



**STATE WATER IMPLEMENTATION FUND FOR TEXAS (SWIFT)**

**FULL APPLICATION FOR FINANCIAL ASSISTANCE**

**FOR TAYLOR WTP PARALLEL PIPELINE TO STONE HILL PUMP  
STATION TWDB PIF #12565**

**MAY 3, 2018**

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Transmittal Letter and Application

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May 3, 2018

Mr. Luis Farias, Manager, Regional Project Implementation Team 3  
State Water Implementation Fund for Texas (SWIFT)  
Texas Water Development Board  
P.O. Box 13231  
Austin TX 78711-3231

**Re: Upper Trinity Regional Water District (TWDB PIF #12565) SWIFT Application Submission**

Dear Mr. Farias:

This letter serves as transmittal for the formal Texas Water Development Board (TWDB) SWIFT program application (enclosed) for the Parallel Pipeline from the Taylor Water Treatment Plant to the Stone Hill Pump Station project (a much needed system improvement which will provide additional capacity, improve reliability, and enhance operational flexibility) for the District's rapidly growing service area. On May 3, the Board of Directors for UTRWD formally authorized Staff to submit an application for \$42,070,000 funding assistance as offered by the TWDB through the SWIFT program.

The Parallel Pipeline from Taylor Water Treatment Plant to Stone Hill Pump Station is a classic example of a high priority project that the SWIFT Program was created to assist. With this project, UTRWD will have the opportunity to continue our partnership with TWDB and create another "success story" - - by providing an adequate water supply for the people within our service area. TWDB's invitation for UTRWD to submit a full application for financial assistance through the SWIFT Program is very much appreciated.

While preparing the formal application, District Staff has endeavored to fully respond to the requirements of the SWIFT financial program. However, should you have any questions or need additional information, please contact me or our Project Manager, Kurt Staller, at (972) 219-1228 or at [kstaller@utrwd.com](mailto:kstaller@utrwd.com).

Sincerely,

A handwritten signature in blue ink that reads "Larry N. Patterson".

Larry N. Patterson  
Executive Director

LNP/ks/jkh

Enclosures: (1) TWDB SWIFT Application for PIF #12565 (with related attachments)  
(2) CD of TWDB SWIFT Application for PIF #12565 (with related attachments)

C: Kevin Mercer, President, UTRWD  
William A. Greenleaf, Director of Business Services  
David Medanich, Hilltop Securities  
Nick Bulaich, Hilltop Securities

## APPLICATION FOR FINANCIAL ASSISTANCE FOR WATER AND WASTEWATER INFRASTRUCTURE PROJECTS

This application is comprehensive, covering all loan and grant assistance applications for water and wastewater infrastructure financing through the various Texas Water Development Board (TWDB) programs. The format of the application is intended to expedite the review process for both the applicant and TWDB staff. This application can be used by political subdivisions, including water supply corporations.

Please submit one double-sided original and one indexed, electronic copy, via electronic storage media such as CD or flash drive using MS Word, Excel and/or Adobe Acrobat.

Please submit your application to:

Texas Water Development Board  
Water Supply and Infrastructure-Regional Water Planning and Development  
P O Box 13231  
1700 N. Congress Avenue, 5<sup>th</sup> Floor  
Austin, Texas 78711-3231  
(78701 for courier deliveries)

A complete application consists of all of the applicable information and forms requested in this document. When preparing this application please review the Application and all Guidance and Forms, listed at the end.

For more information, please contact your Regional Project Implementation Team at:

[http://www.twdb.texas.gov/financial/programs/swift/regional\\_project\\_teams.asp](http://www.twdb.texas.gov/financial/programs/swift/regional_project_teams.asp)

Thank you.

### TWDB Use Only

Name of Applicant: \_\_\_\_\_

Date application received: \_\_\_\_\_

Date administratively complete: \_\_\_\_\_

Please label each attachment with the number of the pertinent application section (i.e. “Part D5”)

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Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part A: General Information**

1. The legal authority under which the applicant was created and operates.
  - a)  TYPE A GENERAL-LAW MUNICIPALITY (Texas Local Gov't Code Sec. 5.001)
  - b)  TYPE B GENERAL-LAW MUNICIPALITY (Texas Local Gov't Code Sec. 5.002)
  - c)  TYPE C GENERAL-LAW MUNICIPALITY (Texas Local Gov't Code Sec. 5.003)
  - d)  HOME-RULE MUNICIPALITY (Texas Local Gov't Code Sec. 5.004)
  - e)  SPECIAL-LAW MUNICIPALITY (Texas Local Gov't Code Sec. 5.005)
  - f)  NONPROFIT ORGANIZATION (Business Organization Code Chapter 22)
  - g)  NONPROFIT WATER SUPPLY OR SEWER SERVICE CORP. (Texas Water Code Chapter 67)
  - h)  ALL DISTRICTS (Texas Water Code Chapter 49)
  - i)  OTHER (attach)

2. Applicant Name and Contact Information:

<b>Name:</b>	<b>Upper Trinity Regional Water District</b>
<b>County:</b>	<b>Denton</b>
<b>Physical Address:</b>	<b>900 North Kealy Street Lewisville, Texas 75057</b>
<b>Mailing Address:</b>	<b>P.O. Drawer 305 Lewisville, Texas 75067</b>
<b>Phone:</b>	<b>972-219-1228</b>
<b>Fax:</b>	<b>N/A</b>
<b>Website:</b>	<b>www.utrwd.com</b>

3. Brief description of the project:

**This project consists of approximately 3.3 miles of treated water transmission pipeline from the Taylor Water Treatment Plant (TWTP) to the Stone Hill Pump Station (SHPS). The proposed pipeline is in a congested urban terrain and will cross IH35E, large overhead electric transmission lines and the Kansas City Southern Railroad (KCS). The size of the transmission pipeline is anticipated to be at least 60-inch diameter. The alignment, final pipeline size and construction delivery method will be evaluated and recommendations presented as part of the early phases of this multi-year project. Additional easements may be required depending on the final alignment. Preliminary, as well as final design and construction phase services will also be included in the project. This pipeline will provide additional capacity, reliability and operational security to Upper Trinity Regional Water District's Regional Treated Water System. This critical project is required to meet future demands of UTRWD's growing service area, as well as, provide necessary redundancy in the system.**

4. Applicant's Officers and Members:

<u>Name</u>	<u>Office Held</u>
<b>Kevin Mercer</b>	<b>President Board of Directors</b>
<b>Richard A. Lubke</b>	<b>Vice President Board of Directors</b>
<b>Ramiro Lopez</b>	<b>Treasurer Board of Directors</b>
<b>Mike Fairfield</b>	<b>Secretary Board of Directors</b>

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

5. Applicant's **primary contact person** for day-to-day project implementation.

<b>Name:</b>	<b>Kurt J. Staller, P.E.</b>
<b>Title:</b>	<b>Acting Director Engineering and Construction</b>
<b>Address:</b>	<b>900 N. Kealy Street, Lewisville, TX 75057</b>
<b>Phone:</b>	<b>972-219-1228</b>
<b>Fax:</b>	<b>N/A</b>
<b>Email:</b>	<b>kstaller@utrwd.com</b>

6. Applicant's Consultants (Attach copies of all draft and/or executed contracts for consultant services to be used by the Applicant in applying for financial assistance or constructing the proposed project.):

a) Applicant Engineer N/A

<b>Firm Name:</b>	<b>Currently under selection</b>
<b>Contact:</b>	
<b>Address:</b>	
<b>Phone:</b>	
<b>Fax:</b>	
<b>Email:</b>	

b) Bond Counsel N/A

<b>Firm Name:</b>	<b>Bracewell LLP</b>
<b>Contact:</b>	<b>Rob Collins, III</b>
<b>Address:</b>	<b>1445 Ross Avenue, Suite 3800, Dallas, TX 75202-2711</b>
<b>Phone:</b>	<b>214-758-1012</b>
<b>Fax:</b>	
<b>Email:</b>	<b>rob.collins@bgllp.com</b>

c) Financial Advisor N/A

<b>Firm Name:</b>	<b>First Southwest Company</b>
<b>Contact:</b>	<b>Nick Bulaich</b>
<b>Address:</b>	<b>777 Main Street, Suite 1200, Fort Worth, TX 76102</b>
<b>Phone:</b>	<b>817-332-9170</b>
<b>Fax:</b>	
<b>Email:</b>	<b>nick.bulaich@hilltopsecurities.com</b>

d) Certified Public Accountant (or other appropriate rep) N/A

<b>Firm Name:</b>	<b>Deloitte &amp; Touche LLP</b>
<b>Contact:</b>	<b>Reem Samra</b>
<b>Address:</b>	<b>Chase Tower, Suite 1600, 2200 Ross Avenue, Dallas, TX 75201-6778</b>
<b>Phone:</b>	<b>214-840-7376</b>
<b>Fax:</b>	
<b>Email:</b>	<b>rsamra@deloitte.com</b>

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

e) Legal Counsel (if other than Bond Counsel) N/A

<b>Firm Name:</b>	<b>Boyle &amp; Lowry LLP</b>
<b>Contact:</b>	<b>John F. Boyle, Jr.</b>
<b>Address:</b>	<b>4201 Wingren, Suite 108, Irving, TX 75062-2763</b>
<b>Phone:</b>	<b>972-650-7100</b>
<b>Fax:</b>	
<b>Email:</b>	<b>jfboyle@boyle-lowry.com</b>

f) Any other consultant representing the Applicant before the Board N/A

<b>Firm Name:</b>	
<b>Contact:</b>	
<b>Address:</b>	
<b>Phone:</b>	
<b>Fax:</b>	
<b>Email:</b>	

7. List the counties within the Applicant's service area.

**Collin, Cooke, Dallas, Denton, Grayson & Wise**

8. Identify the Applicant's total service area population: 257,471

9. Applicant is requesting funding from which programs? Check all that apply.

	PROGRAM	AMOUNT REQUESTED
a) <input type="checkbox"/>	Drinking Water State Revolving Fund (DWSRF)	\$ _____
b) <input type="checkbox"/>	Clean Water State Revolving Fund (CWSRF)	\$ _____
c) <input type="checkbox"/>	Texas Water Development Fund (DFund)	\$ _____
d) <input type="checkbox"/>	State Participation	\$ _____
e) <input type="checkbox"/>	Rural Water Assistance Fund (RWAFF)	\$ _____
f) <input checked="" type="checkbox"/>	State Water Implementation Fund for Texas (SWIFT)	\$ <b><u>42,070,000</u></b>
g) <input type="checkbox"/>	Economically Distressed Areas Program (EDAP)	\$ _____
h) <input type="checkbox"/>	If other please explain: _____	\$ _____

10. Other Funding Sources: Provide a list of any other funding source(s) being utilized to complete the project, including Applicant's local contribution, if any, or commitments applied for and/or received from any other funding agency for this project or any aspect of this project. **Provide commitment letters if available. Additional funding sources must be included within the Project Budget (TWDB-1201).**

Funding Source	Type of Funds (Loan/Grant)	Amount (\$)	Date Applied for Funding	Anticipated or Funding Secured Date
SWIFT	Low Interest Loan	\$42,070,000	January 2018	October 2018
<b>Total Funding from All Sources</b>				
		\$42,070,000		

Comments:

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

11. Applicant is requesting funding for which phase(s)? Check all that apply.

- Planning
- Acquisition
- Design
- Construction

12. Is Applicant requesting funding to refinance existing debt?

- Yes If yes, attach a copy of the document securing the debt to be refinanced.
- Attached document**
- No

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part B: Legal Information**

13. Cite the legal authority under which the Applicant can issue the proposed debt including the authority to make a proposed pledge of revenues.

**Constitution and general laws of the State of Texas, including Chapter 1053, Acts of the 71<sup>st</sup> Legislature of Texas, Regular Session, 1989, as amended by Chapter 494, Acts 1995, 14<sup>th</sup> Legislature of Texas, Regular Session, 1995 (collectively, the "District Act").**

14. What type of pledge will be used to repay the proposed debt?

- Systems Revenue
- Taxes
- Combination of systems revenues and taxes
- Other (Contract Revenue, etc.)

15. Provide the full legal name of the security for the proposed debt issue(s).  
**RTWS Revenue Bond – Series 2018 - 2020**

16. Describe the pledge being offered and any existing rate covenants. **SEE ATTACHED.**

17. Attach the resolution from the governing body requesting financial assistance.

TWDB-0201A (<http://www.twdb.texas.gov/financial/instructions/>)  
 **Attached Resolution**

18. Attach the Application Affidavit

TWDB-0201 (<http://www.twdb.texas.gov/financial/instructions/>)  
 **Attached Applicant Affidavit**

19. Attach the Certificate of Secretary

TWDB-201B (<http://www.twdb.texas.gov/financial/instructions/>)  
 **Attached Certificate of Secretary**

20. Is the applicant a Water Supply Corporation (WSC)?

- Yes    If yes, attach each of the following:
  - Articles of Incorporation**
  - Certificate of Incorporation from the Texas Secretary of State evidencing that the current Articles of Incorporation are on file with the Secretary**
  - By-laws and any amendments**
  - Certificate of Status from the Texas Secretary of State (i.e. Certificate of Existence)**
  - Certificate of Account Status from the Texas Comptroller of Public Accounts (certifies that the WSC is exempt from the franchise tax and that the WSC is in good standing).**
- No

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

21. Is the applicant proposing to issue revenue bonds?  
 Yes If yes, attach copies of the most recent resolution/ordinance(s) authorizing any outstanding parity debt. This is essential to insure outstanding bond covenants are consistent with covenants that might be required for TWDB financing.  
 **Attached resolution/ordinance(s)**  
 No

22. Does the applicant possess a Certificate of Convenience and Necessity (CCN)?  
 Yes If yes, attach a copy of the CCN and service area map showing the areas the applicant is allowed to provide water or wastewater services.  
 **Attached CCN and service area map**  
 No If no, indicate the status of the CCN. \_\_\_\_\_  
 N/A

23. Has the applicant been the subject of any enforcement action by the Texas Commission on Environmental Quality (TCEQ), the Environmental Protection Agency (EPA), or any other entity within the past three years?  
 Yes If yes, attach a brief description of every enforcement action within the past three years and action(s) to address requirements.  
 **Attached**  
 No

24. Are any facilities to be constructed or the area to be served within the service area of a municipality or other public utility?  
 Yes If yes, has the applicant obtained an affidavit stating that the utility does not object to the construction and operation of the services and facilities in its service area?  
 If yes, attach a copy of the affidavit.  
 **Attached affidavit**  
 If no, provide an explanation as to why not. \_\_\_\_\_

**Upper Trinity has contracts with its Participating Members and Customers receiving wholesale treated water. These contracts allow Upper Trinity to acquire and construct projects as needed, as determined by the District, to supply treated water to all Participating Members and other Customers.**

No

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

25. If the assistance requested is more than \$500,000 a Water Conservation Plan (WCP) is required. The WCP cannot be more than **FIVE** years old and must have been adopted by the applicant. Has the applicant adopted a Board-approved WCP? (Check one and attach requested information, if any.)

- Yes Enter date of Applicant's WCP adoption: **May 5, 2014**
- No If no, attach a copy of a draft Water Conservation Plan and Drought Contingency Plan prepared in accordance with the TWDB WCP Checklist (<http://www.twdb.state.tx.us/financial/instructions/doc/TWDB-1968.pdf>)
- Attached Draft WCP and Drought Contingency Plan**
- Attached Utility Profile TWDB-1965**
- N/A <http://www.twdb.state.tx.us/financial/instructions/doc/TWDB-1965.pdf>  
(Request is \$500,000 or less per Water Code §§ 15.106(c), 17.125(c), 17.277(c), and 17.857(c))

**Note:** If the applicant will utilize the project financed by the TWDB to furnish services to another entity that in turn will furnish services to the ultimate consumer, the requirements for the WCP may be met through contractual agreements between the applicant and the other entity providing for establishment of a water conservation plan. The provision requiring a WCP shall be included in the contract at the earliest of: the original execution, renewal or substantial amendment of that contract, or by other appropriate measures.

26. Does the applicant provide retail water services?

- Yes If yes, has the applicant already submitted to the TWDB the annual water use survey of groundwater and surface water for the last **THREE** years?
- Yes
- No If no, please download survey forms and attach a copy of the completed water use surveys to the application.  
<http://www.twdb.texas.gov/waterplanning/waterusesurvey/index.asp>
- Attached Water Use Survey**
- No

27. Is the applicant a retail public utility that provides potable water?

- Yes If yes, has the applicant already submitted the most recently required water loss audit to the TWDB?
- Yes
- No If no, and if applying for a water supply project, please complete the online TWDB Water Audit worksheet found at <http://www.twdb.texas.gov/conservation/resources/waterloss-resources.asp> and attach a copy to the application.
- Attached TWDB Water Audit worksheet**
- No

28. Does the Applicant provide wastewater services?

- Yes
- No

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part C: Financial Information**

*Regional or wholesale providers, complete questions 29-31.*

*Retail providers, complete questions 32-34.*

29. List top **TEN** customers of the system by annual usage in gallons and percentage of total usage, including whether any are in bankruptcy.

Customer Name	Annual Usage (1,000 gal)	Percent of Usage	Bankruptcy (Y/N)
<b>Town of Flower Mound</b>	<b>3,230,648</b>	<b>32.38%</b>	<b>N</b>
<b>City of Corinth</b>	<b>1,036,160</b>	<b>10.39%</b>	<b>N</b>
<b>City of Highland Village</b>	<b>798,496</b>	<b>8.0%</b>	<b>N</b>
<b>Denton County Fresh Water Supply District #7 (Lantana)</b>	<b>622,095</b>	<b>6.23%</b>	<b>N</b>
<b>City of Celina</b>	<b>589,440</b>	<b>5.90%</b>	<b>N</b>
<b>Mustang Special Utility District</b>	<b>581,290</b>	<b>5.82%</b>	<b>N</b>
<b>Lake Cities Municipal Utility Authority</b>	<b>554,535</b>	<b>5.56%</b>	<b>N</b>
<b>Denton County Fresh Water Supply District #1A (Castle Hills)</b>	<b>541,270</b>	<b>5.42%</b>	<b>N</b>
<b>Denton County Fresh Water Supply District #10 (Savannah)</b>	<b>392,254</b>	<b>3.93%</b>	<b>N</b>
<b>Denton County Fresh Water Supply District #11A (Paloma South)</b>	<b>355,087</b>	<b>3.56%</b>	<b>N</b>

Comments: As of September 30, 2017

30. List the top TEN customers of the system by gross revenues and percent of total revenues, including whether any are in bankruptcy

Customer Name	Annual Revenue(\$)	Percent of Revenue	Bankruptcy (Y/N)
<b>Town of Flower Mound</b>	<b>15,931,019</b>	<b>38.49%</b>	<b>N</b>
<b>City of Corinth</b>	<b>4,236,388</b>	<b>10.24%</b>	<b>N</b>
<b>Lake Cities Municipal Utility Authority</b>	<b>2,179,234</b>	<b>5.27%</b>	<b>N</b>
<b>City of Highland Village</b>	<b>2,120,830</b>	<b>5.12%</b>	<b>N</b>
<b>Denton County Fresh Water Supply District #7 (Lantana)</b>	<b>2,007,325</b>	<b>4.85%</b>	<b>N</b>
<b>Mustang Special Utility District</b>	<b>1,838,582</b>	<b>4.44%</b>	<b>N</b>
<b>Denton County Fresh Water Supply #1A (Castle Hills)</b>	<b>1,835,310</b>	<b>4.43%</b>	<b>N</b>
<b>City of Celina</b>	<b>1,683,028</b>	<b>4.07%</b>	<b>N</b>
<b>Denton County Fresh Water Supply #11A (Paloma South)</b>	<b>1,657,054</b>	<b>4.00%</b>	<b>N</b>
<b>Denton County Fresh Water Supply #10 (Savannah)</b>	<b>1,454,382</b>	<b>3.51%</b>	<b>N</b>



Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

31. Provide a summary of the wholesale contracts with customers

Contract Type	Minimum annual amount	Usage fee per 1,000 gallons	Annual Operations and Maintenance	Annual Capital Costs	Annual Debt Service	Other
<b>ATTACHED</b>	<b>ATTACHED</b>	<b>ATTACHED</b>	<b>ATTACHED</b>	<b>ATTACHED</b>	<b>ATTACHED</b>	<b>N/A</b>

32. List top **TEN** customers of the water and/or wastewater system by annual revenue with corresponding usage and percentage of total use, including whether any are in bankruptcy.

a. **WATER**

Customer Name	Annual Usage (gal)	Percent of Total Water Revenue	Bankruptcy (Y/N)
<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

b. **WASTEWATER**

Customer Name	Annual Usage (gal)	Percent of Total Wastewater Revenue	Bankruptcy (Y/N)
<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

33. Current Average Residential Usage and Rate Information

Service	Date of Last Rate Increase	Avg. Monthly Usage (gallons)	Avg. Monthly Bill (\$)	Avg. Monthly Increase Per Customer(\$)	Projected Monthly Increase Necessary (\$)
Water	N/A	N/A	N/A	N/A	N/A
Wastewater	N/A	N/A	N/A	N/A	N/A

34. Provide the number of customers for each of the past five years.

Year	Number of Customers
20 N/A	N/A
20	
20	
20	
20	

All applicants complete questions 35-51 of the financial section, as applicable.

35. Disclose all issues that may affect the project or the applicant's ability to issue and/or repay debt (such as anticipated lawsuits, judgments, bankruptcies, major customer closings, etc.).

**None**

36. Has the applicant ever defaulted on any debt?

- Yes If yes, disclose all circumstances surrounding prior default(s). \_\_\_\_\_
- No

37. Does the applicant have taxing authority?

- Yes
- No

38. Provide the last five-years of data showing total taxable assessed valuation including net ad valorem taxes levied, corresponding tax rate (detailing debt service and general purposes), and tax collection rate.

Fiscal Year Ending	Net Taxable Assessed Value (\$)	Tax Rate	General Fund	Interest & Sinking Fund	Tax Levy \$	Percentage Current Collections	Percentage Total Collections
20	N/A	N/A	N/A	N/A	N/A	N/A	N/A
20							
20							
20							
20							

Comments: **N/A**

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

39. Attach the last five-years of tax assessed values delineated by Classification (Residential, Commercial and Industrial). **If applicant does not have taxing authority, provide the assessed values of the county.**

- a)  20 attached
- b)  20 attached Not Applicable
- c)  20 attached
- d)  20 attached
- e)  20 attached

40. Attach the direct and overlapping tax rate table:  
 Attached tax rate table Not Applicable

41. Provide the current top **TEN** taxpayers showing percentage of ownership to total assessed valuation. State if any are in bankruptcy and explain anticipated prospective impacts in the Comments blank, below. If any of these have changed in the past three years, please provide information on the changes to the top ten.

Taxpayer Name	Assessed Value	Percent of Total	Bankruptcy (Y/N)
N/A	N/A	N/A	N/A

Comments: **Not Applicable**

42. Provide the maximum tax rate permitted by law per \$100 of property value. **Not Applicable**

43. Does the applicant collect sales tax?  
 Yes Provide the sales tax collection history for the past five years.

Fiscal Year Ending	Total Collections
20	
20	
20	
20	
20	

No

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

44. Indicate the tax status of the proposed loan?
- Tax-Exempt
  - Taxable
45. Proforma (**Select one of the four listed below**) Please be sure the proforma reflects the schedule requested, including multi-phased funding options.
- a. System revenues are anticipated to be used to repay the proposed debt. Attach a proforma indicating the following information for each year the debt is outstanding:
- projected gross revenues
  - operating and maintenance expenditures
  - outstanding and proposed debt service requirements
  - net revenues available for debt service and coverage of current and proposed debt paid from revenues
- b. Taxes are anticipated to be used to repay the proposed debt. Attach a pro forma indicating the following information for each year the debt is outstanding:
- outstanding and proposed debt service requirements
  - the tax rate necessary to repay current and proposed debt paid from taxes
  - list the assumed collection rate and tax base used to prepare the schedule
- c. Combination of system revenues and taxes to be used to repay the proposed debt. Attach a pro forma indicating the following information for each year the debt is outstanding:
- projected gross revenues, operating and maintenance expenditures, net revenues available for debt service
  - outstanding and proposed debt service requirements
  - the tax rate necessary to pay the current and proposed debt
  - list the assumed collection rate and tax base used to prepare the schedule
- d. Another type of pledge will be used to repay the proposed debt. Attach a pro forma with information for each year the debt is outstanding, which includes projected revenues, annual expenditures, outstanding debt requirements, and revenues available for debt service.
- Attached
46. Attach a **FIVE** year comparative system operating statement (not condensed) including audited prior years and an unaudited year-to-date statement. Unaudited year-to-date statement must reflect the financial status for a period not exceeding the latest six months.
- Attached Operating Statement.**
47. Attach **ONE** copy of an annual audit of financial statements, including the management letter, for the preceding fiscal year prepared by a certified public accountant or firm of accountants and, if the last annual audit was more than 6 months ago, then, provide interim financial information.
- Attached Annual Audit**
  - Attached Management Letter**
  - If applicable, attached interim financial information**

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

48. Does the applicant have any outstanding debt? (Check all that apply)
- Yes, General obligation debt
  - Yes, Revenue debt
  - Yes, Authorized but unissued debt
  - No
49. Attach a listing of total outstanding debt and identify the debt holder. Segregate by type (General Obligation or Revenue) and present a consolidated schedule for each, showing total annual requirements. Note any authorized but unissued debt.
- a. General Obligation Debt:
- Yes  
 **Attached schedule. The schedule should also identify the debt holder.**
  - No
- b. Revenue:
- Yes  
 **Attached schedule. The schedule should also identify the debt holder.**
  - No
- c. Authorized by Unissued Debt:
- Yes  
 **Attached schedule. The schedule should also identify the debt holder.**
  - No

50. List the ten largest employers of the Applicant's service area:

Name	Number of Employees
<b>University of North Texas (UNT)</b>	<b>8,887</b>
<b>Denton ISD</b>	<b>3,800</b>
<b>Walmart</b>	<b>3,722</b>
<b>Peterbilt Motors Co.</b>	<b>2,314</b>
<b>Northwest ISD</b>	<b>2,246</b>
<b>Lewisville ISD</b>	<b>2,061</b>
<b>Denton State School</b>	<b>1,700</b>
<b>Denton County</b>	<b>1673</b>
<b>Texas Women's University (TWU)</b>	<b>1,672</b>
<b>Nebraska Furniture Mart</b>	<b>1,500</b>

Comments (example, any anticipated changes to the tax base, employers etc.) As of 09/30/2017

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

51. Provide any current bond ratings with date received.

	Standard & Poor's	Date Received	Moody's	Date Received	Fitch	Date Received
G.O.	N/A	N/A	N/A	N/a	N/A	N/A
Revenue	A+	May 2017	A2	May 2017	N/A	N/A

52. Is the project intended to allow the applicant to provide or receive water or sewer services to or from another entity?

- Yes. If yes, the applicant must attach, at a minimum, the proposed agreement, contract, or other documentation establishing the service relationship, with the final and binding agreements provided prior to loan closing.
  - Attached**
- No.

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

### Part D: Project Information

53. Description of Project Need (for example, is the project needed to address a current compliance issue, avoid potential compliance issues, extend service, expand capacity, etc.):

**This project is required to provide additional capacity, system reliability and operational security to Upper Trinity Regional Water District's Regional Treated Water System.**

54. Description of Project, including a bulleted list of project elements/components, and alternatives considered (including existing facilities):

**The Parallel Pipeline from Taylor RWTP to Stone Hill Pump Station is a proposed new Pipeline by the Upper Trinity Regional District (the District) that will be constructed in the City of Lewisville and the Town of Flower Mound in Denton County, Texas. The primary purpose is for an increase in system capacity, reliability and operational security. Water from the project will be used to meet increasing demands of our customers in service area. The proposed pipeline will provide capacity for approximately 63 mgd more treated water from the Taylor RWTP to Stone Hill Pump Station.**

**The project elements include:**

- **Preliminary design**
- **Alignment study**
- **Possible permanent and temporary easement acquisition**
- **A major interstate crossing (IH 35E) to include trenchless technology**
- **Railroad crossings and large power transmission line crossing**
- **Multiple city street crossings**
- **Installation of a large diameter pipeline adjacent to an existing 48-inch active water transmission pipeline**
- **Connections to ground storage tanks and plant yard piping**
- **Installation of fiber optic cable and conduit for communication links**

A complete preliminary engineering feasibility data must include:

- a. A description and purpose of the project, including existing facilities.
- Note: CWSRF and DWSRF must address issues scored in Intended Use Plan submittal

**Attached**

**A Feasibility study has not been performed. This will be included in the planning stages of this project and requires funding.**

- b. **If project is for Construction only, then attach** the appropriate Engineering Feasibility Report:

**Not Applicable**

- a) **Water** (TWDB-0555 at

<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0555.pdf>)

**Attached**

- b) **Wastewater** (TWDB-0556 at

**Not Applicable**

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0556.pdf>

**Attached**

- c. DWSRF applicants must complete a Projected Draw Schedule (TWDB-1202 at

**Not Applicable**

<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-1202.xls>

55. Water Made Available (For projects requesting a construction component):

a. New supply **49,846** (acre-feet/year) **\*41,710,000.00** (\$) capital cost

**(\*does not include fiscal services costs)**

- o The **increase** in the total annual volume of water supply that will be made available to the recipient(s) by the proposed project.
- o Water Plan project examples: new groundwater wells, reservoir development, pipelines to sources.

b. New Conservation savings **N/A** (acre-feet/year) **N/A** (\$) capital cost

- o Annual volume of anticipated water savings resulting from implementation of the proposed conservation project including water loss) and other conservation activities,
- o Water Plan project examples: municipal conservation, advanced Water Conservation, on-farm conservation, brush control, irrigation conservation.

c. New Reuse supply **N/A** (acre-feet/year) **N/A** (\$) capital cost

- o Increase in the annual volume of (direct or indirect) reuse water supply that will be made available to the recipient(s) by the proposed project.
- o Water Plan project examples: direct reuse, non-potable reuse, recycled water programs.

d. Maintenance of Current Supply **N/A** (acre-feet/year) **N/A** (\$) capital cost

- o Volume of recipients' current supplies that will be maintained by implementing the proposed project
- o Water Plan project examples: None. Not a water plan project. (Examples of these type projects: treatment rehabilitation, system storage facilities, system upgrades).



Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

56. Project Location:

**The Parallel Pipeline from District's Taylor RWTP to the Stone Hill Pump Station is in Denton County and extends for approximately 3.25 miles from the City of Lewisville and into the Town of Flower Mound.**

Attach a map of the service area and drawings as necessary to locate and describe the project. The map should show the project footprint and major project components.

**Attached**

57. Attach the Census tract numbers in which the applicant's service area is within. The Census tracts within your area may be found at:

<http://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml>

**Please follow these steps:**

- Select Advanced Search.
- Select the Geographies button located below Topics (left side of page).
- On the top of the window select the Name tab.
- In the text box, type "All Census Tracts within\_\_\_\_" (Fill in the blank with the name of a County Subdivision or a Place.) Select "Go".
- If your town is a County Subdivision, select the geography labeled "All Census Tracts (or parts) within City, County, State" from the Geography Results. If your town is a place select the geography labeled "All Census Tracts (or parts) full-or-partially within City, State" from the Geography Results.
- Close the Geographies Search window.
- Use the Topics on the left side of the page to further refine your search or to select a table(s) from your search results.

**Attached Census tracts**

58. Project Schedule:

- a) Requested loan closing date.  
**October 2018**
- b) Estimated date to submit environmental planning documents.  
**October 2019**
- c) Estimated date to submit engineering planning documents.  
**October 2019**
- d) Estimated date for completion of design.  
**October 2019**
- e) Estimated Construction start date for first contract.  
**December 2019**
- f) Estimated Construction end date for last contract.  
**May 2021**

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

59. **Attach** a copy of current and future populations and projected water use or wastewater flows. Include entities to be served.

**Attached**

60. Attach the most current itemized project cost estimate (include all costs and funding sources). Utilize the budget format provided (TWDB-1201 at <http://www.twdb.texas.gov/financial/instructions/>). If applying for pre-construction costs only (i.e., P, A, D) then itemize only the relevant portions in the attached budget template

**Attached**

61. Attach the appropriate Project Information Form:

**Wastewater:** Attached a completed Wastewater Project Information Form WRD-253a <http://www.twdb.texas.gov/financial/instructions/index.asp>

**Water:** Attached a completed Water Project Information Form WRD-253d <http://www.twdb.texas.gov/financial/instructions/index.asp>

62. If the project is for Construction only, wastewater projects that involve the construction of a new plant or the expansion of an existing plant and/or associated facilities, attach evidence that an application for a new Texas Pollution Discharge Elimination System Permit or amendment to an existing permit related to the proposed project has been filed with the Texas Commission on Environmental Quality (TCEQ). Final permit authorization must be obtained from the TCEQ before funds can be released for construction activities.

**Attached**

No. Provide explanation:

**Not Applicable**

63. If this project will result in: (a) an increase by the applicant in the use of groundwater, (b) drilling a new water well, or (c) an increase by the applicant in use of surface water, then the applicant must demonstrate that it has acquired – by contract, ownership or lease – the necessary property rights, groundwater permits, and/or surface water rights sufficient for the project before funds can be released for construction.

a) Does the applicant currently own all the property rights, groundwater permits and surface water rights needed for this project?

Yes If yes, please attach the completed, appropriate form.

1. WRD 208A (<http://www.twdb.texas.gov/financial/instructions/index.asp>) (Surface Water)

**Attached**

2. WRD 208B (<http://www.twdb.texas.gov/financial/instructions/index.asp>) (Groundwater)

**Attached**

No

N/A

b) If all property rights, groundwater permits, and surface water rights, needed for this project have not yet been acquired, identify the rights and/or permits that will need to be acquired and provide the anticipated date by which the applicant expects to have acquired such rights and/or permits.

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

Type of Permit Water Right	Entity from which the permit or right must be acquired	Acquired by lease or full ownership	Expected acquisition date	Permit / Water Right ID No.

**Additional easements may be required. Part of the project will include identifying additional easements required. We do not know what will be required at this time.**

- c) List any major permits not identified elsewhere that are necessary for completion of project. Also, list any more necessary minor permits that may involve particular difficulty due to the nature of the proposed project.

Permit	Issuing Entity	Permit Acquired (Y/N)
<b>Highway crossing</b>	<b>TxDOT</b>	<b>N</b>
<b>Railroad crossing</b>	<b>Kansas City Southern Railroad</b>	<b>N</b>

64. Has the applicant obtained all necessary land and easements for the project?

Yes. If yes, attach the site certificate (ED-101 at <http://www.twdb.texas.gov/financial/instructions/index.asp>)  
 **Attached**

No. If no, **fill out the table below** and describe the land or easements that will need to be acquired, provide the anticipated date by which the applicant expects to have the land or easements, and indicate if funding from TWDB is to be used for the acquisition.

Description of Land or Easement Permit	Entity from which the permit or right must be acquired	Acquired by lease or full ownership	Expected acquisition date	To Be Funded by TWDB (Yes/No)

65. Has a Categorical Exclusion (CE), Determination of No Effect (DNE), Finding of No Significant Impact (FONSI), Record of Decision (ROD), or any other environmental determination been issued for this project?

Yes  
 Attach a copy of the finding.  
 No

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

66. Is the project potentially eligible for a Categorical Exclusion (CE)/ Determination of No Effect (DNE) because it involves only minor rehabilitation or the functional replacement of existing equipment?  
 Yes  
 No
67. Are there potentially adverse environmental or social impacts that may require mitigation or extensive regulatory agency or public coordination (e.g. known impacts to properties eligible for listing on the National Register of Historic Places; potentially significant public controversy; need for an individual permit from the U.S. Army Corps of Engineers)?  
 Yes  
 If yes, attach additional information  
 No

**Part E: State Water Implementation Fund for Texas (SWIFT) Applicants Only:**

68. Identify the type of SWIFT funding (If more than one funding option is being requested indicate the amount of funding for each):
- |                                     |                     |              |
|-------------------------------------|---------------------|--------------|
| <input type="checkbox"/>            | Deferred            | \$ N/A       |
| <input checked="" type="checkbox"/> | Low Interest Loan   | \$42,070,000 |
| <input type="checkbox"/>            | Board Participation | \$ N/A       |
69. For multi-year funding request or phased commitments, provide a schedule reflecting the closing dates for each loan requested.  
 **Attached**
70. **Notice to SWIFT Applicants:** Texas Water Code Sec. 15.435(h) requires all recipients of financial assistance from the SWIFT to acknowledge any applicable legal obligations in federal law, related to contracting with disadvantaged business enterprises, and state law, related to contracting with historically underutilized businesses. Checking the boxes below serves as this acknowledgement.
- As an applicant for financial assistance from SWIFT, I acknowledge that this project must comply with any applicable legal obligations in federal law related to contracting with disadvantaged business enterprises.
- As an applicant for financial assistance from SWIFT, I acknowledge that this project must comply with applicable legal obligations in state law (Texas Government Code Chapter 2161 and Texas Administrative Code Chapter 20, Subchapter B) related to contracting with historically underutilized businesses.
71. Provide drafts of the following documents:
- a. Proposed Bond Ordinance  
 **Attached**
- b. Private Placement Memorandum  
 **Attached**

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part F: Economically Distressed Programs (EDAP) Applicants Only: Not Applicable**

In accordance with TWDB Rules (31 TAC Chapter 363), an application for EDAP will **not** be considered until the County has adopted and is enforcing the Model Subdivision Rules (MSRs) Texas Water Code § 16.343. If the proposed project is within a municipality or its extraterritorial jurisdiction (ETJ), or if the applicant is a municipality, the municipality must also have adopted and be enforcing MSRs.

72. Describe procedures for collecting monthly customer bills (include procedures for collection of delinquent accounts)  
\_\_\_\_\_
73. Is financing being requested for a **wastewater** project?  
 Yes If yes, does the applicant have the required resolution/ordinance establishing a mandatory hookup policy?  
 Yes. If yes, attach a copy of the resolution/ordinance.  
 **Attached**  
 No. If no, explain \_\_\_\_\_  
 No
74. Required documentation for the project area for Preliminary EDAP Eligibility (31 TAC Chapter 363)  
 **Attached** documentation of inadequacy of water and/or wastewater services.  
 **Attached** documentation regarding the financial resources of the residential users in the EDAP area. Census data or documentation regarding median household income should be provided.  
 **Attached** documentation demonstrating existence of a residence in the project area prior to **June 1, 2005**. This could include tax records of residence, dated aerial maps, or, other documentation demonstrating existence of a residence.
75. Has the Department of State Health Services issued a determination stating a public health nuisance exists in the project area?  
 Yes If yes, attach a copy of the determination.  
 **Attached**  
 No If no determination exists, attach documentation demonstrating a public health nuisance exists in the project area. (*Photographs may be submitted, but they **must** be labeled with location and date when taken. If the soil types are mentioned in the project area as an issue, include soil profile maps*) This documentation will be used by TWDB staff to request a determination from the Department of State Health Services  
 **Attached**
76. Is this project providing new service?  
 Yes If yes, attach plats of the affected subdivisions.  
 **Attached**  
 No
77. Attach an EDAP Facility Engineering Plan/Scope of Services report that complies with the requirements of WRD-023A. <http://www.twdb.texas.gov/financial/instructions/index.asp>  
 **Attached**

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part G: CWSRF/DWSRF Applicants Only** Not Applicable

**Only applicants applying for funding from the CWSRF and DWSRF Programs must complete this section.**

Pursuant to Federal Funding Accountability and Transparency Act (FFATA) the applicant is required to obtain a DUNS number that will represent a universal identifier for all federal funding assistance. DUNS numbers can be obtained from Dun and Bradstreet at <http://fedgov.dnb.com/webform/>

78. Applicant's Data Universal Number System (DUNS) Number:  
DUNS \_\_\_\_\_

Pursuant to Federal Funding Accountability and Transparency Act (FFATA) the applicant is required to register with System for Award Management (SAM) and maintain current registration at all times during which the Board loan agreement is active or under consideration by the Board. Register at: <https://sam.gov>.

79. The applicant has registered and will maintain current SAM registration at all times during which a federal subaward is active or under consideration by the Board.  
 Yes  
 No

80. Federal Awards information:

1. Did applicant receive over 80% of their revenue from Federal Awards last year?

- Yes  
 No

2. Did applicant receive over \$25 million in Federal Awards last year?

- Yes  
 No

3. Public does not have access to executive compensation information via SEC or IRS reports?

- Yes  
 No

81. If applicant checked **YES** to **ALL** three boxes in 3 above, applicant is required to disclose the name and compensation of the five most highly compensated officers.

