA for raw water from Lake Travis is attached hereto as Exhibit "A." A copy of the contract between the City of Cedar Park and LCRA for raw water from Lake Travis is attached hereto as Exhibit "B." A copy of the contract, as amended, between the City of Leander and LCRA for raw water from Lake Travis is attached hereto as Exhibit "C."

Section 2.2 Regional Water Treatment and Distribution. In order to utilize the raw water from Lake Travis, in 2005, each City began independently studying and planning for its own water intake, treatment, and distribution system. In early 2006, the three Cities entered into discussions regarding the possibility of a joint regional intake, treatment, and distribution system.

Shortly thereafter, the Cities determined that a joint regional intake, treatment, and distribution system would be the most efficient and cost-effective option for each of them and their respective rate-payers.

Section 2.3 Local Government Corporation. After determining that a joint regional intake, treatment, and distribution system was the best solution available to the Cities water needs, in 2007 the Cities continued their discussions to determine the best method of jointly acquiring, financing, constructing, and operating such system. After researching the various options for a regional system, the Cities determined that the best method would be to create a Local Government Corporation pursuant to Subchapter D of Chapter 431, Texas Transportation Code. In July 2007, the three Cities jointly created a Local Government Corporation which was named the Brushy Creek Regional Utility Authority, Inc. The express purpose for the creation of the BCRUA was to provide an efficient vehicle for the financing, construction, acquisition, ownership, maintenance, and operation of a regional water transmission, treatment, and distribution and/or a regional wastewater collection and treatment systems and/or a water reuse system.

Section 2.4 Purpose of this Contract. The purpose of this Contract is to set forth the terms and conditions under which the Cities, by and through the BCRUA, will finance, construct, acquire, own, maintain and operate the BCRUA Project. This Contract also sets forth in general terms the manner in which the Cities will share the costs of constructing, operating, and maintaining the BCRUA Project.

Section 2.5 Title to Raw Water. Title to and interest in each City's raw water supply shall remain with each City, respectively, at all times. The BCRUA shall not acquire any right or title to the Cities' respective raw water interests by virtue of this Contract and shall not otherwise assert any ownership interest in any City's raw water rights. However, the Cities hereby authorize and assign to the BCRUA the authority to take the raw water from Lake Travis and to exercise servicing authority over, and in all respects, to use the raw water for the sole purpose of treating said water in order to deliver potable water to the Cities. The BCRUA will be responsible for the operation of the BCRUA Project and the treatment of raw water, but shall not claim title to any of the raw water contracted for by the Cities, respectively, which passes through and is treated by the BCRUA Project. Each City is solely responsible to make available sufficient raw water to the BCRUA for its reserved treatment capacity in the BCRUA Project, and the BCRUA shall treat such raw water at its treatment plant.

Section 2.6 Other Contracts. The BCRUA shall not enter into contracts with other entities or persons for the supply of treated water without the prior written consent of all the Cities, which consent shall not be unreasonably withheld.

Section 2.7 Quality. The treated water to be delivered by the BCRUA and received by the Cities shall be potable water. The BCRUA will draw all or a portion, as the case may be, of each City's raw water from Lake Travis into the BCRUA Project for treatment and distribution in order to serve each City's need for treated water, and the BCRUA will treat such raw water using the BCRUA Project and equipment described in the Preliminary Design Report.

Section 2.8 Operation. The BCRUA covenants to operate the BCRUA Project in accordance with Prudent Utility Practices and in accordance with applicable regulatory requirements and standards.

Section 2.9 Conservation Plans. Each City has adopted a water conservation plan in accordance with the rules and regulations of the TCEQ. Each City agrees to provide the BCRUA a certified copy of its adopted plan. Each City covenants to the other Cities and to the BCRUA to fully comply with their respective conservation plans and to comply with all applicable rules and regulations of the TCEQ.

ARTICLE III

ACQUISITION AND CONSTRUCTION OF THE BCRUA PROJECT

Section 3.1 General. Subject to the remaining terms and provisions of this Contract, the BCRUA agrees to issue one or more series of the Bonds, as requested by any City, to acquire and construct the BCRUA Project as generally described in the Preliminary Design Report. The Parties anticipate that the BCRUA Project will be operational by April 1, 2011. It is expressly understood and agreed that any obligations on the part of the BCRUA to finance, acquire, construct, and complete the BCRUA Project and any future expansions of the BCRUA Project and to provide the water treatment capacity to the Cities shall be (i) conditioned upon the BCRUA's ability to obtain all necessary permits, Land Interests, material, labor, and equipment, and upon the ability of the BCRUA to finance the BCRUA Project Costs through the actual sale of the Bonds or receipt of funds from the Cities, including any Additional Bonds needed to complete the BCRUA Project, and (ii) subject to all present and future valid laws, orders, rules, and regulations of the United States of America, the State, and any regulatory body having jurisdiction. The BCRUA shall acquire and construct the BCRUA Project with all reasonable dispatch, and the BCRUA will diligently pursue such acquisition and construction in order that the BCRUA Project will be operational by April 1, 2011, delays incident to events of Force Majeure only excepted; but if for any reason there should be delays in or the entire failure of such acquisition, construction, and improvement, there shall be no diminution in or postponement of the Annual Payments to be made by the Cities hereunder and no resulting liability on the part of the BCRUA.

Section 3.2 Location of BCRUA Project; Acquisition of Land Interests. The BCRUA Project will be constructed and located on, across, within and through the Land Interests. The BCRUA (or one or more of the Cities) shall, as soon as possible after the delivery of this Contract, and subject to the receipt of the Bond proceeds or funds from the Cities, undertake the acquisition of the Land Interests. The BCRUA shall be responsible for ensuring that proper filings of each such portion of the Land Interests are made in the deed records of the appropriate counties to ensure that all interested parties have proper notice of the BCRUA's interests in the Land Interests. As each deed, easement, or other evidence of an interest in real property comprising a portion of the Land Interests is acquired by the BCRUA, a copy of such instrument, together with evidence of its filing in the deed records of the counties in which such portion lies, shall, upon the written request of the Cities, be given to the Cities.

The BCRUA shall acquire a title insurance policy or a title opinion showing good and indefeasible title with respect to each Land Interest acquired. A copy of each such title insurance policy or title opinion shall be retained in the BCRUA's official records.

Section 3.3 Construction. The BCRUA shall, as soon as possible, undertake to make, execute, deliver, and prosecute all contracts, orders, receipts, writings, and instructions with or to

other persons, and in general do or cause to be done all such other things, as may be required for the proper acquisition and construction of the BCRUA Project.

Section 3.4 Selection of BCRUA Consulting Engineer(s); Plans and Specifications. The BCRUA acknowledges that the Cities have previously contracted with several engineering firms to prepare the Preliminary Design Report for the BCRUA Project. Upon BCRUA's receipt of funding, the Cities shall assign to the BCRUA the aforesaid engineering contracts. Upon assignment, the BCRUA shall cause the aforesaid engineering firms to complete the Plans and Specifications and the other materials to be used in the construction of the BCRUA Project and to perform such other engineering tasks as shall be necessary for construction of the BCRUA Project.

Section 3.5 Award of Construction Contracts. Upon obtaining the approval of the Board of Directors of the BCRUA of the Plans and Specifications, the BCRUA will promptly advertise for sealed bids or comply with the requirements for an alternative delivery method for the BCRUA Project to the extent and as required by law. The BCRUA may break the BCRUA Project into several contracts or phases as it determines is best for the timely acquisition and construction of the BCRUA Project. The BCRUA shall not be obligated to award a construction contract unless the proceeds from the Bonds or other funding are available to pay the contract(s). The BCRUA shall ensure that all contracts for the construction of the BCRUA Project provide that the BCRUA Project will be operational by April 1, 2011.

Section 3.6 Liens. Neither the Cities nor the BCRUA will create or permit or suffer to exist any lien, encumbrance, or charge upon the BCRUA Project or any interest therein at any time, except Permitted Liens.

Section 3.7 Revisions of Plans. The BCRUA may revise the Plans and Specifications prior to the Completion Date with the unanimous approval of the Cities.

Section 3.8 Approvals. Unless otherwise required by law, each consent, approval, or other official action required of the Cities or the BCRUA by any provision of this Contract shall be deemed in compliance with this Contract when written evidence of such action, signed by the respective Authorized Representative, is delivered to the party who is to receive evidence of such action. All contracts to be entered into by the BCRUA shall be authorized by the BCRUA's Board of Directors. The Cities will cooperate with the BCRUA in the design, financing, acquisition, and construction of the BCRUA Project and, following the adoption of the Bond Resolution by the BCRUA's Board of Directors, will not take any action or fail to take any action (including, without limitation, any exercise or denial of its consent or approval of any action proposed to be taken by the BCRUA or any of its agents hereunder), if taking or failing to take such action, respectively, would unreasonably delay or obstruct the completion of the BCRUA Project by the BCRUA.

Section 3.9 Completion. Upon completion of the BCRUA Project, the BCRUA shall deliver to the Cities a certificate of the BCRUA and the BCRUA Consulting Engineer(s) stating that, as of a specified date, the BCRUA Project has been completed (the date specified in such certificate being herein called the "Completion Date").

Section 3.10 Raw Water Supply. Each City has conducted its own investigation and, based solely thereon, has determined that it has contracted for and acquired sufficient quantities of raw water to meet its needs. Title to and interest in each City's raw water supply shall remain

with each City, respectively, at all times. The BCRUA shall not acquire any right or title to the Cities' respective raw water interests by virtue of this Contract and shall not otherwise assert any ownership interest in any City's raw water rights. However, the Cities hereby authorize and assign to the BCRUA the authority to take the raw water from Lake Travis and to exercise servicing authority over and in all respects to use such raw water for the sole purpose of treating such raw water in order to deliver potable water to the Cities. The BCRUA will be responsible for the operation of the BCRUA Project and the treatment of raw water, but shall not claim title to any of the raw water contracted for by the Cities, respectively, which passes through and is treated by the BCRUA Project. Each City is solely responsible to make available to the BCRUA sufficient raw water for its reserved treatment capacity in the BCRUA Project, and the BCRUA shall treat such raw water at its treatment plant.

Section 3.11 Access to Cities. If any facility, pipeline, or appurtenance owned by the BCRUA is installed in any street, alley, or public way within the boundaries of a City, as same is now constituted or as may hereafter be extended, such City hereby grants to the BCRUA, upon complying with such City's franchise ordinances or other provisions, the right, privilege, and franchise of using such street, alley or public way for the purposes of maintaining, operating, laying, repairing, or removing such facility, pipeline, or appurtenance.

Section 3.12 Easements. Each City hereby agrees to grant to the BCRUA such easements as may be reasonably necessary for the purposes of placing, constructing, operating, repairing, maintaining, rebuilding, replacing, relocating, and removing water treatment facilities upon, over, across and through the City's property and giving to the BCRUA, and its successors and assigns, all of the rights and benefits necessary or appropriate for the full enjoyment and use of the easement, including but without limiting the same, to the free right of ingress and egress to and from the City's property.

Section 3.13 Delivery Point. The BCRUA Project will include the Land Interests required to deliver treated water to the Deliver Point for each City at the location depicted in the Engineering Reports. After completion of the BCRUA Project, each City shall have the sole responsibility, at its own cost and expense, for providing additional pipelines and other facilities required for transporting its share of the treated water from the BCRUA Project to a new or additional Delivery Point, but an additional or alternative Delivery Point will be allowed only with the consent of the Cities, which consent will not be unreasonably withheld.

Section 3.14 Other Contracts. The BCRUA shall not enter into contracts with other persons for the supply of treated water without the prior written consent of all the Cities, which consent shall not be unreasonably withheld.

Section 3.15 Quality. The treated water to be delivered by the BCRUA and received by the Cities shall be potable water. The BCRUA will draw all or a portion, as the case may be, of each City's raw water from Lake Travis into the BCRUA Project for treatment and distribution in order to serve each City's need for treated water, and the BCRUA will treat such raw water using the BCRUA Project and equipment described in the Engineering Reports.

ARTICLE IV
FINANCING OF THE BCRUA PROJECT

Section 4.1 **Issuance of Bonds.**

- (a) The BCRUA's acquisition, construction, and completion of the BCRUA Project will be financed by
- (i) receipt of funds from the Cities, respectively,
 - (ii) the BCRUA through the issuance of one or more series or issues of Bonds by the BCRUA for a City, which Bonds are payable solely from and secured, in part, by an assignment of the Bond Payments made under this Contract by the City for which such series of Bonds are issued, or
 - (iii) any combination of funds from the Cities, respectively, and the issuance of Bonds for the Cities, respectively. It is expressly understood and agreed by the BCRUA and the Cities that the BCRUA shall issue Bonds as separate series for the applicable City.

Each City shall be solely responsible for Bond Payments on its series of Bonds. No City shall have any liability or responsibility for any Bond Payment on a series of Bonds issued for another City. In consideration of the covenants and agreements set forth in this Contract, and to enable the BCRUA to issue the Bonds to carry out the intents and purposes hereof, this Contract is executed to assure the issuance of the Bonds at the request of a City and to provide for and ensure the due and punctual payment by such City to the BCRUA, or to the Trustee relating to the series of Bonds issued for such City, of amounts not less than the Bond Payments. Each City hereby agrees to make, or cause to be made, its respective Bond Payments, as and when due, for the benefit of the owners of the Bonds, as provided in the Bonds and the Bond Resolution. The cost allocations for the BCRUA Project Cost are shown in Exhibit "D."

(b) The proceeds from the sale of the Bonds, together with any funds received from a City will be used for the payment of the BCRUA Project Costs. Upon request of a City, the Bonds will be issued by the BCRUA for such City's share of the amount anticipated to be required to acquire and construct the BCRUA Project, including payment of all BCRUA Project Costs advanced by such City and incurred by the BCRUA prior to the date of issuance of the Bonds, and to fund, to the extent deemed advisable by the BCRUA, a debt service reserve fund, if applicable, and interest on the Bonds during construction and for up to one year after the Completion Date. However, each City specifically reserves the right to pay cash to the BCRUA rather than have the BCRUA issue Bonds on its behalf.

(c) Each Bond Resolution of the BCRUA shall specify the maximum principal amount of the Bonds for each City's series of Bonds to be issued thereunder. The Bonds shall mature not more than forty (40) years from the date of such Bonds and shall bear interest at not to exceed the maximum legal rate then permitted by law, and the Bond Resolution may create and provide for the maintenance of a revenue fund, a debt service fund, a reserve fund, a construction fund, and any other funds deemed prudent by the BCRUA, all in the manner and amounts as provided in such Bond Resolution.

(d) Prior to the final adoption of a Bond Resolution or any amendment of a Bond Resolution by the BCRUA's Board of Directors for a City, a substantially final copy of the

proposed Bond Resolution for such City and the Sale and Offering Documents, if any, for such City shall be presented to the governing body of such City for review and approval.

- (e) Upon approval by the City's governing body of
 - (i) a substantially final copy of the Bond Resolution for the City hereafter adopted by the BCRUA for the applicable City, including any Credit Agreements,
 - (ii) any amendments to any Bond Resolution for the City, and
 - (iii) the Sale and Offering Documents for the City and the delivery to the BCRUA of a certification signed by the Authorized Representative of the City to the effect that the Bond Resolution and the Sale and Offering Documents comply with this Contract,

then upon the adoption and approval of the Bond Resolution in such final form by the BCRUA's Board of Directors or Authorized Representative, as the case may be, and the issuance and delivery of the Bonds to the purchaser thereof, the Bond Resolution shall for all purposes be considered approved by the City for its Bonds and deemed to be in compliance with this Contract in all respects, and the Bonds issued thereunder will constitute Bonds as defined in this Contract for all purposes. Any registered owner of Bonds is entitled to rely fully and unconditionally on any such approval.

(f) All covenants and provisions in the Bond Resolution affecting, or purporting to bind, the City shall, upon the delivery of the Bonds, become absolute, unconditional, valid, and binding covenants and obligations of the City so long as the Bonds and interest thereon are outstanding and unpaid, and may be enforced by the remedies of mandamus and specific performance in addition to any other legal or equitable remedies which may be available, as provided in Section 12.10 of this Contract and the Bond Resolution. Particularly, the obligation of the City to make, promptly when due, all Annual Payments specified in this Contract shall be absolute and unconditional, and said obligation may be enforced as provided in this Contract. In addition, subject to the approval of the City, the BCRUA may enter into Credit Agreements for the purpose of achieving the lowest financing costs for the BCRUA Project.

Section 4.2 Proceeds of Bonds. Subject to the terms and provisions of this Contract, the proceeds of the Bonds shall be used by the BCRUA for the purpose of financing and funding the BCRUA's acquisition and construction of the BCRUA Project as provided in Section 4.1. Upon request by a City, the BCRUA shall use its best efforts to issue its Bonds, in one or more separate series for each City requesting financing, in amounts which will be sufficient, together with any funds contributed by a City, to accomplish such purpose. The proceeds of the Bonds shall be deposited in the Construction Fund established pursuant to the terms of each Bond Resolution. A trust indenture may be entered into between the BCRUA and a corporate trustee for the purpose of securing the payment of the Bonds. The trust indenture or each Bond Resolution, as appropriate, will establish procedures for the payment of BCRUA Project Costs out of one or more construction funds, or subaccount within the Construction Fund. It is anticipated that the Bonds will be issued pursuant to each Bond Resolution and that a paying agent/registrar agreement will be executed between the BCRUA and the Trustee concerning the payment procedures with respect to the Bonds.

Any funds contributed by a City for its share of BCRUA Project Costs shall be deposited into a separate subaccount of the Construction Fund of the BCRUA

- (a) prior to the BCRUA pricing any series of Bonds for a City or
- (b) simultaneous with the delivery of the proceeds of any series of Bonds so long as sufficient evidence is provided to the BCRUA and Cities prior to pricing of Bonds that their funds will be available at the closing of the Bonds.

Section 4.3 Refunding of Bonds. The BCRUA reserves the right to issue refunding bonds in accordance with the laws of the State and will provide notice to each applicable City, respectively, of the redetermined Bond Payment in accordance with Section 9.2 of this Contract.

Section 4.4 Redemption of Bonds. The BCRUA, in its sole discretion or upon the written request of a City (and provided that the affected series of Bonds for such City are subject to redemption or prepayment prior to maturity at the option of the BCRUA, and provided that such request is received in sufficient time prior to the date upon which such redemption or prepayment is proposed), forthwith shall take or cause to be taken all action that may be necessary under the applicable redemption provisions of the series of Bonds to redeem the Bonds or any part thereof, to the full extent of funds that are either made available for such purpose by the applicable City or already on deposit under the Bond Resolution and available for such purpose. The redemption of any outstanding Bonds prior to maturity at any time shall not relieve the applicable City of its absolute and unconditional obligation to pay each remaining Annual Payment with respect to any outstanding Bonds, as specified in the Bond Resolution.

Section 4.5 Debt Service on Bonds and Other Bond Funding Requirements. It is acknowledged and agreed that payments to be made under this Contract will be the primary source available to the BCRUA to provide the money necessary for the BCRUA to meet its obligations with respect to any series of Bonds and any Credit Agreements. Each City therefore agrees and accepts sole responsibility to pay the Bond Payments related to the series of Bonds issued for the respective City, as outlined in subsections (a) through (c) below, in full when due as provided in this Contract. However, no City shall have any liability or responsibility for any Bond Payments on a series of Bonds issued for another City. Bond Payments shall be due by the close of business on the business day prior to each date on which any of the following payments or deposits shall be due and shall be in an amount equal to all such payments and deposits due on such date:

- (a) debt service on its related series of Bonds for each respective City for which such series of Bonds were issued and related payments and deposits, as follows:
 - (i) principal of, redemption premium, if any, and interest on, its related series of Bonds for each respective City, less interest to be paid out of Bond proceeds or from other sources if permitted by any Bond Resolution, and the redemption price of any Bonds to be redeemed prior to maturity when and as provided in any Bond Resolution plus the fees, expenses, and, to the extent permitted by law, indemnities of the Trustee, if any, for the Bonds, and those of the paying agent/registrar for paying the principal of and interest on the Bonds and for authenticating, registering, and transferring Bonds on the registration books;
 - (ii) deposits required to be made to any special, contingency, or reserve fund by the provisions of any Bond Resolution; and

- (iii) any deposit in addition thereto required to restore any deficiency in any of such funds by the provisions of any Bond Resolution,
- (b) amounts payable by the BCRUA under a Credit Agreement; and
- (c) the fees, expenses, and indemnities (to the extent permitted by law) of the Trustee, remarketing agent, rate setting agent, authentication agent, arbitrage rebate compliance firm, and tender agent, if any, for the Bonds.

Section 4.6 Billing. The BCRUA will maintain rates and charges sufficient to meet the debt service requirements on outstanding Bonds, and each City shall maintain rates and charges for its City System sufficient to pay the City's obligations secured by and made payable from the revenues derived from the operation of its City System, as provided in Section 9.3(b) of this Contract. To the extent Annual Payments are due, the BCRUA will render a bill to each City not more than once each month, for the payments required by this Contract. The BCRUA shall, until further notice, render such bills on or before the 5th day of each month and such bills shall be due and payable on the 15th day of each month or ten (10) days after such bill is deposited into the United States mail, properly stamped and addressed to the Cities whichever is later and thereafter, to the extent permitted by law, interest shall accrue thereon at the rate of ten per cent (10%) per annum until paid in full. Notwithstanding the foregoing, Bond Payments shall be paid in accordance with Section 4.5 of this Contract. The BCRUA may, however, from time to time by sixty (60) days' written notice change the date by which it shall render bills, and all bills shall thereafter be due and payable fifteen (15) days after such dates as herein provided. Each City shall make all payments in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts and shall make payment to the BCRUA as its office in Williamson County, Texas, or at such other place as the BCRUA may from time to time designate by sixty (60) days written notice.