Officer's Name	Officer's Compensation (\$)

82. Complete form WRD 213 (<http://www.twdb.texas.gov/financial/instructions/index.asp>) - Certification Regarding Lobbying

- Attached**  Yes  
 No  
 N/A

**Please label each attachment with the number of the pertinent application section (i.e. "Part D5")**

83. If applying for CWSRF Equivalency or DWSRF, **attach** the Certification Regarding Debarment, Suspension and Other Responsibility. SRF-404  
(<http://www.twdb.texas.gov/financial/instructions/doc/SRF-404.pdf>)

**Attached**     Yes  
                   No  
                   N/A

84. If applying for CWSRF Equivalency or DWSRF, **attach** the Assurances – Construction Programs. EPA-424D (<http://www.twdb.texas.gov/financial/doc/EPA-424D.pdf>)

**Attached**     Yes  
                   No  
                   N/A

85. The applicant must comply with the Davis-Bacon Act regarding prevailing wage rates. The applicant acknowledges that they are aware of, and will abide by, the Davis-Bacon Act requirements.

Yes  
 No

Further information on the Davis-Bacon requirement is available through the TWDB Guidance document, DB-0156 (<http://www.twdb.texas.gov/financial/instructions/index.asp>)

All project costs funded by the TWDB through CWSRF Equivalency or DWSRF must comply with the federal Disadvantaged Business Enterprise (DBE) program rules and requirements. The federal DBE program requires a good faith effort to contract with DBE's for all procurements including: professional and non-professional consulting services, equipment, supplies and construction to be funded by federal equivalency dollars. Guidance and forms are found at:

TWDB-0210 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0210.pdf>)

86. **At a minimum, you must complete and attach** the Applicant Affirmative Steps Certification and Goals. This form is required to obtain a financial assistance commitment.

TWDB-0215 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0215.pdf>)

**Attached**     Yes  
                   No

87. If you have already solicited contractors, complete and attach the Affirmative Steps Solicitation Report. This form is required prior to loan closing and release of any funds; therefore, if this question is not applicable at this time, select N/A.

TWDB-216 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0216.pdf>)

**Attached**     Yes  
                   No  
                   N/A

**Please label each attachment with the number of the pertinent application section (i.e. "Part D5")**

88. If you have awarded contracts to contractors, complete and attach the Loan/Grant Participation Summary. This form must be submitted for review prior to loan closing and release of funds. This form is required prior to loan closing and release of any funds; therefore, if this question is not applicable at this time, select N/A.

TWDB-0373 (<http://www.twdb.texas.gov/financial/doc/TWDB-0373.pdf>)

- Attached**        Yes  
                      No  
                      N/A

89. All Contractors that have been awarded will need to complete and attach the Prime Contractor Affirmative Steps Certification and Goals This form is required prior to loan closing and release of any funds; therefore, if this question is not applicable at this time, select N/A.

TWDB-217 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0217.pdf>)

- Attached**        Yes  
                      No  
                      N/A

90. **All CWSRF applicants** must be a Designated Management Agency (DMA) for wastewater collection and treatment. Please complete and attach DMA resolutions. WRD-210 (<http://www.twdb.texas.gov/financial/doc/WRD-210.pdf>) is an example of this type of resolution.

- Attached**  
    N/A



Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

### Part H: Documentation of "Green" Projects and Project Components

CWSRF and DWSRF Applicants Only

**Not Applicable**

**All SRF applicants must complete this section if green benefits are all or part of the project (more than an incidental benefit).** Project is defined as the entire project or a stand-alone component of the project. This section is required so that the TWDB may determine whether the project qualifies as "green" pursuant to Environmental Protection Agency (EPA) Guidance.

A project (or project component) is "green" if the primary purpose qualifies under EPA Guidance as one of the following:

- a. Green Infrastructure,
- b. Water Efficiency-related,
- c. Energy Efficiency-related, or
- d. Environmentally Innovative.

You must use the Green Project Reserve guidance to complete this section. Current guidance may be found at: **Green Project Reserve: Guidance for determining project eligibility**

TWDB-0161 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0161.pdf>)

91. Does your project or a component of your project qualify as Green, per EPA guidance?

- Yes  
 No

If Yes, Please complete the remainder of Section G.

92. Type of Green Project

- Water Efficiency       Energy Efficiency       Green Infrastructure       Environmentally Innovative

93. The correct worksheets must be completed.

**Green Project Reserve: CWSRF Green Project Worksheets**

TWDB-0162 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0162.pdf>)

- Attached**       Yes  
                          No  
                          N/A

**Green Project Reserve: DWSRF Green Project Worksheets**

TWDB-0163 (<http://www.twdb.texas.gov/financial/instructions/doc/TWDB-0163.pdf>)

- Attached**       Yes  
                          No  
                          N/A

TWDB will make the final determination whether your project (or project component) meets federal criteria as "green". You may be required to submit a **business case, utilizing the Green guidance**

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

## Part I: Summary of attachments to application

Following is a list of the documents that may be necessary in order to process this application. While not all of the listed information below may be required for all projects, an applicant should review the application carefully because incomplete applications will not be processed until all of this information has been provided. In addition, please make sure your entity system name appears on every attachment. **Label each attachment with the number of the pertinent application section (i.e. "Part B5").**

Check list for your convenience

### Part A

- No. 6
- No. 12

### General Information

Draft or executed consulting contracts (engineering, financial advisor, bond counsel)  
Existing security document for refinancing

### Part B

- No. 17
- No. 18
- No. 19
- No. 20

### Legal

Resolution (TWDB-0201A)  
Application Affidavit (TWDB-0201)  
Certificate of Secretary (TWDB-201B)  
Water Supply Corporations

- Articles of Incorporation
- Certificate of incorporation from the Texas Secretary of State
- By-laws and any amendments
- Certificate of status from the Texas Secretary of State
- Certificate of account status from Texas Comptroller

- No. 21
- No. 22
- No. 23
- No. 24
- No. 25
- No. 26

Resolution/ordinance authorizing the issuance of parity debt  
Certificate of Convenience & Necessity  
Enforcement Actions  
Affidavit of No Objection  
Two copies of the Water Conservation Plan (TWDB-1968 and TWDB-1965)  
Water use surveys

- No. 27

Water Loss Audit  
<http://www.twdb.texas.gov/waterplanning/waterusesurvey/index.asp>  
<http://www.twdb.texas.gov/conservation/resources/waterloss-resources.asp>

### Part C

- No. 39
- No. 40
- No. 45
- No. 46
- No. 47
- No. 49
- No. 52

### Financial

Assessed Values by Classifications  
Direct and Overlapping Tax Table  
Proforma for each year of debt outstanding  
Five year comparative system operating statement.  
Annual audit and management letter  
Outstanding debt schedule  
Service provider contracts

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

**Part D**

**Project Information**

- No. 54a Preliminary Engineering Feasibility Data (PEFD)
- No. 54b Engineering Feasibility Report
  - Water (TWDB-0555)
  - Wastewater (TWDB-0556)
- No. 54c Project Draw Schedule (TWDB-1202)
- No. 56 Project Map
- No. 57 Census Tract(s)
- No. 59 Current and future populations and projected water use or wastewater flows
- No. 60 Project Cost Estimate Budget (TWDB-1201)
- No. 61 Wastewater Project Information Form (WRD-253a)  
Water Project Information Form (WRD-253d)
- No. 62 Texas Pollution Discharge Elimination System Permit
- No. 63 If applicant has property rights and permits
  - a. WRD-208A (Surface Water)
  - b. WRD-208B (Groundwater)
- No. 63c Additional Permits
- No. 64 Site certificate, evidencing land ownership for the project. (ED-101)
- No. 65 Categorical Exclusion (CE), Finding of No Significant Impact (FONSI), Record of Decision or any other supporting document
- No. 67 Social or environmental issues

**Part E**

**State Water Implementation Fund for Texas**

- No. 69 Multi-year/phased commitment schedule
- No. 71a Draft Bond Ordinance
- No. 71b Private Placement Memorandum

**Part F**

**Economically Distressed Areas Program**

- No. 73 Resolution/ordinance establishing a mandatory hookup policy
- No. 74 EDAP applicants
  - Inadequacy documentation
  - Financial resources documentation
  - Existence of residences prior to 06/01/2005
- No. 75 Public health nuisance
- No. 76 Plats
- No. 77 EDAP Planning Phase – Facility Engineering Plan/Scope of Services (WRD-023A)

**Part G**

**CWSRF/DWSRF Applicants Only**

- No. 82 Lobbying Activities (WRD-213)
- No. 83 Certification Regarding Debarment, Suspension and Other Responsibility Requirements. (SRF-404)
- No. 84 Assurances – Construction Programs (EPA-424D)  
Disadvantaged Business Requirements Guidance (TWDB-0210)
- No. 86 Affirmative Steps Certification and Goals (TWDB-0215)
- No. 87 Affirmative Steps Solicitation Report (TWDB-216)
- No. 88 Loan/ Grant Participation Summary (TWDB-0373)
- No. 89 Prime Contractor Affirmative Steps Certification and Goals (TWDB-217)
- No. 90 Designated Management Agency (WRD-210)

**Part H**

**Green Projects**

- No. 93 Guidance (TWDB-0161)  
CWSRF Green Project Worksheets (TWDB-0162)  
DWSRF Green Project Worksheets (TWDB-0163)

Please label each attachment with the number of the pertinent application section (i.e. "Part D5")

## Part J: Guidance and Forms

### Part A

#### General Information

CWSRF – 31 TAC 375

DWSRF – 31 TAC 371

EDAP and SWIFT - 31 TAC 363

For more information visit, <http://www.twdb.texas.gov/about/rules/index.asp>.

### Part D

#### Project Information

[State Programs - 31 TAC 363](#)

[Drinking Water State Revolving Fund - 31 TAC 371](#)

[Clean Water State Revolving Fund / Equivalency - 31 TAC 375](#)

[Clean Water State Revolving Fund / Non-Equivalency - 31 TAC 375](#)

Guidelines for Environmental Assessment, Clean Water Non-Equivalency (ED-001A)

Clean Water EID Instructions (SRF-099)

Guidelines for Environmental Assessment, State Participation, DFund, RWAFF and WIF,  
(ED-001B)

Guidelines for Environmental Assessment, EDAP (ED-001C)

Drinking Water EID Instructions (DW-001)

### Part H

#### Green Projects and Project Components

Green Project Reserve: Guidance for determining project eligibility  
(TWDB-0161)

**Tab 1**  
**Part A - #6**  
**Consulting Contracts**

**Boyle & Lowry**  
ATTORNEYS AT LAW

1700 W. Pioneer  
Irving, Texas 75061-6842



January 26, 1995

Mr. Tom Taylor  
Executive Director  
Upper Trinity Regional Water District  
P.O. Drawer 305  
Lewisville, Texas 75067

Re: Legal Service for Upper Trinity Regional Water District (the  
"District")

Dear Mr. Taylor:

The law firm of Hutchison Boyle Brooks & Fisher has provided general counsel representation to the District, formerly the Upper Trinity Municipal Water Authority, Inc. from May of 1988 to the present time.

The undersigned has been the general counsel for the District since April of 1989. The fee arrangement has been based upon a May 11, 1988 letter from the firm to Mr. Steven L. Bacchus, the then President of the Board of Directors of the Upper Trinity Municipal Water Authority, Inc.

The relationship with the District has been excellent and we have appreciated the opportunity to work on the very significant projects being undertaken by the District in Denton County.

The firm of Hutchison Boyle Brooks & Fisher is being dissolved

effective January 31, 1995. It is the keen desire of the undersigned to continue in the capacity of general counsel to the District as the senior partner in the new law firm of Boyle and Lowry.

The firm of Boyle and Lowry does present the following as a proposed basis of general counsel representation:

Services

All general counsel services normally, traditionally and customarily performed by a general counsel, when, and as directed by the Board, its Executive Director and staff. The services shall include attending of meetings, preparation and review of contracts and documents, rendering of legal opinions and performing all of the legal services within the firm's expertise which includes all areas of local government, special law districts and municipalities.

Proposed Fees and Expenses

The following fee schedule is proposed:

John F. Boyle, Jr.	\$160.00 per hour
L. Stanton Lowry	\$130.00 per hour
Legal assistant	\$ 60.00 per hour

The firm has the flexibility and ability to establish a specific fee structure or structures for any project or undertaking as we recognize and appreciate the District's source and availability of funding. The fees for these services plus all reasonable and necessary direct out of pocket expenses, shall be billed to the District on a monthly basis.

John F. Boyle, Jr. shall be the attorney primarily responsible to the District.

This proposal represents an offer to continue to provide professional services to the District and accordingly is terminable at the will and pleasure of the District.

We look forward to continuing to work with you, your fine staff and

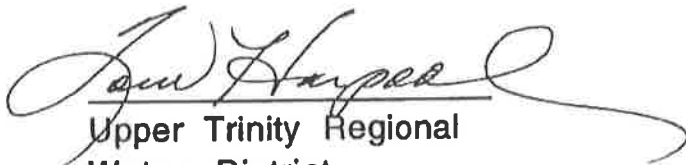
the District's Board of Directors in carrying out the District's legislative mandate.

Very truly yours,



John F. Boyle, Jr.

Accepted this 2nd day of February 1995.



Upper Trinity Regional  
Water District



Part A - #6

BRACEWELL & GIULIANI LLP  
1445 ROSS AVENUE, SUITE 3800  
DALLAS, TEXAS 75202-2711

BOYLE & LOWRY, L.L.P.  
4201 WINGREN, SUITE 208  
IRVING, TEXAS 75062

February 9, 2012

President and Board of Directors  
Upper Trinity Regional Water District  
900 N. Kealy Street  
Lewisville, Texas 75067

Re: Engagement Letter Upper Trinity Regional Water District – Co-Bond Counsel

Dear Ladies and Gentlemen:

We are pleased to set forth in this letter the terms of our engagement as co-bond counsel for the Upper Trinity Regional Water District (the "District"). When adopted by the Board of Directors of the District, this letter will become effective and will evidence an agreement between the District and Bracewell & Giuliani LLP ("B&G") and Boyle & Lowry, L.L.P. ("Boyle & Lowry") (collectively, "Co-Bond Counsel"), and shall supersede all prior engagement letters pertaining to the co-bond counsel services for the District. This agreement will be effective for the District's Regional Treated Water Supply System Revenue Refunding Bonds, Series 2012 (the "2012 Bonds") and any future series of bonds (collectively, the "Bonds") issued for the District unless terminated by the District with customary notice.

It is our practice to confirm the terms and conditions of our engagements, and that is the purpose of this Engagement Letter. This engagement has been approved by Co-Bond Counsel subject to the conditions described in this letter.

Scope of Engagement

We agree that our services as Co-Bond Counsel will include the following services:

1. Attendance at all meetings of the Board of Directors as required or requested in connection with the planning and authorization of Bonds, including consultation on federal income tax matters;
2. Preparation of the resolutions of the Board of Directors authorizing issuance of Bonds, together with all other legal documents comprising the transcript of proceedings for authorization and issuance of Bonds;
3. Preparation of and submission to the Attorney General of Texas of a transcript of proceedings for each series of Bonds to obtain the approval of the Attorney General and registration of Bonds by the Comptroller of Public Accounts of Texas;

Upper Trinity Regional Water District  
February 9, 2012  
Page 2

4. Preparation and filing of legal documents required under federal income tax law for the Bonds, and the preparation of and delivery to the District of a Letter of Instructions with respect to the federal income tax treatment of Bond proceeds;
5. Representation of the District at the closing of the sale of Bonds, including preparation of all closing documents; and
6. If appropriate, the delivery at closing of our approving opinion as to the validity of the Bonds under Texas law, and the exclusion of interest on the Bonds from gross income of the holders under federal income tax law.

The services outlined above do not include such matters as services as disclosure counsel in connection with the sale of the Bonds, work on post closing federal tax or disclosure issues, obtaining IRS rulings or clarifications of federal tax law, presentations to rating agencies or bond insurers, or "blue sky" or securities registration services. We will be pleased to provide legal services in connection with any matters not included in paragraphs 1 through 6 above, but we believe that such additional services, if requested by the District, should be the subject of an addendum to this letter or a separate letter of engagement. Our representation of the District with respect to any particular series of Bonds will end upon the closing for that particular series of Bonds.

This Engagement Letter may be supplemented to reflect new matters or issues that deviate from the current engagement in scope, billing arrangements, complexity, risk, or that otherwise require a substantial change in terms and conditions.

#### Fees, Expenses and Billing

For our services in connection with the issuance of each series of Bonds shall be determined in accordance with the schedule set forth in Exhibit A. Our fees with respect to each issue of Bonds shall be payable at the time of delivery of the Bonds to the purchaser thereof. Occasionally, the District may request us to perform miscellaneous legal services not related to a specific issue of Bonds. We propose that such services be performed on an hourly basis according to our normal hourly rates charged to other clients and billed monthly.

#### Transition and Transfer of Files

As you are aware, attorneys representing the District recently transferred to B&G from Vinson & Elkins LLP ("V&E"). As a result, B&G and V&E will share the fee for services rendered in connection with the 2012 Bonds on the basis of the work performed by each firm to date. The District will receive a single invoice from B&G at the conclusion of the transaction, and the District will not receive an invoice from V&E.

Upper Trinity Regional Water District  
February 9, 2012  
Page 3

By acceptance of this Engagement Letter, the District does hereby authorize the transfer of all physical and electronic files, records and documents for all active and inactive matters from V&E to B&G.

Conflicts of Interest: Applicable Standard

For purposes of evaluating conflicts of interests, you acknowledge that Co-Bond Counsel relies upon the Texas Disciplinary Rules of Professional Conduct. Co-Bond Counsel may represent other clients that may be adverse to your interests in substantially unrelated matters, and it may represent other clients within the same industry.

Alternative Dispute Resolution

Disputes arising under or pertaining to this engagement shall be resolved, if possible, by a non-binding mediation conducted by a mutually acceptable mediator at a location that acceptable to client and Co-Bond Counsel. The mediation process may be initiated by a written request with a list of acceptable mediators and site for the proceeding.

Conclusion

You are encouraged to discuss the terms of this engagement letter with the independent counsel of your choice. Please call me if you wish to discuss any aspect of this engagement.


If this Engagement Letter, correctly reflects your understanding of the terms and conditions of our representation, please sign the enclosed copy of this letter in the space provided and return one original to B&G and one original to Boyle & Lowry.

Upper Trinity Regional Water District  
February 9, 2012  
Page 4

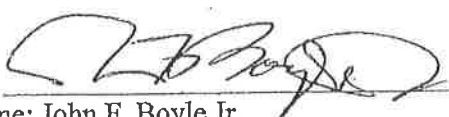
Thank you again for the opportunity to represent you in this matter.

Very truly yours,

Bracewell & Giuliani LLP

By:   
Name: Robert R. Collins, III

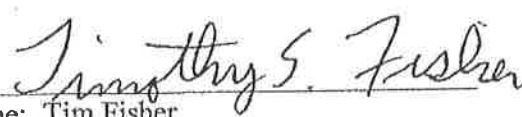
Boyle & Lowry, L.L.P.

By:   
Name: John F. Boyle Jr.

Attachments

AGREED AND ACCEPTED:

UPPER TRINITY REGIONAL WATER DISTRICT

By:   
Name: Tim Fisher  
Title: President, Board of Directors

Date: 2-2-12

EXHIBIT A

COST AND FEE INFORMATION

We will perform the appropriate legal services as Co-Bond Counsel in connection with each installment of the District's Bonds for fees determined in accordance with the following schedules:

First \$10 Million of Bond Proceeds 1/2 of 1%

Next \$30 Million of Bond Proceeds 1/4 of 1%

Over \$40 Million of Bond Proceeds 1/10 of 1%

Based on the expected expenditures of time and responsibilities associated with each Bond issue, Co-Bond Counsel anticipates sharing such total Bond Counsel fee 75% for B&G and 25% for Boyle & Lowry.



**Deloitte & Touche**  
JPMorgan Chase Tower  
2200 Ross Avenue, Suite 1600  
Dallas, TX 75201-6778  
USA

Tel: +1 214 840 7000  
www.deloitte.com

September 28, 2017

Mr. Kevin Mercer  
President  
Board of Directors of Upper Trinity Regional Water District  
900 N Kealy St, PO Box 305  
Lewisville, Texas 75067

Mr. Tom Taylor  
Executive Director  
Upper Trinity Regional Water District  
900 N Kealy St, PO Box 305  
Lewisville, Texas 75067

Dear Mr. Mercer and Mr. Taylor:

Deloitte & Touche LLP ("D&T" or "we" or "us") is pleased to serve as independent auditors for Upper Trinity Regional Water District (the "District" or "you" or "your"). Ms. Reem Samra will be responsible for the services that we perform for the District hereunder.

In addition to the audit services we are engaged to provide under this engagement letter, we would also be pleased to assist the District on issues as they arise throughout the year. Hence, we hope that you will call Ms. Samra whenever you believe D&T can be of assistance.

The services to be performed by D&T pursuant to this engagement are subject to the terms and conditions set forth herein and in the accompanying appendices. Such terms and conditions shall be effective as of the date of the commencement of such services.

## **Audit of Financial Statements**

Our engagement is to perform an audit in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards"). The objective of an audit conducted in accordance with generally accepted auditing standards is to express an opinion on whether the District's financial statements for the year ending September 30, 2017, are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles").

Appendix A contains a description of the auditor's responsibilities and the scope of an audit in accordance with generally accepted auditing standards.

Supplementary information accompanies the District's financial statements. We will subject such supplementary information to the auditing procedures applied to our audit of the financial statements and certain additional procedures with the objective of expressing an opinion on whether such information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **D&T Reports**

We expect to issue a written report upon the completion of our audit. Our ability to express an opinion or to issue any report as a result of this engagement and the wording thereof will, of course, be dependent on the facts and circumstances at the date of our report. If, for any

reason, we are unable to complete our audit or are unable to form or have not formed an opinion, we may decline to express an opinion or decline to issue any report as a result of this engagement. If we are unable to complete our audit, or if any report to be issued by D&T as a result of this engagement requires modification, the reasons for this will be discussed with the Board of Directors of Upper Trinity Regional Water District (the "Board of Directors") and the District's management.

### **Management's Responsibilities**

Appendix B describes management's responsibilities.

### **Responsibility of the Board of Directors**

As independent auditors of the District, we acknowledge that the Board of Directors is directly responsible for the appointment, compensation, and oversight of our work, and accordingly, except as otherwise specifically noted, we will report directly to the Board of Directors. You have advised us that the services to be performed under this engagement letter, including, where applicable, the use by D&T of affiliates or related entities as subcontractors in connection with this engagement, have been approved by the Board of Directors in accordance with the Board of Directors' established preapproval policies and procedures.

### **Communications with the Board of Directors**

Appendix C describes various matters that we are required by generally accepted auditing standards to communicate with the Board of Directors and management.

### **Fees**

We estimate that our fees for this engagement will be \$143,325. Based on the anticipated timing of the work, our fees will be billed approximately as follows:

<b>Invoice Date</b>	<b>Amount</b>
October 2017	\$40,000
November 2017	\$45,000
December 2017	\$40,000
January 2018	\$18,325

We anticipate sending invoices according to the above schedule, and payments are due 30 days from the date of the invoice.

Our continued service on this engagement is dependent upon payment of our invoices in accordance with these terms. Our estimated fees are based on certain assumptions, including (1) timely and accurate completion of the requested entity participation schedules and additional supporting information, (2) no inefficiencies during the audit process or changes in scope caused by events that are beyond our control, (3) the effectiveness of internal control over financial reporting throughout the period under audit, (4) a minimal level of audit adjustments (recorded or unrecorded), and (5) no changes to the timing or extent of our work plans. We will notify you promptly of any circumstances we encounter that could significantly affect our estimate and discuss with you any additional fees, as necessary.

**Inclusion of D&T Reports or References to D&T in Other Documents or Electronic Sites**

If the District intends to publish or otherwise reproduce in any document any report issued as a result of this engagement, or otherwise make reference to D&T in a document that contains other information in addition to the audited financial statements (e.g., in a periodic filing with a regulator, in a debt or equity offering circular, or in a private placement memorandum), thereby associating D&T with such document, the District agrees that its management will provide D&T with a draft of the document to read and obtain our approval for the inclusion or incorporation by reference of any of our reports, or the reference to D&T, in such document before the document is printed and distributed. The inclusion or incorporation by reference of any of our reports in any such document would constitute the reissuance of such reports. The District also agrees that its management will notify us and obtain our approval prior to including any of our reports on an electronic site.

Our engagement to perform the services described herein does not constitute our agreement to be associated with any such documents published or reproduced by or on behalf of the District. Any request by the District to reissue any report issued as a result of this engagement, to consent to any such report's inclusion or incorporation by reference in an offering or other document, or to agree to any such report's inclusion on an electronic site will be considered based on the facts and circumstances existing at the time of such request. The estimated fees outlined herein do not include any procedures that would need to be performed in connection with any such request. Should D&T agree to perform such procedures, fees for such procedures would be subject to the mutual agreement of the District and D&T.

\* \* \* \* \*

The parties acknowledge and agree that D&T is being engaged under this engagement letter to provide only the services described herein. Should the District or the Board of Directors request, and should D&T agree to provide, services (including audit services) beyond those described herein, such services will constitute a separate engagement and will be governed by a separate engagement letter.

This engagement letter, including Appendices A through E attached hereto and made a part hereof, constitutes the entire agreement between the parties with respect to this engagement and supersedes any other prior or contemporaneous agreements or understandings between the parties, whether written or oral, relating to this engagement.

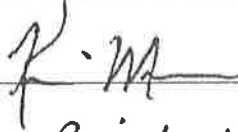
If the above terms are acceptable and the services described are in accordance with your understanding, please sign the copy of this engagement letter in the space provided and return it to us.

Yours truly,

*Deloitte & Touche LLP*



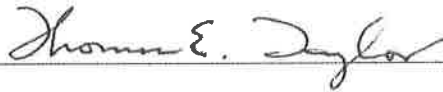
Acknowledged and approved on behalf of the  
Board of Directors of Upper Trinity Regional Water District:

By: 

Title: President

Date: Oct. 5, 2017

Accepted and agreed to by Upper Trinity Regional Water District:

By: 

Title: Executive Director

Date: Oct. 5, 2017

## APPENDIX A

### **AUDITOR'S RESPONSIBILITIES AND SCOPE OF AN AUDIT IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS**

This Appendix A is part of the engagement letter dated September 28, 2017, between Deloitte & Touche LLP and Upper Trinity Regional Water District and approved by the Board of Directors of Upper Trinity Regional Water District.

#### **Auditor's Responsibilities**

Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Board of Directors are presented fairly, in all material respects, in accordance with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Board of Directors of their responsibilities.

#### **Scope of an Audit**

Generally accepted auditing standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements as a whole are free from material misstatement, whether caused by fraud or error. However, because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with generally accepted auditing standards. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by fraud or error, that are not material to the financial statements as a whole are detected.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether caused by fraud or error. In making those risk assessments, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

## APPENDIX B

### MANAGEMENT'S RESPONSIBILITIES

This Appendix B is part of the engagement letter dated September 28, 2017, between Deloitte & Touche LLP and Upper Trinity Regional Water District and approved by the Board of Directors of Upper Trinity Regional Water District.

#### Financial Statements

Management is responsible for the preparation, fair presentation, and overall accuracy of the financial statements in accordance with generally accepted accounting principles. In this regard, management has the responsibility for, among other things:

- Selecting and applying the accounting policies
- Designing, implementing, and maintaining effective internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
- Identifying and ensuring that the District complies with the laws and regulations applicable to its activities and informing us of all instances of identified or suspected noncompliance with such laws or regulations
- Providing us with (1) access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters, (2) additional information that we may request from management for the purpose of our audit, and (3) unrestricted access to personnel within the District from whom we determine it necessary to obtain audit evidence

Management is also responsible for (1) preparing the supplementary information in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and reporting requirements prescribed by the Texas Commission on Environmental Quality, (2) including our report on the supplementary information in any document that contains the supplementary information and that indicates that D&T has reported on such supplementary information, and (3) presenting the supplementary information with the audited financial statements.

#### Management's Representations

We will make specific inquiries of the District's management about the representations embodied in the financial statements and supplementary information. In addition, we will request that management provide us with the written representations the District is required to provide to its independent auditors under generally accepted auditing standards. The responses to those inquiries and the written representations of management are part of the evidential matter that D&T will rely on in forming its opinion on the District's financial statements and supplementary information. Because of the importance of management's representations, the District agrees to release and indemnify D&T, its subcontractors, and their respective personnel from all claims, liabilities, and expenses relating to our services under this engagement letter attributable to any misrepresentation by management.

#### Process for Obtaining Preapproval of Services

Management is responsible for the coordination of obtaining the preapproval of the Board of Directors, in accordance with the Board of Directors' preapproval process, for any services to

be provided by D&T to the District.

## **Independence Matters**

In connection with our engagement, D&T, management, and the Board of Directors will assume certain roles and responsibilities in an effort to assist D&T in maintaining Independence. D&T will communicate to its partners, principals, and employees that the District is an attest client. Management of the District will ensure that the District, together with its subsidiaries and other entities that comprise the District for purposes of the consolidated financial statements, has policies and procedures in place for the purpose of ensuring that neither the District nor any such subsidiary or other entity will act to engage D&T or accept from D&T any service that under American Institute of Certified Public Accountants (AICPA) or other applicable rules would impair D&T's Independence. All potential services are to be discussed with Ms. Samra.

In connection with the foregoing paragraph, the District agrees to furnish to D&T and keep D&T updated with respect to a corporate tree that identifies the legal names of the District's affiliates, as defined in AICPA *Code of Professional Conduct* Interpretation No. 101-18 (e.g., parents, subsidiaries, investors, or investees) ("District Affiliates"), together with the ownership relationship among such entities. Such information will be maintained in a database accessible by D&T in connection with their compliance with AICPA or other applicable Independence rules.

Management will coordinate with D&T to ensure that D&T's Independence is not impaired by hiring former or current D&T partners, principals, or professional employees in a key position, as defined in the AICPA *Code of Professional Conduct*. Management of the District will ensure that the District, together with its subsidiaries and other entities that comprise the District for purposes of the consolidated financial statements, also has policies and procedures in place for purposes of ensuring that D&T's independence will not be impaired by hiring a former or current D&T partner, principal, or professional employee in a key position that would cause a violation of the AICPA *Code of Professional Conduct* or other applicable Independence rules. Any employment opportunities with the District for a former or current D&T partner, principal, or professional employee should be discussed with Ms. Samra before entering into substantive employment conversations with the former or current D&T partner, principal, or professional employee.

## **Equity or Debt Security Issuances**

The District also agrees to furnish to D&T and keep D&T updated with respect to any equity or debt securities of the District and District Affiliates (including, without limitation, tax-advantaged debt of such entities that is issued through governmental authorities) that are registered, issued, listed, or traded outside of the United States (whether through stock, bond, commodity, futures or similar markets, or equity, debt, or any other securities offerings), together with related securities identification information (e.g., ticker symbols or CUSIP®, ISIN®, or Sedol® numbers). The District acknowledges and consents that such information may be treated by D&T as being in the public domain.

For purposes of the preceding sections entitled "Independence Matters", "Process for Obtaining Preapproval of Services," and "Equity or Debt Security Issuances", "D&T" shall mean Deloitte & Touche LLP and its subsidiaries; Deloitte Touche Tohmatsu Limited, its member firms, the affiliates of Deloitte & Touche LLP, Deloitte Touche Tohmatsu Limited and its member firms; and, in all cases, any successor or assignee.

## APPENDIX C

### COMMUNICATIONS WITH THE BOARD OF DIRECTORS

This Appendix C is part of the engagement letter dated September 28, 2017, between Deloitte & Touche LLP and Upper Trinity Regional Water District and approved by the Board of Directors of Upper Trinity Regional Water District.

We are responsible for communicating with the Board of Directors significant matters related to the audit that are, in our professional judgment, relevant to the responsibilities of the Board of Directors in overseeing the financial reporting process.

In connection with the foregoing, we will communicate to the Board of Directors any fraud we identify or suspect that involves (1) management, (2) employees of the District who have significant roles in internal control, or (3) other employees of the District when the fraud results in a material misstatement of the financial statements. In addition, we will communicate with the Board of Directors any other matters related to fraud that are, in our professional judgment, relevant to their responsibilities. We will communicate to management any fraud perpetrated by lower-level employees of which we become aware that does not result in a material misstatement of the financial statements; however, we will not communicate such matters to the Board of Directors, unless otherwise directed by the Board of Directors.

We will also communicate to the Board of Directors matters involving the District's noncompliance with laws and regulations that have come to our attention during the course of our audit, other than when such matters are clearly inconsequential.

We will also communicate in writing to management and the Board of Directors any significant deficiencies or material weaknesses in internal control (as defined in generally accepted auditing standards) that we have identified during the audit, including those that were remediated during the audit.

Generally accepted auditing standards do not require us to design procedures for the purpose of identifying other matters to communicate with the Board of Directors. However, we will communicate to the Board of Directors matters required by AICPA AU-C 260, *The Auditor's Communication with Those Charged with Governance*.

## APPENDIX D

### GENERAL BUSINESS TERMS

This Appendix D is part of the engagement letter to which these terms are attached (the engagement letter, including its appendices, the "engagement letter") dated September 28, 2017, between Deloitte & Touche LLP and Upper Trinity Regional Water District and approved by the Board of Directors of Upper Trinity Regional Water District.

1. Independent Contractor. D&T is an independent contractor and D&T is not, and will not be considered to be, an agent, partner, fiduciary, or representative of the District or the Board of Directors.
2. Survival. The agreements and undertakings of the District and the Board of Directors contained in the engagement letter will survive the completion or termination of this engagement.
3. Assignment and Subcontracting. Except as provided below, no party may assign any of its rights or obligations (including, without limitation, interests or claims) relating to this engagement without the prior written consent of the other parties. The District and the Board of Directors hereby consent to D&T subcontracting a portion of its services under this engagement to any affiliate or related entity, whether located within or outside of the United States. Professional services performed hereunder by any of D&T's affiliates or related entities shall be invoiced as professional fees, and any related expenses shall be invoiced as expenses, unless otherwise agreed.
4. Severability. If any term of the engagement letter is unenforceable, such term shall not affect the other terms, but such unenforceable term shall be deemed modified to the extent necessary to render it enforceable, preserving to the fullest extent permissible the intent of the parties set forth herein.
5. Force Majeure. No party shall be deemed to be in breach of the engagement letter as a result of any delays or non-performance directly or indirectly resulting from circumstances or causes beyond its reasonable control, including, without limitation, fire, epidemic or other casualty, act of God, strike or labor dispute, war or other violence, or any law, order or requirement of any governmental agency or authority.
6. Confidentiality. To the extent that, in connection with this engagement, D&T comes into possession of any confidential information of the District, D&T shall not disclose such information to any third party without the District's consent, using at least the same degree of care as it employs in maintaining in confidence its own confidential information of a similar nature, but in no event less than a reasonable degree of care. The District and the Board of Directors hereby consent to D&T disclosing such information (1) as may be required by law or regulation, or to respond to governmental inquiries, or in accordance with applicable professional standards or rules, or in connection with litigation or arbitration pertaining hereto; (2) to the extent such information (i) is or becomes publicly available other than as the result of a disclosure in breach hereof, (ii) becomes available to D&T on a nonconfidential basis from a source that D&T believes is not prohibited from disclosing such information to D&T, (iii) is already known by D&T without any obligation of confidentiality with respect thereto, or (iv) is developed by D&T independently of any disclosures made to D&T hereunder; or (3) to contractors providing administrative, infrastructure, and other support services to D&T and subcontractors providing services in connection with this engagement, in each case, whether located within or outside of the United States, provided that such contractors and subcontractors have agreed to be bound by confidentiality obligations similar to those in this paragraph.

7. Dispute Resolution. Any controversy or claim between the parties arising out of or relating to the engagement letter or this engagement (a "Dispute") shall be resolved by mediation or binding arbitration as set forth in the Dispute Resolution Provision attached hereto as Appendix E and made a part hereof.

## APPENDIX E

### DISPUTE RESOLUTION PROVISION

This Appendix E is part of the engagement letter dated September 28, 2017, between Deloitte & Touche LLP and Upper Trinity Regional Water District and approved by the Board of Directors of Upper Trinity Regional Water District.

This Dispute Resolution Provision sets forth the dispute resolution process and procedures applicable to the resolution of Disputes and shall apply to the fullest extent of the law, whether in contract, statute, tort (such as *negligence*), or otherwise.

Mediation: All Disputes shall be first submitted to nonbinding confidential mediation by written notice to the parties, and shall be treated as compromise and settlement negotiations under the standards set forth in the Federal Rules of Evidence and all applicable state counterparts, together with any applicable statutes protecting the confidentiality of mediations or settlement discussions. If the parties cannot agree on a mediator, the International Institute for Conflict Prevention and Resolution ("CPR"), at the written request of a party, shall designate a mediator.

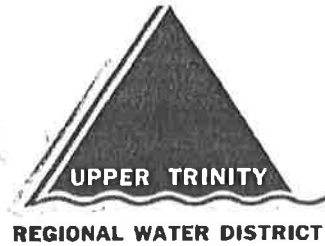
Arbitration Procedures: If a Dispute has not been resolved within 90 days after the effective date of the written notice beginning the mediation process (or such longer period, if the parties so agree in writing), the mediation shall terminate and the Dispute shall be settled by binding arbitration to be held in Dallas, Texas. The arbitration shall be solely between the parties and shall be conducted in accordance with the CPR Rules for Non-Administered Arbitration that are in effect at the time of the commencement of the arbitration, except to the extent modified by this Dispute Resolution Provision (the "Rules").

The arbitration shall be conducted before a panel of three arbitrators. Each of the District and Deloitte & Touche LLP shall designate one arbitrator in accordance with the "screened" appointment procedure provided in the Rules and the two party-designated arbitrators shall jointly select the third in accordance with the Rules. No arbitrator may serve on the panel unless he or she has agreed in writing to enforce the terms of the engagement letter (including its appendices) to which this Dispute Resolution Provision is attached and to abide by the terms of this Dispute Resolution Provision. Except with respect to the interpretation and enforcement of these arbitration procedures (which shall be governed by the Federal Arbitration Act), the arbitrators shall apply the laws of the State of Texas (without giving effect to its choice of law principles) in connection with the Dispute. The arbitrators shall have no power to award punitive, exemplary or other damages not based on a party's actual damages (and the parties expressly waive their right to receive such damages). The arbitrators may render a summary disposition relative to all or some of the issues, provided that the responding party has had an adequate opportunity to respond to any such application for such disposition. Discovery shall be conducted in accordance with the Rules.

All aspects of the arbitration shall be treated as confidential, as provided in the Rules. Before making any disclosure permitted by the Rules, a party shall give written notice to all other parties and afford such parties a reasonable opportunity to protect their interests. Further, judgment on the arbitrators' award may be entered in any court having jurisdiction.

Costs: Each party shall bear its own costs in both the mediation and the arbitration; however, the parties shall share the fees and expenses of both the mediators and the arbitrators equally.





396 W. Main, Suite 102  
P.O. Drawer 305 • Lewisville, TX 75067

(214) 219-1228 • Fax: (214) 221-9896

June 14, 1996

COPY

Mr. Dave Medanich  
Director  
First Southwest Company  
500 First City Center  
1700 Pacific Ave  
Dallas TX 76201

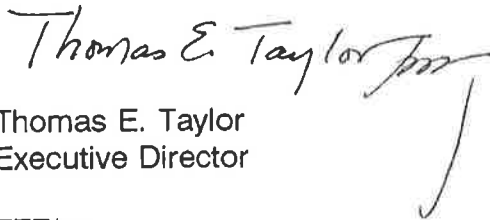
**Re: Financial Advisory Agreement**

Dear Dave,

On June 6, 1996, the Board of Directors approved the Financial Advisory Agreement.

Enclosed is an original executed copy for your files.

Sincerely,



Thomas E. Taylor  
Executive Director

TET/nt

Enclosure

c: John F. Boyle, General Counsel, Boyle & Lowry, L.L.P. (w/enclosure)

COPY

**FINANCIAL ADVISORY AGREEMENT**  
By and Between  
**UPPER TRINITY REGIONAL WATER DISTRICT**  
(Herein referred to as the "District")  
and  
**FIRST SOUTHWEST COMPANY**

It is understood that the District will have under consideration from time to time the authorization and issuance of indebtedness in amounts and forms which cannot presently be determined and that in connection with the authorization, sale, issuance and delivery of such indebtedness of the District, we have been requested to submit a proposal to provide professional services to the District in the capacity of Financial Advisor. We are pleased to comply with this request and submit the following proposal for consideration. This proposal, if accepted by the District, shall become the agreement (the "Agreement") between the District and First Southwest Company effective at the date of its acceptance as provided for herein below.