Section 4.7 Delinquency in Payment. If any City fails to pay in full any bills when due and payable, the BCRUA shall give written notice of such delinquency to the City and if all bills due and unpaid, including interest thereon, are not paid in full within forty-five (45) days after delivery of such notice, then the City agrees that the BCRUA shall be authorized, at its sole option, to institute suit for collection thereof and to collect any amounts due and unpaid, together with interest thereon and reasonable attorneys' fees, and the City further agrees that the BCRUA shall, at its sole option, discontinue providing treated water to the City until all amounts due and unpaid are paid in full with interest as herein specified. Any such discontinuation of service shall not, however, relieve the City of its unconditional obligations to make the payments required by this Contract. It is also hereby expressly acknowledged and agreed that any nondefaulting City shall have no obligation to make any payments for the benefit of the defaulting City.

Section 4.8 BCRUA's Rights Assigned to Trustee. The Cities are advised and recognize that as security for the payment of a series of Bonds, the BCRUA may, subsequent to the issuance of the initial series of Bonds, assign to the Trustee, pursuant to one or more trust indentures (or paying agent/registrars agreements) to be authorized by a Bond Resolution, the BCRUA's rights under this Contract, including the right to receive the Annual Payments hereunder (but not the right to receive payments, if any, under Section 12.13 hereof). Each City assents to such assignment and will make the Annual Payments directly to the Trustee without defense or set-off by reason of any dispute between one or both of the Cities and the BCRUA or the Trustee. All rights against a City arising under this Contract or each Bond Resolution and

assigned to the Trustee may be enforced by the Trustee, or the owners of the Bonds, to the extent provided in each Bond Resolution, and the Trustee, or the owners of the Bonds, shall be entitled to bring any suit, action, or proceeding against a City, to the extent provided in the Bond Resolution, for the enforcement of this Contract, and it shall not be necessary in any such suit, action, or proceeding to make the BCRUA or any other City a party thereto.

Section 4.9 Tax-Exempt Bonds. The Parties hereto understand and agree that the BCRUA will use reasonable efforts to provide for, but will not be liable for a failure to produce, the lowest overall debt service cost for any series of Bonds to be issued for the BCRUA Project. In connection therewith, each City understands that the BCRUA intends to issue Bonds the interest on which is excludable from the gross income of the owners thereof for federal income tax purposes. The Parties hereto acknowledge their understanding that the federal income tax laws impose certain restrictions on the use and investment of proceeds of such tax-exempt bonds and on the use of the property financed therewith and the output produced therefrom. Accordingly, each City agrees and covenants that if any series of Bonds are offered to investors with the understanding that the interest will be exempt from federal income taxation, then the Parties, their assigns and agents, will take such action to assure, and refrain from such action which will adversely affect the treatment of such Bonds as obligations described in section 103 of the Code. Should any party fail to comply with such covenant, the effect of which being that the Bonds no longer qualify as obligations described in the Code, such defaulting party shall be liable for all costs resulting from the loss of the tax-exempt status of the Bonds. The Parties hereby agree and covenant to comply with all of the representations and covenants relating to such exemption which are set out in any Bond Resolution. Each City and the BCRUA further agree and covenant that in the event any series of Bonds issued are to be tax-exempt, they will modify such agreements, make such filings, restrict the yield on investments, and take such other action necessary to fulfill the applicable provisions of the Code. For these purposes, the Parties may rely on the respective opinion of any firm of nationally-recognized bond attorneys selected by them. In the event that a conflict arises in the opinions of the respective firms of each of the Parties, the Parties will identify a different firm that is mutually acceptable to all Parties, in order to resolve the conflict of opinion.

Section 4.10 Payment to Rebate Fund. In the event that tax-exempt Bonds are issued as provided in Section 4.9, the BCRUA hereby covenants and agrees to make the determinations and to pay any deficiency into a rebate fund, at the times and as described in each Bond Resolution to comply with the provisions of section 148(f)(2) of the Code. In any event, if the amount of cash held in each rebate fund shall be insufficient to permit the BCRUA or the Trustee to make payment to the United States of America of any amount due on any date under section 148(f)(2) of the Code, each City forthwith shall pay the amount of such insufficiency for the series of Bonds issued for that City on such date to the Trustee in immediately available funds for such purpose. The obligations of each City under this Section 4.10 are direct obligations of the City, acting under the authorization of, and on behalf of, the BCRUA and the BCRUA shall have no further obligation or duty with respect to the rebate fund.

Section 4.11 City's Obligations. In the event the BCRUA Project is not completed for any of the reasons contemplated herein or otherwise, or any proceeds from issuance of a series of Bonds are not used for completion of the BCRUA Project for any reason, any Bond proceeds and earnings thereon for such series not used for completion of the BCRUA Project shall be utilized to satisfy amounts due and owing on such Bonds as described in the related Bond Resolution,

and herein, so as to reduce the Bond Payments which would otherwise be due hereunder, or be applied for the benefit of each City as provided in the related Bond Resolution. Each City has covenanted absolutely and unconditionally, in accordance with all other terms of this Contract, to make the Annual Payments, as provided herein, in consideration for such application of the money as well as the other covenants and obligations of the BCRUA and others set forth or contemplated herein.

Section 4.12 Interest on Money. All legally available money respecting a series of Bonds shall be invested in the manner set forth in each Bond Resolution. Any interest earnings on the Bond proceeds may be used to pay principal of and interest on the related Bonds or for the payment of any BCRUA Project Costs or other costs related to the BCRUA Project approved by the Cities, subject to Section 4.9.

Section 4.13 Sale and Offering Documents. At the request of the BCRUA, each City for which a series of Bonds is being issued shall provide to the BCRUA current and historical information concerning such City's System, the financial conditions results, and prospects of the City, and such other information concerning such City as the BCRUA shall deem advisable for inclusion in the Sale and Offering Documents, if any, for the Bonds to be issued for such City, and shall certify to the BCRUA and the underwriters of any offering of Bonds to be made by means of such Sale and Offering Documents when and if the City deems such Sale and Offering Documents to be complete and final for purposes of the Rule. Each City represents and warrants that all statements concerning it (including, without limitation, its financial condition, results, and prospects, and any demographic and economic information concerning the area served by the BCRUA Project) that are contained in any Sale and Offering Document approved by the City pursuant to Section 4.1 hereof shall be true in all material respects and shall not omit to state any material fact necessary to make the statements made in such Sale and Offering Document, in the light of the circumstances in which they are made, not misleading.

Section 4.14 Right to Prepay. Each City shall have the right at any time to prepay all or any portion of its Annual Payments. Subject to the provisions of Section 4.9, such prepaid Annual Payments, including any interest accruing, shall be used and invested by the BCRUA as directed by the City which made such prepayment

- (a) as a credit against future Annual Payment obligations of such City,
- (b) to redeem Bonds issued for such City pursuant to the provisions of Section 4.4, or
- (c) to provide for the defeasance of the Bonds pursuant to the provisions of the applicable Bond Resolution.

Any such prepayment will not cause a termination of this Contract until all other amounts owed or to be incurred by the BCRUA or any other person under the provisions of the applicable Bond Resolution have been paid in full or waived by such person.

ARTICLE V

OPERATION, FINANCE AND MAINTENANCE OF BCRUA PROJECT

Section 5.1 Operation. The BCRUA shall operate the BCRUA Project in accordance with accepted good business and engineering practices and in accordance with requirements of federal

and state law, including without limitation the Texas Water Code, as amended, and as said laws may be amended in the future, and any rules and regulations issued and to be issued by appropriate agencies in the administration of said laws. The Operations Committee, as set forth below, shall assist the BCRUA by providing advice and recommendations on the operations of the BCRUA Project, as provided below.

Section 5.2 Payments for Operations and Maintenance Expenses. Each City shall pay to the BCRUA its Annual Payments, including Operations and Maintenance Expenses related to the operation of the BCRUA Project. However, controlling the costs paid by the Cities to the BCRUA for Operation and Maintenance Expenses shall be of primary importance to the BCRUA. The BCRUA shall use diligent efforts so that Operation and Maintenance Expenses incurred by the BCRUA and ultimately paid by the Cities are reasonable and justified. The BCRUA and the Cities agree that fixed Operation and Maintenance Expenses shall be allocated among the Cities based upon each City's reserved capacity in the BCRUA Project components, and that variable Operation and Maintenance Expenses shall be allocated among the Cities based upon the volume of treated water delivered to each City in relation to the volume of treated water delivered to all Cities.

Section 5.3 Composition of Operations Committee. The Cities and the BCRUA hereby create an Operations Committee to be composed of the following:

- (a) Two representatives appointed by Cedar Park;
- (b) Two representatives appointed by Round Rock; and
- (c) Two representatives appointed by Leander.

The City Manager of each City shall appoint appropriate city staff members as the City's representatives (and alternate representatives to serve in the absence of the City's representatives) to the Operations Committee promptly after execution of this Contract, and shall immediately notify the other Parties of such appointment. Each representative (or alternate representative) shall serve at the will of the City Manager who appointed such representative. Upon the death, resignation or revocation of the power of a City's representative (or alternate representative), the City Manager of such City shall promptly appoint a new representative (or alternate representative) to the Operations Committee.

Section 5.4 Responsibility of Operations Committee. The Operations Committee shall represent the individual and collective interests of the Cities and shall consult with and advise the BCRUA Board of Directors and its respective General Manager or other designated representative with regard to the following matters pertaining to the BCRUA Project:

- (a) The operation and maintenance of the BCRUA Project;
- (b) The addition of new customers to the BCRUA Project and the terms and conditions of the agreements with such new customers consistent with the provisions of this Contract;
- (c) Review of the budgets, prior to submission to the Board of Directors of BCRUA;

- (d) Review of the annual reports of the BCRUA Project;
- (e) Improvements to and expansions of the BCRUA Project;
- (f) Review and make suggestions regarding proposals submitted to BCRUA for engineering services related to the BCRUA Project;
- (g) Review bids or proposals received for construction of BCRUA Project components, and make recommendations for contract award;
- (h) Review invoices received for the construction of BCRUA Project components, and make recommendations for the allocation and payment of such invoices;
- (i) Make recommendations for professional services consultants, including, but not limited to, engineering and financial services;
- (j) Changes to the Engineering Reports;
- (k) Review cash flow projections and provide input as to the assumptions contained therein; and
- (l) Any other pertinent matters relating to the management of the BCRUA Project.