A. This Agreement shall apply to any and all evidences of indebtedness or debt obligations that may be authorized and issued or otherwise created or assumed by the District (hereinafter referred to collectively as the "Debt Instruments") from time to time during the period in which this Agreement shall be effective.

B. We agree to provide our professional services and our facilities as Financial Advisor and agree to direct and coordinate all programs of financing as may be considered and authorized during the period in which this Agreement shall be effective and to assume and pay those expenses set out in Appendix A, provided, however, that our obligations to pay expenses shall not include any costs incident to litigation, mandamus action, test case or other similar legal actions.

C. We agree to perform the following duties normally performed by such financial advisors and all other duties as, in our judgment, may be necessary or advisable:

1. We will conduct a survey of the financial resources of the District to determine the extent of its capacity to authorize, issue and service debt. This survey will include an analysis of the existing debt structure as compared with the existing and projected sources of revenues which may be pledged to secure payment of debt service. In the event revenues of existing or projected facilities operated by the District are to be pledged to repayment of the Debt Instruments then under consideration, the survey will take into account any outstanding indebtedness payable from the revenues thereof, additional revenues to be available from any proposed rate increases and additional revenues, as projected by consulting engineers employed by the District, resulting from improvements to be financed by the Debt Instruments under consideration. We will also take into account future financing needs and operations as projected by the District's staff and consulting engineers or other experts, if any, employed by the District.

Part A - #6

2. On the basis of the information developed by the survey described above, and other information and experience available to us, we will submit to the District our recommendations on the Debt Instruments under consideration including such elements as the date of issue, interest payment dates, schedule of principal maturities, options of prior payment, security provisions, and any other additional provisions designed to make the issue attractive to investors. All recommendations will be based upon our professional judgment and marketing experience with the goal of designing Debt Instruments which can be sold under terms most advantageous to the District and at the lowest interest cost consistent with all other considerations.

3. We will advise the District of current bond market conditions, forthcoming bond issues and other general information and economic data which might normally be expected to influence interest rates or bidding conditions so that the date of sale of the Debt Instruments may be set at a time which in our opinion, and yours, will be favorable.

4. We understand the District has retained, or will retain, a firm of municipal bond attorneys ("Bond Counsel") whose fees will be paid by the District.

5. We will recommend the method of sale of the Debt Instruments that, in our opinion, is in the best interest of the District and will proceed, as directed by the District, with one of the following methods:

a. Advertised Sale: We will supervise the sale of the Debt Instruments at a public sale in accordance with procedures set out herein. We reserve the right, either acting alone or in conjunction with others, to submit a bid for any debt Instruments issued under this Agreement which the District advertises for competitive bids.

b. Negotiated Sale: We will recommend one or more investment banking firms as managers of an underwriting syndicate for the purpose of negotiating the purchase of the Debt Instruments and in no event will we participate either direct or indirectly in the underwriting of the Debt Instruments. We will collaborate with any managing underwriter selected and Counsel to the underwriters, in the preparation of the Official Statement or Offering Memorandum. We will cooperate with the underwriters in obtaining any Blue Sky Memorandum and Legal Investment Survey, preparation of the Bond Purchase Contract, Underwriters Agreement and any other related documents. The costs thereof, including the printing of the documents, will be paid by the underwriters.

c. Texas Water Development Board or other State and Federal Agencies: We will, if so directed by the District, advise and assist in the preparation and submission of any application for funding made to a State or Federal Agency. Further, if so requested, a representative of this firm shall accompany and assist the District in any meetings or hearings before the appropriate Agency.

## Part A - #6

6. When appropriate, we will advise financial publications of the forthcoming sale of the Debt Instruments and provide them with all pertinent information.

7. We will coordinate the preparation of the Notice of Sale and Bidding Instructions, Official Statement, Official Bid Form and such other documents as may be required. We will submit to the District all such documents for examination, approval and certification. After such examination, approval and certification, we will provide the District with a supply of all such documents sufficient to its needs and will distribute by mail sets of the same to prospective bidders and to banks, life, fire and casualty insurance companies, investment counselors and other prospective purchasers of the Debt Instruments. We will also provide sufficient copies of the final Official Statement to the purchaser of the Debt Instruments in accordance with the Notice of Sale and Bidding Instructions.

8. We will, after consulting with the District, arrange for such reports and opinions of recognized independent consultants we deem necessary and required in the successful marketing of the Debt Instruments.

9. Subject to the approval of the District, we will organize and make arrangements for such investor information meetings as, in our judgment, may be necessary.

10. We will make recommendations to the District as to the advisability of obtaining a credit rating, or ratings, for the Debt Instruments and, when directed by the District, we will coordinate the preparation of such information as, in our opinion, is required for submission to the rating agency, or agencies. In those cases where the advisability of personal presentation of information to the rating agency, or agencies, may be indicated, we will arrange for such personal presentations, including representatives from the District.

11. We will assist the staff of the District at any advertised sale of Debt Instruments in coordinating the receipt and tabulation and comparison of bids and we will advise the District as to the best bid. We will provide the District with our recommendation as to acceptance or rejection of such bid.

12. As soon as a bid for the Debt Instruments is accepted by the District, we will proceed to coordinate the efforts of all concerned to the end that the Debt Instruments may be delivered and paid for as expeditiously as possible. We shall assist the District in the preparation or verification of final closing figures incident to the delivery of, and payment for, the Debt Instruments.

Part A - #6

13. We will maintain liaison with Bond Counsel in the preparation of all legal documents pertaining to the authorization, sale and issuance of the Debt Instruments. Bond Counsel will provide an unqualified legal opinion as to the legality of the issuance of the Debt Instruments at the time of delivery.

14. If requested, we will counsel with the District in the selection of a Trustee and Paying Agent/Registrar for the Debt Instruments, and we will assist in the preparation of agreements pertinent to these services and the fees incident thereto.

15. In the event formal verification by an independent auditor of any calculations incident to the Debt Instruments is required, we will make arrangements for such services.

16. We agree to coordinate all work incident to printing and execution of the Debt Instruments.

17. After the closing of the sale and delivery of the Debt Instruments, we will deliver to the District a schedule of annual debt service requirements of the Debt Instruments. In coordination with Bond Counsel, we will assure that the Paying Agent/Registrar has been provided with a copy of the authorizing ordinance, order or resolution.

18. We will attend any and all meetings of the governing body of the District, its staff, representatives or committees as requested at all times when we may be of assistance or service and the subject of financing is to be discussed.

19. In concert with Bond Counsel we will advise the District and its staff of changes, proposed or enacted, in Federal and State laws and regulations which would affect the municipal bond market.

20. We will work with the District, its staff and any consultants employed by the District in developing financial feasibility studies and analyzing alternative financing plans.

D. In addition to the services set out above, we agree to provide the following services when so requested.

1. We will provide our advice and assistance with regard to exercising call and/or refunding of any outstanding Debt Instruments.

2. We will provide our advice and assistance in the development of, and financing for, any capital improvements programs of the District.

3. We will provide our advice and assistance in the development of the long-range financing plan of the District.

4. We will provide any other financing planning services as may be requested by the District.


E. The fee due to First Southwest Company calculated in accordance with Appendix A attached hereto, any other fees as may be mutually agreed upon and all expenses for which First Southwest Company is entitled to reimbursement, shall become due and payable concurrently with the delivery of the Debt Instruments to the purchaser.

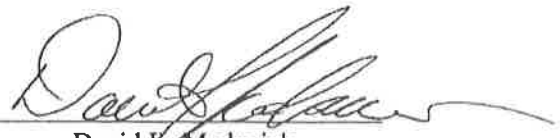
F. This Agreement shall become effective at the date of acceptance by the District set out herein below and shall remain in effect thereafter for a period of five (5) years from the date of acceptance. This Agreement will be automatically renewed for successive one (1) year periods on each anniversary date unless otherwise terminated, in writing, by either party. This Agreement may be terminated without cause by the District or First Southwest upon thirty (30) days' written notice to the other party. In the event of such termination, it is understood and agreed that only the amount due First Southwest for services provided and expenses incurred to the date of termination will be due and payable. No penalty will be assessed for termination of this Agreement.

This Agreement is submitted in duplicate originals. When accepted by the District, it, together with Appendix A attached hereto, will constitute the entire Agreement between the District and First Southwest Company for the purposes and considerations herein specified. Acceptance will be indicated by the signature of authorized officials of the District together with the date of acceptance on both copies and the return of one executed copy to First Southwest Company.

Respectfully submitted,

FIRST SOUTHWEST COMPANY


By:   
Hill A. Feinberg  
President and Chief Executive Officer

By:   
David K. Medanich  
Director

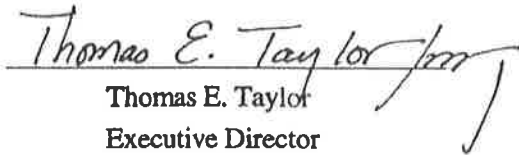
ACCEPTANCE CLAUSE

The above and foregoing is hereby in all things accepted and approved by the Upper Trinity Regional Water District on this the 6 day of June, 1996, by action of the Board.

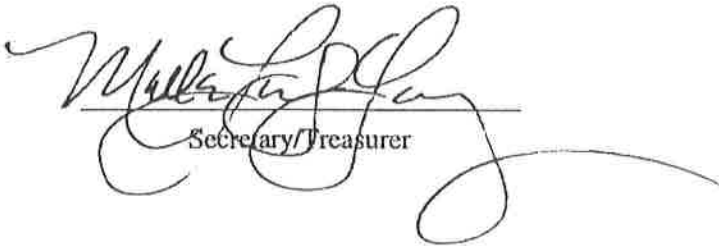
By RICHARD H. HUCKABY

  
President

RECOMMENDED:

  
Thomas E. Taylor  
Executive Director

ATTEST:

  
Secretary/Treasurer

**APPENDIX A**

**UPPER TRINITY REGIONAL WATER DISTRICT**

**FEE SCHEDULE AND EXPENSE ITEMS**

In consideration for the services rendered by us, it is understood and agreed that our fee for each issue of Debt Instruments will be as follows:

Base Fee - Any Issue					\$ 5,000
Plus	\$10.00	per	\$1,000	up to	\$ 250,000
Plus	9.00	per	1,000	next	250,000
Plus	6.00	per	1,000	next	500,000
Plus	4.00	per	1,000	next	1,500,000
Plus	2.50	per	1,000	next	2,500,000
Plus	1.75	per	1,000	next	5,000,000
Plus	1.25	per	1,000	next	10,000,000
Plus	1.00	per	1,000	next	10,000,000

The above charges shall be increased by an additional charge, mutually agreeable to the District and the Company for the issuance of refunding bonds, reflecting additional services and expenses required.

The District will be responsible for the payment of the expenses listed below. The payment of reimbursable expenses that the Company has assumed on behalf of the District shall not be contingent upon the Delivery of the Debt Instruments.

- Bond counsel
- Bond printing
- Bond ratings
- Credit enhancement
- Official statement and state application printing and postage
- Paying agent/registrar/trustee
- Travel expenses of District personnel
- Travel expenses of Company's personnel, with prior approval
- Miscellaneous, including copy, delivery

Normally associated with Refunding Bond Issues

- Computer structuring
- Underwriter and underwriters counsel



**Tab 2**  
**Part B - #16**

**Pledged Revenue and Rate  
Covenant**

**TWDB SWIFT Application**  
**Part B, Number 16**  
**Upper Trinity Regional Water District**

**Pledged Revenues** means (i) the Net Revenues of the System and (ii) any additional revenues, income, receipts, or other resources, including without limitations, any grants, donations, or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which in the future may, at the option of the District, be pledged to the payment of the Parity Bonds.

**Rate Covenant.** The District covenants and agrees that it will fix, establish, maintain, and collect such rentals, rates, charges, and fees for the use and availability of the System as are necessary to produce Gross Revenues of the System sufficient (a) to pay all Operation and Maintenance Expenses of the System, (b) to make all payments and deposits required for the Parity Bonds in amounts sufficient to provide at least 1.0 times debt service coverage of all Parity Bonds and required to be made into the Interest and Sinking Fund and to maintain the Reserve Fund when and as required by this Resolution, (c) to comply with any provision contained in the Letter of Credit and Reimbursement Agreement for the Commercial Paper Notes, and to pay to the extent the same are reasonably anticipated to be paid with Pledged Revenues, the interest on and principal of the Commercial Paper Notes or the repayment of borrowings or other amounts due the Bank under the Letter of Credit and Reimbursement Agreements, as and when the same shall become due and any additional Subordinate Lien Obligations, and (d) to pay all other legal obligations of the District, including those required under the Master Agreement.

**Tab 3**

**Part B - #17**

**Resolution Requesting  
Financial Assistance**



# RESOLUTION

## RESOLUTION # 2018 - 06

**A RESOLUTION BY THE BOARD OF DIRECTORS OF THE UPPER TRINITY REGIONAL WATER DISTRICT REQUESTING FINANCIAL ASSISTANCE FROM THE TEXAS WATER DEVELOPMENT BOARD; AUTHORIZING THE FILING OF AN APPLICATION FOR ASSISTANCE; AND MAKING CERTAIN FINDINGS IN CONNECTION THEREWITH.**

**WHEREAS**, the Upper Trinity Regional Water District (the "District") provides regional water (and wastewater) services on a wholesale basis to some 28 cities, towns and utilities, serving customers in the Trinity River Basin, State of Texas; and

**WHEREAS**, the District is a regional entity, created by the Texas Legislature, to serve a rapidly growing region in the northern portion of the Dallas/Fort Worth Metroplex; and

**WHEREAS**, ensuring an adequate water supply is vital to the public health and continued economic well-being of the State; and

**WHEREAS**, the State of Texas has prepared regional and state water supply plans (the "Plan"), which Plan identifies future demands for water within the District's service area over the next 50 years; and

**WHEREAS**, one of the projects identified in the Plan for this region is the proposed Parallel Pipeline Project, to be constructed from the Taylor Water Treatment Plant to the Stonehill Pump Station; and

**WHEREAS**, the planning, design, land acquisition and construction for the proposed Parallel Pipeline Project will be ongoing and require additional funding; and

**WHEREAS**, on January 22, 2018, the District filed an abridged application with the Texas Water Development Board (TWDB) for financial assistance under the State Water Implementation Fund for Texas (SWIFT) program to support the Parallel Pipeline Project; and

**WHEREAS**, the TWDB has given notice that the District has met the qualifications to submit a complete application for such financial assistance for the Parallel Pipeline Project; and

**WHEREAS**, the TWDB has determined that the District has qualified for and is eligible to receive up to \$42,185,000 in financial assistance for the Parallel Pipeline Project in this current phase of the SWIFT program; and

**WHEREAS**, the Executive Director recommends that the Board of Directors authorize said application, in that it would be in the best interest of the District, its Members and Customers.

**NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF UPPER TRINITY REGIONAL WATER DISTRICT:**

**SECTION 1.** That an application is hereby approved and authorized to be filed with the Texas Water Development Board seeking financial assistance in an amount not to exceed \$ 42,185,000 to provide for the costs of Planning, Permitting, Design, Construction and continued Land Acquisition for the proposed Parallel Pipeline Project.

**SECTION 2.** That Larry N. Patterson, Executive Director, be and is hereby designated the authorized representative of the Upper Trinity Regional Water District for purposes of furnishing such information and executing such documents as may be required in connection with the preparation and filing of such application for financial assistance under the rules of the Texas Water Development Board.

**SECTION 3.** That the following firms and individuals are hereby authorized and directed to aid and assist in the preparation, submission and review of such application, and appear on behalf of and represent the District before any hearing held by the Texas Water Development Board on such application, to wit:

Project Manager:	Upper Trinity Regional Water District P.O. Box 305 Lewisville, TX 75067 972-219-1228	(Kurt Staller, P.E.) Senior Engineer
------------------	---	---

Financial Advisor:	First Southwest Company 777 Main Street, Suite 1200 Fort Worth, Texas 76102 817-332-9710	(Nick Bulaich)
--------------------	---	----------------

Co-Bond Counsel:	Bracewell L.L.P. 1445 Ross Avenue Suite 3800 Dallas, Texas 75202-2711 214-758-1012	(Rob Collins)
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Co-Bond Counsel:	Boyle & Lowry L.L.P. 4201 Wingren, Suite 108 Irving, Texas 75062 972-650-7100  817-589-2226	(John F. Boyle, Jr.)
------------------	--	----------------------

Engineer:	TBD	
-----------	-----	--



**DULY PASSED AND APPROVED THIS 3<sup>rd</sup> DAY OF MAY 2018.**

Recommended: *Larry N. Patterson*  
Larry N. Patterson, Executive Director

Executed: *K M*  
Kevin Mercer, President

Confirm: *Rich Lubke* *Rich Lubke*  
*for* Mike Fairfield, Secretary *Vice President*

Attest: Nancy T. Tam  
Assistant Board Secretary  
By: *Nancy Tam*

(Seal)



**Tab 4**  
**Part B - #18**  
**Application Affidavit**

### Application Affidavit

THE STATE OF TEXAS §  
 COUNTY OF DENTON §  
 APPLICANT UPPER TRINITY REGIONAL WATER DISTRICT §

BEFORE ME, the undersigned, a Notary Public in and for the State of Texas, on this day personally appeared Larry N. Patterson as the Authorized Representative of the UPPER TRINITY REGIONAL WATER DISTRICT (the "District"), who being by me duly sworn, upon oath says that:

1. The decision by the District (authority, city, county, corporation, district) to request financial assistance from the Texas Water Development Board ("TWDB") was made in a public meeting held in accordance with the Open Meetings Act (Government Code, §551.001, et seq,) and after providing all such notice as required by such Act as is applicable to the District (authority, city, county, corporation, district) .

2. The information submitted in the application is true and correct according to my best knowledge and belief.

3. The District (authority, city, county, corporation, district) has no pending, threatened, or outstanding judgments, orders, fines, penalties, taxes, assessment or other enforcement or compliance issue of any kind or nature by the Environmental Protection Agency, Texas Commission on Environmental Quality, Texas Comptroller, Texas Secretary of State, or any other federal, state or local government, except for the following (if no such outstanding compliance issues, write in "none").

None

4. The District (authority, city, county, corporation, district) warrants compliance with the representations made in the application in the event that the TWDB provides the financial assistance; and

5. the District (authority, city, county, corporation, district) will comply with all applicable federal laws, rules, and regulations as well as the laws of this state and the rules and regulations of the TWDB.

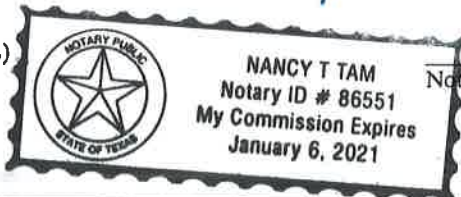
Larry N. Patterson

Official Representative

Title: Executive Director, Upper Trinity Regional Water District

SWORN TO AND SUBSCRIBED BEFORE ME, by Larry N. Patterson,  
 on this 3<sup>rd</sup> day of May, 2018.

(NOTARY'S SEAL)



Nancy Tam  
 Notary Public, State of Texas



**Tab 5**  
**Part B - #19**  
**Certificate of Secretary**

### Application Resolution - Certificate of Secretary

THE STATE OF TEXAS §  
COUNTY OF Denton §  
APPLICANT Upper Trinity Regional Water District §

I, the undersigned, Secretary of the Upper Trinity Regional Water District Texas,  
DO HEREBY CERTIFY as follows:

1. That on the 3rd day of May, 2018, a regular/special meeting of the  
Upper Trinity Regional Water District was held; the duly constituted members of the  
Board of Directors being as follows:

Kevin Mercer, Ramiro Lopez, Del Knowler, Jean Campbell, Dick Cook, Gary Calmes, Eric Ferris, Alan Guard, Frank Jaromin, Brian Roberson, James Burnham, Timothy Fisher, Kristina Clark, Clay Riggs, Virginia Blevins, Chris Boyd, Michael Anderson, Bob Hart, Richard Lubke

all of whom were present at the meeting, except the following:

Troy Norton, Mike Fairfield, Janet Aune, Alina Ciocan

Among other business considered at the meeting, the attached resolution entitled:

"A RESOLUTION by the Board of Directors of the Upper Trinity Regional Water District requesting financial participation from the Texas Water Development Board; authorizing the filing of an application for financial participation; and making certain findings in connection therewith."

was introduced and submitted to the Board of Directors for passage and adoption. After presentation and consideration of the resolution, and upon a motion made by Jean Campbell and seconded by Del Knowler, the resolution was passed and adopted by the Board of Directors by the following vote:

36 voted "For"                      0 voted "Against"                      0 abstained

all as shown in the official minutes of the Board of Directors for this meeting.

2. That the attached resolution is a true and correct copy of the original on file in the official records of the Upper Trinity Regional Water District; the qualified and acting members of the Board of Directors on the date of this meeting are those persons shown above and, according to the records of my office, advance notice of the time, place, and purpose of meeting was given to each member of the Board of Directors; and that the meeting, and the deliberations of the public business described above, was open to the public and written notice of the meeting, including the subject of the resolution described above, was posted and given in advance of the meeting in compliance with the provisions of Chapter 551 of the Texas Government Code.

IN WITNESS WHEREOF, I have signed my name and affixed the seal of the Nancy Tam, this the 3rd day of May, 2018.

  
Assist. Secretary, Board of Directors

(SEAL)

**Tab 6**  
**Part B - #21**

**Resolution Authorizing  
Outstanding Parity Debt**

CERTIFICATE FOR RESOLUTION

I, the undersigned Secretary of Upper Trinity Regional Water District hereby certify as follows:

1. The Board of Directors of said District convened in Regular Session on June 1, 2017, at the regular meeting place thereof. The roll was called of the duly constituted members of the Board of Directors, to-wit:

**Board Members/Participating Entities\***

**Kevin Mercer, President, DCFWSD#7 (2)**  
**Richard Lubke, Vice President, Highland Village (2)**  
**Ramiro Lopez, Treasurer, Irving (2)**  
**Mike Fairfield, Secretary, Lake Cities MUA (2),**  
Brian Roberson, Aubrey (1)  
Kristina Clark, DCFWSD #1A (2)  
Chris Boyd, Mustang SUD (2)  
Timothy S. Fisher, City of Denton (2)  
Eric Ferris, Lewisville (2)  
Mike Brice, Sanger (1)  
Del Knowler, Bartonville (1)  
Cody Collier, Corinth (3)  
Kenneth Parr, Flower Mound (9)  
Virginia Blevins, Justin (1)  
Gary Calmes, Krum (1)  
Frank Jaromin, Prosper (1)  
Dick Cook, Double Oak (1)  
Lance Vanzant, Celina (1)  
Alan Guard, Pilot Point (1)  
Michael Anderson, Ponder (1)  
Troy Norton, Argyle (1)

**Other Members**

Jean Campbell, Denton County at large (1)\*  
Janet Aune, Copper Canyon (0)

**County Representative**

Johnny Harris, Denton County (0)

and all of said persons were present at said meeting and upon passage of the Resolution hereinafter mentioned, except for the following voting members: Richard Lubke, Eric Ferris, Chris Boyd, Frank Jaromin and Mike Brice, thus constituting a quorum.

Among other business, the following was transacted at said meeting: a written Resolution, entitled

**BOND RESOLUTION AUTHORIZING THE ISSUANCE OF UPPER TRINITY REGIONAL WATER DISTRICT REGIONAL TREATED WATER SUPPLY SYSTEM REVENUE REFUNDING BONDS, SERIES 2017; PROVIDING FOR THE SECURITY AND PAYMENT THEREOF; AWARDING THE SALE THEREOF; AUTHORIZING THE EXECUTION AND DELIVERY OF A PAYING AGENT/REGISTRAR AGREEMENT, AND AN ESCROW AGREEMENT; APPROVING THE OFFICIAL STATEMENT WITH RESPECT TO THE BONDS; AND ENACTING OTHER PROVISIONS RELATING THERETO**

was introduced for consideration by the Participating Members and At-Large Representative of the Board of Directors and read in full. It was then moved and seconded that the Resolution be

passed. After discussion, the motion, carrying with it the passage of the Resolution, prevailed and carried by the following vote:

AYES: 32 NOES: 0 ABSTENTIONS: 0

2. A true, full and correct copy of the Resolution adopted at the meeting and described in the above and foregoing paragraph is attached to and follows this Certificate; the Resolution has been duly recorded in the official minutes of the Board of Directors; the above and foregoing paragraph is a true, full and correct excerpt from the minutes of the meeting pertaining to the passage of the Resolution; the persons named in the above and foregoing paragraph, at the time of the meeting and the passage of the Resolution, were the duly chosen, qualified and acting members of the Board of Directors as indicated therein; according to the records of my office, each member of the Board of Directors was duly and sufficiently notified officially and personally in advance, of the time, place and purpose of the meeting and that the Resolution would be introduced and considered for passage at the meeting; and the meeting was open to the public, and public notice of the time, place and purpose of the meeting was given, all as required by Section 551.041, Texas Government Code, as amended.

SIGNED AND SEALED this 1<sup>st</sup> day of June, 2017

Mr A Lipid  
Secretary, Board of Directors,  
Upper Trinity Regional Water District

[SEAL]

**BOND RESOLUTION AUTHORIZING THE ISSUANCE  
OF UPPER TRINITY REGIONAL WATER DISTRICT  
REGIONAL TREATED WATER SUPPLY SYSTEM  
REVENUE REFUNDING BONDS, SERIES 2017**

Adopted: June 1, 2017

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DEFINITIONS, FINDINGS AND INTERPRETATION

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BOND RESOLUTION AUTHORIZING THE ISSUANCE OF UPPER TRINITY REGIONAL WATER DISTRICT REGIONAL TREATED WATER SUPPLY SYSTEM REVENUE REFUNDING BONDS, SERIES 2017; PROVIDING FOR THE SECURITY AND PAYMENT THEREOF; AWARDING THE SALE THEREOF; AUTHORIZING THE EXECUTION AND DELIVERY OF A PAYING AGENT/REGISTRAR AGREEMENT, AND AN ESCROW AGREEMENT; APPROVING THE OFFICIAL STATEMENT WITH RESPECT TO THE BONDS; AND ENACTING OTHER PROVISIONS RELATING THERETO

WHEREAS, Upper Trinity Regional Water District (the "District") was duly created and is lawfully operating as a conservation and reclamation district created pursuant to Chapter 1053, Acts of the 71st Legislature of Texas, Regular Session, 1989, as amended (the "Act"), pursuant to Article XVI, Section 59 of the Constitution of the State of Texas; and the District operates as a subdivision of the State of Texas and a body politic and corporate. Capitalized terms used in the preambles of this Resolution shall have the meanings assigned thereto in Article I unless otherwise indicated; and

WHEREAS, pursuant to the Act, the District is authorized to plan, purchase, construct, acquire, own, operate, maintain, repair, and improve, inside or outside of its boundaries, any works, improvements, facilities, plants, equipment and appliances, that are necessary, helpful or incidental for supplying water for municipal, domestic and industrial uses, and is authorized to issue its revenue bonds for such purposes; and

WHEREAS, the District has entered into Treated Water Supply Contracts (as hereinafter defined) and has therein agreed to acquire and develop its regional treated water supply system (the "System"); and

WHEREAS, the District previously issued its Outstanding Parity Bonds and its Commercial Paper Notes; and

WHEREAS, the District has reserved the right and option to issue, under certain conditions, "Additional Bonds," payable from the "Pledged Revenues" and on a parity as to lien and right with any Outstanding Parity Bonds; and

WHEREAS, the conditions precedent to the issuance of Additional Bonds have occurred and are existing; and

WHEREAS, the Board of Directors of the District (the "Board") hereby finds and determines to refund the outstanding Commercial Paper Notes (the "Refunded Commercial Paper Notes") as described on Schedule I attached hereto, and incorporated herein by reference for all purposes; and

WHEREAS, Chapter 1207, Texas Government Code, as amended ("Chapter 1207") authorizes the District to issue refunding bonds for the purpose of refunding or defeasing the Refunded Commercial Paper Notes, and to accomplish such refunding or defeasance by depositing directly with the paying agent for the Refunded Commercial Paper Notes (or other qualified escrow agent), the proceeds of such refunding bonds, together with other available

funds, in an amount sufficient to provide for the payment or redemption of the Refunded Commercial Paper Notes, and provides that such deposit shall constitute the making of firm banking and financial arrangements for the discharge and final payment or redemption of the Refunded Commercial Paper Notes; and

WHEREAS, upon the issuance of the refunding bonds herein authorized and the deposit of funds referred to above, the Refunded Commercial Paper Notes shall no longer be regarded as being outstanding, except for the purpose of being paid pursuant to such deposit, and the pledges, liens, trusts and all other covenants, provisions, terms and conditions of the resolution authorizing the issuance of the Refunded Commercial Paper Notes shall be, with respect to the Refunded Commercial Paper Notes, discharged, terminated and defeased; and

WHEREAS, the Board desires to issue the revenue refunding bonds of the District as Additional Bonds for the purpose of (i) refunding the Refunded Commercial Paper Notes; (ii) making deposits to the Reserve Fund or to other funds with respect to the revenue bonds; and (iii) paying the costs and expense of issuing said revenue bonds; and

WHEREAS, the Board hereby finds and determines that the refunding of the Refunded Commercial Paper Notes contemplated in this Resolution for the purpose of converting all or a portion of the District's Commercial Paper Notes to long-term debt will benefit the District and such benefit is sufficient consideration for the refunding of the Refunded Commercial Paper Notes; and

WHEREAS, the Board hereby finds and determines that the manner in which the refunding of the Refunded Commercial Paper Notes is being executed does not make it practicable to make the determination described by Section 1207.008(a)(2) of Chapter 1207; and

WHEREAS, the Board hereby finds and determines that the bonds hereinafter authorized shall be secured by a lien on and pledge of the Pledged Revenues, equally and ratably with the Outstanding Parity Bonds and with any Additional Bonds; and

WHEREAS, the meeting at which this Resolution is considered is open to the public as required by law, and the public notice of the time, place and purpose of said meeting was given as required by Section 551.041, Texas Government Code, as amended.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF UPPER TRINITY REGIONAL WATER DISTRICT, THAT:

## ARTICLE I

### DEFINITIONS, FINDINGS AND INTERPRETATION

#### Section 1.01. Definitions.

Unless otherwise expressly provided or unless the context clearly requires otherwise, in this Resolution, the following terms shall have the meanings specified below:

“Act” means Chapter 1053, Acts of the 71st Legislature of Texas, Regular Session, 1989, as amended.

“Additional Bonds” means additional parity revenue bonds permitted to be issued by Sections 9.02 and 9.03.

“Board” means the Board of Directors of the District, being the duly authorized and governing body of the District, and it is further resolved that the declarations and covenants of the District contained in this Resolution are made by, and for and on behalf of the Board and the District in accordance with and as authorized by the Act, and are binding upon the Board and the District for all purposes.

“Bond” means any of the Bonds.

“Bonds” means the District’s bonds authorized to be issued by Section 3.01 of this Resolution.

“Chapter 1207” means Chapter 1207, Texas Government Code, as amended.

“Closing Date” means the date of the initial delivery of and payment for the Bonds.

“Code” means the Internal Revenue Code of 1986, as amended, and, with respect to a specific section thereof, such reference shall be deemed to include (a) the Regulations promulgated under such section, (b) any successor provision of similar import hereafter enacted, (c) any corresponding provision of any subsequent Internal Revenue Code and (d) the regulations promulgated under the provisions described in (b) and (c).

“Commercial Paper Notes” means the District’s Regional Treated Water Supply System Revenue Commercial Paper Notes, Series A.

“Commercial Paper Notes Resolution” means the Amended and Restated Resolution of the Board of Directors of the District, dated February 2, 2006, authorizing the issuance of the District’s Regional Treated Water Supply System Revenue Commercial Paper Notes, Series A.”

“Credit Facility” means (i) a policy of insurance or a surety bond, issued by an issuer of policies of insurance insuring the timely payment of debt service on governmental obligations, provided that a rating agency having an outstanding rating on such obligations would rate such obligations which are fully insured by a standard policy issued by the issuer in its two highest generic rating categories for such obligations; and (ii) a letter or line of credit issued by any financial institution, provided that a rating agency having an outstanding rating on the Bonds would rate the Bonds in its two highest generic rating categories for such obligations if the letter or line of credit proposed to be issued by such financial institution secured the timely payment of the entire principal amount of the Bonds and the interest thereon.

“Dated Date” means date of the Bonds as set forth in Section 3.02(a).

“Designated Payment/Transfer Office” means (i) with respect to the initial Paying Agent/Registrar named in this Resolution, the Designated Payment/Transfer Office as designated

in the Paying Agent/Registrar Agreement, or at such other location designated by the Paying Agent/Registrar and (ii) with respect to any successor Paying Agent/Registrar, the office of such successor designated and located as may be agreed upon by the District and such successor.

“District” means the Upper Trinity Regional Water District.

“DTC” means The Depository Trust Company of New York, New York, or any successor securities depository.

“DTC Participant” means any broker, dealer, bank, trust company, clearing corporation or certain other organizations with Bonds credited to an account maintained on its behalf by DTC.

“Gross Revenues of the System” means all revenues and income, including specifically all payments and amounts received under the Treated Water Supply Contracts, of every nature derived or received by the District from the operation and ownership of the System, including the interest income from the investment or deposit of money in any special fund created by the resolution or resolutions authorizing the issuance of the Parity Bonds.

“Initial Bond” means the Initial Bond authorized by Section 3.04(d) and described in Section 6.02(e).

“Interest and Sinking Fund” means the fund by that name established pursuant to Section 7.02.

“Interest Payment Date” means the date or dates upon which interest on the Bonds is scheduled to be paid until their respective dates of maturity or prior redemption, such dates being February 1 and August 1 of each year, commencing on the February 1, 2018.

“Master Agreement” means master agreements between the District and the TWDB, including the Master Agreement Regarding Board Participation in Lake Ralph Hall Reservoir Project No. 51001, dated October 1, 2015.

“Net Revenues of the System” means the Gross Revenues of the System less the Operation and Maintenance Expenses of the System.

“Operation and Maintenance Expenses of the System” means all reasonable and necessary costs of operation and maintenance of the System including, but not limited to, repairs and replacements, operating personnel, the cost of utilities, supervision, engineering, accounting, auditing, legal services, insurance premiums, paying agent’s and registrar’s fees, and any other supplies, services, administrative costs, and equipment necessary for proper operation and maintenance of the System, payments to any public or private entity made for the purchase of water, storage rights, or other interests in water, or for the use or operation of any property or facilities, payments to the United States of America with respect to the operation, maintenance, and use of any reservoirs or facilities in connection with the District’s sources of water for the System, and payments made by the District in satisfaction of judgments or other liabilities resulting from claims not covered by District’s insurance. Depreciation shall not be considered an item of Operation and Maintenance Expense.

“Outstanding Parity Bonds” means the series of outstanding and unpaid bonds designated, respectively:

(a) “Upper Trinity Regional Water District Regional Treated Water Supply System Revenue Bonds, Series 2008,” dated June 1, 2008, issued in the original principal amount of \$10,400,000;

(b) “Upper Trinity Regional Water District Regional Treated Water Supply System Revenue Refunding Bonds, Series 2010,” dated August 1, 2010, issued in the original principal amount of \$8,520,000;

(c) “Upper Trinity Regional Water District Regional Treated Water Supply System Revenue Bonds, Series 2010A,” dated October 27, 2010, issued in the original principal amount of \$28,840,000;

(d) “Upper Trinity Regional Water District Regional Treated Water Supply System Revenue Refunding Bonds, Series 2012” dated January 1, 2012, issued in the original principal amount of \$13,795,000;

(e) “Upper Trinity Regional Water District Regional Treated Water Supply System Revenue Refunding and Improvement Bonds, Series 2012A,” dated August 1, 2012, issued in the original principal amount of \$36,970,000;

(f) “Upper Trinity Regional Water District Regional Treated Water Supply System Revenue Refunding Bonds, Series 2013,” dated November 21, 2013, issued in the original principal amount of \$16,550,000;

(g) “Upper Trinity Regional Water District Regional Treated Water Supply System Revenue Refunding Bonds, Series 2015,” dated March 15, 2015, issued in the original principal amount of \$48,355,000;

(h) “Upper Trinity Regional Water District Regional Treated Water Supply System Revenue Bonds, Series 2015A,” dated December 1, 2015, issued in the original principal amount of \$29,115,000; and

(i) “Upper Trinity Regional Water District Regional Treated Water Supply System Revenue Refunding Bonds, Series 2016,” dated April 1, 2016, issued in the original principal amount of \$33,585,000.

“Owner” means the person who is the registered owner of a Bond or Bonds, as shown in the Register.

“Parity Bonds” means the Outstanding Parity Bonds, the Bonds and any Additional Bonds as the same may be from time to time outstanding.

“Paying Agent/Registrar” means initially BOKF, NA.



“Paying Agent/Registrar Office” means (i) with respect to the initial Paying Agent/Registrar named herein, its corporate trust office or at such other location designated by the Paying Agent/Registrar, and (ii) with respect to any successor Paying Agent/Registrar, the office of such successor designated and located as may be agreed upon by the District and such successor.

“Pledged Revenues” means (i) the Net Revenues of the System and (ii) any additional revenues, income, receipts, or other resources, including without limitations, any grants, donations, or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which in the future may, at the option of the District, be pledged to the payment of the Parity Bonds.

“Purchaser” means the purchaser of the Bonds named Section 8.01.

“Record Date” means the fifteenth day of the month next preceding an Interest Payment Date.

“Refunded Commercial Paper Notes” means the Commercial Paper Notes of the District described in Schedule I attached hereto.

“Refunded Commercial Paper Notes Issuing and Paying Agent” means U.S. Bank NA.

“Register” means the Register specified in Section 3.06(a).

“Regulations” means the applicable proposed, temporary or final Treasury Regulations promulgated under the Code or, to the extent applicable to the Code, under the Internal Revenue Code of 1954, as such regulations may be amended or supplemented from time to time

“Representation Letter” means the Blanket Letter of Representations between the District and DTC.

“Reserve Fund” means the fund by that name established with respect to the Parity Bonds and confirmed pursuant to Section 7.03.

“Revenue Fund” means the fund by that name established with respect to the Parity Bonds and confirmed pursuant to Section 7.01.

“Special Payment Date” means the Special Payment Date as prescribed in Section 3.03(b).

“Special Record Date” means the Special Record Date as prescribed in Section 3.03(b).

“Subordinate Lien Obligations” shall mean Subordinate Lien Obligations as defined in the Commercial Paper Notes Resolution.

“System” means the District’s existing regional treated water supply system, together with all future improvements, enlargements, extensions, and additions thereto, which are deemed necessary and feasible by the District to provide treated water service to the District’s customers,

including those that have executed the Treated Water Supply Contracts and all future new facilities and/or water rights, which are acquired or constructed with the proceeds from the sale of any bonds or revenues from the System, and any water supply or treatment facilities which are deliberately and specifically, at the option of the District, made a part of the System by resolution of the District's Board of Directors, and all repairs to or replacements of the System. Said term does not include any District facilities which provide wastewater treatment or disposal services, or solid waste disposal services, of any kind. Said term does not include any facilities acquired or constructed by the District with the proceeds from the issuance of "Special Facilities Bonds," which are hereby defined as being revenue obligations of the District which are not secured by or payable from payments made under the Treated Water Supply Contracts and similar contracts, and which are payable solely from sources other than revenues of the System.

"Treated Water Supply Contracts" means collectively (i) the contracts, as amended, set out in Exhibit A attached hereto; and (ii) such other similar contracts that the District may enter into from time to time with other entities with respect to the System.

"TWDB" means the Texas Water Development Board, a state agency, or its successors and assigns.

"Unclaimed Payments" means money deposited with the Paying Agent/Registrar for the payment of principal of or interest on the Bonds as the same come due and payable and remaining unclaimed by the Owners of such Bonds for 90 days after the applicable payment or redemption date.

#### Section 1.02. Findings.

The declarations, determinations and findings declared, made and found in the preambles to this Resolution are hereby adopted, restated and made a part of the operative provisions hereof.

#### Section 1.03. Table of Contents, Titles and Headings.

The table of contents, titles and headings of the Articles and Sections of this Resolution have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof and shall never be considered or given any effect in construing this Resolution or any provision hereof or in ascertaining intent, if any question of intent should arise.

#### Section 1.04. Interpretation.

Unless the context requires otherwise, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa.

(a) This Resolution and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to sustain the validity of this Resolution.

(b) Unless designated otherwise, references to Articles and Sections shall mean Articles and Sections of this Resolution.

Section 1.05. Other Definitions.

The capitalized terms defined in the preamble to this Resolution shall have the meanings assigned to them in the preamble of this Resolution.

ARTICLE II

SECURITY FOR THE BONDS

Section 2.01. Pledge.