The Board of Directors of the BCRUA shall not take any action with respect to any of the foregoing matters without a recommendation from the Operations Committee. The Operations Committee shall meet at regular intervals to review the progress of construction of the BCRUA Project and the ongoing operation of the BCRUA Project. The Operations Committee shall have access to and may inspect at any reasonable time all physical elements of the BCRUA Project and all records and accounts of BCRUA pertaining to the BCRUA Project. The Operations Committee shall be diligent, prompt, and timely in reviewing and commenting on matters submitted to it. The Cities recognize that the activities of the Operations Committee are an important function of the operation of the BCRUA Project and authorize payment of all reasonable expenses and charges associated therewith.

Section 5.5 BCRUA's Overhead Expenses. To the extent not paid out of the proceeds of a series of Bonds, or otherwise, each City shall pay and reimburse the BCRUA for its share of the Overhead Expenses incurred by or attributable to it throughout the term of this Contract within thirty (30) days of receipt of documentation therefor from the BCRUA. Each City also agrees, with the consent of the BCRUA, to enter into an interlocal agreement to provide for, among other matters, an annual adjustment of the Overhead Expenses paid by each City based upon certain formulas and taking into account each City's reserved capacity in the BCRUA Project and/or the quantity of treated water actually delivered to each City.

ARTICLE VI
RESERVED CAPACITIES

Section 6.1 Reserved Capacities in BCRUA Project Components. Each City, respectively, shall have the exclusive right to its reserved capacity in each BCRUA Project component as described in Exhibit D. No reserved capacity may be allocated to or used by anyone other than the City on whose behalf that capacity has been reserved, unless the affected City specifically agrees in writing to the allocation or use.

Section 6.2 Reserved Capacities for Treated Water in the BCRUA Project. Each City, respectively, shall have the exclusive right to take, and the BCRUA shall have the obligation to deliver, treated water at the Delivery Points in the amounts shown in Exhibit D.

Section 6.3 Transfer of Reserved Capacity. Any City may transfer any portion of its reserved capacity in one or more BCRUA Project components to another City, in exchange for such consideration as such Cities shall deem appropriate. The Cities making such transfer shall provide written notice to the BCRUA and the other City, signed by the Cities making the transfer, specifying the amount of transferred reserved capacity and the affected BCRUA Project component(s), and providing that the Cities otherwise ratify and confirm their pre-existing obligations under this Contract. No such transfer shall be effective until and unless such notice is provided. A transfer of reserved capacity shall not change any Bond Payment, other payment, or other obligations of the Cities pursuant to this Contract.

Section 6.4 Documentation of Transferred Reserved Capacity. In the event that reserved capacity is transferred, the BCRUA and the Cities shall cause a written amendment to be made to Exhibit D describing such transfer and setting forth the revised reserved capacity of each City in the BCRUA Project or component(s) thereof.

ARTICLE VII
DELIVERY POINT(S)

Section 7.1 Delivery Point(s). Each City shall receive its treated water at a Delivery Point designated for each City in the Engineering Reports, or as mutually agreed upon by all Cities.

Section 7.2 Rate and Quantity at Delivery Point(s). The rate and quantity of treated water delivered to each City at its Delivery Point shall be metered. Each City shall cooperate in good faith to design the Delivery Point(s) to be at appropriate sizes and in appropriate locations to deliver the City's reserved capacity. Each Delivery Point shall be designed to deliver treated water at a maximum rate to be agreed upon by the Cities as design of the BCRUA Project progresses and stated in an amendment to the Engineering Reports, and no City shall take delivery of treated water from the BCRUA Project at such Delivery Point at a rate exceeding such agreed design rate.

ARTICLE VIII

METERING AND MEASUREMENT

Section 8.1 Unit of Measurement. The unit of measurement for water delivered hereunder shall be 1,000 gallons of water, U. S. Standard Liquid Measure.

Section 8.2 Measuring Equipment at the Intake Point. In compliance with the regulations and requirements of the LCRA, the BCRUA shall furnish, install, operate and maintain for the intake point on Lake Travis the necessary meters, including electronic or other equipment and devices of standard type for measuring properly the quantity of water taken from Lake Travis. Each City also agrees, with the consent of the BCRUA, to enter into an interlocal agreement to provide for, among other matters, the appropriate amount of water taken from Lake Travis to be allocated to each City based upon certain formulas and taking into account the quantity of treated water actually delivered to each City.

Section 8.3 Measuring Equipment at Delivery Points. The BCRUA shall furnish, install, operate and maintain at its own expense for each Delivery Point the necessary meters, including electronic or other equipment and devices of standard type for measuring properly the quantity of treated water delivered under this Contract. Such meter or meters and other equipment so installed shall remain the property of the BCRUA. Each City shall have access to such metering equipment at all reasonable times, but the reading, calibration, and adjustment thereof shall be done only by the employees or agents of the BCRUA. For the purpose of this Contract the original record or reading of the meter or meters shall be the journal or other record book of BCRUA in its office in which the records of the employees or agents of the BCRUA who take readings are or may be transcribed. Upon written request of a City, the BCRUA will give the City a copy of such journal or record book, or permit the City to have access to the same in the office of the BCRUA during reasonable business hours.

The BCRUA shall calibrate its meters periodically, but not less often than every three (3) years, in the presence of a representative of each City. The BCRUA and the Cities shall jointly observe any necessary adjustments which are made to the meters. If any check meter(s) hereinafter provided for have been installed, the same shall also be calibrated by each City in the presence of a representative of the BCRUA and a representative of the other Cities, who shall jointly observe any necessary adjustment. The BCRUA shall give the Cities reasonable notice of the time when any such calibration is to be made. In the event that a representative of a City is not present at the time set, the BCRUA may proceed with calibration and adjustment in the absence of any such representative.

If any party at any time observes a variation between the delivery meter or meters and the check meter or meters, if any such check meter or meters shall be installed, such party will promptly notify the other Parties, and the Parties hereto shall then cooperate to procure an immediate calibration test and joint observation of any adjustment, and said meter or meters shall then be adjusted to accuracy. Each party shall give the other Parties not less than forty-eight (48) hours notice of the time of all tests of meters so that the other Parties may have a representative present.

If upon any test, the percentage of inaccuracy of any metering equipment is found to be in excess of two percent (2%), registration thereof shall be corrected for a period extending back to the time when such inaccuracy began, if such time is ascertainable, and if such time is not

ascertainable, then for a period extending back one-half (½) of the time elapsed since the last date of calibration, but in no event further back than a period of six (6) months. If for any reason any meters are out of service or out of repair so that the amount of treated water delivered cannot be ascertained or computed from the reading thereof, the treated water delivered during the period such meters are out of service or out of repair shall be estimated and agreed upon by the Parties hereto upon the basis of the best data available. For such purpose, the best data available shall be deemed to be the registration of any check meter or meters if the same have been installed and are accurately registering. Otherwise the amount of treated water delivered during such period may be estimated (i) by correcting the error if the percentage of the error is ascertainable by calibration tests or mathematical calculation, or (ii) by estimating the quantity of delivery by deliveries during the preceding periods under similar conditions when the meter or meters were registering accurately.

Each City may, at its sole option and its own expense, install and operate a check meter to verify the operation of each meter installed by the BCRUA, but the measurement of treated water for the purpose of this Contract shall be determined solely by the BCRUA's meters, except in the cases hereinabove specifically provided to the contrary. All such check meters shall be of standard make and shall be subject at all reasonable times to inspection and examination by any employee or agent of the BCRUA, but the reading, calibration and adjustment thereof shall be made only by the City that installed the check meter, except during any period when a check meter may be used under the provisions hereof for measuring the amount of treated water delivered, in which case the reading, calibration and adjustment thereof shall be made by BCRUA with like effect as if such check meter or meters had been furnished or installed by BCRUA.

ARTICLE IX

ANNUAL PAYMENTS, CITY COVENANTS

Section 9.1 Annual Estimate of Annual Payments. Not less than ninety (90) days prior to each Fiscal Year, the BCRUA shall furnish to the Cities an estimate and schedule of the Annual Payments required to be paid by each City in such Fiscal Year.

Section 9.2 Annual Payments by the Cities.

(a) Each City hereby agrees that it will make payment of its Bond Payment to the extent BCRUA issues a series of Bonds for such City and its proportionate share of the Operation and Maintenance Expenses and Overhead Expenses to the BCRUA, or to the Trustee on behalf of the BCRUA, as provided in each Bond Resolution in accordance with the procedures established in Section 4.6 hereof. If a City at any time disputes the amount to be paid by it to the BCRUA, such City shall nevertheless promptly make such payment or payments, but if it is subsequently determined by agreement or court decision that such disputed payments made by the such City should have been less, or more, the BCRUA shall promptly revise the charges for such City in such manner that a City will recover its overpayment or the BCRUA will recover the amount due it. The BCRUA shall pursue all legal remedies, including the remedies of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available to it, against any City to enforce and protect the rights of the BCRUA and the owners of the Bonds, and the City shall not be

relieved of the liability to the BCRUA for the payment of all amounts which are due by them hereunder. However, no City shall have any liability or responsibility for any Annual Payment attributable to another City.

(b) Except to the extent otherwise provided by a Bond Resolution, all amounts due under this Contract shall be paid and are due in Williamson County, Texas, which is the County in which the principal administrative offices of the BCRUA are located.

(c) The BCRUA shall redetermine the estimate and schedule of Annual Payments due in any Fiscal Year at any time during such Fiscal Year, as and to the extent deemed necessary or advisable by the BCRUA to accurately forecast the amount and date of Annual Payments to be made by each City, if (i) the BCRUA issues Bonds to complete the BCRUA Project or to refund any Bonds or enters into, amends, or terminates a Credit Agreement, (ii) actual interest rates on any variable interest rate Bonds differ from those projected by the BCRUA, or (iii) any other event occurs which results in an increase or decrease in the Annual Payments required to be made by any City in such Fiscal Year.

(d) If, during any Fiscal Year, the Annual Payment is redetermined in any manner as provided or required in this Section, the BCRUA will promptly furnish the Cities with an updated schedule of payments reflecting such redetermination.

(e) Notwithstanding anything herein to the contrary, no failure of the BCRUA to estimate, and no mistake by the BCRUA in any estimate of, the amount of or schedule for Annual Payments due from the Cities in any Fiscal Year shall relieve any City from (or defer) its absolute and unconditional obligation to make all Annual Payments in full when due.

Section 9.3 Source of Payment.

(a) Each City represents and covenants that all payments to be made by it under this Contract shall constitute reasonable and necessary "operating expenses", as defined in Chapter 1502, as amended, Texas Government Code, of its City System, but only to the extent of the Annual Payment, and the Cities shall not be obligated to make the payments under this Contract from any source other than the gross revenues of its City System. Each City further represents that its Governing Body has determined that the services to be provided by the BCRUA Project are absolutely necessary and essential to provide the treated water to such City.

(b) Each City agrees throughout the term of this Contract to fix and collect such rates and charges for services to be supplied by its City System as will produce gross revenues at all times during the term of this Contract in an amount at least equal to (i) all of the expenses of operation and maintenance of its City System, including specifically its Annual Payments under this Contract and (ii) all other amounts as required by law and the provisions of the ordinances or resolutions authorizing its Utility Bonds or other obligations now or hereafter outstanding payable, in whole or in part, from the net revenues of the its City System, including the amounts required to pay all principal of and interest on such City's Utility Bonds and other obligations.

(c) No ad valorem tax revenues of any City shall be pledged to the payment of any amounts to be paid by the City to the BCRUA under this Contract, nor shall the BCRUA have the right to demand payment of any amounts to be paid by the City under this Contract be paid from funds raised or to be raised from ad valorem taxation from the City and the obligations under this Contract shall never be construed to be a debt or pecuniary obligation of the City of such kind as to require the City to levy and collect an ad valorem tax to discharge its obligations.

Section 9.4 Annual Budgeting by the Cities. Each City shall make provision in each of its annual budgets and shall appropriate an amount sufficient, at a minimum, for the payment of all amounts required to be paid by the City under this Contract.

Section 9.5 Revenue Sources Pledged. Each City hereby pledges the gross revenues of its City System to the payment of its obligations under this Contract and recognizes that the BCRUA will, and authorizes the BCRUA to, pledge the Bond Payments owing to it by each City under this Contract to the payment of the applicable series of Bonds and Credit Agreements issued for that particular City. The BCRUA agrees to make the payments for such series of Bonds and Credit Agreements when and as required by each Bond Resolution, each Credit Agreement, and this Contract, from and to the extent of proceeds of a series of Bonds not expended for the BCRUA Project and Bond Payments made by each City.

Section 9.6 General Covenants by Cities. Each City further represents, covenants and agrees that in accordance with and to the extent permitted by law, it will comply with the covenants listed below.

(a) Performance. It will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in each ordinance or resolution authorizing the issuance of the series of Bonds issued for it by the BCRUA; and it will, at the time and in the manner prescribed, deposit or cause to be deposited the amounts required to be deposited into the fund and accounts created by said ordinances, but only from and to the extent of the sources of funds described in such ordinances.

(b) Legal Authority. It is a duly created and existing home rule city of the State and is duly authorized under the laws of the State to enter into this Contract. By execution hereof, it represents that all actions on its part for the execution and delivery of this Contract have been duly and effectively taken; and that this Contract is a valid and enforceable special obligation of the City in accordance with its terms.

(c) Acquisition and Construction; Operation and Maintenance. (i) It shall use its best efforts in accordance with Prudent Utility Practice to acquire and construct, or cause to be acquired and constructed, any capital improvements to its City System, which shall mean and include any capital extensions, improvements, and betterments, in accordance with the plans and specifications therefor, as modified from time to time with due diligence and in a sound and economical manner; and (ii) it shall at all times use its best efforts to operate or cause to be operated its City System properly and in an efficient manner, consistent with Prudent Utility Practice, and shall use its best efforts to maintain, preserve, reconstruct and keep the same or cause the same to be so maintained, preserved, reconstructed and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make, or use its best efforts to cause to be made, all necessary and proper repairs, replacements, and renewals so that at all times the operation of its City System may be properly and advantageously conducted.

(d) Title. It has or will obtain lawful title, whether such title is in fee or lesser interest, to the lands, buildings, structures, and facilities constituting its City System; it will defend the title to all the aforesaid lands, buildings, structures, and facilities, and every part thereof, for the benefit of the BCRUA and the owners of each series of Bonds, against the claims and demands of all persons whomsoever; and it is lawfully qualified to pledge the gross revenues

of its City System to the payment of the payments required by this Contract in the manner prescribed herein, and has lawfully exercised such rights.

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

(f) Books, Records, and Accounts. It shall keep proper books, records, and accounts separate and apart from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to its City System and each series of Bonds, and it shall cause said books and accounts to be audited annually as of the close of each Fiscal Year. At the request of the BCRUA, the Cities shall allow the BCRUA to audit such books, records, and accounts at any reasonable time and from time to time.

(g) Insurance.

(i) Except as otherwise permitted in clause (ii) below, it shall cause to be insured such parts of its City System as would usually be insured by governmental entities operating like properties, with a responsible insurance company or companies, against risks, accidents, or casualties against which and to the extent insurance is usually carried by governmental entities operating like properties, including, to the extent reasonably obtainable, fire and extended coverage insurance, insurance against damage by floods, and use and occupancy insurance. Public liability and property damage insurance shall also be carried unless the City Attorney gives a written opinion to the effect that the City is not liable for claims which would be protected by such insurance. At any time while any contractor engaged in construction work shall be fully responsible therefor, the Cities shall not be required to carry insurance on the work being constructed if the contractor is required to carry appropriate insurance. All such policies shall be open to the inspection of the BCRUA at all reasonable times.

(ii) In lieu of obtaining policies for insurance as provided above, the Cities may self-insure against risks, accidents, claims, or casualties described in clause (i) above.

(iii) The annual audit hereinafter required shall contain a section commenting on whether or not the City has complied with the requirements of this Section with respect to the maintenance of

insurance, and listing the areas of insurance for which the City is self-insuring, all policies carried, and whether or not all insurance premiums upon the insurance policies to which reference is hereinbefore made have been paid.

(h) Audits. After the close of each Fiscal Year while this Contract is in effect, an audit will be made by each City of the books and accounts relating to its City System and the revenues of the its City System. As soon as practicable after the close of each such Fiscal Year, and when said audit has been completed and made available to the Cities, a copy of such audit for the preceding Fiscal Year shall be mailed to the BCRUA. Such annual audit reports shall be open to the inspection of the BCRUA, its agents and representatives, the Trustee, and the owners of the Bonds at all reasonable times at the BCRUA's office.

(i) Governmental Agencies. It will comply with all of the terms and conditions of any and all franchises, permits, and authorizations applicable to or necessary with respect to a respective City System, and which have been obtained from any governmental entity, and the Cities have or will obtain and keep in full force and effect all franchises, permits, authorizations, and other requirements applicable to or necessary with respect to the acquisition, construction, equipment, operation, and maintenance of a respective City System.

(j) No Competition. To the extent it legally may, each City hereby covenants solely with the owners of its series of Bonds issued by the BCRUA, if any, that such City will not grant any franchise or permit for the acquisition, construction, or operation of any competing facilities which might be used as a substitute for a City System, to the extent such competing facility would impair the City System's ability to pay under this Contract, and, to the extent that it legally may, each City will prohibit any such competing facilities.

(k) Rights of Inspection. The BCRUA, the Trustee, and the owners of 10% or more in principal amount of the Bonds of any series shall have the right at all reasonable times to inspect each City System and all records, accounts, and data of the respective City relating thereto, and upon request, each City shall furnish to the BCRUA, the Trustee, and such owners of Bonds such financial statements, reports, and other information relating to a respective City and a respective City System as any such person may from time to time reasonably request.

(l) Sale, Lease, or Disposal of Property by the Cities. No part of a City System shall be sold, leased, mortgaged, demolished, removed, or otherwise disposed of, except as follows:

(i) To the extent permitted by law, a City may sell or exchange at any time and from time to time any property or facilities constituting a part of its City System only if (a) it shall determine such property or facilities are not useful in the operation of its City System, (b) the proceeds of such sale are \$250,000 or less, or it shall have received a certificate executed by the City Manager stating, in his/her opinion, that the fair market value of the property or facilities exchanged is \$250,000 or less, (c) if such proceeds or fair market value exceeds \$250,000 it shall have received a certificate executed by the City Manager stating his/her opinion that the sale or exchange of such property or facilities will not impair the ability of the Cities to comply during the current or any future year with the provisions of Section 9.3(b) of this Contract,

or (d) the sale or exchange will not adversely affect the excludability of interest on the Bonds from the gross income of the owners thereof. The proceeds of any such sale or exchange not used to acquire other property necessary or desirable for the safe or efficient operation of its City System shall forthwith, at the option of the City be used as provided in the ordinances of the City authorizing its Utility Bonds.

(ii) To the extent permitted by law, a City may lease or make contracts or grant licenses for the operation of, or make arrangements for the use of, or grant easements or other rights with respect to, any part of its City System, provided that any such lease, contract, license, arrangement, easement or right (a) does not impede the operation by such City of its City System and (b) does not in any manner impair or adversely affect the rights or security of the BCRUA under this Contract; and provided, further, that if the depreciated cost of the property to be covered by any such lease, contract, license, arrangement, easement, or other right is in excess of \$500,000, the affected City shall have received a certificate executed by the City Manager that the action of the such City with respect thereto does not result in a breach of the conditions under this subsection (ii). Any payments received by the affected City under or in connection with any such lease, contract, license, arrangement, easement or right in respect of one or more City System or any part thereof shall constitute gross revenues of the respective City System or Systems.

ARTICLE X

CONTINUING DISCLOSURE

Section 10.1 Annual Reports. Following the issuance of Bonds of any series by the BCRUA for the benefit of the appropriate City, the offer or sale of which is not exempt from the Rule and, until the City is no longer obligated, contingently or otherwise, to make Bond Payments in respect of the Bonds of such series issued for such City, each City undertakes to and shall provide annually to each NRMSIR and any SID, within six months after the end of each Fiscal Year, (i) financial information and operating data of the general type included in the Sale and Offering Documents for the Bonds of such series, as specified in its approval of such Sale and Offering Documents pursuant to Section 4.1 hereof and (ii) audited general purpose financial statements of the City, if then available. Any financial statements so to be provided shall be (i) prepared in accordance with generally accepted accounting principles for governmental agencies or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation, and (ii) audited, if the City commissions an audit of such statements and the audit is completed within the period during which it must be provided. If the audit of such financial statements is not complete within such period, then the City shall provide unaudited financial statements within the required period, and shall provide audited financial

statements for the applicable Fiscal Year to each NRMSIR and any SID, when and if the audit report on such statements become available.

If a City changes its Fiscal Year, the City will notify the Trustee, each NRMSIR, and any SID in writing of the change (and of the date of the new Fiscal Year end) prior to the next date by which the City otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be incorporated by specific reference to any document or specific part thereby (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to each NRMSIR and any SID or filed with the SEC. Copies of such information and operating data shall be furnished to the BCRUA at the same time the information and data are furnished to any NRMSIR or SID.

Section 10.2 Material Event Notices.