Payment of the principal, premium, if any, and interest on the Parity Bonds shall be secured by and payable from a first lien on and pledge of the Pledged Revenues, such lien on and pledge being superior to the lien on and pledge of the Pledged Revenues made for the security, and payment of the Subordinate Lien Obligations and the Pledged Revenues are further pledged to the establishment and maintenance of the funds created by this Resolution, and any funds created by any resolution authorizing the issuance of Parity Bonds. The Parity Bonds are not and will not be secured by or payable from a mortgage or deed of trust on any real, personal, or mixed properties constituting the System.

Section 2.02. Bonds as Special Obligations.

The Bonds are special obligations of the District payable solely from the Pledged Revenues, and the Owners thereof shall never have the right to demand payment thereof out of any funds raised or to be raised by taxation by the District.

Section 2.03. Security Interest.

The District represents that, under Chapter 1208.002, Texas Government Code, a security interest in property, other than real property, that is created by the District is valid and effective according to the terms of the security agreement and is perfected from the time the security agreement is entered into or adopted continuously through the termination of the security interest, without physical delivery or transfer of control of the property, filing of a document, or another act. The District covenants that if Chapter 1208.002 is amended at any time while the Bonds are outstanding and unpaid, the District shall take all actions required in order to preserve for the Owners of the Bonds a perfected security interest in the property in which such security interest is granted pursuant to Section 2.01 hereof.

ARTICLE III

AUTHORIZATION; GENERAL TERMS AND PROVISIONS REGARDING THE BONDS

Section 3.01. Authorization.

The District's bonds to be designated the "Upper Trinity Regional Water District Regional Treated Water Supply System Revenue Refunding Bonds, Series 2017," are hereby authorized to be issued and delivered in accordance with the laws of the State of Texas, including particularly the Act and Chapter 1207, Texas Government Code, as amended, in the aggregate principal amount of \$18,050,000, for the purposes of (i) refunding the Refunded Commercial Paper Notes; (ii) making a deposit to the Reserve Fund; and (iii) paying the costs and expenses of issuing the Bonds.

Section 3.02. Date, Denomination, Maturities and Interest.

(a) The Bonds shall be dated June 1, 2017 (the "Dated Date"). The Bonds shall be in fully registered form, without coupons, in the denomination of \$5,000 or any integral multiple thereof and shall be numbered separately from one upward or such other designation acceptable to the District and the Paying Agent/Registrar, except the Initial Bond, which shall be numbered T-1.

(b) The Bonds shall mature on August 1 in the years and in the principal amounts following table:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2018	\$360,000	4.000%	2031	\$1,255,000	3.000%
2019	415,000	4.000%	2032	665,000	3.000%
2020	425,000	2.000%	2033	685,000	3.125%
2021	440,000	2.250%	2034	710,000	3.125%
2022	450,000	4.000%	2035	735,000	3.250%
2023	465,000	4.000%	***	***	***
2024	490,000	2.250%	2037	1,560,000	3.250%
2025	505,000	4.000%	2038	820,000	3.375%
2026	530,000	4.000%	***	***	***
2027	550,000	4.000%	2042	3,645,000	3.375%
2028	575,000	4.000%	***	***	***
2029	600,000	4.000%	2047	2,170,000	3.500%
***	***	***			

(c) Interest shall accrue and be paid on each Bond respectively until its maturity or prior redemption, from the later of the Closing Date or the most recent Interest Payment Date to

which interest has been paid or provided for at the rates per annum for each respective maturity specified in the schedule contained in subsection (b) above. Such interest shall be payable semiannually on each Interest Payment Date, commencing February 1, 2018. Interest on the Bonds shall be calculated on the basis of a three hundred sixty (360) day year composed of twelve (12) months of thirty (30) days each.

Section 3.03. Medium, Method and Place of Payment.

(a) The principal of, redemption premium, if any, and interest on the Bonds shall be paid in lawful money of the United States of America.

(b) Interest on the Bonds shall be payable to the Owners as shown in the Register on the Record Date. However, in the event that interest on the Bonds is not paid on a scheduled Interest Payment Date and remains unpaid for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") shall be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date," which shall be at least 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each Owner of a Bond appearing on the Register at the close of business on the last business day next preceding the date of mailing of such notice.

(c) Interest shall be paid by check, dated as of the Interest Payment Date, and mailed on or before such Interest Payment Date, by first class United States mail, postage prepaid, by the Paying Agent/Registrar to each Owner at the address of each Owner as such appears in the Register, or by such other customary banking arrangement acceptable to the Paying Agent/Registrar and the person to whom interest is to be paid; provided, however, that such person shall bear all risk and expenses of such customary banking arrangement.

(d) The principal of each Bond shall be paid to the Owner thereof on the due date, whether at the maturity date or the date of prior redemption thereof, upon presentation and surrender of such Bond at the Paying Agent/Registrar Office; provided, however, that for so long as the Bond is held by a single Owner, mandatory sinking fund redemption payments made prior to final maturity will be noted by the Paying Agent/Registrar in their official records but will not require the presentation and surrender of the Bond.

(e) If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, legal holiday or day on which banking institutions in the city where the Paying Agent/Registrar Office is located are required or authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or day on which banking institutions are required or authorized to close, and payment on such date shall for all purposes be deemed to have been made on the due date thereof as specified in this Section.

(f) Unclaimed Payments shall be segregated in a special account and held in trust, uninvested by the Paying Agent/Registrar, for the account of the Owner of the Bonds to which

the Unclaimed Payments pertain. Subject to Title 6 of the Texas Property Code, as amended, Unclaimed Payments remaining unclaimed by the Owners entitled thereto for three years after the applicable payment or redemption date shall be applied to the next payment or payments on the Bonds thereafter coming due and, to the extent any such money remains after the retirement of all outstanding Bonds, shall be paid to the District to be used for any lawful purpose. Thereafter, neither the District, the Paying Agent/Registrar nor any other person shall be liable or responsible to any holders of such Bonds for any further payment of such unclaimed moneys or on account of any such Bonds, subject to any applicable escheat law or similar law.

Section 3.04. Execution and Registration of Bonds.

(a) The Bonds shall be executed on behalf of the District by the President and Secretary of the Board of Directors, by their manual or facsimile signatures, and the official seal of the District shall be impressed or placed in facsimile thereon. Such facsimile signatures on the Bonds shall have the same effect as if each of the Bonds had been signed manually and in person by each of said officers, and such facsimile seal on the Bonds shall have the same effect as if the official seal of the District had been manually impressed upon each of the Bonds.

(b) In the event that any officer of the District whose manual or facsimile signature appears on the Bonds ceases to be such officer before the authentication of such Bonds or before the delivery thereof, such facsimile signature nevertheless shall be valid and sufficient for all purposes as if such officer had remained in such office.

(c) Except as provided below, no Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit of this Resolution unless and until there appears thereon the Certificate of Paying Agent/Registrar substantially in the form provided herein, duly authenticated by manual execution by an officer or duly authorized signatory of the Paying Agent/Registrar. It shall not be required that the same officer or authorized signatory of the Paying Agent/Registrar sign the Certificate of Paying Agent/Registrar on all of the Bonds. In lieu of the executed Certificate of Paying Agent/Registrar described above, the Initial Bond delivered on the Closing Date shall have attached thereto the Comptroller's Registration Certificate substantially in the form provided herein, manually executed by the Comptroller of Public Accounts of the State of Texas, or by his duly authorized agent, which certificate shall be evidence that the Initial Bond has been duly approved by the Attorney General of the State of Texas and that it is a valid and binding obligation of the District, and has been registered by the Comptroller of Public Accounts of the State of Texas.

(d) On the Closing Date, one Initial Bond representing the entire principal amount of all Bonds, payable in stated installments to the purchasers of the Bonds, or their designee, executed by the President and Secretary by their manual or facsimile signature, approved by the Attorney General, and registered and manually signed by the Comptroller of Public Accounts, will be delivered to the Purchaser or their designee.

Section 3.05. Ownership.

(a) The District, the Paying Agent/Registrar and any other person may treat the person in whose name any Bond is registered as the absolute owner of such Bond for the purpose

of making and receiving payment of the principal thereof and redemption premium, if any, thereon, for the further purpose of making and receiving payment of the interest thereon (subject to the provisions herein that interest is to be paid to the person in whose name the Bond is registered on the Record Date), and for all other purposes, whether or not such Bond is overdue, and neither the District nor the Paying Agent/Registrar shall be bound by any notice or knowledge to the contrary.

(b) All payments made to the Owner of a Bond shall be valid and effectual and shall discharge the liability of the District and the Paying Agent/Registrar upon such Bond to the extent of the sums paid.

Section 3.06. Registration, Transfer and Exchange.

(a) So long as any Bond remains outstanding, the District shall cause the Paying Agent/Registrar to keep at the Designated Payment/Transfer Office a register (the "Register") in which, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with this Resolution.

(b) The ownership of a Bond may be transferred only upon the presentation and surrender of the Bond at the Designated Payment/Transfer Office with such endorsement or other evidence of transfer as is acceptable to the Paying Agent/Registrar. No transfer of any Bond shall be effective until entered in the Register.

(c) The Bonds shall be exchangeable upon the presentation and surrender thereof at the Designated/Payment Transfer Office of the Paying Agent/Registrar Office for a Bond or Bonds of the same maturity and interest rate and in any denomination or denominations of any integral multiple of \$5,000 and in an aggregate principal amount equal to the unpaid principal amount of the Bonds presented for exchange. The Paying Agent/Registrar is hereby authorized to authenticate and deliver Bonds exchanged for other Bonds in accordance with this Section.

(d) Each exchange Bond delivered by the Paying Agent/Registrar in accordance with this Section shall constitute an original contractual obligation of the District and shall be entitled to the benefits and security of this Resolution to the same extent as the Bond or Bonds in lieu of which such exchange Bond is delivered.

(e) No service charge shall be made to the Owner for the initial registration and any subsequent transfer or exchange for a different denomination of any of the Bonds. The Paying Agent/Registrar, however, may require the Owner to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection with the registration, transfer or exchange of a Bond.

(f) Neither the District nor the Paying Agent/Registrar shall be required to issue, transfer or exchange any Bond called for redemption, in whole or in part, where such redemption is scheduled to occur within 45 calendar days after the transfer or exchange date; provided, however, such limitation of transfer shall not be applicable to an exchange by the Owner of the uncalled principal balance of a Bond.

Section 3.07. Cancellation.

All Bonds paid or redeemed before scheduled maturity in accordance with this Resolution and all Bonds in lieu of which exchange Bonds or replacement Bonds are authenticated and delivered in accordance with this Resolution shall be canceled and destroyed upon the making of proper records regarding such payment, redemption, exchange or replacement. The Paying Agent/Registrar shall then return such canceled Bonds to the District or may, in accordance with law, destroy such canceled Bonds and periodically furnish the District with certificates of destruction of such Bonds.

Section 3.08. Temporary Bonds.

(a) Following the delivery and registration of the Initial Bond and pending the preparation of definitive Bonds, the proper officers of the District may execute and, upon the District's request, the Paying Agent/Registrar shall authenticate and deliver, one or more temporary Bonds that are printed, lithographed, typewritten, mimeographed or otherwise produced, in any denomination, substantially of the tenor of the definitive Bonds in lieu of which they are delivered, without coupons, and with such appropriate insertions, omissions, substitutions and other variations as the officers of the District executing such temporary Bonds may determine, as evidenced by their signing of such temporary Bonds.

(b) Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the benefit and security of this Resolution.

(c) The District, without unreasonable delay, shall prepare, execute and deliver to the Paying Agent/Registrar, the Bonds in definitive form; thereupon, upon the presentation and surrender of the Bond or Bonds in temporary form to the Paying Agent/Registrar, the Paying Agent/Registrar shall cancel the Bonds in temporary form and authenticate and deliver in exchange therefor a Bond or Bonds of the same maturity and series, in definitive form, in the authorized denomination, and in the same aggregate principal amount, as the Bond or Bonds in temporary form surrendered. Such exchange shall be made without the making of any charge therefor to any Owner.

Section 3.09. Replacement Bonds.

(a) Upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding. The District or the Paying Agent/Registrar may require the Owner of such Bond to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection therewith and any other expenses connected therewith.

(b) In the event that any Bond is lost, apparently destroyed or wrongfully taken, the Paying Agent/Registrar, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall authenticate and deliver a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding, provided that the Owner first complies with the following requirements:



(i) furnishes to the Paying Agent/Registrar satisfactory evidence of his or her ownership of and the circumstances of the loss, destruction or theft of such Bond;

(ii) furnishes such security or indemnity as may be required by the Paying Agent/Registrar to save it and the District harmless;

(iii) pays all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees of the Paying Agent/Registrar and any tax or other governmental charge that is authorized to be imposed; and

(iv) satisfies any other reasonable requirements imposed by the District and the Paying Agent/Registrar.

(c) After the delivery of such replacement Bond, if a bona fide purchaser of the original Bond in lieu of which such replacement Bond was issued presents for payment such original Bond, the District and the Paying Agent/Registrar shall be entitled to recover such replacement Bond from the person to whom it was delivered or any person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the District or the Paying Agent/Registrar in connection therewith.

(d) In the event that any such mutilated, lost, apparently destroyed or wrongfully taken Bond has become or is about to become due and payable, the Paying Agent/Registrar, in its discretion, instead of issuing a replacement Bond, may pay such Bond if it has become due and payable, or may pay such Bond when it becomes due and payable.

(e) Each replacement Bond delivered in accordance with this Section shall constitute an original additional contractual obligation of the District and shall be entitled to the benefits and security of this Resolution to the same extent as the Bond or Bonds in lieu of which such replacement Bond is delivered.

#### Section 3.10. Book-Entry-Only System.

(a) The definitive Bonds shall be initially issued in the form of a separate single fully registered Bond for each of the maturities thereof. Upon initial issuance, the ownership of each such Bond shall be registered in the name of Cede & Co., as nominee of DTC, and, except as provided in Section 3.11 hereof, all of the outstanding Bonds shall be registered in the name of Cede & Co., as nominee of DTC.

(b) With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the District and the Paying Agent/Registrar shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such a DTC Participant holds an interest in the Bonds, except as provided in this Resolution. Without limiting the immediately preceding sentence, the District and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than an Owner, as shown on the Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any

other person, other than an Owner, as shown in the Register, of any amount with respect to principal of, premium, if any, or interest on the Bonds. Notwithstanding any other provision of this Resolution to the contrary, the District and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Register as the absolute Owner of such Bond for the purpose of payment of principal of, premium, if any, and interest on the Bonds, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfer with respect to such Bond, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective Owners, as shown in the Register, as provided in this Resolution, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Register, shall receive a Bond certificate evidencing the obligation of the District to make payments of amounts due pursuant to this Resolution. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Resolution with respect to interest checks or drafts being mailed to the registered Owner at the close of business on the Record Date, the word "Cede & Co." in this Resolution shall refer to such new nominee of DTC.

Section 3.11. Successor Securities Depository; Transfer Outside Book-Entry Only System.

In the event that the District or the Paying Agent/Registrar determines that DTC is incapable of discharging its responsibilities described herein and in the Representation Letter, and that it is in the best interest of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, or in the event DTC discontinues the services described herein, the District or the Paying Agent/Registrar shall (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants, as identified by DTC, of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository or (ii) notify DTC and DTC Participants, as identified by DTC, of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their DTC Accounts, as identified by DTC. In such event, the Bonds shall no longer be restricted to being registered in the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Resolution.

Section 3.12. Payments to Cede & Co.

Notwithstanding any other provision of this Resolution to the contrary, so long as any Bonds are registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bonds, and all notices with respect to such Bonds, shall be made and given, respectively, in accordance with the agreement between the District and DTC.

ARTICLE IV

REDEMPTION OF BONDS BEFORE MATURITY

Section 4.01. Limitation on Redemption.

The Bonds shall be subject to redemption before scheduled maturity only as provided in this Article IV.

Section 4.02. Optional Redemption.

(a) The District has reserved the option to redeem the Bonds maturing on or after August 1, 2027, in whole or in part before their respective scheduled maturity dates on February 1, 2027, or on any date thereafter, at a price equal to the principal amount of the Bonds so called for redemption plus accrued interest to the date fixed for redemption. If less than all of the Bonds are to be redeemed, the District shall determine the amounts and maturities thereof to be redeemed and, if less than all of the Bonds of a stated maturity are to be redeemed, the District shall direct the Paying Agent/Registrar to call by lot Bonds, or portions thereof within such maturity and in such amounts, for redemption.

(b) The District, at least 45 days before the redemption date, unless a shorter period shall be satisfactory to the Paying Agent/Registrar, shall notify the Paying Agent/Registrar of such redemption date and of the principal amount of Bonds to be redeemed.

(c) The District, at least 45 days before the redemption date, unless a shorter period shall be satisfactory to the Paying Agent/Registrar, shall notify the Paying Agent/Registrar of such redemption date and of the principal amount of the Bonds to be redeemed.

Section 4.03. Mandatory Sinking Fund Redemption.

(a) The Bonds stated to mature on August 1, 2031, August 1, 2037, August 1, 2042 and August 1, 2047 (collectively, "Term Bonds"), are subject to scheduled mandatory redemption and will be redeemed by the District, in part at a price equal to the principal amount thereof, without premium, plus accrued interest to the redemption date, out of moneys available for such purpose in the Interest and Sinking Fund, on the dates and in the respective principal amounts as set forth in the following schedule:

\$1,255,000 Term Bonds Maturing August 1, 2031

<u>Redemption Date</u>	<u>Principal Amount</u>
August 1, 2030	\$615,000
August 1, 2031*	640,000

\*Maturity

\$1,560,000 Term Bonds Maturing August 1, 2037

<u>Redemption Date</u>	<u>Principal Amount</u>
August 1, 2036	\$765,000
August 1, 2037*	795,000

\*Maturity

\$3,645,000 Term Bonds Maturing August 1, 2042

<u>Redemption Date</u>	<u>Principal Amount</u>
August 1, 2039	\$855,000
August 1, 2040	895,000
August 1, 2041	930,000
August 1, 2042*	965,000

\*Maturity

\$2,170,000 Term Bonds Maturing August 1, 2047

<u>Redemption Date</u>	<u>Principal Amount</u>
August 1, 2043	\$400,000
August 1, 2044	415,000
August 1, 2045	435,000
August 1, 2046	450,000
August 1, 2047*	470,000

\*Maturity

(b) At least forty-five (45) days prior to each scheduled mandatory redemption date, the Paying Agent/Registrar shall select for redemption by lot, or by any other customary method that results in a random selection, a principal amount of Term Bonds equal to the aggregate principal amount of such Term Bonds to be redeemed, shall call such Term Bonds for redemption on such scheduled mandatory redemption date, and shall give notice of such redemption, as provided in Section 4.05.

(c) The principal amount of the Term Bonds required to be redeemed on any redemption date pursuant to subparagraph (a) of this Section 4.03 shall be reduced, at the option of the District, by the principal amount of any Term Bonds which, at least 45 days prior to the mandatory sinking fund redemption date (i) shall have been acquired by the District at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, or (ii) shall have been redeemed pursuant to the optional redemption provisions hereof and not previously credited to a mandatory sinking fund redemption.

Section 4.04. Partial Redemption.

(a) If less than all of the Bonds are to be redeemed pursuant to Section 4.02, the District shall determine the amounts and maturities thereof to be redeemed and, if less than all of the Bonds of a stated maturity are to be redeemed, the District shall direct the Paying Agent/Registrar to call by lot Bonds, or portions thereof within such maturity and in such principal amounts, for redemption.

(b) A portion of a single Bond of a denomination greater than \$5,000 may be redeemed, but only in a principal amount equal to \$5,000 or any integral multiple thereof. If such a Bond is to be partially redeemed, the Paying Agent/Registrar shall treat each \$5,000 portion of a Bond as though it were a single bond for purposes of selection for redemption.

(c) Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar, in accordance with Section 3.06 of this Resolution, shall authenticate and deliver an exchange Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

(d) The Paying Agent/Registrar shall promptly notify the District in writing of the principal amount to be redeemed of any Bond as to which only a portion thereof is to be redeemed.

Section 4.05. Notice of Redemption to Owners.

(a) The Paying Agent/Registrar shall give notice of any redemption of Bonds by sending notice by first class United States mail, postage prepaid, not less than 30 days before the date fixed for redemption, to the Owner of each Bond (or part thereof) to be redeemed, at the address shown in the Register.

(b) The notice shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment, and, if less than all the Bonds outstanding are to be redeemed, an identification of the Bonds or portions thereof to be redeemed.

(c) Any notice given as provided in this Section shall be conclusively presumed to have been duly given, whether or not the Owner receives such notice.

Section 4.06. Payment Upon Redemption.

(a) Before or on each redemption date, the District shall deposit with the Paying Agent/Registrar money sufficient to pay all amounts due on the redemption date and the Paying Agent/Registrar shall make provision for the payment of the Bonds to be redeemed on such date by setting aside and holding in trust an amount from the Interest and Sinking Fund or otherwise received by the Paying Agent/Registrar from the District and shall use such funds solely for the purpose of paying the principal of, redemption premium, if any, and accrued interest on the Bonds being redeemed.

(b) Upon presentation and surrender of any Bond called for redemption at the Designated Payment/Transfer Office on or after the date fixed for redemption, the Paying

Agent/Registrar shall pay the principal of, redemption premium, if any, and accrued interest on such Bond to the date of redemption from the money set aside for such purpose.

Section 4.07. Effect of Redemption.

(a) Notice of redemption having been given as provided in Section 4.05 of this Resolution, and subject, in the case of optional redemption under Section 4.02, to any conditions or rights reserved by the District under Section 4.08, the Bonds or portions thereof called for redemption shall become due and payable on the date fixed for redemption and, unless the District defaults in the payment of the principal thereof, redemption premium, if any, or accrued interest thereon, such Bonds or portions thereof shall cease to bear interest from and after the date fixed for redemption, whether or not such Bonds are presented and surrendered for payment on such date.

(b) If the District shall fail to make provision for payment of all sums due on a redemption date, then any Bond or portion thereof shall continue to bear interest at the rate stated on the Bond until due provision is made for the payment of same.

Section 4.08. Conditional Notice of Redemption.

The District reserves the right, in the case of an optional redemption pursuant to Section 4.02 herein, to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the District retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the District delivers a certificate of the District to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption and such redemption has been rescinded shall remain Outstanding and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the District to make moneys and or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

ARTICLE V

PAYING AGENT/REGISTRAR

Section 5.01. Appointment of Initial Paying Agent/Registrar.

BOKF, NA, or its successor, is hereby appointed as the initial Paying Agent/Registrar for the Bonds.

Section 5.02. Qualifications.

Each Paying Agent/Registrar shall be a commercial bank, a trust company organized under the laws of the State of Texas, or any other entity duly qualified and legally authorized to serve as and perform the duties and services of paying agent and registrar for the Bonds.

Section 5.03. Maintaining Paying Agent/Registrar.

(a) At all times while any Bonds are outstanding, the District will maintain a Paying Agent/Registrar that is qualified under Section 5.02 of this Resolution. The Executive Director or the President is hereby authorized and directed to execute an agreement with the Paying Agent/Registrar specifying the duties and responsibilities of the District and the Paying Agent/Registrar, in substantially the form presented to and hereby approved by the Board.

(b) If the Paying Agent/Registrar resigns or otherwise ceases to serve as such, the District will promptly appoint a replacement.

Section 5.04. Termination.

The District, upon not less than 60 days' notice, reserves the right to terminate the appointment of any Paying Agent/Registrar by delivering to the entity whose appointment is to be terminated written notice of such termination; provided, that no such termination shall be effective until a successor Paying Agent/Registrar has been appointed and has accepted the duties of Paying Agent/Registrar for the Bonds.

Section 5.05. Notice of Change to Owners.

Promptly upon each change in the entity serving as Paying Agent/Registrar, the District will cause notice of the change to be sent to each Owner by first class United States mail, postage prepaid, at the address in the Register, stating the effective date of the change and the name and mailing address of the replacement Paying Agent/Registrar.

Section 5.06. Agreement to Perform Duties and Functions.

By accepting the appointment as Paying Agent/Registrar, and executing the Paying Agent/Registrar Agreement, the Paying Agent/Registrar is deemed to have agreed to the provisions of this Resolution and that it will perform the duties and functions of Paying Agent/Registrar prescribed thereby.

Section 5.07. Delivery of Records to Successor.

If a Paying Agent/Registrar is replaced, such Paying Agent, promptly upon the appointment of the successor, will deliver the Register (or a copy thereof) and all other pertinent books and records relating to the Bonds to the successor Paying Agent/Registrar.

ARTICLE VI

FORM OF THE BONDS

Section 6.01. Form Generally.

(a) The Bonds, including the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the Certificate of the Paying Agent/Registrar and the Assignment form to appear on each of the Bonds, (i) shall be substantially in the preliminary form set forth in this Article with such appropriate insertions, omissions, substitutions and other variations as are permitted or required by this Resolution, and (ii) may have such letters, numbers or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and such legends and endorsements (including any reproduction of an opinion of counsel) thereon as, consistently herewith, may be determined by the District or by the officers executing such Bonds, as evidenced by their execution thereof.

(b) Any portion of the text of any Bonds may be set forth on the reverse side thereof, with an appropriate reference thereto on the face of the Bonds.

(c) The definitive Bonds, if any, shall be typewritten, printed, lithographed or engraved, and may be produced by any combination of these methods or produced in any other similar manner, all as determined by the officers executing such Bonds, as evidenced by their execution thereof.

(d) The Initial Bond submitted to the Attorney General of the State of Texas may be typewritten and photocopied or otherwise reproduced.

Section 6.02. Form of the Bonds.

The form of the Bonds, including the form of the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the form of Certificate of the Paying Agent/Registrar and the form of Assignment appearing on the Bonds, shall be substantially as follows:



(a) Form of Bonds.

REGISTERED  
No. \_\_\_\_\_

REGISTERED  
\$ \_\_\_\_\_

United States of America  
State of Texas  
COUNTY OF DENTON  
UPPER TRINITY REGIONAL WATER DISTRICT  
REGIONAL TREATED WATER SUPPLY SYSTEM  
REVENUE REFUNDING BOND  
SERIES 2017

INTEREST RATE:      MATURITY DATE:      CLOSING DATE:      CUSIP NUMBER:  
\_\_\_\_\_ %                      August 1, \_\_\_\_\_                      July 6, 2017                      \_\_\_\_\_

The Upper Trinity Regional Water District (the "District"), in the County of Denton, State of Texas, for value received, hereby promises to pay to

\_\_\_\_\_ or registered assigns, but solely from the sources and in the manner hereinafter provided, on the Maturity Date specified above, the sum of

\_\_\_\_\_ DOLLARS

unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provided for, and to pay interest on such principal amount from the later of the Closing Date stated above or the most recent interest payment date to which interest has been paid or provided for until maturity or prior redemption, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually on February 1 and August 1 of each year, commencing February 1, 2018.

The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the corporate trust office in Dallas, Texas (the "Designated Payment/Transfer Office") of BOKF, NA, as Paying Agent/Registrar, or the designated payment/transfer office of any successor Paying Agent/Registrar. Interest on this Bond is payable by check dated as of the interest payment date, mailed on or before such interest payment date, by first class United States mail, postage prepaid, by the Paying Agent/Registrar to the registered owner at the address shown on the registration books kept by the Paying Agent/Registrar, or by such other customary banking arrangement acceptable to the Paying Agent/Registrar and the person to whom interest is to be paid; provided, however, that such person shall bear all risk and expenses of such customary banking arrangement. For the purpose of the payment of interest on this Bond, the registered owner shall be the person in whose name this Bond is registered at the close of business on the

“Record Date,” which shall be the fifteenth day of the month next preceding such interest payment date. However, in the event that interest is not paid on a scheduled payment date and remains unpaid for 30 days thereafter, a new record date for such interest payment (a “Special Record Date”) will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the “Special Payment Date,” which date shall be at least 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each registered owner of a Bond appearing on the books of the Paying Agent/Registrar at the close of business on the last business day preceding the date of mailing of such notice.

If the date for the payment of the principal of or interest on this Bond shall be a Saturday, Sunday, legal holiday or day on which banking institutions in the city in which the Paying Agent/Registrar is located are required or authorized by law or executive order to close, the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or day on which such banking institutions are required or authorized to close and payment on such date shall for all purposes be deemed to have been made on the original date payment was due.

This Bond, dated June 1, 2017, is one of the series of fully registered bonds specified in its title issued in the aggregate principal amount of \$18,050,000 (herein referred to as the “Bonds”) issued pursuant to a resolution adopted by the governing body of the District (the “Resolution”), for the purposes of (i) providing funds to refund the Refunded Commercial Paper Notes, (ii) making a deposit to the Reserve Fund, and (iii) paying the costs of issuing the Bonds.

The Bonds constitute special obligations of the District and, together with any of the outstanding Parity Bonds (as defined in the Resolution), are payable solely from and equally secured by a first lien on and pledge of Pledged Revenues, such lien and pledge being superior to the lien on and pledge of the Pledged Revenues made for the payment of Subordinate Lien Obligations (as defined in the Resolution). The Bonds do not constitute a legal or equitable pledge, charge, lien or encumbrance upon any property of the District or the System, except with respect to the Pledged Revenues.

The District expressly reserves the right to issue Additional Bonds in all things on a parity with the Bonds and the outstanding Parity Bonds, payable solely from and equally secured by a lien on and pledge of the Pledged Revenues; provided, however, that any and all such additional obligations may be so issued only in accordance with and subject to the covenants, conditions, limitations and restrictions relating thereto which are set out and contained in the Resolution to which reference is hereby made for more complete and full particulars.

The District has reserved the option to redeem the Bonds maturing on or after August 1, 2027, in whole or in part before their respective scheduled maturity dates on February 1, 2027, or on any date thereafter, at a price equal to the principal amount of the Bonds so called for redemption plus accrued interest to the date fixed for redemption. If less than all of the Bonds are to be redeemed, the District shall determine the amounts and maturities thereof to be redeemed and, if less than all of the Bonds of a stated maturity are to be redeemed, the District

shall direct the Paying Agent/Registrar to call by lot Bonds, or portions thereof within such maturity and in such amounts, for redemption.

The Bonds stated to mature on August 1, 2031, August 1, 2037, August 1, 2042 and August 1, 2047 (collectively, "Term Bonds"), are subject to scheduled mandatory redemption and will be redeemed by the District, in part at a price equal to the principal amount thereof, without premium, plus accrued interest to the redemption date, out of moneys available for such purpose in the Interest and Sinking Fund, on the dates and in the respective principal amounts as set forth in the following schedule:

\$1,255,000 Term Bonds Maturing August 1, 2031

<u>Redemption Date</u>	<u>Principal Amount</u>
August 1, 2030	\$615,000
August 1, 2031*	640,000

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\*Maturity

\$1,560,000 Term Bonds Maturing August 1, 2037

<u>Redemption Date</u>	<u>Principal Amount</u>
August 1, 2036	\$765,000
August 1, 2037*	795,000

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\*Maturity

\$3,645,000 Term Bonds Maturing August 1, 2042

<u>Redemption Date</u>	<u>Principal Amount</u>
August 1, 2039	\$855,000
August 1, 2040	895,000
August 1, 2041	930,000
August 1, 2042*	965,000

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\*Maturity

\$2,170,000 Term Bonds Maturing August 1, 2047

<u>Redemption Date</u>	<u>Principal Amount</u>
August 1, 2043	\$400,000
August 1, 2044	415,000
August 1, 2045	435,000
August 1, 2046	450,000
August 1, 2047*	470,000

\*Maturity

The Paying Agent/Registrar will select by lot the specific Term Bonds (or with respect to Term Bonds having a denomination in excess of \$5,000, each \$5,000 portion thereof) to be redeemed by mandatory redemption. The principal amount of Term Bonds required to be redeemed on any redemption date pursuant to the foregoing mandatory sinking fund redemption provisions hereof shall be reduced, at the option of the District, by the principal amount of any Term Bonds which, at least 45 days prior to the mandatory sinking fund redemption date (i) shall have been acquired by the District at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, or (ii) shall have been redeemed pursuant to the optional redemption provisions hereof and not previously credited to a mandatory sinking fund redemption.

Notice of such redemption or redemptions shall be given by first class mail, postage prepaid, not less than 30 days before the date fixed for redemption, to the registered owner of each of the Bonds to be redeemed in whole or in part. Notice having been so given, the Bonds or portions thereof designated for redemption shall become due and payable on the redemption date specified in such notice; and, from and after such date, notwithstanding that any of the Bonds or portions thereof so called for redemption shall not have been surrendered for payment, interest on such Bonds or portions thereof shall cease to accrue.

The District reserves the right, in the case of an optional redemption pursuant to the Resolution, to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the District retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the District delivers a certificate of the District to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption and such redemption has been rescinded shall remain Outstanding and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional

redemption, the failure of the District to make moneys and or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

As provided in the Resolution, and subject to certain limitations therein set forth, this Bond is transferable upon surrender of this Bond for transfer at the Designated Payment/Transfer Office with such endorsement or other evidence of transfer as is acceptable to the Paying Agent/Registrar; thereupon, one or more new fully registered Bonds of the same stated maturity, of authorized denominations, bearing the same rate of interest, and for the same aggregate principal amount will be issued to the designated transferee or transferees.

The District, the Paying Agent/Registrar and any other person may treat the person in whose name this Bond is registered as the owner hereof for the purpose of receiving payment as herein provided (except interest shall be paid to the person in whose name this Bond is registered on the "Record Date" or "Special Record Date," as applicable) and for all other purposes, whether or not this Bond be overdue, and neither the District, the Paying Agent/Registrar nor any other person shall be affected by notice to the contrary.

Neither the District nor the Paying Agent/Registrar shall be required to issue, transfer or exchange any Bond called for redemption where such redemption is scheduled to occur within 45 calendar days of the transfer or exchange date; provided, however, such limitation shall not be applicable to an exchange by the registered owner of the uncalled principal balance of a Bond.

IT IS HEREBY CERTIFIED AND RECITED that the issuance of this Bond and the series of which it is a part is duly authorized by law; that all acts, conditions and things required to be done precedent to and in the issuance of the Bonds to render the same lawful and valid have been properly done and have happened in regular and due time, form and manner as required by law; that the Bonds do not exceed any constitutional or statutory limitation; and that provision has been made for the payment of the principal of and interest on the Bonds by irrevocably pledging the Pledged Revenues, as hereinabove recited.

The owner hereof shall never have the right to demand payment of this Bond out of any funds raised or to be raised by taxation by the District, other than certain amounts payable under certain of the Treated Water Supply Contracts.

IN WITNESS WHEREOF, the District has caused this Bond to be executed in its name by the manual or facsimile signature of the President of the District and countersigned by the manual or facsimile signature of the Secretary, and the official seal of the District has been duly impressed or placed in facsimile on this Bond.

\_\_\_\_\_  
President, Board of Directors,  
Upper Trinity Regional Water District

ATTEST:

\_\_\_\_\_  
Secretary, Board of Directors,  
Upper Trinity Regional Water District

[SEAL]

(b) Form of Comptroller's Registration Certificate.

The following Comptroller's Registration Certificate may be deleted from the definitive Bonds if such Certificate on the Initial Bond is fully executed.

OFFICE OF THE COMPTROLLER           §  
OF PUBLIC ACCOUNTS                   §     REGISTER NO. \_\_\_\_\_  
OF THE STATE OF TEXAS               §

I hereby certify that there is on file and of record in my office a certificate of the Attorney General of the State of Texas to the effect that this Bond has been examined by him as required by law, that he finds that it has been issued in conformity with the Constitution and laws of the State of Texas, has this day been registered by me.

Witness my hand and seal of office at Austin, Texas, \_\_\_\_\_.

\_\_\_\_\_  
Comptroller of Public Accounts  
of the State of Texas

[SEAL]

(c) Form of Certificate of Paying Agent/Registrar.

The following Certificate of Paying Agent/Registrar may be deleted from the Initial Bond if the executed Comptroller's Registration Certificate appears thereon.

CERTIFICATE OF PAYING AGENT/REGISTRAR

The records of the Paying Agent/Registrar show that the Initial Bond of this series of bonds was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas, and that this is one of the Bonds referred to in the within mentioned Ordinance.

BOKF, NA  
as Paying Agent/Registrar

Dated: \_\_\_\_\_

By: \_\_\_\_\_  
Authorized Signatory

(d) Form of Assignment.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto (print or typewrite name, address and Zip Code of transferee): \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
(Social Security or other identifying number: \_\_\_\_\_) the within Bond and all rights hereunder and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the within Bond on the books kept for registration hereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed By: \_\_\_\_\_

\_\_\_\_\_  
Authorized Signatory

NOTICE: The signature on this Assignment must correspond with the name of the registered owner as it appears on the face of the within Bond in every particular and must be guaranteed in a manner acceptable to the Paying Agent/Registrar.

(e) The Initial Bond shall be in the form set forth in paragraphs (a) through (d) of this Section, except for the following alterations:

(i) immediately under the name of the Bond, the headings "INTEREST RATE" and "MATURITY DATE" shall both be completed with the words "As shown below" and the heading "CUSIP NUMBER" shall be deleted; and

(ii) in the first paragraph of the Bond, the words "on the Maturity Date specified above" shall be deleted and the following will be inserted: "on August 1 in each of the years, in principal installments, and bearing interest at the per annum rates in accordance with the following schedule:

<u>Years</u>	<u>Principal Installments</u>	<u>Interest Rates</u>
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(Information to be inserted from  
the Section 3.01)

Section 6.03. CUSIP Registration.

The District may secure identification numbers through the CUSIP Service Bureau Division of Standard & Poor's Corporation, New York, New York, and may authorize the printing of such numbers on the face of the Bonds. It is expressly provided, however, that the presence or absence of CUSIP numbers on the Bonds shall be of no significance or effect as regards the legality thereof and neither the District nor Co-Bond counsel to the District are to be held responsible for CUSIP numbers incorrectly printed on the Bonds.

Section 6.04. Legal Opinion.

The approving legal opinions of Bracewell LLP and Boyle & Lowry, L.L.P., Co-Bond Counsel, respectively, may be printed on the reverse side of each Bond over the certification of the Secretary of the District, which may be executed in facsimile.

Section 6.05. Statement of Insurance.

A statement relating to a municipal bond insurance policy, if any, to be issued for the Bonds may be printed on or attached to each Bond.

ARTICLE VII

FUNDS AND ACCOUNTS

Section 7.01. Revenue Fund.

The District hereby confirms the creation and establishment of the "Upper Trinity Regional Water District Regional Treated Water Supply System Revenue Fund" (the "Revenue Fund") to be maintained on the books of the District, and accounted for separate and apart from all other funds of the District so long as any of the Parity Bonds are outstanding. All Gross



Revenues of the System (excepting investment interest and income from the Interest and Sinking Fund and Reserve Fund) shall be credited to the Revenue Fund immediately upon receipt. All Operation and Maintenance Expenses of the System shall be paid from such amounts credited to the Revenue Fund as a first charge against same.

Section 7.02. Interest and Sinking Fund.

For the sole purpose of paying the principal of and interest on the Parity Bonds, the District hereby confirms the creation and establishment on the books of the District, and there shall be maintained so long as any of the Parity Bonds remain outstanding, accounted for separate and apart from all other funds of the District, a separate fund entitled the "Upper Trinity Regional Water District Regional Treated Water Supply System Revenue Refunding Bonds Interest and Sinking Fund" (the "Interest and Sinking Fund").

Section 7.03. Reserve Fund.

The District hereby confirms the creation and establishment on the books of the District, to be maintained so long as any Parity Bonds remain outstanding, a separate fund to be entitled the "Upper Trinity Regional Water District Regional Treated Water Supply System Revenue Bonds Reserve Fund" (the "Reserve Fund"). The Reserve Fund shall be used solely to pay the principal of and interest on any Parity Bonds when and to the extent the amounts in the Interest and Sinking Fund available for such payment are insufficient for such purpose, and may be used for the purpose of finally retiring the last of any Parity Bonds.

Section 7.04. Issuance Costs Fund.

(a) There is hereby established a separate fund entitled "Upper Trinity Regional Water District Regional Treated Water Supply System Revenue Refunding Bonds, Series 2017 Issuance Costs Fund" (the "Issuance Costs Fund"). Amounts on deposit in the Issuance Costs Fund shall be applied by the District to pay the costs of issuing the Bonds.

(b) All amounts remaining in the Issuance Costs Fund after the payment of costs of issuance and in any event no later than six months after the Closing Date, including investment earnings of the Issuance Costs Fund, shall be deposited to the Interest and Sinking Fund and shall be used to pay debt service on or redeem Bonds.

Section 7.05. Deposits of Pledged Revenues.

Pledged Revenues shall be credited to or deposited in the Interest and Sinking Fund, the Reserve Fund and other funds when and as required by this Resolution and any resolution authorizing the issuance of any Parity Bonds.

Section 7.06. Investments.