(a) The following are the events with respect to any series of Bonds which the BCRUA must agree to disclose in a timely manner pursuant to the Rule, if “material” under applicable federal securities laws and regulations promulgated thereunder.

- (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 holders of the Bonds;
- (viii) Bond calls;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the Bonds; and
- (xi) Rating changes.

(b) Each City shall, promptly after obtaining actual knowledge of the occurrence of any of the events enumerated in (a) above, notify the BCRUA of such event and provide all information in the format required to satisfy the requirements of the Rule. Further, each City shall provide, in a timely manner, notice of any failure to provide audited financial statements, financial information, and operating data in accordance with Section 10.1 hereof to each NRMSIR and each SID.

Section 10.3 Limitations, Disclaimers, and Amendments.

(a) Each City shall be obligated to observe and perform the covenants specified in this Article in respect of its Bonds of any series for so long as, but only for so long as, the City remains an “obligated person” with respect to the Bonds of such series within the meaning of the Rule, except that the City in any event will give notice of any deposit made in accordance with the Bond Resolution that causes Bonds of such series no longer to be outstanding.

(b) The provisions of this Article are for the sole benefit of (and may be enforced by) the owners and beneficial owners of the Bonds of such City, and nothing in this Article, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. Each City undertakes to provide only the financial information, operating data, financial statements, and notices which they have expressly agreed to provide pursuant to this Article and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the its financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Article or otherwise, except as expressly provided herein. Each City makes no representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

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

(d) No default by a City in observing or performing its obligations under this Article shall comprise a breach of or default under this Contract for purposes of any other provision of this Contract.

(e) Nothing in this Article is intended or shall act to disclaim, waive, or otherwise limit the duties of the BCRUA or each City under federal and state securities laws.

(f) The provisions of this Article may be amended by the BCRUA and the Cities 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 BCRUA or the appropriate Cities, but only if

(i) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell Bonds of the applicable series in the primary offering of the Bonds of such series in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances, and

(ii) either

(1) the owners of a majority in aggregate principal amount (or any greater amount required by any other provision of this Contract that authorizes such an amendment) of the outstanding Bonds of each such series affected consent to such amendment or

(2) an entity that is unaffiliated with the BCRUA or the appropriate Cities (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the owners and beneficial owners of the Bonds of such series and is permitted by the terms of the Article.

If the BCRUA and the Cities so amend the provisions of this Article in connection with the financial or operating data which the Cities are required to disclose under Section 10.1 hereof, the appropriate Cities shall provide a notice of such amendment to be filed in accordance with Section 10.2(b) hereof, together with an explanation, in narrative form, of the reason for the amendment and the impact of any change in the type of financial information or operating data to be so provided. The BCRUA and the appropriate Cities may also amend or repeal the provisions of this Article if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of each series of Bonds.

ARTICLE XI

COMPLIANCE WITH FEDERAL, STATE AND LOCAL LAWS

Section 11.1 Compliance with Federal, State and Local Laws. In addition to the provisions of Section 9.6 hereof, this Contract is subject to all applicable federal and State laws and any applicable permits, ordinances, rules, orders, and regulations of any local, state or federal government authority having or asserting jurisdiction. The Contract is specifically subject to the rules of the TCEQ, and the BCRUA shall have the right to terminate this Contract upon a City's non-compliance with the rules promulgated by the TCEQ, but such termination shall only affect the non-complying City; provided however, such termination shall not affect the non-complying City's obligation to pay Bond Payments in accordance with this Contract.

Section 11.2 Recordkeeping and Reporting. The BCRUA shall maintain records on site in accordance with applicable State laws.

- (a) Records to be maintained by the BCRUA include:
 - (i) copies of notifications made to the TCEQ concerning water systems;
 - (ii) as applicable, copies of contracts made with each water user;
 - (iii) records of volume of treated water delivered to each water user per delivery; and
 - (iv) water quality analyses.
- (b) The BCRUA shall report to the TCEQ as required by law. All costs of compliance with the rules of the TCEQ shall be paid by the BCRUA, but such costs shall be considered an Operation and Maintenance Expense.

ARTICLE XII
GENERAL PROVISIONS

Section 12.1 Participation by the Parties. The BCRUA and each City represents to the others that it is empowered by law to participate in the acquisition, construction, and financing of the BCRUA Project, and to execute this Contract and other agreements and documents as are or may hereafter be required to accomplish the same; and that its participation in the BCRUA Project and execution of this Contract have been duly authorized by action of its governing body at a meeting conducted in accordance with the Texas Open Meetings Act, as amended, Chapter 551, Texas Government Code. The BCRUA and each City agree to furnish to each other such documentation or evidence of its authority to so participate and execute the contracts and other agreements as the other party may reasonably request, and to take and perform such other and further actions and execute such other agreements and documents as may be reasonably required to carry out the provisions of this Contract.

Section 12.2 Insurance.

(a) The BCRUA agrees to carry public liability insurance on the BCRUA Project for purposes and in amounts which ordinarily would be carried by a privately owned utility company owning and operating such facilities, except that the BCRUA shall not be required to carry liability insurance except to insure itself against risk of loss due to claims for which it can, in the opinion of the BCRUA's legal counsel, be potentially liable considering relevant governmental immunities of the Cities and the BCRUA. The BCRUA shall also carry property casualty insurance in the amount of the replacement value of all improvements and personal property connected with the BCRUA Project (less a deductible comparable to the deductible on the Cities' property insurance for Cities property generally).

All premiums for such insurance shall constitute an expense of the BCRUA Project but may be paid out of the proceeds of the Bonds to the extent that such proceeds are available. In the event the BCRUA is required to pay a deductible with respect to a claim under any such policy, the amount of such deductible shall constitute an expense and shall be paid by the Cities.

(b) The BCRUA shall require the contractor or contractors employed for construction of the BCRUA Project to carry insurance coverage throughout the construction period in at least the following amounts:

- (i) Workers' Compensation: State law limits;
- (ii) General Liability (including contractual liability) and Automobile Liability: One million dollars (\$1,000,000.00) per person and per occurrence for bodily injury and One million dollars (\$1,000,000.00) for property damage;
- (iii) Builder's Risk: full replacement value of improvements;
- (iv) Performance and Payment Bond: full value of contract;
- (v) Cost Overrun Insurance; and
- (vi) Timely Completion Insurance.

The Cities shall be furnished with a certified copy of such effective policy of insurance prior to commencement of construction. Such insurance policies shall name the BCRUA and the Cities

as additional insureds, and the BCRUA shall be provided with a certificate of insurance showing the required coverage and providing that the policies may not be canceled, changed, or not renewed until the BCRUA has been given thirty (30) days prior written notice of such event.

(c) The insurance required by this section may be modified by written agreement of the Cities and the BCRUA, in accordance with good business practice. Any questions about the scope of coverage required hereunder shall be resolved by written agreement between the Cities and the BCRUA. The Parties can agree to substitute an owner controlled insurance program for any of the above specified insurance requirements.

Section 12.3 Force Majeure. If by reason of Force Majeure any party hereto shall be rendered unable wholly or in part to carry out its obligations under this Contract, other than the obligation of each City to make the payments required under Sections 4.5 and 9.2 of this Contract, which payments will continue irrespective of a Force Majeure event, then if such party shall give notice and full particulars of such Force Majeure in writing to the other party within a reasonable time after the occurrence of the event or cause relied on, the obligation of the party giving such notice, so far as it is affected by such Force Majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period, and any such party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "Force Majeure" as employed herein shall mean acts of God, war, strikes, fires, explosions or other causes that are beyond the reasonable control of the party claiming such inability and that by exercise of due foresight such party could not reasonably have been expected to avoid and which by exercise of all reasonable due diligence such party is unable to overcome.

Section 12.4 Unconditional Obligation to Make Payment. Recognizing the fact that the Cities urgently require the facilities and services of the BCRUA Project, and that such facilities and services are essential and necessary for actual use and for standby purposes, and recognizing the fact that the Bond Payments to be received from each City will be the primary source of funds available to the BCRUA and the Trustee to pay the Bonds and other BCRUA Project Costs, and recognizing the fact that purchasers of Bonds will rely on the obligation of the Cities to make Annual Payments with respect to their series of Bonds in accordance with the provisions of this Contract, each City hereby waives all rights of set-off, recoupment, counterclaim, suspension, deferment, reduction, and amendment, with respect to making its Annual Payments against the BCRUA, the Trustee, and any other direct or indirect recipients of Annual Payments, and each City agrees that it shall make its appropriate Annual Payment even if no Bonds are issued for its benefit by the BCRUA and if any Bonds are issued, each City shall be unconditionally obligated to pay its Annual Payments as provided and determined by this Contract, regardless of whether or not the BCRUA actually acquires, constructs, or completes the BCRUA Project, or the portions thereof designated for its use, or breaches any obligation on its part hereunder, and whether or not each City actually uses the BCRUA Project, or the portions thereof designated for its use, whether due to Force Majeure or any other reason whatsoever, regardless of any other provisions of this Contract, any other contract or agreement between any of the Parties hereto. This covenant by each City shall be for the benefit of and enforceable by the owners of the Bonds and/or by the BCRUA.

By entering into this Contract and performing its obligations under any Section of this Contract, each City does not release any persons from or waive any claims against such persons that the City may have resulting from actions by such persons contrary to that person's legal obligations.

Section 12.5 Term of Contract. This Contract shall be effective from and after its date, and this Contract shall continue in force and effect until the principal of and interest on all Bonds shall have been paid or provision for the payment of all of the Bonds has been made in accordance with the terms of each Bond Resolution and thereafter continue in force and effect during the entire useful life of the BCRUA Project. When the principal of and interest on all Bonds shall have been paid or provision for the payment of all of the Bonds has been made in accordance with the terms of the Bond Resolution and all amounts owed to the BCRUA, the Trustee, or any other person hereunder have been paid, all money held by the Trustee or the BCRUA pursuant to the terms of the Bond Resolution shall be paid to the BCRUA. Upon the termination of this Contract, the BCRUA will charge each City a per gallonage charge (or other published rate) for treated water delivered to the Cities in accordance with the BCRUA's then existing rate schedule.

Section 12.6 Amendment and Modification. This Contract shall not be amended except in writing of all Parties hereto. No change, amendment, or modification of this Contract shall be made or be effective which will affect adversely the prompt payment when due of all money required to be paid by each City under the terms of this Contract and no such change, amendment, or modification shall be made or be effective which would cause a violation of any provisions of any Bond Resolution.