To the extent authorized by the Public Funds Investment Act, Chapter 2256, Texas Government Code, and the Public Funds Collateral Act, Chapter 2257, Texas Government Code, each as amended, money in any Fund established pursuant to this Resolution or any resolution authorizing the issuance of any Parity Bonds, may, at the option of the District, be placed in time

deposits or certificates of deposit secured by obligations of the type hereinafter described, or be invested in direct obligations of the United States of America or obligations guaranteed or insured by the United States of America, which, in the opinion of the Attorney General of the United States, are backed by its full faith and credit or represent its general obligations, or invested in obligations of instrumentalities of the United States of America, including, but not limited to, evidences of indebtedness issued, insured, or guaranteed by such governmental agencies as the Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Home Loan Banks, Government National Mortgage Association, United States Postal Service, Farmers Home Administration, Federal Home Loan Mortgage Association, Small Business Administration, Federal Housing Association, or Participation Certificates in the Federal Assets Financing Trust; provided that all such deposits and investments shall be made in such manner as will, in the opinion of the District, permit the money required to be expended from any Fund to be available at the proper time or times as expected to be needed. Such investments (except United States Treasury Obligations--State and Local Government Series investments held in book entry form, which shall at all times be valued at cost) shall be valued in terms of current market value as of the last day of each fiscal year. Unless otherwise set forth herein, all interest and income derived from such deposits and investments immediately shall be credited to, and any losses debited to, the Fund from which the deposit or investment was made, and surpluses in any Fund shall or may be disposed of as hereinafter provided. Such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds and any Additional Bonds consistent with the respective resolutions authorizing their issuance.

Section 7.07. Funds Secured.

Money in all Funds created or confirmed by this Resolution, to the extent not invested, shall be secured in the manner prescribed by law.

Section 7.08. Priority of Deposits and Payments from Revenue Fund.

The District shall make all deposits and payments from the Pledged Revenues in the Revenue Fund when and as required by this Resolution or resolutions authorizing Parity Bonds and such deposits shall be made in the following manner and with the following irrevocable priorities, respectively:

- First           to the Interest and Sinking Fund, when and in the amounts required by this Resolution, and any resolution authorizing the Parity Bonds;
- Second       to the Reserve Fund, when and in the amounts required by this Resolution and any resolution authorizing the Parity Bonds; and
- Third         to the Note Payment Fund in accordance with the terms and conditions of the Commercial Paper Notes Resolution and any fund established by a resolution authorizing the issuance of additional Subordinate Lien Obligations.

Section 7.09. Interest and Sinking Fund Requirements.

(a) Promptly after the delivery of the Bonds the District shall cause to be deposited to the credit of the Interest and Sinking Fund any accrued interest received from the sale and delivery of the Bonds, and premium to the extent not deposited to the Escrow Fund, if any, and any such deposit shall be used to pay a portion of the interest next coming due on the Bonds.

(b) In addition to the amounts required by the resolutions authorizing the Parity Bonds, the District shall transfer from the Pledged Revenues and deposit to the credit of the Interest and Sinking Fund the amounts, at the times, as follows:

(i) such amounts, deposited in approximately equal monthly installments on or before the 25th day of each month hereafter, commencing with the month during which the Bonds are delivered, or the month thereafter if delivery is made after the 25th day thereof, as will be sufficient, together with other amounts, if any, then on hand in the Interest and Sinking Fund and available for such purpose, to pay interest scheduled to accrue and come due on the Bonds on the next succeeding Interest Payment Date; and

(ii) such amounts, deposited in approximately equal monthly installments on or before the 25th day of each month hereafter, commencing with the month during which the Bonds are delivered, or the month thereafter if delivery is made after the 25th day thereof, as will be sufficient, together with other amounts, if any, then on hand in the Interest and Sinking Fund and available for such purpose, to pay principal scheduled to mature and come due on the Bonds on the next succeeding principal payment date.

Section 7.10. Reserve Fund Requirements.

(a) The District shall maintain in the Reserve Fund an amount of money and investments equal to the average annual principal and interest requirements of the Parity Bonds (the "Required Reserve Amount"). After the delivery of any Additional Bonds, the District shall cause the Reserve Fund to be increased, if and to the extent necessary, so that such Fund will contain an amount of money and investments equal to the Required Reserve Amount. Any increase in the Required Reserve Amount may be funded from Pledged Revenues or from proceeds from the sale of any Additional Bonds, or any other available source or combination of sources. All or any part of the Required Reserve Amount not funded initially and immediately after the delivery of any installment or issue of Additional Bonds shall be funded, within not more than five years from the date of such delivery, by deposits of Pledged Revenues in approximately equal monthly installments on or before the 25th day of each month. Principal amounts of any Additional Bonds which must be redeemed pursuant to any applicable mandatory redemption requirements shall be deemed to be maturing amounts of principal for the purpose of calculating principal and interest requirements on such bonds. When and so long as the amount in the Reserve Fund is not less than the Required Reserve Amount no deposits shall be made to the credit of the Reserve Fund; but when and if the Reserve Fund at any time contains less than the Required Reserve Amount, then the District shall transfer from Pledged Revenues in the Revenue Fund, and deposit to the credit of the Reserve Fund, monthly on or before the 25th day of each month, a sum equal to 1/60th of the Required Reserve Amount, until the Reserve Fund is restored to the Required Reserve Amount. The District specifically

covenants that when and so long as the Reserve Fund contains the Required Reserve Amount, the District shall cause all interest and income derived from the deposit or investment of the Reserve Fund to be deposited to the credit of the Revenue Fund.

(b) The District shall determine the amount required to be on deposit in the Reserve Fund after the issuance of the Bonds, which sum shall be not less than the average annual principal and interest requirements for the payment of the Bonds and any Outstanding Parity Bonds. The District shall deposit to the Reserve Fund out of the proceeds of the Bonds, or from Pledged Revenues in accordance with the provisions hereof until the Reserve Fund contains the Reserve Fund Requirement.

(c) The District's Regional Treated Water Supply System Revenue Bonds, Series 1999, Series 2000A, Series 2000B, Series 2001, Series 2002 and Series 2004 are no longer outstanding and payment thereof has been made or provided for; therefore, the provisions of this subparagraph (c) and of subparagraph (d), (e) and (f) of this Section 7.10 are effective. To the extent permitted by, and in accordance with applicable law and upon approval of the Attorney General of the State of Texas, the District may substitute a Credit Facility for cash or investment securities on deposit in the Reserve Fund or in substitution or replacement of any existing Credit Facility. Upon such replacement or substitution, cash or investment securities of any of the types permitted by Section 7.06 hereof, on deposit in the Reserve Fund which, taken together with the face amount of any existing Credit Facilities, are in excess of the Required Reserve Amount may be withdrawn by the District, at its option, and transferred to the Revenue Fund; provided, however, that the face amount of any Credit Facility may be reduced at the option of the District in lieu of such transfer. However, to the extent such surplus monies constitute bond proceeds, including interest and income derived therefrom, such amounts shall not be deposited to the Revenue Fund and shall only be used for the purposes for which bond proceeds may be used, including any interest due on any reimbursement obligation under the Credit Facility shall not exceed the highest lawful rate of interest which may be paid by the District.

(d) If the District is required to make a withdrawal from the Reserve Fund for any of the purposes described in this Section 7.10, the District shall promptly notify the issuer of such Credit Facility of the necessity for a withdrawal from the Reserve Fund for any such purposes, and shall make such withdrawal first from available moneys or investment securities then on deposit in the Reserve Fund, and next from a drawing under any Credit Facility to the extent of such deficiency. In the event that on the date of termination or expiration of any Credit Facility there is not on deposit in the Reserve Fund an amount, in cash or investment securities, equal to the Required Reserve Amount, then, after making required deposits to the Interest and Sinking Fund, the District shall deposit to the Reserve Fund from the first available Pledged Revenues amounts necessary to satisfy the Required Reserve Amount; provided, however, the District shall cause any such deficiency to be cured by making monthly installments of at least 1/60th of the Required Reserve Amount on or before the 25th day of each month following such deficiency.

(e) In the event there is a draw upon the Credit Facility, the District shall reimburse the issuer of such Credit Facility for such draw in accordance with the terms of any agreement pursuant to which the Credit Facility is issued from Pledged Revenues; however, such reimbursement from Pledged Revenues shall be subject to the provisions of subparagraph (f)

hereof, and shall be subordinate and junior in right of payment to the payment of principal of and premium, if any, and interest on the Parity Bonds.

(f) In the event of the payment, redemption or defeasance of any Parity Bonds, cash and investment obligations on deposit in the Reserve Fund in excess of the Required Reserve Amount may be withdrawn and transferred, at the option of the District, to the Revenue Fund, as a result of such payment, redemption, defeasance or discharge of such Parity Bonds. However, to the extent such excess cash and investments consist of bond proceeds, including earnings thereon, such amounts shall not be deposited to the Revenue Fund and shall be used only for the purposes for which bond proceeds may be used.

**Section 7.11. Deficiencies; Excess Pledged Revenues.**

(a) If on any occasion there shall not be sufficient Pledged Revenues to make the required deposits into the Interest and Sinking Fund or the Reserve Fund, such deficiency shall be made up as soon as possible from the next available Pledged Revenues.

(b) Subject to making the required deposits to the credit of the various Funds when and as required by this Resolution, any resolution authorizing the issuance of any Additional Bonds, the Commercial Paper Notes Resolution, and any resolution authorizing the issuance of additional Subordinate Lien Obligations, any surplus Pledged Revenues may be used by the District for any lawful purpose.

**ARTICLE VIII**

**SALE AND DELIVERY OF BONDS; DEPOSIT OF PROCEEDS**

**Section 8.01. Sale of Bonds; Official Statement.**

(a) The Bonds, having been duly advertised and offered for sale at competitive bid, are hereby officially sold and awarded to Citigroup Global Markets, Inc. (the "Purchaser") for a purchase price equal to the principal amount thereof plus a cash premium of \$129,960, being the bid which produced the lowest true interest cost to the District. The Initial Bond shall be registered in the name of the Purchaser or its designee.

(b) The form and substance of the Preliminary Official Statement, and any addenda, supplement or amendment thereto, are hereby in all respects approved and adopted and is hereby deemed final as of its date within the meaning and for the purposes of paragraph (b)(1) of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. The final Official Statement (the "Official Statement") presented to and considered at this meeting is hereby in all respects approved and adopted and the President and Secretary of the Board are hereby authorized and directed to execute the same and deliver appropriate numbers of executed copies thereof to the Purchaser. The Official Statement as thus approved, executed and delivered, with such appropriate variations as shall be approved by the Executive Director, Director of Business Services, President, Secretary or Treasurer of the Board and the Purchasers, may be used by the Purchaser in the public offering and sale thereof. The Secretary of the Board is hereby authorized and directed to include and maintain a copy of the Official Statement and any addenda, supplement or amendment thereto thus approved among the permanent records of this meeting.

The use and distribution of the Preliminary Official Statement, and the preliminary public offering of the Bonds by the Purchaser, is hereby ratified, approved and confirmed.

(c) All officers of the District are authorized to execute such documents, certificates and receipts as they may deem appropriate in order to consummate the delivery of the Bonds in accordance with the terms of sale therefor. The appropriate officer of the District is hereby authorized and directed to issue a check of the District payable to the Attorney General of the State of Texas as a nonrefundable examination fee in the amount required by Chapter 1202, Texas Government Code (such amount to be the lesser of (i) 1/10th of 1% of the principal amount of the Bonds or (ii) \$9,500).

(d) The obligation of the Purchaser to accept delivery of the Bonds is subject to the Purchaser being furnished with the final, approving opinion of Bracewell LLP and Boyle & Lowry, L.L.P., Co-Bond Counsel, which opinion shall be dated and delivered on the Closing Date.

Section 8.02. Control and Delivery of Bonds.

(a) The President of the Board and the District's Co-Bond Counsel are hereby authorized to have control of the Initial Bond and all necessary records and proceedings pertaining thereto pending investigation, examination and approval of the Attorney General of the State of Texas, registration by the Comptroller of Public Accounts of the State of Texas and registration with, and initial exchange or transfer by, the Paying Agent/Registrar.

(b) After registration by the Comptroller of Public Accounts of the State of Texas, delivery of the Bonds shall be made to the Underwriters under and subject to the general supervision and direction of the President of the Board, against receipt by the District of all amounts due to the District under the terms of sale.

Section 8.03. Deposit of Proceeds.

The proceeds of the Bonds received on the Closing Date, together with other available funds of the District, if any, shall be applied as follows:

(a) \$18,000,000 of proceeds of the Bonds, together with \$58,000 (or such other amount as determined by the Refunded Commercial Paper Notes Issuing and Paying Agent) of available funds of the District, shall be deposited with the Refunded Commercial Paper Notes Issuing and Paying Agent to effect the refunding and redemption of the Refunded Commercial Paper Notes set forth on **Schedule I** hereto; and

(b) \$179,960 of the proceeds of the Bonds shall be applied to the payment of costs of issuance of the Bonds. Any amounts remaining after payment of the costs of issuing the Bonds shall be deposited to the Interest and Sinking Fund for the Bonds.

ARTICLE IX

PARTICULAR REPRESENTATIONS AND COVENANTS; ADDITIONAL BONDS

Section 9.01. Payment of Parity Bonds.

Semiannually, on or before each February 1 and August 1 while any of the Bonds are outstanding and unpaid, the District shall make available to the Paying Agent/Registrar therefor, out of the Interest and Sinking Fund, or if necessary, out of the Reserve Fund, money sufficient to pay, on each of such dates, the principal of and interest on the Bonds as the same mature and come due, or to redeem the Bonds prior to maturity, either upon mandatory redemption or at the option of the District. At the direction of the District, the Paying Agent/Registrar shall either deliver canceled paid Bonds to the District or furnish the District with an appropriate certificate of cancellation.

Section 9.02. Additional Bonds.

(a) The District shall have the right and power at any time and from time to time, and in one or more series or issues, to authorize, issue, and deliver additional parity revenue bonds (herein called "Additional Bonds"), in accordance with law, in any amounts, for any lawful purpose, including the refunding of any Bonds, Additional Bonds, or other obligations. Such Additional Bonds, if and when authorized, issued, and delivered in accordance with this Resolution, shall be payable from and secured by a lien on and pledge of the Pledged Revenues, equally and ratably on a parity in all respects with the Bonds and the Outstanding Parity Bonds.

(b) The principal of all Additional Bonds must be scheduled to be paid or mature on February 1 or August 1 (or both) of the years in which such principal is scheduled to be paid or mature.

Section 9.03. Further Requirements for Additional Bonds.

Additional Bonds shall be issued only in accordance with this Resolution and no installment, series, or issue of Additional Bonds shall be issued or delivered unless:

(a) The President of the District and the Secretary of the District sign a written certificate to the effect that the District is not in default as to any covenant, condition, or obligation in connection with any Parity Bonds, and the resolutions authorizing same, and that the Interest and Sinking Fund and the Reserve Fund contain the amounts then required to be therein.

(b) I. An independent certified public accountant, or independent firm of certified public accountants, acting by and through a certified public accountant, signs a written certificate to the effect that, in his or her or its opinion, during either the next preceding fiscal year, or any twelve consecutive calendar month period out of the 18-month period immediately preceding the month in which the resolution authorizing the issuance of the then proposed Additional Bonds is passed, the Pledged Revenues were at least 1.00 times an amount equal to the average annual principal and interest requirements of the Parity Bonds and any Additional Bonds which are scheduled to be outstanding after the delivery of the then proposed Additional

Bonds. It is specifically provided, however, that in calculating the amount of Pledged Revenues for the purposes of this subsection (b), if there has been any increase in the rates or charges for services of the System which is then in effect, but which was not in effect during all or any part of the entire period for which the Pledged Revenues are being calculated (hereinafter referred to as the "entire period") then the certified public accountant, or in lieu of the certified public accountant, a firm of consulting engineers, shall determine and certify the amount of Pledged Revenues as being the total of (i) the actual Pledged Revenues for the entire period, plus (ii) a sum equal to the aggregate amount by which the actual billings to customers of the System during the entire period would have been increased if such increased rates or charges had been in effect during the entire period.

II. As an alternative to the requirements of paragraph I of this subsection (b), Additional Bonds may be issued if, based upon an opinion of legal counsel to the District, there are Treated Water Supply Contracts then in effect pursuant to which the parties to such Treated Water Supply Contracts are obligated to make minimum payments to the District at such times and in such amounts as shall be necessary to result in Pledged Revenues being sufficient to pay when due all principal of and interest on the Parity Bonds and the Additional Bonds proposed to be issued.

(c) Provision shall be made in the resolution authorizing the issuance of such Additional Bonds for increasing the Reserve Fund to the Required Reserve Amount as required by Section 7.10 hereof with proceeds of the Additional Bonds, or other available source or combination of sources including Pledged Revenues, or both.

(d) All calculations of average annual principal and interest requirements of any bonds or obligations made in connection with the issuance of any then proposed Additional Bonds shall be made as of the date of such Additional Bonds; and also in making calculations for such purpose, and for any other purpose under this Resolution, principal amounts of any bonds or obligations which must be redeemed prior to maturity pursuant to any applicable mandatory redemption requirements shall be deemed to be maturing amounts of principal of such bonds or obligations.

#### Section 9.04. General Covenants.

The District further covenants and agrees that in accordance with and to the extent required or permitted by law:

(a) Performance. It will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Resolution, and each resolution authorizing the issuance of the Parity Bonds, and in each and every Parity Bond; that it will promptly pay or cause to be paid the principal of and interest on every Parity Bond, on the dates and in the places and manner prescribed in such resolutions, and Parity Bonds; and that it will, at the times and in the manner prescribed, deposit or cause to be deposited the amounts required to be deposited into the Interest and Sinking Fund and the Reserve Fund; and any holder of the Parity Bonds may require the District, its officials, and employees, to carry out, respect, or enforce the covenants and obligations of this Resolution, or any resolution authorizing the issuance of the Parity Bonds, by all legal and equitable means, including specifically, but without



limitation, the use and filing of mandamus proceedings, in any court of competent jurisdiction, against the District, its officials, and employees.

(b) Legal Authority. The District is a duly created and existing political subdivision of the State of Texas, and is duly authorized under the laws of the State of Texas to create and issue the Parity Bonds; that all action on its part for the creation and issuance of the said obligations has been or will be duly and effectively taken; and said obligations in the hands of the holders and owners thereof are and will be valid and enforceable special obligations of the District in accordance with their terms.

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

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

(e) Operation of System; No Free Service. While any of the Parity Bonds are outstanding and unpaid, the District shall continuously and efficiently operate the System, and shall maintain the System, or cause the System to be operated and maintained in good condition, repair, and working order, all at reasonable cost. No free service of the System shall be allowed, and should the District or any of its agencies, instrumentalities, or customers make use of the services and facilities of the System, payment monthly of the standard price of the services provided shall be made out of funds from sources other than the revenues of the System, unless made from surplus Pledged Revenues as permitted by Section 7.11(b) hereof.

(f) Further Encumbrance. While any Parity Bonds are outstanding and unpaid, the District shall not additionally encumber the Pledged Revenues in any manner, except as expressly permitted in this Resolution in connection with Additional Bonds, unless said encumbrance is made junior and subordinate in all respects to the liens, pledges, covenants, and agreements of any Resolution authorizing the issuance of Parity Bonds; but the right of the District to issue revenue bonds payable from a subordinate lien on surplus Pledged Revenues is specifically recognized and retained.

(g) Sale or Disposal of Property. Except with respect to the rights of the Texas Water Development Board ("TWDB") to purchase up to fifty percent (50%) of certain portions of the System pursuant to the TWDB's State Participation Program (or programs of the TWDB or the State to accomplish similar purposes), while any Parity Bonds are outstanding and unpaid, the District shall not sell, convey, mortgage, encumber, lease (except to the extent such lease payments shall be at the fair market value thereof and shall constitute Gross Revenues of the System, and except to the extent that leases may require the prior approval of the TWDB), or in any manner transfer title to, or dedicate to other use, or otherwise dispose of, the System (except as permitted in paragraph (f) hereof) or any significant or substantial part thereof; provided that whenever the District deems it necessary to dispose of any property, machinery, fixtures, or equipment, or dedicate such property to other use, it may do so either when it has made arrangements to replace the same or provide substitutes therefor, or it is determined by resolution of the Board that no such replacement or substitute is necessary.

(h) Annual Budget. The District shall prepare, prior to the beginning of each Fiscal Year, an annual budget, in accordance with law, reflecting an estimate of cash receipts and disbursements for the ensuing Fiscal Year in sufficient detail to indicate the probable Gross Revenues and Pledged Revenues for such fiscal year.

(i) Insurance.

(i) The District covenants and agrees that it will cause to be insured such parts of the System as would usually be insured by corporations or companies, against risks, accidents, or casualties against which and to the extent insurance is usually carried by corporations operating like properties, including fire and extended coverage insurance. Public liability and property damage insurance shall also be carried unless the general counsel for the District, or the Attorney General of Texas, gives a written opinion to the effect that the District, Board of Directors, and its officers and employees, are not liable for claims which would be protected by such insurance. At any time while any contractor engaged in construction work shall be fully responsible therefor, the District shall not be required to carry insurance on the works being constructed, but the contractor shall be required to carry appropriate insurance. All such policies shall be open to the inspection of the owners of the Parity Bonds and their representatives at all reasonable times.

(ii) Upon the happening of any loss or damage covered by insurance from one or more of said causes, the District shall make due proof of loss and shall do all things necessary or desirable to cause the insuring companies to make payment in full directly to the District. The proceeds of insurance covering such property, together with any other funds necessary and available for such purpose, shall be used forthwith by the District for repairing the property damaged or replacing the property destroyed; provided, however, that if said insurance proceeds and other funds are insufficient for such purpose, then said insurance proceeds pertaining to the System shall be used promptly as follows:

(A) for the redemption prior to maturity of the Parity Bonds, ratably in the proportion that the outstanding principal of each series or issue of bonds bears to the total outstanding principal of all Parity Bonds; provided that if on any such

occasion the principal of any such series or issue is not subject to redemption, it shall not be regarded as outstanding in making the foregoing computation; or

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

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

(iii) The annual audit hereinafter required shall contain a list of all such insurance policies carried, together with a statement as to whether or not all insurance premiums upon such policies have been paid.

(j) Rate Covenant. The District covenants and agrees that it will fix, establish, maintain, and collect such rentals, rates, charges, and fees for the use and availability of the System as are necessary to produce Gross Revenues of the System sufficient (a) to pay all Operation and Maintenance Expenses of the System, (b) to make all payments and deposits required for the Parity Bonds in amounts sufficient to provide at least 1.0 times debt service coverage of all Parity Bonds and required to be made into the Interest and Sinking Fund and to maintain the Reserve Fund when and as required by this Resolution, (c) to comply with any provision contained in the Letter of Credit and Reimbursement Agreement for the Commercial Paper Notes, and to pay to the extent the same are reasonably anticipated to be paid with Pledged Revenues, the interest on and principal of the Commercial Paper Notes or the repayment of borrowings or other amounts due the Bank under the Letter of Credit and Reimbursement Agreements, as and when the same shall become due and any additional Subordinate Lien Obligations, and (d) to pay all other legal obligations of the District, including those required under any Master Agreement.

(k) Treated Water Supply Contracts. The District covenants and agrees that it will comply with the terms and conditions of the Treated Water Supply Contracts and any amendments thereto, and will, by all lawful means, enforce the same and cause the parties to comply with all of their obligations thereunder. The District will not rescind, modify or amend the Treated Water Supply Contracts in any way which would materially adversely affect the operation of the System or the rights of the owners of the Parity Bonds.

(l) Records. The District shall keep proper books of record and account in which full, true, proper, and correct entries will be made of all dealings, activities, and transactions

relating to the System, the Pledged Revenues, and the Funds created pursuant to this Resolution, and all books, documents, and vouchers relating thereto shall at all reasonable times be made available for inspection upon request of any Bondholder or citizen of the District. To the extent consistent with the provisions of this Resolution, the District shall keep its books and records in a manner conforming to standard accounting practices as usually would be followed by private corporations owning and operating a similar System, with appropriate recognition being given to essential differences between municipal and corporate accounting practices.

(m) Audits. After the close of each fiscal year while any of the Bonds or Additional Bonds are outstanding, an audit will be made of the books and accounts relating to the System and the Pledged Revenues by an independent certified public accountant or an independent firm of certified public accountants. As soon as practicable after the close of each such year, and when said audit has been completed and made available to the District, a copy of such audit for the preceding year shall be mailed to the Municipal Advisory Council of Texas, to each paying agent for any bonds payable from Pledged Revenues, to any registered owner of the Bonds who shall so request in writing, and to First Southwest Company. The annual audit reports shall be open to the inspection of the registered owners of Parity Bonds, and their agents and representatives at all reasonable times.

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

(o) No Competition. The District will not operate, or grant any franchise or, to the extent it legally may, permit the acquisition, construction, or operation of, any facilities which would be in competition with the System, and to the extent that it legally may, the District will prohibit any such competing facilities.

## ARTICLE X

### TAX MATTERS

#### Section 10.01. Provisions Concerning Federal Income Tax Exclusion.

The District intends that the interest on the Bonds be excludable from gross income for federal income tax purposes pursuant to sections 103 and 141 through 150, inclusive of the Code. The District covenants and agrees not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, would (i) cause the interest on the Bonds to be includable in gross income, as defined in section 61 of the Code, for federal income tax purposes or (ii) result in the violation of or failure to satisfy any provision of sections 103 and 141 through 150 inclusive of the Code. In particular, the District covenants and agrees to comply with each requirement of this Article X; provided, however, that the District shall not be required to comply with any particular requirement of this Article X if the District has received an opinion of nationally recognized bond counsel ("Counsel's Opinion") that (i) such noncompliance will

not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or (ii) compliance with some other requirement will satisfy the applicable requirements of the Code, in which case compliance with such other requirement specified in such Counsel's Opinion shall constitute compliance with the corresponding requirement specified in this Article X.

Section 10.02. No Private Use or Payment and No Private Loan Financing.

The District covenants and agrees that it will make such use of the proceeds of the Bonds, including interest or other investment income derived from Bond proceeds, regulate the use of property financed, directly or indirectly, with such proceeds, and take such other and further action as may be required so that the bonds will not be "private activity bonds" within the meaning of section 141 of the Code. Moreover, the District will certify, through an authorized officer, employee or agent, based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, that the proceeds of the Refunded Commercial Paper Notes have not been and the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be "private activity bonds" within the meaning of section 141 of the Code.

Section 10.03. No Federal Guaranty.

The District covenants and agrees not to take any action, or knowingly omit to take action within its control, that if taken or omitted, respectively, would cause the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code, except as permitted by section 149(b)(3) of the Code.

Section 10.04. No Hedge Bonds.

The District covenants and agrees that it has not and will not take any action, or has not knowingly omitted and will not knowingly omit to take any action, within its control, that, if taken or omitted, respectively, would cause the Bonds to be "hedge bonds" within the meaning of section 149(g) of the Code. Moreover, the District will certify, through an authorized officer, employee or agent, based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, that the proceeds of the Refunded Commercial Paper Notes have not been used in a manner that would cause the Refunded Commercial Paper Notes or the Bonds to be "hedge bonds" within the meaning of section 149(g) of the Code.

Section 10.05. No Arbitrage.

The District covenants and agrees that it will make such use of the proceeds of the Bonds, including interest or other investment income derived from Bond proceeds, regulate investments of proceeds of the Bonds, and take such other and further action as may be required so that the Bonds will not be "arbitrage bonds" within the meaning of section 148(a) of the Code. Moreover, the District will certify, through an authorized officer, employee or agent, that, based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, that the proceeds of the Refunded Commercial Paper Notes have not been and the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be "arbitrage bonds" within the meaning of section 148(a) of the Code.

Section 10.06. Arbitrage Rebate.

If the District does not qualify for an exception to the requirements of section 148(f) of the Code relating to the required rebate to the United States, the District will take all necessary steps to comply with the requirement that certain amounts earned by the District on the investment of the "gross proceeds" of the Bonds (within the meaning of section 148(f)(6)(B) of the Code), be rebated to the federal government. Specifically, the District will (i) maintain records regarding the investment of the gross proceeds of the Bonds as may be required to calculate the amount earned on the investment of the gross proceeds of the Bonds separately from records of amounts on deposit in the funds and accounts of the District allocable to other bond issues of the District or moneys which do not represent gross proceeds of any bonds of the District, (ii) determine at such times as are required by the applicable Regulations, the amount earned from the investment of the gross proceeds of the Bonds which is required to be rebated to the federal government, and (iii) pay, not less often than every fifth anniversary date of the delivery of the Bonds, or on such other dates as may be permitted under applicable Regulations, all amounts required to be rebated to the federal government. Further, the District will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Bonds that might result in a reduction in the amount required to be paid to the federal government because such arrangement results in a smaller profit or a larger loss than would have resulted if the arrangement had been at arm's length and had the yield on the issue not been relevant to either party.

Section 10.07. Information Reporting.

The District covenants and agrees to file or cause to be filed with the Secretary of the Treasury, not later than the 15th day of the second calendar month after the close of the calendar quarter in which the Bonds are issued, an information statement concerning the Bonds, all under and in accordance with section 149(e) of the Code.

Section 10.08. Record Retention.

The District will retain all pertinent and material records relating to the use and expenditure of the proceeds of the Refunded Commercial Paper Notes and the Bonds until three years after the last Bond is redeemed, or such shorter period as authorized by subsequent guidance issued by the Department of Treasury, if applicable. All records will be kept in a manner that ensures their complete access throughout the retention period. For this purpose, it is acceptable that such records are kept either as hardcopy books and records or in an electronic storage and retrieval system, provided that such electronic system includes reasonable controls and quality assurance programs that assure the ability of the District to retrieve and reproduce such books and records in the event of an examination of the Bonds by the Internal Revenue Service.

Section 10.09. Registration.

The Bonds will be issued in registered form.

Section 10.10. Deliberate Actions. The District will not take a deliberate action (as defined in section 1.141-2(d)(3) of the Regulations) that causes the Bonds to fail to meet any requirement of section 141 of the Code after the issue date of the Bonds unless an appropriate remedial action is permitted by section 1.141-12 of the Regulations, such remedial action is taken, and a Counsel's Opinion is obtained that such remedial action cures any failure to meet the requirements of section 141 of the Code.

Section 10.11. Continuing Obligation.

Notwithstanding any other provision of this Resolution, the District's obligations under the covenants and provisions of this Article X shall survive the defeasance and discharge of the Bonds for as long as such matters are relevant to the exclusion from gross income of interest on the Bonds for federal income tax purposes.

ARTICLE XI

DISCHARGE

Section 11.01. Discharge.

The District reserves the right to defease, refund or discharge the Bonds in any manner permitted by law.

Section 11.02. Bonds as Negotiable Instruments.

Each of the Bonds shall be deemed and construed to be an "Investment Security" and, as such, a negotiable instrument, within the meaning of Article 8 of the Texas Uniform Commercial Code.

ARTICLE XII

MODIFICATIONS AND AMENDMENTS

Section 12.01. Amendments and Modifications of Resolution.

(a) The owners of 51% in principal amount of the Parity Bonds then outstanding shall have the right from time to time to approve any amendment to any resolution authorizing the issuance of any Parity Bonds, which may be deemed necessary or desirable by the District, provided, however, that nothing herein contained shall permit or be construed to permit the amendment of the terms and conditions in said resolutions or in the Parity Bonds so as to:

1. Make any change in the maturity of the outstanding Parity Bonds;
2. Reduce the rate of interest borne by any of the outstanding Parity Bonds;
3. Reduce the amount of the principal payable on the outstanding Parity Bonds;
4. Modify the terms of payment of principal of or interest on the outstanding Parity Bonds, or impose any conditions with respect to such payment;

5. Affect the rights of the owners of less than all of the Parity Bonds then outstanding;
6. Change the minimum percentage of the principal amount of Parity Bonds necessary for consent to such amendment.

(b) If at any time the District shall desire to amend a resolution under this Section, the District shall cause notice of the proposed amendment to be published in a financial newspaper or journal published in The City of New York, New York once during each calendar week for at least two successive calendar weeks. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of each paying agent for any of the Parity Bonds, for inspection by all owners of Parity Bonds. Such publication is not required, however, if notice in writing is given to each owner of Parity Bonds.

(c) Whenever at any time not less than thirty days, and within one year, from the date of the first publication of said notice or other service of written notice the District shall receive an instrument or instruments executed by the owners of at least 51% in aggregate principal amount of all Parity Bonds then outstanding, which instrument or instruments shall refer to the proposed amendment described in said notice and which specifically consent to and approve such amendment in substantially the form of the copy thereof on file as aforesaid, the District may adopt the amendatory resolution in substantially the same form.

(d) Upon the adoption of any amendatory resolution pursuant to the provisions of this Section, the resolution being amended shall be deemed to be amended in accordance with the amendatory resolution, and the respective rights, duties, and obligations of the District and all the owners of then outstanding Parity Bonds and all future Additional Bonds shall thereafter be determined, exercised, and enforced hereunder, subject in all respects to such amendment.

(e) Any consent given by the owner of a Parity Bond pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the first publication or giving of the notice provided for in this Section, and shall be conclusive and binding upon all future owners of the same Parity Bond during such period. Such consent may be revoked at any time after six months from the date of the first publication of such notice by the owner who gave such consent, or by a successor in title, by filing notice thereof with the paying agent for such Bond and the District, but such revocation shall not be effective if the owners of 51% in aggregate principal amount of the then outstanding Parity Bonds as in this Section defined have, prior to the attempted revocation, consented to and approved the amendment.

(f) For the purpose of this Section, the ownership of and other matters relating to the Bonds shall be determined from the registration books kept by the registrar therefor.



ARTICLE XIII

CONTINUING DISCLOSURE UNDERTAKING

Section 13.01. Definitions of Continuing Disclosure Terms.

As used in this Article, the following terms have the meanings assigned to such terms below:

“EMMA” means the Electronic Municipal Market Access System.

“MSRB” means the Municipal Securities Rulemaking Board.

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

“SEC” means the United States Securities and Exchange Commission.

Section 13.02. Annual Reports.

(a) The District shall provide or cause to be provided annually to the MSRB, (1) within six (6) months after the end of each fiscal year, financial information and operating data with respect to the District and each “obligated person,” within the meaning of the Rule (referred to sometimes as “Obligated Person” and sometimes as “Significant Obligated Person” herein), of the general type to be included in the final Official Statement, being the information described in Exhibit B hereto, including financial statements of the District or the Obligated Persons if audited financial statements are then available, and (2) if not provided as part of such financial information and operating data, audited financial statements of the District and the Obligated Persons, when and if available. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles described in Exhibit B hereto, (ii) audited, if the District or Obligated Person respectively commissions an audit of such statements and the audit is completed within the period during which they must be provided, and (iii) submitted through EMMA in an electronic format with accompanying identifying information, as prescribed by the MSRB. If the audit of such financial statements is not available within 12 months after any such fiscal year end of the District or Obligated Persons, then the District shall provide or cause the Obligated Persons to provide notice that audited financial statements are not available and shall provide or cause the Obligated Persons to provide unaudited financial statements for the applicable fiscal year to the MSRB. Thereafter, when and if audited financial statements become available, the District shall provide or cause the Obligated Persons to provide such audited financial statements as required to the MSRB. All such information and operating data shall be provided to the MSRB, in an electronic format, accompanied by identifying information, as prescribed by the MSRB, and will be available via the Electronic Municipal Market Access (“EMMA”) System at [www.emma.msrb.org](http://www.emma.msrb.org).

(b) If the District changes its fiscal year, or if any Obligated Person changes its fiscal year, the District will notify or cause to be notified the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the District otherwise would be required to provide or cause to be provided financial information and operating data pursuant to this Section.

(c) 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 included by specific reference to any document available to the public (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to the MSRB or filed with the SEC.

Section 13.03. Material Event Notices.

(a) The District shall notify the MSRB, in a timely manner not in excess of ten (10) Business Days after the occurrence of the event, of any of the following events with respect to the Bonds:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) Modifications to rights of holders of the Bonds, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the District or an Obligated Person;
- (xiii) The consummation of a merger, consolidation, or acquisition involving the District or an Obligated Person or the sale of all or substantially all of the assets of the District or an Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) Appointment of a successor Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material.

(b) As used in clause (xii) above, the phrase "bankruptcy, insolvency, receivership or similar event" means the appointment of a receiver, fiscal agent or similar officer for the District or an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court of governmental authority has assumed jurisdiction over substantially all of the assets or business of the District or an Obligated Person, or if jurisdiction has been assumed by leaving the governing body and officials or officers of the District or an Obligated Person in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District or Obligated Person.

(c) The District shall notify the MSRB, in a timely manner, of any failure by the District to provide financial information or operating data in accordance with Section 13.02 of this Resolution by the time required by such Section.

Section 13.04. Limitations, Disclaimers and Amendments.

(a) The District shall be obligated to observe and perform the covenants specified in this Article for so long as, but only for so long as, the District remains an Obligated Person with respect to the Bonds within the meaning of the Rule, except that the District in any event will give notice of any deposit made in accordance with Article XI that causes Bonds no longer to be Outstanding.

(b) The provisions of this Article are for the sole benefit of the Owners and beneficial owners of the Bonds, 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. The District undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Article and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the District's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Article or otherwise, except as expressly provided herein. The District does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE DISTRICT OR AN OBLIGATED PERSON 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 THE DISTRICT, 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.

(c) No default by the District in observing or performing its obligations under this Article shall comprise a breach of or default under the Resolution for purposes of any other provisions of this Resolution.

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

(e) The provisions of this Article may be amended by the District from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District or an Obligated Person, but only if (i) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the Owners of a majority in aggregate principal amount (or any greater amount required by any other provisions of this Resolution that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Owners and beneficial owners of the Bonds. If the District so amends the provisions of this Article, it shall include with any amended financial information or operating data next provided in accordance with Section 13.02 an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

## ARTICLE XIV

### DEFAULT AND REMEDIES

#### Section 14.01. Events of Default.

Each of the following occurrences or events for the purpose of this Resolution is hereby declared to be an "Event of Default," to-wit:

(a) the failure to make payment of the principal of, redemption premium, if any, or interest on any of the Bonds when the same becomes due and payable; or

(b) default in the performance or observance of any other covenant, agreement or obligation of the District, the failure to perform which materially, adversely affects the rights of the Owners, including but not limited to, their prospect or ability to be repaid in accordance with this Resolution, and the continuation thereof for a period of 60 days after notice of such default is given by any Owner to the District.

#### Section 14.02. Remedies for Default.

(a) Upon the happening of any Event of Default, then and in every case any Owner or an authorized representative thereof, including but not limited to, a trustee or trustees therefor, may proceed against the District for the purpose of protecting and enforcing the rights of the Owners under this Resolution, by mandamus or other suit, action or special proceeding in equity

or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or agreement contained herein, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Owners hereunder or any combination of such remedies.

(b) It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all Owners of Bonds then outstanding.

Section 14.03. Remedies Not Exclusive.

(a) No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Bonds or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of this Resolution, the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under this Resolution.

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

ARTICLE XV

MISCELLANEOUS

Section 15.01. Changes to Resolution.

The Executive Director, Director of Business Services, President, Vice-President, or Treasurer of the Board, in consultation with Co-Bond Counsel, is hereby authorized to make changes to the terms of this Resolution if necessary or desirable to carry out the purposes hereof or in connection with the approval of the issuance of the Bonds by the Attorney General of Texas.

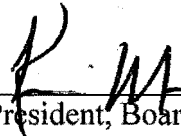
Section 15.02. Partial Invalidity.

If any section, paragraph, clause or provision of this Order shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution.

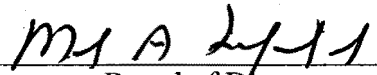
Section 15.03. No Personal Liability.

No recourse shall be had for payment of the principal of or interest on any Bonds or for any claim based thereon, or on this Resolution, against any official or employee of the District or any person executing any Bonds.

FINALLY ADOPTED, APPROVED AND EFFECTIVE this 1<sup>st</sup> day of June, 2017.

  
\_\_\_\_\_  
President, Board of Directors,  
Upper Trinity Regional Water District

ATTEST:

  
\_\_\_\_\_  
Secretary, Board of Directors,  
Upper Trinity Regional Water District

**SCHEDULE I**

**SCHEDULE OF REFUNDED COMMERCIAL PAPER NOTES**

Regional Treated Water Supply System Revenue Commercial Paper Notes, Series A

Principal Amount

Redemption Date/Payment Date

\$18,000,000

July 6, 2017

**EXHIBIT A**

**TREATED WATER SUPPLY CONTRACTS**

ARGYLE WATER SUPPLY CORPORATION AND BARTONVILLE WATER SUPPLY CORPORATION

Treated Water Supply Contract between the District and Argyle Water Supply Corporation, Bartonville Water Supply Corporation (now Cross Timbers Water Supply Corporation) and Mustang Water Supply Corporation, dated November 2, 1990, as amended by:

Amendments Pertaining to all Parties

- First Amendment, dated May 7, 1992
- Second Amendment, dated May 7, 1992 (Mustang rescinds)
- Revised Exhibit B, dated June 1, 1992
- Third Amendment, dated March 4, 1993

Amendments Pertaining to Argyle

- Fourth Amendment, dated January 8, 1999 (Argyle)
- (Fifth) Amendment, dated February 4, 1999 (Argyle)
- (Sixth) Amendment, dated January 20, 2011 (Argyle)

Amendments Pertaining to Bartonville

- (Fourth) Amendment, dated February 4, 1999 (Bartonville)

TOWN OF CORINTH; CITY OF HIGHLAND VILLAGE; LAKE CITIES MUNICIPAL UTILITY AUTHORITY; AND CITY OF SANGER

Treated Water Supply Contract between Upper Trinity Regional Water District (the "District") and Town of Corinth, City of Highland Village, Lake Cities Municipal Utility Authority, Town of Northlake, City of Pilot Point and City of Sanger, dated November 13, 1990, as amended by:

Amendments Pertaining to all Parties

- First Amendment, dated May 7, 1992
- Agreement to Rescind Upper Trinity Regional Water District Regional Treated Water Supply Participating Member Contract, dated March 4, 1993 (Town of Northlake)
- Pilot Point's contract is superceded by its Growth Member Contract, dated July 1, 1999

Amendments Pertaining to Highland Village

- Option to Revise Water Supply Requirement, dated March 4, 1993
- Addendum, dated March 5, 1998



- Amendment, dated February 4, 1999
- Amendment, dated March 22, 2005

Amendments Pertaining to Corinth

- Second Amendment, dated February 4, 1999
- Third Amendment, dated September 2, 1999

Amendments Pertaining to Lake Cities

- (Second) Amendment, dated October 1, 1997
- Third Amendment, dated August 6, 1998
- (Fourth) Amendment, dated February 4, 1999
- Fifth Amendment, dated September 2, 1999

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A

Treated Water Supply Contract between the District and Denton County Fresh Water Supply District No. 1, dated May 7, 1992, as amended by:

- Assignment and Assumption Contract between Denton County Fresh Water Supply District No. 1, Denton County Fresh Water Supply District No. 1-A, and Denton County Fresh Water Supply District No. 1-B, as approved by Upper Trinity Regional Water District, dated July 13, 1995
- Assignment and Assumption Contract by and between the District and Denton County Fresh Water Supply District No. 1-A, dated August 13, 1997
- Assignment and Assumption Contract by and between the District and Denton County Fresh Water Supply District No. 1-A, dated May 5, 1999
- Amendment, dated May 26, 1999

MUSTANG SPECIAL UTILITY DISTRICT

Terminated Regional Treated Water Supply Contract for Additional Participating Utility between the District and Mustang Water Supply Corporation, dated as of November 19, 1998, as amended. Replaced with Regional Treated Water Supply Contract for Additional Participating Member with Mustang Special Utility District, dated February 10, 2003:

- Amendment, dated June 1, 2006

TOWN OF FLOWER MOUND

Regional Treated Water Supply Service Contract for Additional Participating Member with Town of Flower Mound, dated May 7, 1992, as amended by:

- Amendment, dated June 3, 1999

TOWN OF LINCOLN PARK

Upper Trinity Regional Water District Treated Water Supply Contract for Additional Participating Member with Town of Lincoln Park, dated May 6, 1999. All rights to said contract were assigned to Mustang Special Utility District in July 2015.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7

Terminated Upper Trinity Regional Water District Treated Water Supply Contract for Additional Participating Member with Denton County Development District No. 4, dated September 2, 1999. Assigned all rights to such contract, including amendments thereto, to Denton County Fresh Water Supply District No. 7, dated November 15, 2001, establishing DCFWSD No. 7 as an Additional Participating Membership.

CITY OF AUBREY

Regional Treated Water Supply Service Contract for Additional Participating Member with City of Aubrey, dated March 18, 1999.

CITY OF CELINA

Regional Treated Water Supply Service Contract for Additional Participating Member with City of Celina, dated February 14, 2000

- Amendment, dated September 22, 2003.

CITY OF JUSTIN

Regional Treated Water Supply Service Contract for Additional Participating Member with City of Justin, dated July 6, 2000.

CITY OF KRUM

Regional Treated Water Supply Service Contract for Additional Participating Member with City of Krum, dated September 18, 2003.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8A

Regional Treated Water Supply Service Contract with Participating Customer Denton County Fresh Water Supply District No. 8a, dated August 29, 2001 as amended by:

- Amendment, dated September 6, 2001
- Second Amendment to Participating Customer Contract, dated May 2, 2002
- Amendment to Participating Customer Contract, dated February 24, 2004
- Agreement Regarding Alternative Project Payment, dated March 30, 2004
- Agreement to Participating Customer Contract, dated October 23, 2008

TOWN OF PROVIDENCE VILLAGE (FORMERLY PROVIDENCE VILLAGE WATER CONTROL AND IMPROVEMENT DISTRICT OF DENTON COUNTY/DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 9)

Regional Treated Water Supply Service Contract for Additional Participating Customer with Denton County Fresh Water Supply District No. 9, dated August 29, 2001 as amended by:

- Amendment, dated September 6, 2001
- Amended to Participating Customer Contract, dated March 18, 2004
- Second Amendment to Participating Customer Contract, dated March 2, 2006
- Third Amendment to Participating Customer Contract, dated May 4, 2006

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 10

Regional Treated Water Supply Service Contract for Additional Participating Customer with Denton County Fresh Water Supply District No. 10, dated August 29, 2001 as amended by:

- Amendment, dated September 6, 2001
- Agreement Regarding Alternative Project Payment, dated March 18, 2004
- Amendment to Participating Customer Contract, dated April 1, 2004
- Third Amendment to Participating Customer Contract, dated May 4, 2006
- Amendment Regarding Alternative Project Payment, dated October 16, 2008
- Fourth Amendment to Participating Customer Contract, dated September 3, 2009

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-A

Regional Treated Water Supply Service Contract for Additional Participating Customer with Denton County Fresh Water Supply District No. 11, dated August 29, 2001 as amended by:

- Amendment, dated September 6, 2001
- Amendment to Participating Contract with Denton County Fresh Water Supply District No. 11-A, dated February 24, 2004
- Agreement Regarding Alternative Project Payment, dated March 30, 2004
- Amendment Regarding Alternative Project Payment, dated October 23, 2008

TOWN OF NORTHLAKE

Regional Treated Water System for Additional Participating Customer Contract with Town of Northlake, dated as of December 2, 2010.

EXHIBIT B

**DESCRIPTION OF ANNUAL DISCLOSURE OF FINANCIAL INFORMATION**

The following information is referred to in Article XIII of the Resolution.

**Annual Financial Statements and Operating Data**

The financial information and operating data with respect to the District to be provided annually in accordance with such Article are as specified below:

1. Financial statements of the District for the most recently concluded fiscal year.
2. Financial information and operating data set forth in Tables 1 through 4 of the Official Statement and in Appendix A thereto.
3. Financial information and operating data with respect to Significant Obligated Persons (as defined in the Official Statement) to be provided in accordance with Article XIII and which is included in Appendix B to the Official Statement and financial statements of the Significant Obligated Persons.

**Accounting Principles**

The accounting principles referred to in such Article are the accounting principles described in the notes to the financial statements referred to in Paragraphs 1 and 3 above.

**Tab 7**  
**Part C - #31**

**Summary of Wholesale  
Contracts with Customers**

**UPPER TRINITY REGIONAL WATER DISTRICT**  
**TWDB SWIFT Application**  
**Part C, Number 31**

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<b>Entity</b>	<b>Minimum annual amount (1)</b>	<b>Usage fee per 1,000 gallons</b>	<b>Annual Operations and Maintenance (2)</b>	<b>Annual Capital Costs (3)</b>	<b>Annual Debt Service (4)</b>	<b>Other</b>
ARGYLE WSC	131,400,000	\$1.11	\$ 372,780.18	\$ 374,815.84	\$ 491,770.31	N/A
CELINA	164,250,000	\$1.11	\$ 654,278.40	\$ 468,519.80	\$ 614,712.88	N/A
CORINTH	492,750,000	\$1.11	\$ 1,150,137.60	\$ 1,405,559.41	\$ 1,844,138.65	N/A
CROSS TIMBERS WATER SUPPLY CORPORATION	164,250,000	\$1.11	\$ 213,530.70	\$ 468,519.80	\$ 614,712.88	N/A
DENTON COUNTY FRESH WATER SUPPLY DISTRICT #1A	197,100,000	\$1.11	\$ 600,809.70	\$ 562,223.76	\$ 737,655.46	N/A
FLOWER MOUND	1,813,320,000	\$1.11	\$ 3,586,019.28	\$ 5,622,237.63	\$ 7,376,554.62	N/A
HIGHLAND VILLAGE	197,100,000	\$1.11	\$ 886,330.45	\$ 562,223.76	\$ 737,655.46	N/A
JUSTIN	51,100,000	\$1.11	\$ 135,997.20	\$ 159,296.73	\$ 209,002.38	N/A
KRUM	29,200,000	\$1.11	\$ 135,615.60	\$ 74,963.17	\$ 98,354.06	N/A
LAKE CITIES MUNICIPAL UTILITIES AUTHORITY	229,585,000	\$1.11	\$ 615,533.85	\$ 712,150.10	\$ 934,363.58	N/A
MUSTANG SPECIAL UTILITY DISTRICT	190,530,000	\$1.11	\$ 645,232.24	\$ 543,482.97	\$ 713,066.95	N/A
SANGER	32,850,000	\$1.11	\$ 84,354.45	\$ 93,703.96	\$ 122,942.58	N/A
DENTON COUNTY FRESH WATER SUPPLY DISTRICT #7	210,240,000	\$1.11	\$ 690,525.45	\$ 599,705.35	\$ 786,832.49	N/A
DENTON COUNTY FRESH WATER SUPPLY DISTRICT #8	65,700	\$1.19	\$ 107,791.86	\$ 406,675.19	\$ 533,570.78	N/A
PROVIDENCE VILLAGE	65,700	\$1.19	\$ 274,293.16	\$ 449,779.01	\$ 590,124.37	N/A
DENTON COUNTY FRESH WATER SUPPLY DISTRICT #10	65,700	\$1.19	\$ 466,781.94	\$ 449,779.01	\$ 590,124.37	N/A
DENTON COUNTY FRESH WATER SUPPLY DISTRICT #11A	65,700	\$1.19	\$ 422,553.89	\$ 562,223.76	\$ 737,655.46	N/A
TOWN OF NORTHLAKE	78,840,000	\$1.19	\$ 255,832.01	\$ 243,630.30	\$ 319,650.70	N/A
<b>TOTAL</b>	<u>3,982,777,800</u>	N/A	<u>\$ 11,298,397.96</u>	<u>\$ 13,759,489.55</u>	<u>\$ 18,052,888.00</u>	N/A

**Notes:**

- (1) - Minimum annual amount in gallons
- (2) - Annual Operations & Maintenance for FY2017
- (3) - Annual Capital Costs for FY2017
- (4) - Annual Debt Service for FY2017

# Tab 8

## Part C - #45

Proforma of System Revenues  
And Expenses

Upper Trinity Regional Water District  
2018 SWIFT Application  
Part C, Number 45

<u>FYE</u>	<u>Projected Gross Revenues</u>	<u>Projected Expenses<sup>(1)</sup></u>	<u>Net Available for Debt Service</u>	<u>Existing Debt Paid by Sys Revs</u>	<u>\$7,590,000 2018 SWIFT @ 3.00%</u>	<u>\$18,640,000 2019 SWIFT @ 3.25%</u>	<u>\$15,840,000 2019 SWIFT @ 3.50%</u>	<u>Total Debt Paid by Utility Sys Revs</u>	<u>Projected Coverage</u>
2018	43,325,132	16,432,642	26,892,490	20,127,610				20,127,610	1.34x
2019	44,624,886	16,925,621	27,699,265	20,037,146	430,775			20,467,921	1.35x
2020	45,963,633	17,433,390	28,530,243	18,478,123	434,900	1,089,350		20,002,373	1.40x
2021	46,423,269	17,607,723	28,815,546	18,043,559	433,450	1,090,163	950,800	20,517,971	1.43x
2022	46,887,502	17,783,801	29,103,701	16,653,824	431,850	1,093,750	950,675	19,130,099	1.52x
2023	47,356,377	17,961,639	29,394,738	16,770,532	435,100	1,091,688	951,150	19,248,470	1.53x
2024	47,829,940	18,141,255	29,688,685	18,440,793	433,050	1,094,138	951,100	20,919,080	1.42x
2025	48,308,240	18,322,668	29,985,572	18,930,873	430,850	1,090,938	955,525	21,408,186	1.40x
2026	48,791,322	18,505,894	30,285,428	16,591,789	433,500	1,092,250	954,250	19,071,789	1.59x
2027	49,279,235	18,690,953	30,588,282	14,142,722	430,850	1,092,913	952,450	16,618,934	1.84x
2028	49,772,028	18,877,863	30,894,165	12,919,833	433,050	1,092,925	955,125	15,400,933	2.01x
2029	50,269,748	19,066,641	31,203,107	12,587,545	434,950	1,092,288	952,100	15,066,883	2.07x
2030	50,772,446	19,257,308	31,515,138	9,729,078	431,550	1,091,000	953,550	12,205,178	2.58x
2031	51,280,170	19,449,881	31,830,289	8,308,497	433,000	1,089,063	954,300	10,784,860	2.95x
2032	51,792,972	19,644,380	32,148,592	8,306,340	434,150	1,091,475	954,350	10,786,315	2.98x
2033	52,310,901	19,840,823	32,470,078	7,748,754	435,000	1,093,075	953,700	10,230,529	3.17x
2034	52,834,010	20,039,232	32,794,779	7,753,942	430,550	1,093,863	952,350	10,230,704	3.21x
2035	53,362,351	20,239,624	33,122,727	6,255,852	430,950	1,093,838	955,300	8,735,940	3.79x
2036	53,895,974	20,442,020	33,453,954	6,452,283	431,050	1,093,000	952,375	8,928,708	3.75x
2037	54,434,934	20,646,440	33,788,493	6,454,496	430,850	1,091,350	953,750	8,930,446	3.78x
2038	54,979,283	20,852,905	34,126,378	5,516,531	430,350	1,093,888	954,250	7,995,019	4.27x
2039	55,529,076	21,061,434	34,467,642	5,528,078	434,550	1,090,450	953,875	8,006,953	4.30x
2040	56,084,367	21,272,048	34,812,318	4,731,935	433,300	1,091,200	952,625	7,209,060	4.83x
2041	56,645,210	21,484,769	35,160,442	4,739,527	431,750	1,090,975	950,500	7,212,752	4.87x
2042	57,211,662	21,699,616	35,512,046	4,733,992	434,900	1,089,775	952,500	7,211,167	4.92x
2043	57,783,779	21,916,613	35,867,167	4,138,016	432,600	1,092,600	953,450	6,616,666	5.42x
2044	58,361,617	22,135,779	36,225,838	4,135,456		1,089,288	953,350	6,178,094	5.86x
2045	58,945,233	22,357,136	36,588,097	3,877,486			952,200	4,829,686	7.58x
2046	59,534,685	22,580,708	36,953,978	1,888,139				1,888,139	19.57x
2047	60,130,032	22,806,515	37,323,517	1,896,420				1,896,420	19.68x
2048	60,731,333	23,034,580	37,696,752	1,417,011				1,417,011	26.60x
2049	61,338,646	23,264,926	38,073,720	1,421,863				1,421,863	26.78x
2050	61,952,032	23,497,575	38,454,457	1,424,526				1,424,526	26.99x
2051	62,571,553	23,732,551	38,839,002					-	
<b>Totals</b>				<b>\$ 310,182,572</b>	<b>\$ 10,816,875</b>	<b>\$ 27,295,238</b>		<b>\$ 372,120,284</b>	

(1) Does not include depreciation or any other 'noncash' items.



**Tab 9**

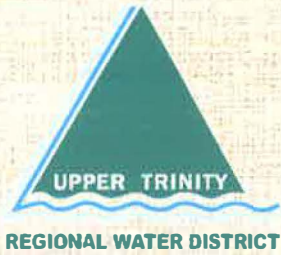
**Part C - #46**

**Five Year Comparative  
Operating Statement**

**TWDB SWIFT Application**  
**Part C, Number 46**  
**Upper Trinity Regional Water District**  
**Five Year Comparative Water System Operation Statement for the Years Ended September 30,**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>OPERATING REVENUES</b>					
Charges for services	\$ 33,296,713	\$ 34,421,728	\$ 36,447,257	\$ 39,413,117	\$ 41,166,095
Miscellaneous Income	103,266	111,313	257,820	155,558	222,772
	<hr/>				
Total operating revenues	33,399,979	34,533,041	36,705,077	39,568,675	41,388,867
	<hr/>				
<b>OPERATING EXPENSES</b>					
Operating and maintenance					
Salaries and benefits	1,589,856	1,987,364	1,708,649	2,516,005	2,640,650
Water treatment	5,500,197	5,714,429	5,451,734	6,801,025	7,119,332
Lab chemicals and supplies	946,147	917,440	1,168,603	1,359,816	1,285,167
Maintenance	322,306	478,412	660,043	700,236	685,361
Utilities	1,883,749	1,723,488	1,613,945	1,615,360	1,629,597
Equipment and tools	20,604	14,925	24,420	44,898	25,839
Miscellaneous	122,520	114,590	165,970	173,614	192,351
Depreciation and amortization	7,165,185	6,407,284	6,306,155	6,487,284	6,732,164
Overhead expenses	1,912,552	1,862,542	1,728,035	1,885,289	2,003,453
General office expenses	264,846	237,143	331,489	327,307	372,271
	<hr/>				
Total expenses	19,727,962	19,457,617	19,159,043	21,910,834	22,686,185
	<hr/>				
<b>OPERATING INCOME (LOSS)</b>	<b>13,672,017</b>	<b>15,075,424</b>	<b>17,546,034</b>	<b>17,657,841</b>	<b>18,702,682</b>
	<hr/> <hr/>				

**Tab 10**  
**Part C - #47**  
**Annual Audit**



# UPPER TRINITY REGIONAL WATER DISTRICT

Lewisville, Texas



TREATED WATER

LONG-RANGE  
WATER SUPPLY

NON-POTABLE WATER

WATER RECLAMATION

WATERSHED PROTECTION

WATER CONSERVATION

COLLECTION OF HOUSEHOLD  
HAZARDOUS WASTE

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2017

**Upper Trinity Regional Water District**  
900 North Kealy  
P.O. Box 305  
Lewisville, Texas 75067

(972) 219-1228

[www.utrwd.com](http://www.utrwd.com)

# **UPPER TRINITY REGIONAL WATER DISTRICT**

**SERVING THE TEXAS COUNTIES OF DENTON, COLLIN, AND  
DALLAS**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE**

**FISCAL YEAR ENDED SEPTEMBER 30, 2017**

**PREPARED BY THE BUSINESS DEPARTMENT**

**OF THE**

**UPPER TRINITY REGIONAL WATER DISTRICT**

Part C - #47  
**UPPER TRINITY REGIONAL WATER DISTRICT  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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To the Board of Directors  
Upper Trinity Regional Water District

Your Staff is proud to present this Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2017 – reflecting steady progress in achieving the goals of the Upper Trinity Regional Water District (“Upper Trinity” or “District”). Board Members can be proud of their role in setting priorities and providing guidance toward the desired results for this regional enterprise. This CAFR is a good source of useful information about the finances and operations of the District; and, it summarizes the condition of the enterprise and the progress of regional service. As a regional utility system, we provide water and wastewater services on a wholesale basis to cities and utilities in the rapidly growing area on the north side of the Dallas/Fort Worth Metroplex.

The CAFR was prepared by the Business Department of the District; and, responsibility for the accuracy of the data, for completeness and fairness of presentation, and for all disclosures rests with District management. For the best understanding, one should consider the information presented here in conjunction with the separate section titled *Management’s Discussion and Analysis* in the Financial Section of this report.

The information herein is accurate in all material respects; and, is reported in a manner that presents fairly the financial position of, and the operating results for, the District. Disclosures are included as necessary to enable members of the Board of Directors and other interested parties to understand more clearly the District’s activities and financial results. The financial statements in the CAFR were audited as required by the Texas Water Code, by the firm of Deloitte & Touche LLP.

## **General Information**

### *Structure of the Enterprise*

The District, headquartered in Lewisville, Texas, was created in 1989 by the Texas Legislature as a conservation and reclamation district under Article XVI, Section 59 of the Texas Constitution. The District is authorized to plan, develop, manage and provide wholesale utility services on a regional basis. For Member entities and for other Customers, the District is expected to meet present and future water supply and water reclamation needs; and, if requested by Member entities, to address future needs for solid waste management. The District was created as a governmental enterprise, without taxing power; therefore, costs of services and programs are financed through user fees and charges, and through the issuance of tax-exempt debt.

The District is organized and managed to function as an efficient enterprise in a competitive market environment. The District has specific authority to:

- develop raw water resources or to contract therefor;
- construct, own and operate water systems, including treatment, pumping and transmission facilities;



- construct, own, and operate water reclamation (wastewater treatment) systems, including interceptor trunk mains, treatment, disposal, and reuse facilities;
- provide other services authorized by the Board, not in conflict with the District's enabling statute;
- make contracts to provide for these services on a wholesale basis for municipalities, retail utilities, and others;
- recover the cost for District services through fees and charges.

The District is composed of 23 public entities (Members) – including 18 towns and cities, plus Denton County, one utility authority, and three special districts. Each Member entity appoints one Director to the Board of Directors of the District. As an exception, Denton County appoints two Directors – one to represent Denton County "at-large" and one to represent the Denton County Commissioners Court. The Board of Directors appoints an Executive Director who manages the District, its employees, and the services and programs offered. In addition to serving its Members, the District enters into "Customer" contracts for water and wastewater services with non-member cities, non-profit water supply corporations and special districts under similar terms as member entities.

This CAFR covers the various wholesale services provided by the District: raw water supply, treated water service, water reclamation (wastewater treatment) service, non-potable and reclaimed water, and collection of household hazardous waste. In addition, the District has a component unit (Upper Trinity Conservation Trust) for the purpose of promoting watershed protection.

#### *Funding of District Projects*

The District provides funds for construction of water and water reclamation facilities, primarily with tax-exempt municipal revenue bonds; and, to a limited extent, with commercial paper. For certain projects, the District has taken advantage of the State Participation program and other programs from the Texas Water Development Board. Under the Board/State Participation programs, the State of Texas encourages the development of efficient regional utility systems, by taking an equity interest in qualified projects to enable construction of adequate capacity for future needs.

For each project or service, participating entities (both Members and Customers) enter into District contracts that require certain minimum payments to cover fixed costs. The provisions of these contracts assure a stable and dependable source of revenue to cover each entity's proportionate share of the applicable cost, including administration and planning, operating and maintenance, capital and financing costs, and other relevant costs of the project and of the service being rendered. In addition, contracts with certain Fresh Water Supply Districts (FWSDs) stipulate that the contracting entity will provide initial funding for cost of specified infrastructure for water reclamation projects in the northeast portion of the District's service area. Under these agreements, the District owns and operates the system and may extend service to other Members and Customers. A portion of said initial funds so provided is subject to reimbursement when the District is ready to provide permanent financing (after growth and development assure a dependable revenue stream, fully adequate to support debt service on the permanent financing).

#### *Mission, Vision, and Goals*

The following mission statement adopted by the Board of Directors guides the various programs of the District:

*The District's mission is to plan, develop and manage water and solid waste services in the interest of its Members, using consensus-based strategies that are environmentally and economically sound.*

The District's vision is to:

*Focus on Member and customer needs as the primary purpose of the District, and endeavor to be the provider of choice for the service area.*

Work Program Guidelines adopted annually by the Board of Directors help focus the energies, activities and resources of the District for maximum effectiveness and results. These Guidelines provide positive direction to management in the following areas: *Leadership, Organization, Function, Finance, Partnerships, Environment and Education.*

### *Development History*

Upon creation of the District in 1989, the Board of Directors embarked on an ambitious mission to plan, develop and implement regional water supply and regional water reclamation programs for approximately 30 towns and cities. Water supply was the most immediate challenge; but, water reclamation also was given priority attention. Prior to completion of the first regional water treatment facility in 1997, the District purchased treated water on an interim basis from other entities to resell to Members and Customers.

A Regional Water Treatment Plant with a capacity of 20 million gallons per day (mgd) was constructed in the City of Lewisville with convenient access to Lewisville Lake, the raw water source. The treatment plant became operational in 1997 to serve Members and utilities that contracted for wholesale treated water service. The District expanded its original 20 mgd treatment plant in phases to 70 mgd total treatment capacity by 2001. In 2009, the Board of Directors named the plant the Thomas E. Taylor Regional Water Treatment Plant for its long-time Executive Director. The Plant is located on an ample site that will enable staged expansion to at least 300 mgd of treatment capacity as needed to provide for future growth within the District's service area.

The initial Regional Treated Water System served eleven towns, cities and utilities. Growth has continued throughout the District's service area and many communities (both Members and Customers) have requested service. To provide for the needs of Member entities and other wholesale customers, the District has extended a network of major transmission pipelines across its service area, now providing treated water service to more than twenty five communities in the Denton County area. The District has adequate capability and capacity to provide for the needs of its Members and Customers who have contracted for service. Each community now has access to an adequate supply of water, including the peak needs that occur during periods of drought.

In accordance with long-range plans, in 2003 the District proceeded with design of the District's second regional water treatment plant, located in northeast Denton County. In Fiscal Year 2008 (FY), the Tom Harpool Regional Water Treatment Plant began operation. This new plant uses membrane technology as part of the treatment process to provide enhanced treatment and for protection of water quality. The plant site is sufficient to support 240 mgd of water treatment facilities as further growth in the service area may require. The Board of Directors chose to name this new regional facility after a local pioneer in long-range water supply planning, Mr. Tom Harpool, a past President of the Board.

The District is continuing with its strategic planning activities to achieve an adequate long-range supply of water resources for future needs. At five-year intervals, the Texas Water Development Board prepares an updated Texas Water Plan, a master plan for the State of Texas based on a consolidation of 16 regional plans prepared locally. In 2013, a survey

was conducted by the local Regional Planning Group (Region C) of the District's Members and Customers to assist in preparation of the latest Plan. In May 2016, the Texas Water Development Board approved the updated final Plan and submitted it to the Texas Legislature. The approved Plan became the 2017 Texas Water Plan. The Texas Water Plan incorporates and reflects the District's own initiatives and outlines a range of recommended strategies to assure an adequate water supply for the District over the next 50 years. The current 2017 Plan provides for water supply needs through 2060. Efforts are already underway for the next five-year update.

In 2003, the District submitted an application for a water rights permit for the proposed Lake Ralph Hall to the Texas Commission on Environmental Quality (TCEQ). In 2006, the District filed a Section 404 permit application with the U.S. Army Corps of Engineers to enable the District to construct the proposed lake.

This new lake will be located in Fannin County in the North Sulphur River Basin and will provide the District and its growing customer base with a firm yield of approximately 30 mgd (million gallons per day) of new water supply. In March 2011 after a thorough technical review, the Executive Director for the TCEQ issued a draft water rights permit, after which the next step was to consider any opposition thereto. In April 2012, the State Office of Administrative Hearings began the legal process for a Contested Case Hearing regarding the proposed permit. Three entities were admitted as opposition parties to the hearing; and the Contested Case Hearing was held in Austin in January 2013. For the first time in nearly thirty years, TCEQ officially awarded a permit for a new water supply lake in Texas, voting to issue the requested permit for Lake Ralph Hall to the District in September 2013. The water rights permit was issued as of December 11<sup>th</sup>, 2013, making the District's long-term water supply more secure.

Also, in 2007 the District filed two applications with the Water Resources Board of the State of Oklahoma (WRB), seeking the right to divert water from the Kiamichi and Boggy Creek basins, both basins being adjacent the Oklahoma/Texas boundary. In 2009, a third application was submitted to the WRB, seeking rights to use water from Lake Texoma on the Oklahoma/Texas boundary. Those applications remain on file with the WRB pending legal and policy challenges. With a more current outlook, the District is engaged with other regional water systems in evaluation of alternative water resource projects in northeast Texas.

It is important to note that the District currently has water supply resources which are adequate for about 10 to 12 years into the future. The long-range planning activities summarized above reflect the District's efforts to develop adequate sources as needed for the next 50 years.

Initial development of the District's regional water reclamation (wastewater treatment) program began in 1996 when Lake Cities Municipal Utility Authority (LCMUA), a Member entity, transferred its existing wastewater treatment plant (with 1.0 mgd capacity) to the District. By 1998, the District had organized the Lakeview Regional Water Reclamation System and had enlarged the treatment plant to 3.5 mgd to serve LCMUA plus two other Members. In 2003, the Lakeview plant was expanded to 5.0 mgd, and wholesale service was extended to three additional participants, for a total of six member entities: LCMUA, Corinth, Highland Village, Double Oak, Bartonville, and Denton County Fresh Water Supply District #7 (Lantana). During FY 2013, construction was completed to expand treatment capacity to 5.5 mgd.

In 2003, new water reclamation facilities became operational in northeast Denton County, with two new plants. The Riverbend Water Reclamation Plant and the Peninsula Water Reclamation Plant began serving seven additional Members and Customers on a wholesale basis: Oak Point, Lincoln Park, Mustang Special Utility District (Mustang SUD), and four Fresh Water Supply Districts (FWSD). In 2008, the Peninsula Plant was

expanded from 375,000 gallons per day to 940,000 gallons per day; and in 2013 construction was completed for an expansion of the Riverbend Plant from 1.5 mgd to 2 mgd. Also, construction of a third water reclamation plant (the Doe Branch facility) in northeast Denton County was substantially completed in the fall of 2016 and serves the cities of Prosper and Celina, Mustang SUD and FWSD No. 10. Currently, the District is in the construction phase to expand the Riverbend Water Reclamation Plant.

As a strategic element of an ambitious watershed protection program, the District created the Upper Trinity Conservation Trust (UTCT) in FY 2010 and began financial operations in FY 2011. The UTCT will receive donations and acquire land and conservation easements for the purpose of protecting water quality in watersheds above the District's water supply sources. The District established the UTCT as a non-profit conservancy and appointed a nine-member Board of Trustees to lead the new entity on its important mission. The UTCT acquired full tax exemption from the Internal Revenue Service (IRS) in FY 2012.

### *Services Provided*

The chart on the following page summarizes the various services provided by the District to Members and Customers.

**UPPER TRINITY REGIONAL WATER DISTRICT**

As of September 30, 2017

Entity Served	Treated Water	Water Reclamation	Household Haz. Waste	Other Services
Argyle WSC				
Argyle*				
Aubrey				
Bartonville*				
Blackrock WSC				
Celina				
Copper Canyon*				
Corinth				
Cross Roads*				
Cross Timbers WSC				
Denton	**			
Denton County				
Denton County FWSD #1A				
Denton County FWSD #7				
Denton County FWSD #8A				
Town of Providence Village (DCFWSO #9)				
Denton County FWSD #10				
Denton County FWSD #11				
Double Oak*				
Flower Mound				
Hickory Creek*				
Highland Village				
Irving	**			
Justin				
Krugerville*				
Krum				
Lake Cities MUA				
Lake Dallas*				
Lewisville	**			
Mustang SUD				
Northlake				
Oak Point*				
Pilot Point				
Ponder				
Prosper				
Sanger				
Shady Shores*				

\*Indirect Customer: Receives retail water and /or water reclamation service from a wholesale customer of Upper Trinity.

\*\*Participating jointly with Upper Trinity in a water project

## **Operational Information**

### *Internal Accounting Controls*

Management is responsible for establishing and maintaining internal controls designed to assure that assets of the District are protected from loss, theft or misuse. Further, management must ensure that adequate accounting data are compiled to allow for preparation of financial statements in conformity with generally accepted accounting principles. The District has developed a *Fraud Risk Assessment and Procedures Manual*, a very helpful tool in evaluating and maintaining internal controls. Such internal controls provide reasonable, but not absolute, assurance that internal control objectives are met. The concept of reasonable assurance recognizes that:

- the cost of any given control should not exceed the benefits likely to be derived; and,
- the evaluation of costs and benefits relies on informed estimates and judgments by management.

All internal control evaluations occur within this framework of "reasonable assurance". We believe the District's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of accounting transactions.

### *Budgetary Controls*

To augment accounting controls, the District maintains budgetary controls. The objective of these controls is to ensure compliance with legal and fiscal provisions of annual operating and capital budgets approved by the Board of Directors. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is at the "fund" level. As confirmed by the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

### *Risk Management*

The District participates in the Texas Municipal League Intergovernmental Risk Pool to manage risks associated with District property, and for liabilities related to District operations. On the District's books, liabilities are recognized when incurred, rather than when claims are actually reported.

## **Other Information**

### *Submission for Award*

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its CAFR for the most recent fiscal year, through September 30, 2016. This was the District's seventeenth consecutive Certificate of Achievement award from GFOA. In order to be awarded a Certificate of Achievement, the District must publish an easily readable and efficiently organized CAFR, which conforms to program standards. Each CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

Each Certificate of Achievement applies to a CAFR that presents the financial position and results of operations for one particular year. We believe this year's CAFR will conform to

Certificate of Achievement Program requirements; and, we will submit it to GFOA for consideration.

In addition, GFOA awarded the Distinguished Budget Presentation Award to the District for the FY 2017 budget year. This was the District's eighth year to submit and to receive this award. The Distinguished Budget Presentation Award encourages and assists state and local governments in preparation of budget documents of the highest quality that reflect both the guidelines established by the National Advisory Council on State and Local Budgeting, and the GFOA's best practices on budgeting. Awards are given by the GFOA to recognize individual governments that succeed in achieving that goal.

The Distinguished Budget Presentation Award is given on annual basis. We believe that the budget submitted for the FY 2018 budget year continues to satisfy the requirements to receive the Award. Therefore, the FY 2018 budget was submitted in November 2017 for consideration.

#### *Acknowledgements*

Preparation of this CAFR report could not have been accomplished without the efficient and dedicated support of the entire staff of the Business Department, augmented by expert assistance from the Administration, Operations and Engineering Departments. We wish to express our appreciation to all District personnel who assisted and contributed to the preparation of this report.

Especially, we want to express appreciation to the Board of Directors for their continued vision in governance of the District, and for their guidance and support to management in planning and conducting the operations of the District in an efficient manner. With dedicated Members working together, the District continues to excel, fulfilling the regional mission for adequate long-range water supply and for excellent wastewater services – for the people and communities in our service area.

Respectfully submitted,



Larry N. Patterson, P.E.  
Executive Director



William A. Greenleaf  
Director of Business Services

# UPPER TRINITY REGIONAL WATER DISTRICT

## BOARD OF DIRECTORS As of September 30, 2017

<u>Name</u>	<u>Term</u>	<u>Appointing Entity</u>
Kevin Mercer, President	A	Denton County FWSD No. 7
Richard A. Lubke, Vice President	A	City of Highland Village
Ramiro Lopez, Treasurer	B	City of Irving
Mike Fairfield, Secretary	A	Lake Cities Municipal Utility Authority
Troy Norton	B	Town of Argyle
Brian Roberson	A	City of Aubrey
Del Knowler	B	Town of Bartonville
James Burnham	B	City of Celina
Janet Aune	B	Town of Copper Canyon
Cody Collier	B	City of Corinth
Timothy Fisher	B	City of Denton
Johnny D. Harris	A	Denton County
Jean Campbell	B	Denton County At-Large
Kristina Clark	A	Denton County FWSD No. 1-A
Dick Cook	B	Town of Double Oak
Kenneth Parr	A	Town of Flower Mound
Virginia L. Blevins	B	City of Justin
Gary Calmes	B	City of Krum
Eric Ferris	B	City of Lewisville
Chris Boyd	A	Mustang Special Utility District
Alan Guard	A	City of Pilot Point
Mike Anderson	A	Town of Ponder
Frank Jaromin	A	Town of Prosper
Mike Brice	A	City of Sanger

A -- Term expires May 31, 2019 and each four years thereafter

B -- Term expires May 31, 2021 and each four years thereafter



**UPPER TRINITY REGIONAL WATER DISTRICT  
MANAGEMENT OFFICERS**

<u>Name</u>	<u>Position and Length of Time in this Position</u>	<u>Length of Employment with Upper Trinity</u>
Thomas E. Taylor, P.E.	Executive Director 25 Years	25 Years
Larry N. Patterson, P.E.	Deputy Executive Director 5 Years	15 Years
William A. Greenleaf	Director of Business Services 12 Years	19 Years
Thomas W. Snyder, P.E.	Asst. Director / Engineering & Construction 24 Years	24 Years
D. Jody Zabolio, P.E.	Asst. Director / Operations 9 Years	12 Years

INDEPENDENT AUDITORS

Deloitte & Touche LLP  
Dallas, Texas

GENERAL COUNSEL and CO-BOND COUNSEL

Boyle and Lowry LLP  
Irving, Texas

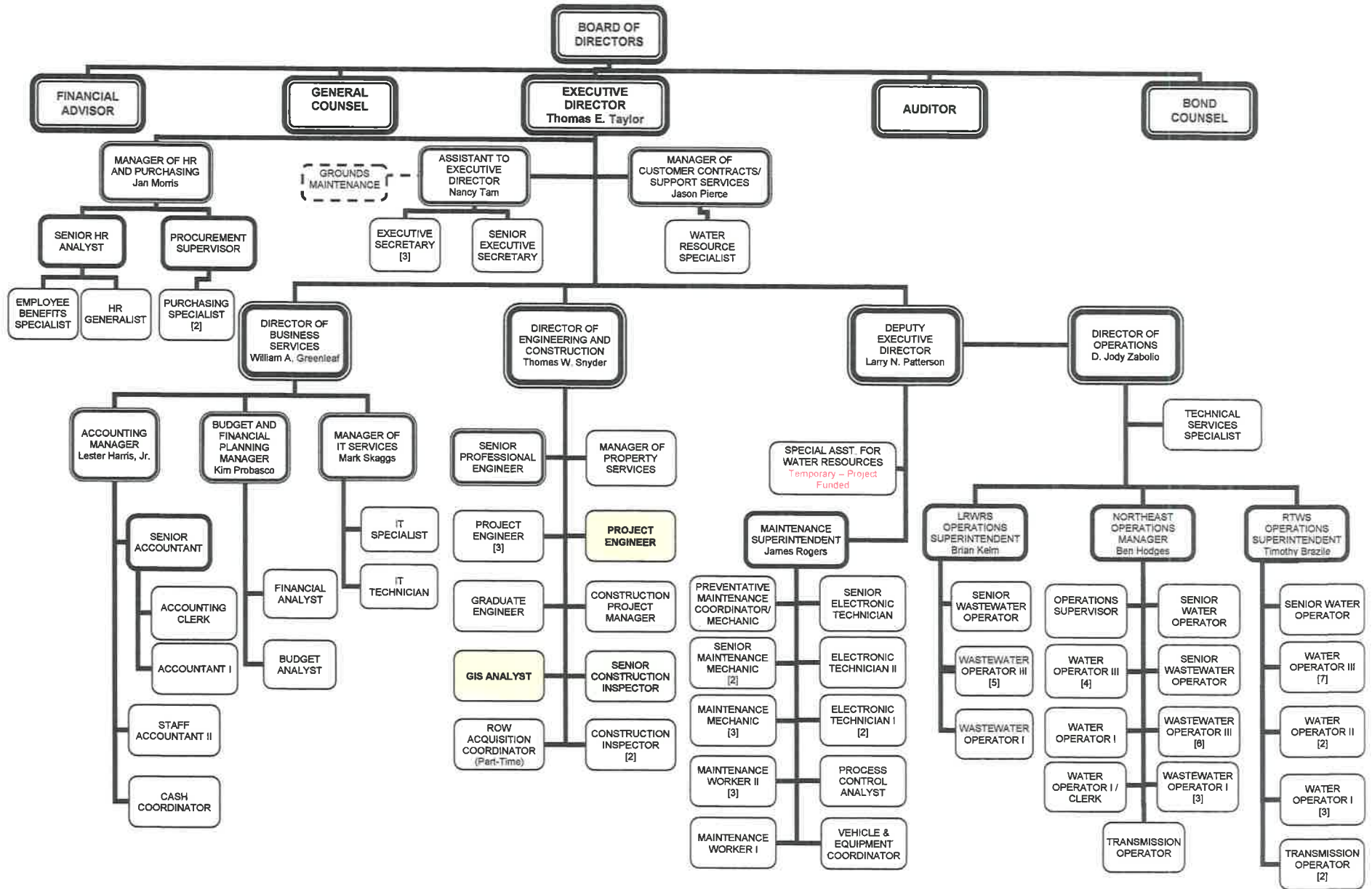
CO-BOND COUNSEL

Bracewell LLP  
Dallas, Texas

FINANCIAL ADVISOR

First Southwest Company  
Dallas, Texas

# FY 2017 ADOPTED ORGANIZATIONAL CHART



Unfunded for FY 2018, but still authorized. If position is required to be filled during the budget year, the District's Board of Directors can vote to approve funding at the Mid-Year Budget period in April 2018.