Section 12.7 Addresses and Notice. Unless otherwise provided herein, any notice, communication, request, reply, or advice (herein severally and collectively, for convenience, called "Notice") herein provided or permitted to be given, made, or accepted by any party to the other parties must be in writing and may be given or be served by depositing the same in the United States mail postpaid and registered or certified and addressed to the party to be notified, with return receipt requested, or by delivering the same to an officer of such party, or by prepaid telegram when appropriate, addressed to the party to be notified. Notice deposited in the mail in the manner hereinabove described shall be conclusively deemed to be effective, unless otherwise stated herein, from and after the expiration of three days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the party to be notified. For the purposes of notice, the addresses of the Parties shall, until changed as hereinafter provided, be as follows:

If to the BCRUA:

President, Board of Directors
Brushy Creek Regional Utility Authority, Inc.
221 E. Main St.
Round Rock, Texas 78664

If to Cedar Park:

City Manager
600 North Bell Blvd.
Cedar Park, Texas 78613

If to Leander:

City Manager
P.O. Box 319
Leander, Texas 78646-0319

If to Round Rock:

City Manager
221 E. Main St.
Round Rock, Texas 78664

The BCRUA and the Cities hereto shall have the right from time to time and at any time to change their respective addresses and each shall have the right to specify as its address any other address by at least fifteen (15) days' written notice to the other Parties.

Section 12.8 State or Federal Laws, Rules, Orders, or Regulations. This Contract is subject to all applicable federal and State laws and any applicable permits, ordinances, rules, orders, and regulations of any local, state, or federal governmental authority having or asserting jurisdiction but nothing contained herein shall be construed as a waiver of any right to question or contest any such law, ordinance, order, rule, or regulation in any forum having jurisdiction and the Cities and the BCRUA represent that, to the best of their knowledge, no provisions of any applicable federal or State law, including the City Charters of the Cities, nor any permit, ordinance, rule, order, or regulation of either party will limit or restrict the ability of either party to carry out their respective obligations under or contemplated by this Contract.

Section 12.9 Severability. The Parties hereto specifically agree that in case any one or more of the sections, subsections, provisions, clauses, or words of this Contract or the application of such sections, subsections, provisions, clauses, or words to any situation or circumstance should be, or should be held to be, for any reason, invalid or unconstitutional, under the laws or constitutions of the State or the United States of America, or in contravention of any such laws or constitutions, such invalidity, unconstitutionality, or contravention shall not affect any other sections, subsections, provisions, clauses, or words of this Contract or the application of such actions, subsections, provisions, clauses, or words to any other situation or circumstance, and it is intended that this Contract shall be severable and shall be construed and applied as if any such invalid or unconstitutional section, subsection, provision, clause, or word had not been included herein, and the rights and obligations of the Parties hereto shall be construed and remain in force accordingly.

Section 12.10 Remedies Upon Default. It is not intended hereby to specify (and this Contract shall not be considered as specifying) an exclusive remedy for any default, but all such other remedies (other than termination) existing at law or in equity may be availed of by either party hereto and shall be cumulative. Recognizing that failure in the performance of the Cities' obligations hereunder could not be adequately compensated in money damages alone, each City agrees in the event of any default on its part that the BCRUA and the owners of the Bonds as third-party beneficiaries shall have available to them the remedies of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available to them. As long as an Insurer is not in default on the related Insurance Policy for a series of Bonds, the Insurer of a series of Bonds shall be deemed to be the Owner of

such Bonds insured by it for purposes of enforcing the provisions of this Contract, so long as no event of default exists. Notwithstanding anything to the contrary contained in this Contract, any right or remedy or any default hereunder, except the right of the BCRUA to receive the Annual Payments and the provision of Section 4.9 hereof, which shall never be determined to be waived, shall be deemed to be conclusively waived unless asserted by a proper proceeding at law or in equity within two (2) years plus one (1) day after the occurrence of such default. No waiver or waivers of any breach or default (or any breaches or defaults) by any party hereto or of the performance by any other party of any duty or obligation hereunder shall be deemed a waiver thereof in the future, nor shall any such waiver or waivers be deemed or construed to be a waiver of subsequent breaches or defaults of any kind, character or description, under any circumstances.

Section 12.11 Venue. All amounts due under this Contract, including, but not limited to, payments due under this Contract or damages for the breach of this Contract, shall be paid and be due in Williamson County, Texas, which is the County in which the principal administrative offices of the BCRUA are located. It is specifically agreed among the Parties to this Contract that Williamson County, Texas, is the place of performance of this Contract; and in the event that any legal proceeding is brought to enforce this Contract or any provision hereof, the same shall be brought in Williamson County, Texas.

Section 12.12 Statutory Authority. In entering into this Contract and performing all duties and obligations hereunder, the Cities and the BCRUA exercise their authority under and in accordance with the State Constitution and laws including, but not limited to, the Act, Chapter 402, as amended, Texas Local Government Code; Chapter 1502, as amended, Texas Government Code, each City's respective Home Rule Charter; Chapter 1371, as amended, Texas Government Code and all other laws which may authorize this Contract, all of which provisions and laws, cited or not cited herein, shall cumulatively provide the authority for this Contract.

Section 12.13 Indemnification. FOR SO LONG AS THE BONDS ARE OUTSTANDING AND UNPAID, AND ALSO WITH RESPECT TO ANY CLAIM THAT MAY ARISE OUT OF THE OFFER AND SALE OF THE BONDS OF ANY SERIES OR THE ALLEGED MISSTATEMENT OR OMISSION OF A MATERIAL FACT IN OR FROM ANY SALE AND OFFERING DOCUMENT RELATING TO ANY OF THE CITIES USED IN CONNECTION THEREWITH, TO THE EXTENT PERMITTED BY LAW, EACH CITY AGREES TO INDEMNIFY, TO THE EXTENT PERMITTED BY LAW, AND SAVE AND HOLD HARMLESS THE BCRUA, AND THE OTHER CITIES, AND THEIR RESPECTIVE OFFICERS, DIRECTORS, AGENTS, FINANCIAL ADVISORS, ATTORNEYS, AND EMPLOYEES, AND THE UNDERWRITERS OF ANY SUCH OFFERING AND THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES, AND AGENTS, AND ALL PERSONS WHO CONTROL THE SAME WITHIN THE MEANING OF THE FEDERAL SECURITIES LAWS, FROM AND AGAINST ALL CLAIMS THAT MAY ARISE AS A RESULT OF ANY UNDERTAKING, ACT, OR OMISSION, WHETHER NEGLIGENT OR NOT, WHICH IS DONE OR OMITTED TO BE DONE BY THE CITIES OR ANY OF THEIR OFFICERS, COUNCILMEN, AGENTS, ATTORNEYS, AND EMPLOYEES, RELATING TO THE BCRUA PROJECT OR PROVIDING INFORMATION FOR INCLUSION IN THE SALE AND OFFERING DOCUMENTS. IF ANY SUCH CLAIM IS BROUGHT AGAINST ANY SUCH INDEMNIFIED PERSON, THE CITIES SHALL PAY ALL COSTS INCURRED BY

SUCH PERSON IN DEFENDING AND (SUBJECT TO APPLICABLE RULES OF ATTORNEY CONDUCT) MAY CONTROL THE DEFENSE OF SUCH CLAIM.

Section 12.14 Contract for Benefit of the Cities. This Contract is made for the exclusive benefit of the Cities (except with respect to Section 9.6(j) which is solely for the benefit of the owners of the Bonds issued by the BCRUA for a particular City), the BCRUA, the Trustee, the owners of the Bonds, the parties to any Credit Agreements, the underwriters of any offering of and remarketing agent and tender agent, if any, for any Bonds, and their respective successors and assigns herein permitted, and not for any third party or parties other than the BCRUA (including its officers, directors, employees, agents, and attorneys), the Trustee, the owners of the Bonds, the Cities, and the parties to any Credit Agreements, the underwriters of any offering of and remarketing agent and tender agent, if any, for any Bonds, the other persons indemnified by Section 12.13 hereof, and their respective successors and assigns herein permitted, any rights or remedies under or by reason of this Contract.

Section 12.15 Succession and Assignment. This Contract is binding on and inures to the benefit of the Parties hereto and their respective successors, representatives, and assigns. This Contract may not be assigned by any party hereto without (i) complying with any provisions relating to the right of the Parties to assign this Contract contained in the Bond Resolution and (ii) prior written notice to and approval by the other Parties, which consent may be withheld without cause. The provisions of this Section do not affect the assignment of the BCRUA's rights under this Contract to a Trustee pursuant to Section 4.8.

Section 12.16 Incorporation of Preamble Recitals. The recitals contained in the preamble hereof are hereby found to be true, and such recitals are hereby made a part of this Contract for all purposes and are adopted as a part of the judgment and findings of the BCRUA and the Cities.

Section 12.17 Independent Contractor. As among the Parties, the BCRUA shall be solely responsible for the operation of the BCRUA Project to produce and treat raw water and to deliver treated water to the Cities pursuant to this Contract (except to the extent the BCRUA and the Cities enter into agreements for the Cities to operate parts of the BCRUA Project); and the BCRUA shall be an independent contractor in the operation of the BCRUA Project.

Section 12.18 Financing Statement. Each City agrees at the request of the BCRUA to execute a financing statement in a form satisfactory to the BCRUA and meeting the requirements of the Texas Business and Commerce Code to perfect any security interest created hereby. The Cities further agree to execute such continuation statements or other documents as may be necessary to maintain any such security interest.

Section 12.19 Entire Agreement. This Contract constitutes the entire agreement among the Parties with respect to the matters described herein.

Section 12.20 Applicable Law. This Contract shall be governed by and construed in accordance with the laws of the State, and the obligations, rights, and remedies of the Parties hereunder shall be determined in accordance with such laws without reference to the laws of any other state or jurisdiction, except for applicable federal laws, rules, and regulations.

Section 12.21 Counterparts. This Contract may be executed in counterparts, each of which shall be an original and all of which together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the Parties hereto acting under authority of their respective governing bodies have caused this Contract to be duly executed as of the day and year first above written.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.

By: _____
Scott Rhode, President

Attest:

By: _____
John Cowman, Secretary

CITY OF CEDAR PARK, TEXAS

By: _____
Bob Lemon, Mayor

Attest:

By: _____
LeAnn Quinn, City Secretary

CITY OF LEANDER, TEXAS

By: _____
John Cowman, Mayor

Attest:

By: _____
Debbie Haile, City Secretary

CITY OF ROUND ROCK, TEXAS

By: _____
Alan McGraw, Mayor

Attest:

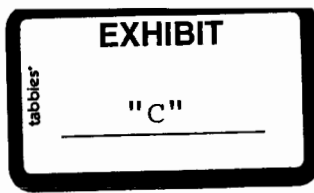
By: _____
Sara White, City Secretary

EXHIBIT A
Contract between City of Round Rock and LCRA
for Lake Travis Water

EXHIBIT B
Contract between City of Cedar Park and LCRA
for Lake Travis Water

EXHIBIT C
Contract between City of Leander and LCRA
for Lake Travis Water

EXHIBIT D
Cities' Reserved Capacity and Cost Allocation in BCRUA Project Components



Draft 8/21/08

FINANCING AGREEMENT

THIS FINANCING AGREEMENT (Agreement) is entered into between the TEXAS WATER DEVELOPMENT BOARD (Board), an agency of the State of Texas, and the BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC., local government corporation created, and acting on behalf of, the cities of Cedar Park, Leander and Round Rock, Texas pursuant to Subchapter D of Chapter 431 of the Texas Government Code as amended # (Borrower).

RECITALS

WHEREAS, the Board adopted Resolution No. 08-03 on January 28, 2008, making a commitment to the Borrower for financial assistance in the amount of \$309,755,000 from the Financial Assistance Account of the Development Fund II (DFund II) administered by the Board.

WHEREAS, the Borrower intends to sell the Board the Borrower's Contract Revenue Bonds, proposed as three separate series as follows \$24,970,000* Brushy Creek Regional Utility Authority, Inc. City of Cedar Park Contract Revenue Bonds (Brushy Creek Regional Water Treatment and Distribution Project), Series 2009A; \$91,180,000* Brushy Creek Regional Utility Authority Inc. City of Leander Contract Revenue Bonds (Brushy Creek Regional Water Treatment and Distribution Project) Series 2009B and \$65,870,000* Brushy Creek Regional Utility Authority, the City of Round Rock Contract Revenue Bonds (Brushy Creek Regional Water Treatment and Distribution Project), Series 2009C (collectively, Borrower Bonds), described on Attachment A attached hereto, to fund the first phase of the Borrower's regional water supply project described in Board Resolution No. 08-03; and

WHEREAS, DFund II is funded, in part, with proceeds of the Board's Water Financial Assistance Bonds, which is used to provide financial assistance, under Texas Water Code §17.959 and Texas Constitution Article III, Section 49-d-8; and

WHEREAS, DFund II is funded, in part, with money received as repayment of financial assistance provided from DFund II, which is used to pay the principal and interest on the Board's Water Financial Assistance Bonds, under Texas Constitution, Article III, Section 49-d-8(e); and

WHEREAS, Condition No. 13 of Board Resolution 08-03 provides that the commitment is contingent on a future sale of bonds or on the availability of funds on hand; and

WHEREAS, the Board intends to issue Water Financial Assistance Bonds in order to enable it to provide financial assistance from DFund II to the Borrower; and

WHEREAS, the Board has a reasonable expectation that the proceeds from the Water Financial Assistance Bonds will be loaned only to the Borrower, and will not be loaned as part of a pooled fund; and

*Not to exceed principal amount

WHEREAS, the Board and the Borrower desire to enter into this Agreement to set forth the obligations of the parties with respect to the Board's intent to issue Water Financial Assistance Bonds to provide financial assistance from DFund II solely to the Borrower, and the Borrower's intent to issue its Borrower Bonds to the Board;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants herein contained, the Board and the Borrower hereby agree as follows:

AGREEMENT

Section 1. Loan Commitment; Schedule. The Board hereby commits to lend \$182,020,000* as evidenced by Attachment A to the Borrower from DFund II, which loan will be evidenced by the Board's purchase of the Borrower Bonds for deposit in the Financial Assistance Account of DFund II. The Borrower hereby commits to borrow \$182,020,000* from DFund II, which loan will be evidenced by the Borrower's sale of the Borrower Bonds identified in Attachment A for deposit in the Financial Assistance Account of DFund II. Each party agrees to use its best efforts to take actions as may be required by such party in order to effectuate the purchase and sale of the Borrower Bonds by January 8, 2009.

Section 2. Interest Rates. The loan to be made from Water Financial Assistance Bonds specifically issued for the Borrower will be made at a yield similar to the rate the Board received in the open market the day the Board sold the Water Financial Assistance Bonds, but which also recovers the Board's costs of issuance associated with the issuance of such bonds. By 12:00 p.m. (Central Standard Time) on the business day preceding the date on which the Board intends to execute a bond purchase agreement relating to the Board's Water Financial Assistance Bonds described herein (Bond Purchase Agreement), the Development Fund Manager shall notify the Borrower of the rates (Initial Rates) to be borne by the Borrower Bonds, which rates shall be subject to approval by the Borrower. Unless such rates are approved in writing by the Borrower by 2:00 p.m. (Central Standard Time) on the business day preceding the date on which the Board intends to execute the Bond Purchase Agreement, neither the Board nor the Borrower shall have any continuing obligation hereunder.

Section 3. Closing. The Borrower agrees, subject to receipt of the Texas Attorney General approval, to close on the Borrower Bonds described in Attachment A within 30 days after the Water Financial Assistance Bond proceeds are delivered to the Board by the Underwriters. If the Borrower fails to close on the sale of its Borrower Bonds within 30 days after the Water Financial Assistance Bond proceeds are delivered to the Board by the Underwriters, the Borrower agrees to pay the Board the amount of principal and interest the Board pays on its Water Financial Assistance Bonds. Such payments shall be made to the Board on or before the payment dates on the Board's debt service schedule for its Water Financial Assistance Bonds, and continuing until such time as the Borrower closes its Borrower Bonds or the Board is no longer required to pay principal and interest on its Water Financial Assistance

*Not to exceed principal amount

Bonds. Beginning 30 days after the Water Financial Assistance Bond proceeds are delivered to the Board by the Underwriters, the Board may use the Water Financial Assistance Bond proceeds to provide financial assistance to other entities or to defease the Water Financial Assistance Bonds and the amount of principal and interest the Borrower must pay the Board under this Section may be reduced by the amount of return funds the Board receives from the other entities.

Section 4. Termination.

A. The parties hereto agree that the Board's obligation to lend money to the Borrower from DFund II is contingent upon the purchase of the Board's Water Financial Assistance Bonds by the underwriters thereof (Underwriters) pursuant to the Bond Purchase Agreement. Accordingly, if the Underwriters fail to purchase the Board's Water Financial Assistance Bonds pursuant to the Bond Purchase Agreement, the Board, upon delivery of written notice thereof to the Borrower, may extend or terminate this Agreement together with all of its obligations and duties hereunder without incurring any cost, fee or penalty therefor.

B. The Borrower may terminate this Agreement by delivery of written notice to the Board at any time prior to any purchase of the Board's Water Financial Assistance Bonds by the Underwriters, provided that the Borrower agrees to compensate the Board for its costs related to the preparations for bond issuance within 30 days of the Board's written notification to the Borrower of such costs.

Section 5. Redemption of Outstanding Debt. If proceeds of the Borrower Bonds are to be used, in whole or in part, to redeem outstanding bonds, commercial paper, or other interim financing issued by the Borrower, the Borrower agrees that it will not take or fail to take any action that will cause the Board's Water Financial Assistance Bonds to be considered to be advance refunding bonds under Section 148 of the Internal Revenue Service Code of 1986, as amended. Specifically, the Borrower agrees to redeem any such outstanding bonds, commercial paper, or other interim financing within ninety (90) days of the date of delivery of the Board's Water Financial Assistance Bonds and to take such other action as shall be required to comply with this Section.

Section 6. Notices. All notices, agreements or other communications required hereunder shall be given, and shall be deemed given, when delivered in writing to the address or telecopier number of the identified party or parties set forth below:

Texas Water Development Board Nancy Banks Marsteller, Development Fund Manager P.O. Box 13231 Austin, Texas 78711-3231 Telephone (512) 475-2091 Facsimile (512) 475-2053	Brushy Creek Regional Utility Authority, Inc. Chris Lippe 221 E. Main Street Round Rock, Texas 78664 Telephone (512) Facsimile
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*Not to exceed principal amount

Section 7. Severability. In the event any provision of this Agreement shall be held illegal, invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate, render unenforceable or otherwise affect any other provisions hereof.

Section 8. Amendments, Supplements and Modifications. This Agreement shall not be amended, supplemented or modified except by a written instrument executed by the Board and the Borrower.

Section 9. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas.

Section 10. State Audit. By executing this Agreement, the Borrower accepts the authority of the State Auditor's Office, under direction of the legislative audit committee, to conduct audits and investigations in connection with any and all state funds received pursuant to this Agreement. The Borrower shall comply with and cooperate in any such investigation or audit. The Borrower agrees to provide the State Auditor with access to any information the State Auditor considers relevant to the investigation or audit. The Borrower also agrees to include a provision in any subcontract related to this Agreement that requires the subcontractor to submit to audits and investigation by the State Auditor's Office in connection with any and all state funds received pursuant to the subcontract.

Section 11. Force Majeure. Either party may be excused from performance under this contract for any period when performance is prevented as the result of an act of God, strike, war, civil disturbance, epidemic, or court order, provided that the party experiencing the event of Force Majeure has prudently and promptly acted to take any and all steps that are within the party's control to ensure performance and to shorten the duration of the event of Force Majeure. The party suffering an event of Force Majeure shall provide notice of the event to the other parties as soon as practicable but not later than 36 hours after the termination of the event. Subject to this provision, such nonperformance shall not be deemed a default or a ground for termination.

Section 12. Effective Date. This Agreement shall be effective as of the date of the last signature below.

Section 13. Binding Agreement. The respective commitments of the Board and the Borrower set forth above shall be binding upon the Board and the Borrower upon both parties' execution of this Agreement.

BRUSHY CREEK REGIONAL UTILITY AUTHORITY, INC.

*Not to exceed principal amount

By: _____
Name: _____
Title: _____
Date: _____

Accepted:

TEXAS WATER DEVELOPMENT BOARD

By: _____
Name: Nancy Banks Marsteller
Title: Development Fund Manager
Date: _____

ATTACHMENT A

DESCRIPTION OF BORROWER BONDS

Title of Borrower Bonds Brushy Creek Regional Utility Authority, Inc. Contract Revenue Bonds, Series 2009 A, B, and C as set forth below

Project Name First Phase, Regional Water Supply Project as further described in Master Contract

Project Number

Aggregate Principal Amount of Borrower Bonds
Consisting of:
Brushy Creek Regional Utility Authority, Inc. City of Cedar Park Contract Revenue Bonds

*Not to exceed principal amount

(Brushy Creek Regional Water Treatment and Distribution Project), Series 2009A,
\$24,970,000*

Brushy Creek Regional Utility Authority, Inc. City of Leander Contract Revenue Bonds (Brushy
Creek Regional Water Treatment and Distribution Project), Series 2009B, \$91,180,000*

Brushy Creek Regional Utility Authority, Inc. City of Round Rock Texas Contract Revenue
Bonds (Brushy Creek Regional Water Treatment and Distribution Project), Series 2009C,
\$65,870,000*

Anticipated Closing Date **January 8, 2009**

Dated Date: January 1, 2009

Maturity Schedule: [To Come]

Maturity

Principal Amount

*Not to exceed principal amount