New Positions



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Upper Trinity Regional Water District**  
**Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2016**

*Christopher P. Morill*

Executive Director/CEO



**Deloitte & Touche LLP**  
JPMorgan Chase Tower  
2200 Ross Avenue  
Suite 1600  
Dallas, TX 75201-6778  
USA

Tel: +1 214 840 7000  
[www.deloitte.com](http://www.deloitte.com)

## **INDEPENDENT AUDITORS' REPORT**

Members of the Board of Directors  
Upper Trinity Regional Water District  
Lewisville, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of the Upper Trinity Regional Water District (the "District"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the District, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

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

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Upper Trinity Regional Water District's basic financial statements. The Supplemental System and Project Schedules, the Introductory Section, the Statistical Section, and the Supplemental Schedules Required by the Texas Commission on Environmental Quality are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplemental System and Project Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental System and Project Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section, the Statistical Section, and the Supplemental Schedules Required by the Texas Commission on Environmental Quality have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

*Deloitte & Touche LLP*

March 22, 2018

# UPPER TRINITY REGIONAL WATER DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS FISCAL YEAR ENDED SEPTEMBER 30, 2017 (UNAUDITED)

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Your interest in the financial results of the Upper Trinity Regional Water District (the District) is appreciated. We hope this financial report will be interesting and informative about the District's mission to provide for wholesale water and wastewater needs in our growing service area on the north side of the Dallas/Fort Worth Metroplex. Management is pleased to provide this overview and analysis of the District's financial activities for the fiscal year ended September 30, 2017.

### PROGRAM HIGHLIGHTS

- An improving financial condition. A key indicator is "Net Position", which is the remainder after deducting total liabilities from total assets and deferred outflows. Net Position as of the end of FY 2017 was over \$120 million, an increase of approximately 17% for the year. The increase was largely due to:
  - Vigilance of the Board and Staff in controlling costs.
  - Taking advantage of available low-cost capital financing during the continued sluggish economy.
  - A steady commitment to funding reserve accounts.
- Favorable interest rates remained through FY 2017. Use of Commercial Paper for capital improvements in the Regional Treated Water System saved substantial money. Interest rates for Commercial Paper remained at historic low levels. Interest rates on Commercial Paper ranged from a low of 0.50% to a high of 1.05%.
- Total capital asset additions were over \$30 million, of which nearly \$15 million was for the Northeast Regional Water Reclamation System and over \$12 million was for the Regional Treated Water System.

You may find comparative financial information to be worthwhile; and, considerable information is provided in other sections of this Management's Discussion and Analysis.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report is composed of financial statements, plus the appropriate notes for the Enterprise Fund. For a complete analysis, one also needs to examine the supplementary information to the basic financial statements, containing the financial information for the individual systems and projects. In this context, the following discussion and analysis serves as an introduction to the District's basic financial statements.

***Financial Statements***—The financial statements are designed to provide a reader with an overview of the District's finances, in a manner similar to a typical private enterprise.

The *Statements of Net Position* presents information on all District assets, deferred outflows, and liabilities, with the difference between assets and liabilities being reported as *net position*. Over

time, increases or decreases in net position can serve as an indicator of the long-term trend of the District's financial condition.

The *Statements of Revenues, Expenses and Changes In Net Position* shows activity and changes during the fiscal year. Changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flow. Thus, revenues and expenses are reported for some items that will not affect cash flow until future fiscal periods (e.g., earned, but unused, vacation leave, and accounts receivable for services).

The *Statement of Cash Flows* presents information showing the District's cash activities, cash receipts and cash disbursements. The statement of cash flows is presented in three broad categories: (1) cash flows from operating activities, (2) cash flows from capital and related financing activities, and (3) cash flows from investing activities. The statement of cash flows is a useful tool in understanding the District's cash position and the reasons behind that position.

**Notes to the Financial Statements**—The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

## ENTERPRISE FUND FINANCIAL ANALYSIS

The trend of changes in net position over time serves as an indicator of the District's financial condition. As noted on page 1, year-end assets and deferred outflows exceeded liabilities by over \$120 million – an increase of approximately 17% in net position, as compared with fiscal year 2016.

The District and most of its member entities practice cash-basis budgeting. Further, the District does not consider depreciation expense when setting rates for utility services rendered to members and customers. Considering this, a relevant view of the District's financial strategy would be the original cost of the District's assets, less indebtedness, without any reduction for accumulated depreciation expense. Accordingly, the District only recovers in its rates and charges the original cost of the acquired assets, plus related financing costs.

Another major element of the District's financial strategy has been the use of funds provided by the Texas Water Development Board (TWDB) under the *State Participation Program*. Under this Program, the State of Texas invests capital funds in specific projects for equity participation to enable growing regional systems like the District to oversize facilities in an efficient manner - that is, to construct extra capacity for anticipated future growth. This Program enables the District to prepare for the future, with little cost to current customers. In the future, when pipeline or plant capacity is needed to meet the needs of a growing customer base, the District is required to repurchase from the State such constructed capacity as needed, at original cost. Such original oversize cost could be a fraction of what the cost would be to construct stand-alone capacity in the future to meet such growth requirements. Therefore, for sound financial reasons, the District has made extensive use of State Participation funds to help construct extra capacity to prepare for expected future growth needs.

Similar in structure to the *State Participation Program* is the TWDB *Board Participation Program*. Board Participation funds were received for the purpose of acquiring land and for other aspects of the Lake Ralph Hall Project, a key component of the Regional Treated Water System. As with State Participation funds, Board Participation funds allow for added flexibility -- with repayment to occur more closely to the time when Lake Ralph Hall is completed and being used. As a result, there is little cost to the current customer of using Board Participation funds.

In addition, the flexibility of both the State Participation and Board Participation Programs affords the District time to refund the debt in more favorable interest rate environments. Such flexibility allows the District to wait until it is most financially beneficial to achieve the greatest savings. As a result, the District has taken advantage of historically low rates to refund nearly all of the debt issued under the State Participation Program since FY 1993. The remaining State Participation and the Board Participation is discussed further in the **Debt Administration** section of the MD&A.

To help coordinate the timing of debt repayment with beneficial use, the District uses certain funding sources that offer deferred payment of principal. Such sources include State Participation and Board Participation financing, Deferred Interest financing, Commercial Paper financing, Water Infrastructure Funding (WIF-10) funding, and Participant Advance Funding as part of the District's financial strategy. This strategy enables the District to plan most effectively for future growth needs without placing an undue financial burden on current customers. However, as a side effect of this practice, there could be a temporary decline in *Net Investment in Capital Assets* for an interim period. Such a decline can occur when the depreciation of capital assets is taken at a faster rate than the corresponding and related reduction in debt. When principal payments on debt are made, *Net Investment in Capital Assets* would be expected to increase to a correspondingly larger amount.

To clarify, the amount noted as *Net Investment in Capital Assets* represents capital assets the District uses to provide services to its members and customer entities. These assets are not cash and cannot be immediately converted to cash; therefore, they cannot be used to satisfy current outstanding liabilities.

The District's net position also reflects the fact that \$18,878,672 is *Restricted for Debt Service*, and \$9,484,921 is *Restricted for Capital Improvements*, limiting how these funds may be used. The remaining *Unrestricted Net Position* may be used to meet ongoing obligations of the District.



Upper Trinity Regional Water District's Condensed Schedule of Net Position  
September 30, 2017  
(With Comparative Totals As Of September 30, 2016)

	FY 2017	FY 2016
ASSETS:		
Current and other assets	\$ 147,077,655	\$ 137,497,505
Capital assets	<u>333,880,524</u>	<u>311,348,083</u>
Total assets	<u>480,958,179</u>	<u>448,845,588</u>
DEFERRED OUTFLOW OF RESOURCES:		
Loss on debt refunding	<u>1,880,561</u>	<u>2,265,828</u>
Total deferred outflows of resources	<u>1,880,561</u>	<u>2,265,828</u>
LIABILITIES:		
Current and other liabilities	28,113,375	25,190,627
Long-term liabilities outstanding	<u>333,847,880</u>	<u>322,778,751</u>
Total liabilities	<u>361,961,255</u>	<u>347,969,378</u>
NET POSITION:		
Net investment in capital assets	58,301,439	48,182,131
Restricted:		
For debt service	18,878,672	17,593,749
Contributions for capital improvements	9,484,921	15,792,791
Unrestricted	<u>34,212,453</u>	<u>21,573,367</u>
Total net position	<u>\$ 120,877,485</u>	<u>\$ 103,142,038</u>

Upper Trinity Regional Water District's Condensed Schedule of Revenues,  
Expenses and Changes in Net Position  
For the Year Ended September 30, 2017  
(With Comparative Totals for Year Ended September 30, 2016)

	FY 2017	FY 2016
OPERATING REVENUES		
Charges for Services	\$ 53,749,737	\$ 51,445,158
Miscellaneous Income	<u>268,747</u>	<u>173,514</u>
Total Operating Revenue	<u>54,018,484</u>	<u>51,618,672</u>
OPERATING EXPENSES:		
Operation and maintenance	17,725,248	17,194,865
Depreciation and amortization	9,409,453	9,031,406
Administrative expenses	<u>3,400,843</u>	<u>3,097,905</u>
Total operating expenses	<u>30,535,544</u>	<u>29,324,176</u>
OPERATING INCOME	<u>23,482,940</u>	<u>22,294,496</u>
NON-OPERATING REVENUES/(EXPENSES)		
Investment income/(loss)	(1,351)	3,289
Interest income	958,805	549,894
Interest and fiscal charges	(7,919,151)	(8,694,166)
Other non-operating revenue	150,620	
Gain/(loss) on disposal of capital assets	<u>(63,694)</u>	<u>23,440</u>
Total non-operating revenues/(expenses)	<u>(6,874,771)</u>	<u>(8,117,543)</u>
INCOME BEFORE CONTRIBUTIONS	16,608,169	14,176,953
CONTRIBUTIONS	<u>1,127,278</u>	<u>14,930,004</u>
CHANGE IN NET POSITION	17,735,447	29,106,957
TOTAL NET POSITION—beginning of year	<u>103,142,038</u>	<u>74,035,081</u>
TOTAL NET POSITION—end of year	<u>\$ 120,877,485</u>	<u>\$ 103,142,038</u>

#### CAPITAL ASSET AND DEBT ADMINISTRATION

The District's total capital assets as of September 30, 2017, were \$333,880,524 (net of accumulated depreciation). This investment in capital assets includes land and buildings, treatment plants, pump stations, pipelines, water rights, an emergency water supply reservoir, and other equipment and fixtures. Additional information regarding the District's capital assets is reflected in Note 5 to the basic financial statements.

For FY 2017, the most significant additions to capital assets were for the Northeast Regional Water Reclamation System and the Regional Treated Water System -- which increased by approximately \$15 million and \$12 million, respectively. The investments in capital assets for the Northeast Regional Water Reclamation System were largely related to on-going construction of the Doe

Branch Plant and the expansion of the Riverbend Plant. In the Regional Treated Water System, capital asset investments included on-going planning, regulatory permitting and land purchases for the Lake Ralph Hall Water Supply Project, construction of the third phase of the Southwest Water Pipeline, and other various capital improvement projects.

**Upper Trinity Regional Water District's Capital Assets  
(Net of accumulated depreciation)  
As of September 30, 2017  
(With Comparative Totals As Of September 30, 2016)**

	FY 2017	FY 2016
Land	\$ 13,835,416	\$ 12,803,757
Furniture and Equipment	1,956,048	1,643,315
Plant/Pipeline Facilities	235,282,731	209,180,711
Leased Assets		738
Water Rights	6,338,624	6,514,697
Reservoirs	1,214,008	1,245,136
Construction in progress:		
Land - General purpose	999,564	2,224,117
Reservoir land	19,423,487	13,113,771
Other construction costs	<u>54,830,646</u>	<u>64,621,841</u>
 Total	 <u>\$ 333,880,524</u>	 <u>\$ 311,348,083</u>

**Debt Administration**

As mentioned earlier, over a period of years, the District received significant funding from the Texas Water Development Board (TWDB) *State Participation Program* for equity participation in construction of extra capacity in water and wastewater regional systems to meet future growth needs, reaching a peak of approximately \$55.5 million. Taking advantage of low-interest opportunities, the District has purchased most of the State's equity ownership at original cost, reducing the outstanding State Participation to \$2.1 million. The State's equity ownership under the State Participation program, plus non-current accrued interest remaining to be reimbursed when timely, was approximately \$2.55 million at fiscal year-end.

Early in FY 2016 the District received \$15.565 million from a TWDB program that is essentially the same in structure and nature as the State Participation Program – the *Board Participation Program*. Board Participation funding is part of the State Water Infrastructure Fund for Texas (SWIFT) Program of the TWDB that is specifically designed to assist for future water needs. Board Participation funding is being used for land purchases and other associated costs of the Lake Ralph Hall Project in the Regional Treated Water System. The State's equity ownership under the Board Participation program, plus non-current accrued interest remaining to be reimbursed when timely, was approximately \$16.69 million at fiscal year-end.

During FY 2016, the District also acquired \$29,115,000 as part of the SWIFT *Deferred Interest Program*. Under Deferred Interest, the District pays no principal or interest until FY 2024. Also during that period, interest is not accrued. This funding source is being used for various planning

costs associated with Lake Ralph Hall. The District classifies Deferred Interest funding as “Revenue Bonds” for financial reporting purposes.

During FY 2008, the District also received project funding for its Lake Ralph Hall Project from the TWDB *Water Infrastructure Fund - 10 (WIF-10) Program*. This state-wide program was established by the Texas Legislature to provide funding for the planning and permitting phases of water projects included in the State Water Plan. Under this innovative program, both interest and principal payments are waived for the first ten years after receipt of funds. Of special note, the interest is not “deferred”; rather, it is simply set at 0% for ten years. The District is using this favorable source of planning monies for the Lake Ralph Hall Water Supply Project. Like Deferred Interest, the WIF-10 funds are classified as “Revenue Bonds” for financial reporting purposes.

Further, the total of outstanding debt (including both State Participation and Board Participation) and other long-term liabilities is approximately \$340.6 million. Of this total, 72% is for the Regional Treated Water System; 20% is for the Northeast Regional Water Reclamation System (Riverbend and Doe Branch Plants); and, the remaining 8% is for the Lakeview Water Reclamation System and the Peninsula Water Reclamation Plant.

**Upper Trinity Regional Water District's Outstanding Debt  
As of September 30, 2017  
(With Comparative Totals As Of September 30, 2016)**

	FY 2017	FY 2016
Revenue Bonds	\$ 285,060,000	\$ 256,975,000
State/Board Participation Debt	17,665,000	17,665,000
Commercial Paper	19,950,000	33,450,000
Water Supply Obligations	5,080,327	5,174,315
Notes Payable	11,260,297	11,794,447
State Participation Accrued Interest	<u>1,586,489</u>	<u>1,074,094</u>
 Total	 <u>\$ 340,602,113</u>	 <u>\$ 326,132,856</u>

As of September 30, 2017, the District’s revenue bonds were rated as follows:

	Moody’s Investors	Standard & Poor’s
Regional Treated Water System	A2	A+
Lakeview Regional Water Reclamation System	A2	A+
Northeast Regional Water Reclamation System	Baa1	A+
Peninsula Water Reclamation Plant	n/a	AA-

Additional information on the District’s long-term debt can be found in Notes 6 and 7 to the basic financial statements.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

During FY 2017, the Board of Directors continued to take a proactive approach to monitor costs and to adjust rates accordingly. The Board adjusted rates as necessary to maintain and improve the District’s financial condition. Of special note, FY 2017 represented the thirteenth consecutive year

that the District has achieved an increase in total Net Position, with an increase of 17% for this fiscal year.

During FY 2017, the national economy was slowly improving, but continued to have a moderating effect on growth and development in the District's service area. Accordingly, the District continues to make adjustments in its Capital Improvement Program, Operations and Planning to pace expenditures according to economic conditions and customer needs. It is important that the District maintain a close watch on all aspects of its financial plan – capital planning, revenue projections, and cash management – because the national economy continues to be in a recovery mode.

Even with modest growth in FY 2017, capital planning continued apace, and the District proceeded with key capital projects: (1) acquisition of land and permitting for the important future water supply source in Lake Ralph Hall; (2) completion of certain pipelines and projects to improve efficiency and service in the Regional Treated Water System; (3) expansion of the Riverbend Plant in the Northeast Regional Water Reclamation System; and (4) on-going expansion, improvements and new construction in the Peninsula Water Reclamation Plant and the Lakeview Water Reclamation System.

As a strategic element of the District's watershed protection program, the District established the Upper Trinity Conservation Trust (UTCT) as a component unit during FY 2010. The District established the UTCT as a charitable entity and appointed a Board of Trustees. During FY 2012, the UTCT experienced its first full fiscal year of operations and received IRS approval for full tax exemption. In future years, the UTCT expects to receive donations and acquire land and conservation easements for the purpose of protecting water quality in watersheds above the District's water supply sources.

In September 2017, the Board of Directors approved new rates and charges for Fiscal Year 2018:

- Lakeview Regional Water Reclamation System. The average increase for various fees and charges was 0%.
- Northeast Regional Reclamation System. The average increase for various fees and charges was 4.0%.
- Peninsula Water Reclamation Plant. The average increase for various fees and charges was 0%.
- Regional Treated Water System. Combined, the blended rate increase for the fixed "Demand" components and the variable "Volume" components averaged 3.0%.

The District has maintained its full readiness and capacity to serve, and is prepared for economic growth, with the accompanying financial requirements. In the meantime, management continues to be vigilant in its oversight of District budgets, investments, finances, rates, and expenditures.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the District's finances, with a glimpse at enterprise planning and operating strategies. We believe that the results confirm the District's responsible stewardship and accountability for all funds and resources entrusted to the District. The District is proud of its commendable track record in development of regional systems, in extension of water and wastewater service throughout the service area, staying ahead of growth

demands—and, in preparation for the future. Management of the District believes that the District's motto on the cornerstone of its headquarters building is very apt:

*Providing for the present and future needs of this region.*

*With vision and courage we plan.*

*With cooperation and commitment we serve.*

Questions concerning any of the information provided in this report, and requests for additional financial information may be addressed to the Director of Business Services, P.O. Box 305, Lewisville, Texas 75067.

**BASIC FINANCIAL STATEMENTS**

# UPPER TRINITY REGIONAL WATER DISTRICT

## STATEMENTS OF NET POSITION

September 30, 2017

	UTRWD	Component Unit
<b>ASSETS:</b>		
Current Assets:		
Cash and cash equivalents	\$ 34,579,532	\$ 54,414
Investments	4,999,855	
Accounts receivable from customers	8,879,707	
Interest receivable	19,565	60
Other current assets	55,576	
Restricted assets:		
Cash and cash equivalents	1,343,278	
Total current assets	<u>49,877,513</u>	<u>54,474</u>
Non-current assets:		
Contractual agreements receivable	2,255,379	
Restricted assets:		
Cash and cash equivalents	51,281,325	
Cash held in escrow	32,702,025	
Investments	10,961,413	
Non-depreciable capital assets	89,089,113	
Depreciable capital assets - net	244,791,411	
Total non-current assets	<u>431,080,666</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>480,958,179</u>	<u>54,474</u>
<b>DEFERRED OUTFLOW OF RESOURCES:</b>		
Loss on debt refunding	1,880,561	
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>	<u>1,880,561</u>	<u>-</u>
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable	7,082,287	7,728
Unearned revenue	484,501	200
Accrued wages and benefits	659,029	
Other current liabilities	19,756	
Payable from restricted assets:		
Accrued interest payable	1,712,822	
Construction retainage payable	1,561,619	
Current portion of long-term bonds	16,165,000	
Current portion of water supply obligation	97,045	
Current portion of long-term accrued interest	113,315	
Unpaid self-insurance claims	218,001	
Total current liabilities	<u>28,113,375</u>	<u>7,928</u>
Non-current liabilities:		
Long-term bonds	277,730,296	
Long-term board /state participation debt	17,665,000	
Commercial paper payable	19,950,000	
Long-term water supply obligation	4,983,282	
Long-term accrued compensated absences	785,831	
Notes payable	11,260,297	
Long-term accrued interest	1,473,174	
Total non-current liabilities	<u>333,847,880</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>361,961,255</u>	<u>7,928</u>
<b>NET POSITION</b>		
Net investment in capital assets	58,301,439	
Restricted:		
For debt service	18,878,672	
Contributions for capital improvements	9,484,921	
Unrestricted	34,212,453	46,546
Total net position	<u>\$ 120,877,485</u>	<u>\$ 46,546</u>

See notes to financial statements.



# UPPER TRINITY REGIONAL WATER DISTRICT

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEAR ENDED SEPTEMBER 30, 2017

	UTRWD	Component Unit
OPERATING REVENUES:		
Charges for services	\$ 53,749,737	\$ 4,775
Miscellaneous income	268,747	
Total operating revenues	54,018,484	4,775
OPERATING EXPENSES:		
Operation and maintenance:		
Salaries and benefits	4,350,365	17,470
Water and wastewater treatment	7,659,330	
Lab chemicals and supplies	1,488,522	
Maintenance materials service	1,103,404	
Utilities	2,307,845	
Equipment and tools	83,880	
Sludge removal	445,934	
Disposal service	15,544	
Miscellaneous	270,424	
Depreciation and amortization	9,409,453	
Overhead expenses	2,848,585	
Administrative/other	552,258	8,981
Total operating expenses	30,535,544	26,451
OPERATING INCOME (LOSS)	23,482,940	(21,676)
Non-operating revenues (expenses):		
Operating contribution from UTRWD		26,600
Investment loss	(1,351)	
Interest income	958,805	87
Interest and fiscal charges	(7,919,151)	
Other non-operating revenue	150,620	
Loss on disposal of capital assets	(63,694)	
Net non-operating revenues (expense)	(6,874,771)	26,687
INCOME BEFORE CONTRIBUTIONS	16,608,169	5,011
CONTRIBUTIONS	1,127,278	
CHANGE IN NET POSITION	17,735,447	5,011
TOTAL NET POSITION - beginning of year	103,142,038	41,535
TOTAL NET POSITION - end of year	<u>\$ 120,877,485</u>	<u>\$ 46,546</u>

See notes to financial statements

# UPPER TRINITY REGIONAL WATER DISTRICT

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED SEPTEMBER 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 52,133,558
Cash paid to vendors	(13,731,922)
Cash paid to employees	(6,356,231)
	<hr/>
Net cash provided by operating activities	32,045,405
	<hr/>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital asset additions	(30,259,480)
Contributions received	894,292
Bond proceeds	40,665,043
Bond escrow proceeds	1,504,917
Bond principal payments	(13,955,000)
Water supply obligation	(93,988)
Commercial paper proceeds (accumulated gross see note #6)	175,450,000
Commercial paper payments (accumulated gross see note #6)	(188,950,000)
Notes payable payments	(534,150)
Payment of interest and related fees	(9,796,942)
Payment of long-term accrued interest	(113,315)
	<hr/>
Net cash used in capital and related financing activities	(25,188,623)
	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	830,503
Purchase of investments	(23,827,626)
Maturity of investments	14,000,000
	<hr/>
Net cash used in investing activities	(8,997,123)
	<hr/>
Decrease in cash and cash equivalents	(2,140,341)
Cash and cash equivalents, beginning of year	122,046,501
	<hr/>
Cash and cash equivalents, end of year	\$ 119,906,160
	<hr/>

(Continued)

# UPPER TRINITY REGIONAL WATER DISTRICT

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED SEPTEMBER 30, 2017

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### CASH FLOWS FROM OPERATING ACTIVITIES:

Operating income	\$ 23,482,940
Adjustments to reconcile operating income to net cash flows from operating activities:	
Depreciation and amortization	9,409,453
Change in accounts receivable	(1,884,926)
Change in accounts payable	648,732
Change in unearned revenue	(117,695)
Change in accrued wages and benefits	154,920
Change in other current assets	351,981
	<hr/>
Total adjustments	8,562,465
	<hr/>

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ 32,045,405

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### NON-CASH ITEM:

Change in fair value of investments	\$ 117,864
Capitalized interest	1,798,777
Amortization of bond discount	(3,282)
Amortization of bond refunding loss	(385,267)
Amortization of bond premium	1,311,020
Accounts payable relating to construction	884,703

See notes to financial statements. (Concluded)

# UPPER TRINITY REGIONAL WATER DISTRICT

## NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2017

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Upper Trinity Regional Water District (District) is a political subdivision of the State of Texas and a body politic and corporate, created as a conservation and reclamation district under Article XVI; Section 59 of the Constitution and chapter 1053, Acts of the 71st Legislature of Texas, Regular Session, 1989. Under the Constitution and the statutes the District has broad powers for water conservation and use of storm and flood waters and unappropriated flow waters. The District has specific authority to construct, own, and operate water supply, treatment and distribution facilities and wastewater gathering, treatment, and disposal facilities, to charge for such services; and to make contracts for such purposes with municipalities and other entities.

A board of directors appointed by member entities governs the District. Each member entity appoints one representative, who is not an elected official of the entity, to serve as a director for a term of four years. In order to fund the water and wastewater services to member entities, members pay a proportionate share of the administrative, planning, operating and maintenance, and financing costs of projects based upon their usage of services from each project in which they participate. Non-member entities (customers) pay fees at a slight premium compared to member entities.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) applicable to governments. The following is a summary of the more significant policies:

#### **District's Systems and projects**

- A. **Reporting Entity** — The District's basic financial statements include all organizations and activities determined to be part of the District's reporting entity. The following are descriptions of the systems and projects, which are sub funds of the District and the Upper Trinity Conservation Trust (UTCT) which is the component unit of the District.

The District's Regional Treated Water System (RTWS) was placed in service in June of 1994 and currently provides treated water service to 20 customers in Denton County. The total subscribed capacity for RTWS' customers is 73.12 million gallons per day (mgd). Flower Mound is the RTWS's largest customer with a subscribed capacity of 30 mgd.

The District initiated wholesale wastewater treatment service to customers of the Lakeview Regional Water Reclamation System (LRWRS) in 1996. It was completed in two phases and currently serves Bartonville, Corinth, Denton County Fresh Water Supply District (DCFWS) #7 (Lantana), Double Oak, Highland Village, and Lake Cities MUA. The total combined subscribed capacities for these customers are currently 5.329 mgd, with Highland Village having the highest subscribed capacity at 1.65 mgd.

In March of 1995 the District entered into a contract for non-potable water service with DCFWS #1A. This system, which consists of a pump station and non-potable pipeline, was placed in operation in 1998. The system provides both treated effluent and raw water service to DCFWS #1A.

The Northeast Regional Water Reclamation System (NERWRS) is composed of the Riverbend and Doe Branch Plants. Riverbend currently provides wastewater treatment service to Mustang Special

Utility District (SUD), Providence Village, and DCFWSD's #8A, #10, and #11. The combined contracted capacities for the two plants are 3.97 mgd.

The Peninsula plant is also located in Northeast Denton County and became operational in 2003. The Peninsula plant serves Mustang SUD. Peninsula has a contracted capacity of .94 mgd.

The other sub funds include the Household Hazardous Waste Program. The District's Growth Project is used to account for the acquisition of land for projects. Administration and Project Development are used to report administrative fee revenue and expenses and to account for various expenses before the construction of projects begins.

### **Discrete component unit**

The UTCT is a component unit of the District that was established in June 2010. The purpose of the UTCT is to receive, acquire, invest and maintain financial, real property and other assets for the purpose of protecting designated watersheds and water quality. The District appoints the board members that are separate from the District's board of Directors and provides significant funds for the UTCT's operations. Therefore, the UTCT is accounted for as a discretely presented component unit, which is reported as a business type activity, as it charges fees for services to users. The UTCT does not issue separate financial statements.

- B. **Fund Accounting** — The accounts of the District are organized into one Enterprise Fund, a proprietary fund. The operations of the fund are accounted for using a set of self-balancing accounts that comprise the fund's assets, liabilities, net assets, revenues and expenses. Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises — where the intent of the governing body is that the costs (expenses, excluding depreciation and amortization) of providing services to the contracting users on a continuing basis be financed or recovered primarily through user charges; and for which the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, management control, accountability or other purposes.
- C. **Basis of Accounting** — The proprietary fund is accounted for on a cost of services or "economic resources" measurement focus, using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

The statement of net position presents information on all of the District's assets, deferred outflows, and liabilities, with the difference between the two reported as net position.

The statement of revenues, expenses and changes in net position presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing services. Operating expenses include the cost of providing the services, administrative expenses, depreciation of capital assets and general overhead. General overhead expenses such as the District's management and support staff's salary, benefits, supplies, rent and utilities are allocated to all operating systems and construction projects based on percentage of the total expenses for the year. All other expenses and revenues not meeting the definition outlined above are reported as non-operating revenues and expenses.

Rates charged for services to member and customer entities are established during the budget process and approved by the Board of Directors for each fiscal year. The Board provides final approval for the next fiscal year rates during the September meeting preceding the end of the fiscal year.

- D. **Cash, Cash Equivalents, and Investments** — Cash equivalents are defined as cash, public funds investment pools, and investments purchased within three months of maturity. Investments are recorded at fair value, defined as the amount at which two willing parties would complete an exchange.

The District reports cash and cash equivalents related to the acquisition or construction of capital assets or for debt service as a restricted non-current asset.

- E. **Restricted Cash and Cash Equivalents** — Certain cash and cash equivalents related to the acquisition or construction of capital assets and certain proceeds of revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants and agreements. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed. This is exemplified in the resources first being used for debt service payments and construction costs. Escrow funds are held in UTRWD's name but are restricted for construction. The following table lists the categories and amounts of cash and cash equivalents that are restricted.

<u>Restricted Cash and Cash Equivalents</u>	<u>Amount</u>
<u><b>Current Restricted Cash and Cash Equivalents</b></u>	
Self Insurance Reserve	\$ 1,343,278
Total Current Restricted Cash and Cash Equivalents	<u>1,343,278</u>
<u><b>Non-current Restricted Cash and Cash Equivalents</b></u>	
Interest and Sinking Reserve	5,275,530
Debt Service Reserve	5,941,040
Construction Funds	34,822,714
Dfund cash held in escrow	1,504,917
Board Participation cash	889,740
Board Participation cash held in escrow	7,879,386
State Water Infrastructure Fund for Texas (SWIFT) - cash	4,352,301
State Water Infrastructure Fund for Texas (SWIFT) - escrow	<u>23,317,722</u>
Total Non-current Restricted Cash and Cash Equivalents	<u>83,983,350</u>
 Total Restricted Cash and Cash Equivalents	 <u><u>\$ 85,326,628</u></u>

- F. **Capital Assets** — Capital assets are recorded at historical cost. In the case of gifts or contributions, such assets are recorded at their acquisition value at the time received. Depreciation on property, plant and equipment in the financial statements are recorded for each major class of depreciable property utilizing the straight-line method over the following estimated useful lives:

Furniture and equipment	3–15 years
Plant/pipeline facilities	10–50 years
Water rights/reservoirs	50 years

The District's capitalization threshold for assets is \$5,000. A full year of depreciation on plant/pipeline facilities is taken in the fiscal year following the year the asset is put in service.

- G. **Compensated Absences** — The District’s employees earn vacation and sick leave that may be used or accumulated up to certain limits. Unused vacation is paid upon retirement, termination or death. Unused sick leave is reduced to a percentage of the accumulated balance when paid upon retirement, certain terminations or death.

A liability is recorded for vacation and sick leave earned by employees attributable to past service. The maximum amount of vacation that can be accrued is equal to 2 years of annual eligibility for each employee. The maximum amount of sick leave that can be accrued is 1,200 hours for each employee. Employees are eligible to take accrued sick leave and vacation after 30 days and 6 months, respectively, from initial employment with the District.

The District calculates the current portion of the compensated absences liability based on a 3-year rolling average of amount used by employees. In addition, a liability is recorded for certain salary-related payments associated with the payment of accrued vacation and sick leave. Current portion of \$500,910 is included in accrued wages and benefits.

As of September 30, 2017, liabilities relating to accrued vacation and sick leave have been recorded as shown:

	<b>Sick Leave</b>	<b>Vacation</b>
Beginning of fiscal year	\$ 458,499	\$ 626,740
Decrease	(159,414)	(326,990)
Increase	464,594	223,315
End of fiscal year	<u>\$ 763,679</u>	<u>\$ 523,065</u>

District benefit plans do not include any post-employment benefits as defined in GASB Statement 45, *Accounting and Financial Reporting By Employers For Postemployment Benefits Other Than Pensions (OPEB Employers)*, issued June 2004.

- H. **Net Position** – Net position on the Statements of Net Position includes the following:

*Net investment in capital assets* – the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt net of premiums, discounts and debt issue costs, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets. It does not include long-term accrued interest on State Participation debt.

For the calculation of this portion of net position for individual projects as sub-funds, all debt related to capital assets is considered. For the entity-wide financial statements, loans between sub-funds are not included for the calculation of net investment in capital assets, because the debt is not owed to an outside party and does not represent a debt of the District as a whole.

*Restricted for Debt Service* – the component of net position that reports the difference between assets to be used for debt service and associated liabilities.

*Restricted Contributions for Capital Improvements* – the component of net position that reports the amounts restricted for capital improvements.

*Unrestricted* – the difference between the assets, deferred outflows, and liabilities that is not reported in Net Investment in Capital Assets and Restricted Net Position.

## 2. CASH AND INVESTMENTS

The Board designates a financial institution to serve as the depository for the funds of the District in accordance with its enabling statute. To the extent that funds held by the depository bank are not insured by the Federal Deposit Insurance Corporation, they are secured in the manner provided by law of the State of Texas. At September 30, 2017, the District's carrying amount of deposits were \$15,095,090 for the District and \$54,314 for the UTCT. The bank balance as of September 30, 2017 was \$15,634,489 for the District and \$54,314 for the UTCT. Both bank balances at September 30, 2017, were entirely covered by federal depository insurance or by collateral held by District's independent third party agent (BNY Mellon) in the District's name.

As of September 30, 2017, the District had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Commercial Paper	\$ 15,961,268	0.4082

**Statutory Risks – Investments** – To ensure that the District is in compliance with all applicable laws, the District adheres to a Board approved Investment Policy in accordance with Chapter 2256, Texas Government Code (Texas Public Funds Investment Act).

**Interest Rate Risk** — In accordance with the District's Board approved investment policy and with Chapter 2256, Texas Government Code (Texas Public Funds Investment Act), investments are made to ensure the primary objective of preservation of capital and the safety of principal in the overall portfolio. Interest rate earnings and reasonable returns are the secondary objectives. As a result, each investment transaction seeks to ensure first that capital losses are avoided, whether they be from security defaults or erosion of market value. Therefore, the District does not expose itself to significant interest rate risk.

**Credit Risk** — In accordance with the District's Board approved investment policy and with Chapter 2256, Texas Government Code (Texas Public Funds Investment Act), the District's investments in public funds investment pools include investments with TexPool. As of September 30, 2017 TexPool was rated as an AAA by Standard & Poor's. TexPool is a public funds investment pool created by the Treasurer of the State of Texas, acting and through the Texas treasury Safekeeping Trust Company, is empowered to invest funds and act as a custodian of investments purchased with local investment funds in full compliance with the Public Funds Investment Act. As of September 30, 2017, the District's investment in TexPool was \$72,108,447 with a fair value of \$72,108,447. The fair value of the District's position in the pool is the same as the value of the pool shares.

**Custodial Credit Risk – Investments** — For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All investments held by third parties are held in the District's name.

**Public Funds Investment Act** – Audit procedures related to the Public Funds Investment Act are conducted as part of the audit of the basic financial statements. The District adheres to the requirement of the Act in the areas of investment practices, management reports an establishment of appropriate policies.

The District recognizes the net unrealized gain/loss on investments as investment income/loss.

### Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market based measurement, not an entity specific measurement.

The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels. These three levels are as follows:



**Level 1** - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities in active markets that a government can access at the measurement date. An active market for the asset or liability is a market in which transactions for an asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Accordingly, a quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available.

**Level 2** - Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. If an asset or liability has a specified term to maturity, then to qualify for Level 2 designation, an input must be observable for substantially the full term to maturity of the asset or liability.

Level 2 inputs include the following: (a) Quoted prices for similar assets or liabilities in active markets; (b) Quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers (for example, some brokered markets), or in which little information is released publicly (for example, a principal-to-principal market); (c) Inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, implied volatilities, prepayment speeds, loss severities, credit risks, and default rates); (d) Inputs that are derived principally from or corroborated by observable market data by correlation or other means (market--corroborated inputs).

**Level 3**- Inputs that are unobservable for an asset or liability.

### **Corporate Commercial Paper**

The District holds investments in Corporate Commercial Paper for both J.P. Morgan Chase and Toyota Motor Credit, which are categorized based on trade activity. As they have little to no recent trade activity, they are categorized as Level 2. They are valued using benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing and has a fair value as of September 30, 2017 of \$15,961,268.

The \$72,108,447 of District's investments in Texpool is in a public funds investment pool which measures its investments at amortized cost in accordance with GASB Statement 79. The District has accordingly measured its investments in Texpool at amortized cost and as such, they are not subject to the fair value hierarchy categorization.

### **3. CONTRACTUAL AGREEMENTS RECEIVABLE**

Contractual Agreements made with other entities refers to financing provided by the District for facilities for the benefit of Mustang SUD and Argyle Water Supply Corporation (WSC). The amount of \$2,255,379 represents the principal and interest to be paid by these entities, of which \$383,478 is recorded in accounts receivable from customers is to be repaid in the next fiscal year. The interest rates of the agreements range from 3.60% to 6.077% and will be repaid in full by the entities by fiscal year 2026.

### **4. UNEARNED REVENUE**

The unearned revenue amount is comprised of the total interest that will be earned in future periods from Contractual Agreements and various lease agreements. The unearned revenue will be recognized as revenue in future periods when service is performed.

## 5. CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended September 30, 2017:

	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital assets not being depreciated:					
Land	\$ 12,803,757		\$ (420,264)	\$ 1,451,923	\$ 13,835,416
Construction in progress:					
Land - General purpose	2,224,117	227,370		(1,451,923)	999,564
Reservoir land	13,113,771	6,309,716			19,423,487
Other construction costs	64,621,841	25,221,154	(125,644)	(34,886,705)	54,830,646
	<u>92,763,486</u>	<u>31,758,240</u>	<u>(545,908)</u>	<u>(34,886,705)</u>	<u>89,089,113</u>
Total capital assets not being depreciated					
Capital assets that are being depreciated:					
Plant/pipeline facilities	327,061,254	870,477	(929,084)	34,886,705	361,889,352
Leased assets	7,370		(7,370)		
Water rights	8,801,511				8,801,511
Reservoirs	1,556,416				1,556,416
Furniture and equipment	3,957,846	652,440	(138,514)		4,471,772
	<u>341,384,397</u>	<u>1,522,917</u>	<u>(1,074,968)</u>	<u>34,886,705</u>	<u>376,719,051</u>
Total depreciable capital assets					
Less accumulated depreciation for:					
Plant/pipeline facilities	117,880,543	8,917,791	(191,713)		126,606,621
Leased assets	6,632		(6,632)		
Water rights	2,286,814	176,073			2,462,887
Reservoirs	311,280	31,128			342,408
Furniture and equipment	2,314,531	284,462	(83,269)		2,515,724
	<u>122,799,800</u>	<u>9,409,454</u>	<u>(281,614)</u>		<u>131,927,640</u>
Total depreciable capital assets — net	<u>218,584,597</u>	<u>(7,886,537)</u>	<u>(793,354)</u>	<u>34,886,705</u>	<u>244,791,411</u>
Capital assets — net	<u>\$ 311,348,083</u>	<u>\$ 23,871,703</u>	<u>\$ (1,339,262)</u>	<u>\$</u>	<u>\$ 333,880,524</u>

For the year ended September 30, 2017, the total amount of interest cost incurred was \$9,717,927. Capitalized interest of approximately \$1,798,776 was added to construction in progress.

## 6. NOTES PAYABLE, LONG-TERM DEBT, AND OTHER LIABILITIES

Long-term debt of the District at September 30, 2017 includes bonded indebtedness consisting of revenue bonds payable, State Participation debt, notes payable, related non-current accrued interest payable, and other financing proceeds not to be repaid within one year. Revenues from customers participating in these projects will be used to pay debt service on the long-term debt.

The District entered into a master agreement with the Texas Water Development Board (TWDB) on February 20, 2002 related to the Northeast Water Reclamation System and received \$2,325,000 of State Participation funding. The funding was for improvements to pump stations and transmission and distribution pipelines.

On October 1, 2015, the District entered into another master agreement related to the Regional Treated Water System and received \$15,565,000 of Board Participation funding as part of the SWIFT Program of the TWDB. The funding is for land purchases and associated costs related to the Lake Ralph Hall Project.

Under the master agreements regarding State Participation and Board Participation funding, the District is allowed to defer payment of a portion of interest costs until future periods. However, the full amount of the interest is currently being expensed on an annual basis. The amount of unpaid interest is being recorded as a non-current liability under long-term accrued interest. The District has a remaining balance of \$1,586,489 in long-term accrued interest as of September 30, 2017.

In addition to the Board Participation funding for Lake Ralph Hall, the District received \$29,115,000 of Deferred Interest funding for Lake Ralph Hall as part of the SWIFT Program. Under this program, the District pays no principal or interest until FY 2024. During that period, interest is also not accrued. The District classifies Deferred Interest funding as revenue bonds for financial reporting purposes.

Previous funding specifically for Lake Ralph Hall also includes Water Infrastructure Funding (WIF-10) from the TWDB. In FY 2008, the District received \$10,400,000 to be used for the planning phase of the District's Lake Ralph Hall Project. Under the WIF-10, the District neither pays nor accrues interest for the first 10 years after issuance of the debt and also pays no principal during that same time period. The District classifies the WIF-10 funding as revenue bonds for financial reporting purposes.

When the District issues revenue refunding bonds, the proceeds are placed in an irrevocable trust to pay all future debt service on certain refunded debt. The refunded bonds are considered defeased and neither the trust accounts nor the liability for the defeased bonds are included in the District's combined financial statements. As of September 30, 2017, none of the bonds are still outstanding.

During fiscal year 2017, the District continued to make use of its Commercial Paper program for the Regional Treated Water System. The Commercial Paper program was established during fiscal year 2005 through partnerships with Banc of America Securities, LLC and Wachovia Bank, N.A. (now replaced by US Bank). The Commercial Paper program enables the District to drawdown the funds when necessary to pay for Capital Improvement Expenditures and to rollover the principal portions of the liability until the District sees fit to retire the principal balance.

In accordance with the terms of the Commercial Paper agreement ("Agreement"), the District has recorded the amount outstanding as of year-end as a long-term liability in the Statement of Net Position since the Agreement includes a long-term irrevocable financing option in the form of a Letter of Credit (LOC) in the amount of \$50,000,000. The LOC expires December 31, 2019 (subject to potential extension through 2030) and carries an annual interest rate not to exceed 10% and can be used as a liquidity facility to ensure direct payment of principal and interest of the maturities of the commercial paper program as they become due. For fiscal year 2017, the annual interest rate for Commercial Paper ranged from .50% to 1.05%

During the year ended September 30, 2017, the District used the LOC to pay principal and interest amounts on the Agreement as maturities have become due. Principal amounts drawn on the LOC have been repaid by the proceeds of new draws on the Commercial Paper program. The District repaid the interest amounts drawn from revenues of the RTWS. As of year-end there was no balance owed by the District on the LOC.

If market condition provide favorable interest rates for long-term debt, the District may refund a part or all of the Commercial Paper outstanding at any point in the future. In FY 2015, such conditions allowed the District to refund \$18,000,000 of Commercial Paper with revenue refunding bonds. The outstanding principal balance of the Commercial Paper program as of September 30, 2017 was \$19,950,000.

Also included as a significant portion of the District's long-term debt is the obligation due to the Army Corps of Engineers for Chapman Lake Water Rights through the City of Commerce. The District had a remaining balance of \$5,080,327. See note 7 for further explanation of this obligation.

The District had a remaining balance of \$11,260,297 of Notes Payable as of September 30, 2017. The District received these funds from certain fresh water supply districts for the construction of water and wastewater systems and operational contingencies. These notes have no interest costs or payment schedule associated with them. The District may repay the Notes Payable at such time as the respective service areas have developed sufficiently that the District deems it appropriate to arrange other long-term financing or

repay amounts available from non-restricted assets. The notes payable are reduced by 90% of the permit fees received by the District from the Denton County Fresh Water Supply Districts.

Total activity for notes payable, long-term debt and other liabilities for the year ended September 30, 2017 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	\$ 256,975,000	\$ 42,040,000	\$ (13,955,000)	\$ 285,060,000	\$ 16,165,000
Board/State participation	17,665,000			17,665,000	
Discount	(35,520)		3,282	(32,238)	
Premium	10,048,594	129,960	(1,311,020)	8,867,534	
Revenue bonds and board / state participation debt	<u>284,653,074</u>	<u>42,169,960</u>	<u>(15,262,738)</u>	<u>311,560,296</u>	<u>16,165,000</u>
Commercial paper	33,450,000	175,450,000	(188,950,000)	19,950,000	
Water supply obligation	5,174,315		(93,988)	5,080,327	97,045
Notes payable	11,794,447		(534,150)	11,260,297	
Non-current accrued interest	1,074,094	625,710	(113,315)	1,586,489	113,315
Other long-term liabilities	<u>51,492,856</u>	<u>176,075,710</u>	<u>(189,691,453)</u>	<u>37,877,113</u>	<u>210,360</u>
Total notes payable, long-term debt and other liabilities	<u>\$ 336,145,930</u>	<u>\$ 218,245,670</u>	<u>\$ (204,954,191)</u>	<u>\$ 349,437,409</u>	<u>\$ 16,375,360</u>

The following is a detailed listing of the long-term debt of the District as of September 30, 2017:

<b>Series</b>	<b>Amount</b>	<b>Final Maturity</b>	<b>Interest Rates</b>
Regional treated water system:			
Revenue bonds:			
Series 2008 (WIF-10)	\$ 10,400,000	2027	2.01-2.83%
Series 2010 (refunding)	3,325,000	2026	2.00-4.35%
Series 2010A	16,925,000	2025	2.00-4.00%
Series 2012 (refunding)	10,435,000	2029	2.00-3.75%
Series 2012A (refunding)	31,355,000	2037	2.00-5.00%
Series 2013 (refunding)	15,140,000	2030	3.11%
Series 2015 (refunding)	40,315,000	2044	2.00-5.00%
Series 2015A (SWIFT)	29,115,000	2045	2.14-4.11%
Series 2016 (refunding)	29,790,000	2032	2.00-5.00%
Series 2017	18,050,000	2047	2.00-4.00%
Lakeview water reclamation system:			
Revenue bonds:			
Series 2006 (refunding)	1,605,000	2027	4.00-4.25%
Series 2011	3,630,000	2030	3.00-5.00%
Series 2012 (refunding)	3,860,000	2028	2.00-4.00%
Series 2012A (refunding)	12,670,000	2028	2.00-5.00%
Series 2014 (refunding)	2,575,000	2030	2.00-3.50%
Series 2015	3,305,000	2035	2.00-4.00%
Northeast water reclamation system:			
Revenue bonds:			
Series 2007	3,050,000	2032	3.70-4.38%
Series 2014	12,950,000	2038	3.00-4.38%
Series 2016 (D-Fund)	11,560,000	2045	1.57-3.63%
Series 2017 (D-Fund)	23,990,000	2045	1.88-4.28%
Peninsula water reclamation system:			
Revenue bonds:			
Series 2016	1,015,000	2035	2.00-3.00%
Total revenue bonds	<u>\$ 285,060,000</u>		
Regional treated water system:			
Board participation:			
Series 2015	\$ 15,565,000	2050	3.98-4.11%
Northeast water reclamation system:			
State participation:			
Series 2003	2,100,000	2036	5.58-5.78%
Total state participation	<u>\$ 17,665,000</u>		
Regional treated water system:			
Water rights:			
Initial water	\$ 1,130,301	2040	3.25%
Future water	3,950,026	2050	3.25%
Total water rights	<u>\$ 5,080,327</u>		

The District plans to repay both the principal and interest on the Revenue Bonds, State Participation Obligation and Water Rights based on the following schedule:

Years Ending September 30	Revenue Bonds		Board /State Participation		Water Supply Obligation		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2018	\$ 16,165,000	\$ 9,590,196	\$ -	\$ 233,435	\$ 97,045	\$ 165,263	\$ 26,250,939
2019	16,395,000	9,193,691		358,577	100,202	162,106	26,209,576
2020	15,465,000	8,553,162		358,577	103,462	158,847	24,639,048
2021	15,560,000	7,970,387		421,147	106,827	155,481	24,213,842
2022	14,725,000	7,358,405	100,000	370,404	110,302	152,006	22,816,117
2023-2027	81,150,000	31,442,574	605,000	3,073,007	607,725	703,815	117,582,121
2028-2032	50,015,000	19,745,250	800,000	5,747,089	713,215	598,325	77,618,879
2033-2037	34,335,000	12,014,513	2,155,000	4,896,185	837,016	474,524	54,712,238
2038-2042	25,885,000	6,003,021	4,510,000	2,472,163	913,734	329,233	40,113,151
2043-2047	15,365,000	1,315,293	5,550,000	1,474,329	775,003	193,670	24,673,295
2048-2052			3,945,000	318,400	715,796	59,144	5,038,340
Total	<u>\$285,060,000</u>	<u>\$ 113,186,492</u>	<u>\$ 17,665,000</u>	<u>\$ 19,723,313</u>	<u>\$5,080,327</u>	<u>\$3,152,414</u>	<u>\$ 443,867,546</u>

Debt of the District's water, wastewater and non-potable systems includes revenue refunding and revenue bonds, State/Board Participation funding, Water Supply Obligation and payments related to Commercial Paper. This debt is secured by and payable from net revenues of each of the District's systems. Some of the District's debt contains provisions that allow the District to prepay or call the debt.

Specifically, net revenues of the District's various systems have been pledged for repayment of the District's outstanding debt. All debt was originally issued to provide for construction of the various systems. The pledge continues for the life of the debt. For the Regional Treated Water System, net pledged revenues for the year ended September 30, 2017 were \$26,108,950 and actual annual debt service was \$19,152,219. For the Lakeview Regional Water Reclamation System, net pledged revenues were \$4,746,759 and actual annual debt service was \$3,121,343. For the Northeast Regional Water Reclamation System, net pledged revenues were \$2,379,781 and actual annual debt service was \$1,504,313. For the Peninsula Water Reclamation Plant, net pledged revenues were \$346,979 and actual annual debt service was \$68,255.

The District uses a method that approximates the effective interest rate to amortize premiums and discounts on bond issuance.

There is no amortization schedule for the Commercial Paper or Notes Payable because these liabilities have undetermined payment schedules.

## 7. WATER RIGHTS/WATER SUPPLY OBLIGATIONS

In 1990 the District entered into a 50-year contract with the City of Commerce, Texas to obtain raw water rights in Chapman Reservoir. On January 31, 2006, the Corps of Engineers (COE) notified the Sulphur River Municipal Water District (SRMWD) of its final accounting for construction. The final construction cost allocated to water supply was \$14,930,738. The District's share of SRMWD's obligation is 41.81%, or \$6,242,542. As of September 30, 2017, the District had paid \$1,162,215 for principal, leaving a remaining liability of \$5,080,327. Inclusive of capitalized costs during the construction period of the reservoir, the net book value, net of amortization, of the District's water rights was \$6,338,624 at September 30, 2017. The District amortizes its water rights over the life of the contract, on straight-line basis for 50 years.

## 8. EMPLOYEES' RETIREMENT PLANS

**Defined Contribution Plan** — A retirement plan is provided for all regular employees of the District and is administered by the ICMA Retirement Corporation. It is a single-employer defined contribution retirement plan created in accordance with Internal Revenue Code Section 401(a), which provides retirement benefits for all regular employees. The retirement plan is established by the District's Board,

which may periodically amend the plan and its respective contributions. The District's employer contribution to the 401(a) plan is 10% of the employees' gross compensation.

Employees hired before October 1, 2000, become fully vested after five years of employment or upon attaining age 60, whichever occurs first, and are eligible to receive benefits upon retirement. Full vesting for employees hired after September 30, 2000, occurs at seven years of employment or upon reaching age 62, whichever occurs first.

During fiscal year 2017, the District contributed the required employer contribution of 10% of the employees' gross compensation. The District also contributed the required employees' contribution of 6.2% of the employees' gross compensation pursuant to the IRC Section 414(h)(2) Pick-Up Election under the Plan. Under the Pick-Up Election, any plan established by a governmental unit can have its employees tax defer the required employee contribution since the employer "picks-up" the required contribution from the employee and makes the payment to the Plan on behalf of the employee. The employer and employee contributions were \$662,204 and \$383,281 respectively, based on a covered payroll of \$6,622,035. Total payroll for the District was \$6,680,011.

The District makes contributions to the 401(a) plan by matching, dollar-for-dollar, employees' contributions to the deferred compensation plan, discussed below, up to 2% of each employee's gross income. The District contributed \$61,892 to the 401(a) plan as a result of employee contributions into the deferred compensation plan.

The market value of the balance in the District's forfeiture account at September 30, 2017 was \$31,376.

**Deferred Compensation Plan** — The District also offers its regular employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits participants to defer a portion of their salary until future years. Any withdrawal requires a penalty, except upon termination, retirement, death or an unforeseeable emergency. The District does not make any contribution to the deferred compensation plan.

All amounts of compensation deferred under the plan are placed into a trust for the benefit of participants. The plan is administered by ICMA Retirement Corporation. These deferred amounts; all property and rights with those amounts, and all income attributable to those amounts are solely the property and rights of the employees. As such, these assets are not included in the financial statements of the District as of September 30, 2017.

## 9. CONTRIBUTIONS

The District recorded a total of \$1,127,278 in capital contributions in fiscal year 2017. The contributions received by the District were for the Regional Treated Water System, the Non-Potable Water System and the Northeast Regional Water Reclamation System.

The UTCT recorded a total of \$26,600 in contributions. The contributions were received from the District. The contributions were made to assist the financial position of the UTCT.

## 10. SEGMENT INFORMATION

The three condensed schedules on the next two pages represent a breakdown of the financial information of the three major segments of the District. The Water segment is composed of the Regional Treated Water System; the Water Reclamation segment is composed of the Lakeview System, the Northeast Water Reclamation System and the Peninsula Water Reclamation Plant; the Non-Potable Segment is composed of the Non-Potable Water System.

Condensed Schedule of Net  
Position by Segment

	Water	Water Reclamation			Non-Potable
		Lakeview	Riverbend/Doe Branch	Peninsula	
Assets:					
Current assets	\$ 37,068,347	\$ 6,681,922	\$ 4,584,945	\$ 991,525	\$ 603,481
Non-current assets	2,255,379				
Restricted assets	50,863,740	4,792,852	39,804,819	494,452	315,846
Capital assets	<u>223,038,092</u>	<u>35,805,060</u>	<u>65,782,524</u>	<u>7,176,152</u>	<u>1,513,097</u>
Total assets	<u>313,225,558</u>	<u>47,279,834</u>	<u>110,172,288</u>	<u>8,662,129</u>	<u>2,432,424</u>
Deferred outflow:					
Deferred loss on refunding of debt	<u>1,717,594</u>	<u>162,967</u>			
Total Deferred outflow	<u>1,717,594</u>	<u>162,967</u>			
Liabilities:					
Current liabilities	3,468,441	451,602	6,512,755	293,838	34,362
Liabilities payable from restricted assets	15,156,257	2,340,683	2,281,259	86,625	327
Non-current liabilities	<u>241,479,593</u>	<u>26,367,542</u>	<u>64,729,257</u>	<u>975,043</u>	<u>941</u>
Total Liabilities	<u>260,104,291</u>	<u>29,159,827</u>	<u>73,523,271</u>	<u>1,355,506</u>	<u>35,630</u>
Net position:					
Net investment in capital assets	16,220,209	11,425,653	22,440,426	6,136,455	1,513,097
Restricted:					
For debt service	10,047,593	2,194,856	6,192,660	443,563	
Contributions for capital improvements			9,484,921		
Unrestricted	<u>28,571,059</u>	<u>4,662,465</u>	<u>(1,468,990)</u>	<u>726,605</u>	<u>883,697</u>
Total net position	<u>\$ 54,838,861</u>	<u>\$ 18,282,974</u>	<u>\$ 36,649,017</u>	<u>\$ 7,306,623</u>	<u>\$ 2,396,794</u>



## Condensed Schedule of Revenues, Expenses, and Changes in Net Position by Segment

	Water Reclamation				
	Water	Lakeview	Riverbend/Doe Branch	Peninsula	Non-Potable
Total Revenue	\$ 41,388,867	\$ 6,994,603	\$ 4,444,218	\$ 804,432	\$ 196,199
Depreciation	(6,732,164)	(1,446,405)	(905,421)	(228,200)	(61,459)
Other operating expenses	<u>(15,954,021)</u>	<u>(2,327,475)</u>	<u>(2,252,134)</u>	<u>(466,156)</u>	<u>(95,435)</u>
Operating income (loss)	<u>18,702,682</u>	<u>3,220,723</u>	<u>1,286,663</u>	<u>110,076</u>	<u>39,305</u>
Non-operating revenues (expenses):					
Investment income (loss)	(1,422)	(23)	(181)		275
Interest income	674,368	79,631	187,697	8,703	3,069
Interest expense net of capitalized interest	(6,558,159)	(833,344)	(521,646)	(6,002)	
Other non-operating revenue	150,620				
Gain/Loss on Disposal of capital assets	<u>20,628</u>	<u>36,915</u>	<u>(3,790)</u>	<u>(43)</u>	<u>(14)</u>
Net non-operating revenues (expenses)	<u>(5,713,965)</u>	<u>(716,821)</u>	<u>(337,920)</u>	<u>2,658</u>	<u>3,330</u>
Net income (loss) before contributions and transfers	12,988,717	2,503,902	948,743	112,734	42,635
Contributions	147,183		894,292		85,803
Transfers from (to) other systems	<u>71,928</u>	<u>(38,775)</u>	<u>(72,010)</u>	<u>(4,774)</u>	<u>(1,735)</u>
Change in net position	13,207,828	2,465,127	1,771,025	107,960	126,703
Beginning net position	<u>41,631,033</u>	<u>15,817,847</u>	<u>34,877,992</u>	<u>7,198,663</u>	<u>2,270,091</u>
Total net position - End of year	<u>\$ 54,838,861</u>	<u>\$ 18,282,974</u>	<u>\$ 36,649,017</u>	<u>\$ 7,306,623</u>	<u>\$ 2,396,794</u>

## Condensed Schedule of Cash Flows by Segment

	Water Reclamation				
	Water	Lakeview	Riverbend/Doe Branch	Peninsula	Non-Potable
Net cash provided (used) by:					
Operating activities	\$ 23,576,364	\$ 4,468,896	\$ 3,388,452	\$ 322,896	\$ 118,307
Capital and related financing activities	(23,444,949)	(5,367,891)	4,356,941	(708,756)	10,002
Investing activities	<u>(8,937,195)</u>	<u>491,357</u>	<u>(808,289)</u>	<u>8,110</u>	<u>253,987</u>
Net increase (decrease)	(8,805,780)	(407,638)	6,937,104	(377,750)	382,296
Cash and cash equivalents — beginning of year	<u>73,861,581</u>	<u>10,132,908</u>	<u>34,752,552</u>	<u>1,795,010</u>	<u>428,959</u>
Cash and cash equivalents — end of year	<u>\$ 65,055,801</u>	<u>\$ 9,725,270</u>	<u>\$ 41,689,656</u>	<u>\$ 1,417,260</u>	<u>\$ 811,255</u>

## 11. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; workers' compensation; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are managed through the purchase of commercial insurance policies. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. The District has a partially self-funded health care insurance program. This is subject to stop-loss of \$35,000 per year per covered person. The District had estimated partially self-funded health insurance liabilities as follows:

	Year ended 9/30/17	Year ended 9/30/16	Year ended 9/30/15
Unpaid claims, beginning of fiscal year	\$ 136,000	\$ 115,001	\$ 69,000
Incurred claims ( including IBNRs)	1,071,212	970,914	994,047
Claim payments	<u>(989,211)</u>	<u>(949,915)</u>	<u>(948,046)</u>
Unpaid claims, end of fiscal year	<u>\$ 218,001</u>	<u>\$ 136,000</u>	<u>\$ 115,001</u>

No significant reductions in insurance coverage have occurred. No settlements have exceeded coverage in the past three years.

## 12. COMMITMENTS AND CONTINGENCIES

The District frequently enters into contractual commitments for construction of water and wastewater facilities, pipelines and other related construction costs. Commitments for construction projects not completed at September 30, 2017, had a total contracted amount of \$63,761,580 of which \$36,935,808 has been spent. Funds to pay these obligations are provided by debt proceeds, internally generated capital (Non-Bond Reserve Funds) and from entities that participate in projects

The District from time to time is the condemnor in eminent domain cases and is subject to other suits in the normal course of business, for which the ultimate cost is unknown. The exposure to the District in condemnation matters depends on testimony as to the value of the right taken. Management does not expect the potential exposure in these cases to be material, and has not recorded an accrual at September 30, 2017.

## 13. NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued the following statements that are not yet effective:

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement is effective for the District beginning in fiscal year ending September 30, 2018.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement is effective for the District beginning in fiscal year ending September 30, 2018.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement is effective for the District beginning in fiscal year ending September 30, 2019.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement is effective for the District beginning in fiscal year ending September 30, 2019.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. This Statement is effective for the District beginning in fiscal year ending September 30, 2018.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement is effective for the District beginning in fiscal year ending September 30, 2018.

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement is effective for the District beginning in fiscal year ending September 30, 2020.

Management has not yet determined the impact of these statements on the basic financial statements.

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**SUPPLEMENTAL SYSTEM AND PROJECT SCHEDULES**

UPPER TRINITY REGIONAL WATER DISTRICT

COMBINING SCHEDULE OF NET POSITION - SYSTEMS AND PROJECTS  
September 30, 2017

	Water Reclamation				Non-Potable Water System	Solid Waste Household Hazardous Waste Program	Administration and Project Development			Total	Component Unit
	Water Regional Treated Water System	Lakeview Water Reclamation System	Riverbend and Doe Branch Water Reclamation Plants	Peninsula Water Reclamation Plant			Growth Project	Administration and Capital Projects	Intersystem Elimination		
<b>ASSETS</b>											
<b>CURRENT ASSETS:</b>											
Cash and cash equivalents	\$ 23,165,348	\$ 5,926,482	\$ 2,878,900	\$ 922,810	\$ 495,409	\$ 160,863	\$ 54,903	\$ 974,817	\$	\$ 34,579,532	\$ 54,414
Investments	4,999,855									4,999,855	
Accounts receivable	6,250,684	747,979	1,696,176	67,392	107,545			9,931		8,879,707	
Interest receivable	6,031	324	1,742	593	446			10,429		19,565	60
Intersystem notes receivable	2,628,697							293,712	(2,922,409)		
Prepaid expenses	17,732	7,137	8,127	730	81	26		21,743		55,576	
Restricted assets:											
Self-Insured Reserve Fund:											
Cash and cash equivalents	861,099	191,791	232,933	39,111	2,012			16,332		1,343,278	
Total current assets	<u>37,929,446</u>	<u>6,873,713</u>	<u>4,817,878</u>	<u>1,030,636</u>	<u>605,493</u>	<u>160,889</u>	<u>54,903</u>	<u>1,326,964</u>	<u>(2,922,409)</u>	<u>49,877,513</u>	<u>54,474</u>
<b>NON-CURRENT ASSETS:</b>											
Contractual Agreements Receivable	2,255,379									2,255,379	
Restricted assets:											
Board Participation:											
Cash and cash equivalents	889,740									889,740	
Cash held in escrow	7,879,386									7,879,386	
SWIFT:											
Cash and cash equivalents	4,352,301									4,352,301	
Cash held in escrow	23,317,722									23,317,722	
Construction Fund:											
Cash and cash equivalents	1,247,859	2,232,972	31,020,428	7,621	313,834					34,822,714	
TWDB Dfund cash held in escrow			1,504,917							1,504,917	
Investments											
Debt Reserve Fund:											
Cash and cash equivalents	2,235,802	1,200,700	2,061,143	443,395						5,941,040	
Investments	8,973,287	994,063	994,063							10,961,413	
I & S Reserve Fund:											
Cash and cash equivalents	1,106,544	173,326	3,991,335	4,325						5,275,530	
Total Non-current assets	<u>52,258,020</u>	<u>4,601,061</u>	<u>39,571,886</u>	<u>455,341</u>	<u>313,834</u>					<u>97,200,142</u>	
<b>CAPITAL ASSETS:</b>											
Land	10,214,078	1,254,432	2,100,866	213,113	27,966			24,961		13,835,416	
Buildings	1,304,849	77,670	62,136	15,534	7,767			139,037		1,606,993	
Furniture and equipment	2,030,590	1,421,661	424,673	107,822	7,776			479,250		4,471,772	
Plant/pipeline facilities	245,541,099	47,875,773	55,041,712	9,152,537	2,671,238					360,282,359	
Leased assets											
Water rights	8,801,511									8,801,511	
Reservoirs	1,556,416									1,556,416	
Less accumulated depreciation	(100,852,798)	(18,728,216)	(7,646,480)	(3,247,496)	(1,201,650)			(251,000)		(131,927,640)	
Construction in progress:											
Land	999,443		78	43						999,564	
Reservoir land	19,423,487									19,423,487	
Other construction costs	34,019,417	3,903,740	15,799,539	934,599				173,351		54,830,646	
Total capital assets	<u>223,038,092</u>	<u>35,805,060</u>	<u>65,782,524</u>	<u>7,176,152</u>	<u>1,513,097</u>			<u>565,599</u>		<u>333,880,524</u>	
Total Non-current assets	<u>275,296,112</u>	<u>40,406,121</u>	<u>105,354,410</u>	<u>7,631,493</u>	<u>1,826,931</u>			<u>565,599</u>		<u>431,080,666</u>	
<b>TOTAL ASSETS</b>	<b>\$ 313,225,558</b>	<b>\$ 47,279,834</b>	<b>\$ 110,172,288</b>	<b>\$ 8,662,129</b>	<b>\$ 2,432,424</b>	<b>\$ 160,889</b>	<b>\$ 54,903</b>	<b>\$ 1,892,563</b>	<b>\$ (2,922,409)</b>	<b>\$ 480,958,179</b>	<b>\$ 54,474</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>											
Loss on debt refunding	1,717,594	162,967								1,880,561	
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>	<b>\$ 1,717,594</b>	<b>\$ 162,967</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$ 1,880,561</b>	

(Continued)

UPPER TRINITY REGIONAL WATER DISTRICT

COMBINING SCHEDULE OF NET POSITION - SYSTEMS AND PROJECTS  
September 30, 2017

	Water				Administration and Project Development					Total	Component Unit
	Regional Treated Water System	Lakeview Water Reclamation System	Riverbend and Doe Branch Water Reclamation Plants	Peninsula Water Reclamation Plant	Non-Potable Water System	Solid Waste Household Hazardous Waste Program	Growth Project	Administration and Capital Projects	Intersystem Elimination		
<b>LIABILITIES AND NET POSITION</b>											
<b>LIABILITIES</b>											
Current liabilities:											
Accounts payable	\$ 2,727,559	\$ 215,098	\$ 4,017,444	\$ 26,731	\$ 23,992	\$ 7		\$ 71,456		\$ 7,082,287	\$ 7,728
Unearned revenue	484,401	100								484,501	200
Accrued wages & benefits	256,481	91,968	70,981	6,360	982	20		232,237		659,029	
Other current liabilities				19,756						19,756	
Intersystem notes payable		144,436	2,424,330	240,991	9,388			103,264	(2,922,409)		
Liabilities payable from restricted assets:											
Accrued interest payable	1,134,810	173,233	400,622	4,157						1,712,822	
Construction retainage payable	259,655	106,324	1,164,519	31,121						1,561,619	
Current portion of long-term bonds	13,525,000	2,030,000	565,000	45,000						16,165,000	
Current portion of water supply obligation	97,045									97,045	
Current portion of long-term accrued interest			113,315							113,315	
Unpaid self-insurance claims	139,747	31,126	37,803	6,347	327			2,651		218,001	
Total current liabilities	18,624,698	2,792,285	8,794,014	380,463	34,689	27		409,608	(2,922,409)	28,113,375	7,928
Non-current liabilities, net of current portion											
Long-term bonds	199,549,870	26,256,467	50,952,762	971,197						277,730,296	
Long-term board /state participation	15,565,000		2,100,000							17,665,000	
Commercial paper payable	19,950,000									19,950,000	
Long-term water supply obligation	4,983,282									4,983,282	
Long-term accrued compensated absences	298,211	111,075	76,254	3,846	941			295,504		785,831	
Notes payable			11,260,297							11,260,297	
Long-term accrued interest	1,133,230		339,944							1,473,174	
Total non-current liabilities	241,479,593	26,367,542	64,729,257	975,043	941			295,504		333,847,880	
<b>TOTAL LIABILITIES</b>	<b>260,104,291</b>	<b>29,159,827</b>	<b>73,523,271</b>	<b>1,355,506</b>	<b>35,630</b>	<b>27</b>		<b>705,112</b>	<b>(2,922,409)</b>	<b>361,961,255</b>	<b>7,928</b>
<b>NET POSITION</b>											
Net investment in capital assets	16,220,209	11,425,653	22,440,426	6,136,455	1,513,097			565,599		58,301,439	
Restricted:											
For debt service	10,047,593	2,194,856	6,192,660	443,563						18,878,672	
Contributions for capital improvements			9,484,921							9,484,921	
Unrestricted	28,571,059	4,662,465	(1,468,990)	726,605	883,697	160,862	54,903	621,852		34,212,453	46,546
<b>Total net position</b>	<b>\$ 54,838,861</b>	<b>\$ 18,282,974</b>	<b>\$ 36,649,017</b>	<b>\$ 7,306,623</b>	<b>\$ 2,396,794</b>	<b>\$ 160,862</b>	<b>\$ 54,903</b>	<b>\$ 1,187,451</b>	<b>\$</b>	<b>\$ 120,877,485</b>	<b>\$ 46,546</b>

(Concluded)

# UPPER TRINITY REGIONAL WATER DISTRICT

## COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - SYSTEMS AND PROJECTS YEAR ENDED SEPTEMBER 30, 2017

	Water				Non-Potable	Solid Waste	Administration and Project Development		Total	Component Unit
	Regional Treated Water System	Lakeview Water Reclamation System	Water Reclamation Riverbend and Doe Branch Water Reclamation Plants	Peninsula Water Reclamation Plant			Non-Potable Water System	Household Hazardous Waste Program		
<b>OPERATING REVENUES:</b>										
Charges for services	\$ 41,166,095	\$ 6,968,057	\$ 4,440,570	\$ 803,520	\$ 181,330	\$ 19,530	\$ 15,708	\$ 154,927	\$ 53,749,737	\$ 4,775
Miscellaneous income	222,772	26,546	3,648	912	14,869				268,747	
<b>Total operating revenues</b>	<b>41,388,867</b>	<b>6,994,603</b>	<b>4,444,218</b>	<b>804,432</b>	<b>196,199</b>	<b>19,530</b>	<b>15,708</b>	<b>154,927</b>	<b>54,018,484</b>	<b>4,775</b>
<b>OPERATING EXPENSES:</b>										
Operation and maintenance:										
Salaries and benefits	2,640,650	760,824	806,092	125,210	10,113	6,266		1,210	4,350,365	17,470
Water and wastewater treatment	7,119,332	220,110	269,416	25,673	24,799				7,659,330	
Lab chemicals and supplies	1,285,167	70,957	103,172	29,226					1,488,522	
Maintenance	685,361	185,281	170,869	51,906	9,970		17		1,103,404	
Utilities	1,629,597	314,132	277,990	72,209	13,917				2,307,845	
Equipment and tools	25,839	22,469	29,898	5,674					83,880	
Sludge removal		223,775	146,272	75,887					445,934	
Disposal service						15,544			15,544	
Miscellaneous	192,351	35,541	20,985	4,041	17,506				270,424	
Depreciation	6,732,164	1,446,405	905,421	228,200	61,459		35,804		9,409,453	
Overhead expenses	2,003,453	462,384	296,542	59,596	19,130	5,000	2,480		2,848,585	
Administrative/other	372,271	32,002	130,898	16,734			353		552,258	8,981
<b>Total expenses</b>	<b>22,686,185</b>	<b>3,773,880</b>	<b>3,157,555</b>	<b>694,356</b>	<b>156,894</b>	<b>26,810</b>	<b>39,864</b>	<b>30,535,544</b>	<b>26,451</b>	
<b>OPERATING INCOME (LOSS)</b>	<b>18,702,682</b>	<b>3,220,723</b>	<b>1,286,663</b>	<b>110,076</b>	<b>39,305</b>	<b>(7,280)</b>	<b>15,708</b>	<b>115,063</b>	<b>23,482,940</b>	<b>(21,676)</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>										
Equity fee income										
Operating contribution from UTRWD										26,600
Investment income/(loss)	(1,422)	(23)	(181)		275				(1,351)	
Interest income	674,368	79,631	187,697	8,703	3,069	983	404	3,950	958,805	87
Interest expense, net of capitalized interest	(6,558,159)	(833,344)	(521,646)	(6,002)					(7,919,151)	
Other non-operating Revenue	150,620								150,620	
Gain/(Loss) Disposal of Capital Assets	20,628	36,915	(3,790)	(43)	(14)			(117,390)	(63,694)	
<b>Net non-operating income (expense)</b>	<b>(5,713,965)</b>	<b>(716,821)</b>	<b>(337,920)</b>	<b>2,658</b>	<b>3,330</b>	<b>983</b>	<b>404</b>	<b>(113,440)</b>	<b>(6,874,771)</b>	<b>26,687</b>
<b>NET INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>12,988,717</b>	<b>2,503,902</b>	<b>948,743</b>	<b>112,734</b>	<b>42,635</b>	<b>(6,297)</b>	<b>16,112</b>	<b>1,623</b>	<b>16,608,169</b>	<b>5,011</b>
Contributions	147,183		894,292		85,803				1,127,278	
Transfers (to)/from other systems and projects	71,928	(38,775)	(72,010)	(4,774)	(1,735)		(15,710)	61,076		
<b>CHANGE IN NET POSITION</b>	<b>13,207,828</b>	<b>2,465,127</b>	<b>1,771,025</b>	<b>107,960</b>	<b>126,703</b>	<b>(6,297)</b>	<b>402</b>	<b>62,699</b>	<b>17,735,447</b>	<b>5,011</b>
<b>TOTAL NET POSITION - beginning of year</b>	<b>41,631,033</b>	<b>15,817,847</b>	<b>34,877,992</b>	<b>7,198,663</b>	<b>2,270,091</b>	<b>167,159</b>	<b>54,501</b>	<b>1,124,752</b>	<b>103,142,038</b>	<b>41,535</b>
<b>TOTAL NET POSITION - end of year</b>	<b>\$ 54,838,861</b>	<b>\$ 18,282,974</b>	<b>\$ 36,649,017</b>	<b>\$ 7,306,623</b>	<b>\$ 2,396,794</b>	<b>\$ 160,862</b>	<b>\$ 54,903</b>	<b>\$ 1,187,451</b>	<b>\$ 120,877,485</b>	<b>\$ 46,546</b>

UPPER TRINITY REGIONAL WATER DISTRICT

COMBINING SCHEDULE OF CASH FLOWS - SYSTEMS AND PROJECTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Water Regional Treated Water System	Lakeview Water Reclamation System	Water Reclamation Northeast Water Reclamation Riverbend/Doe Branch Plants	Peninsula Water Reclamation Plant
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 39,845,792	\$ 6,821,604	\$ 4,278,538	\$ 812,088
Cash paid to vendors	(12,211,025)	(1,286,308)	130,481	(323,302)
Cash paid to employees	(4,058,403)	(1,066,400)	(1,020,567)	(165,890)
Net cash provided by (used in) operating activities	23,576,364	4,468,896	3,388,452	322,896
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Property additions	(12,583,179)	(2,190,257)	(14,856,069)	(667,566)
Contributions received			894,292	
Bond proceeds	18,179,960		22,485,083	
Bond escrow proceeds			1,504,917	
Bond principal payments	(11,750,000)	(2,020,000)	(145,000)	(40,000)
Water supply obligation	(93,988)			
Commercial paper proceeds (accumulated gross see note #6)	175,450,000			
Commercial paper payments (accumulated gross see note #6)	(188,950,000)			
Interfund Notes Receivable	3,538,561			
Interfund Notes Payable		(17,715)	(3,447,493)	31,841
Notes payable payments			(534,150)	
Payment of interest and related fees	(7,308,231)	(1,101,143)	(1,359,313)	(28,255)
Payment of long-term accrued interest			(113,315)	
Transfer to UTCT				26,600
Equity Fees and Other				200
Interfund transfers	71,928	(38,775)	(72,010)	(4,774)
Net cash provided by (used in) capital and related financing activities	(23,444,949)	(5,367,890)	4,356,942	(708,754)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	566,571	78,313	178,614	8,110
Purchase of Investments	(18,853,766)	(2,486,956)	(2,486,904)	
Maturity of Investments	9,350,000	2,900,000	1,500,000	
Net cash provided by (used in) investing activities	(8,937,195)	491,357	(808,290)	8,110
Increase (decrease) in cash and cash equivalents	(8,805,780)	(407,637)	6,937,104	(377,748)
Cash and cash equivalents, beginning of year	73,861,581	10,132,908	34,752,552	1,795,010
Cash and cash equivalents, end of year	\$ 65,055,801	\$ 9,725,271	\$ 41,689,656	\$ 1,417,262

	Non-Potable Water System	Solid Waste Household Hazardous Waste Program	Administration and Project Development		Intersystem Elimination	Totals	Component Unit
			Growth Fund Project	Administration and Capital Projects			
CASH FLOWS FROM OPERATING ACTIVITIES:							
Cash received from customers	\$ 195,244	\$ 19,588	\$ 15,708	\$ 144,996	\$	\$ 52,133,558	\$ 4,775
Cash paid to vendors	(66,558)	(27,617)		52,407		(13,731,922)	(14,645)
Cash paid to employees	(10,379)	(6,295)		(28,297)		(6,356,231)	(17,470)
Net cash provided by (used in) operating activities	118,307	(14,324)	15,708	169,106		32,045,405	(27,340)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Property additions	8,527			29,064		(30,259,480)	
Contributions received						894,292	
Bond proceeds						40,665,043	
Bond escrow proceeds						1,504,917	
Bond principal payments						(13,955,000)	
Water supply obligation						(93,988)	
Commercial paper proceeds (accumulated gross see note #6)						175,450,000	
Commercial paper payments (accumulated gross see note #6)						(188,950,000)	
Interfund Notes Receivable						3,394,849	
Interfund Notes Payable	3,210			(143,712)		(3,394,849)	
Notes payable payments				35,308		(534,150)	
Payment of interest and related fees						(9,796,942)	
Payment of long-term accrued interest						(113,315)	
Transfer to UTCT							26,600
Equity Fees and Other							200
Interfund transfers	(1,735)		(15,710)	61,076			
Net cash provided by (used in) capital and related financing activities	10,002		(15,710)	(18,264)		(25,188,623)	26,800
CASH FLOWS FROM INVESTING ACTIVITIES:							
Interest income	3,987	983	404	(6,479)		830,503	27
Purchase of Investments						(23,827,626)	
Maturity of Investments	250,000					14,000,000	
Net cash provided by (used in) investing activities	253,987	983	404	(6,479)		(8,997,123)	27
Increase (decrease) in cash and cash equivalents	382,296	(13,341)	402	144,363		(2,140,341)	(513)
Cash and cash equivalents, beginning of year	428,959	174,204	54,501	846,786		122,046,501	54,927
Cash and cash equivalents, end of year	\$ 811,255	\$ 160,863	\$ 54,903	\$ 991,149	\$	\$ 119,906,160	\$ 54,414

(Continued)



UPPER TRINITY REGIONAL WATER DISTRICT

COMBINING SCHEDULE OF CASH FLOWS - SYSTEMS AND PROJECTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Water	Water Reclamation		
	Regional Treated Water System	Lakeview Water Reclamation System	Northeast Water Reclamation Riverbend/Doe Branch Plants	Peninsula Water Reclamation Plant
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income (loss)	\$ 18,702,682	\$ 3,220,723	\$ 1,286,663	\$ 110,076
Adjustments to reconcile operating income to net cash flows from operating activities:				
Depreciation and amortization	6,732,164	1,446,405	905,421	228,200
Change in accounts receivable	(1,543,075)	(172,999)	(165,680)	7,656
Change in accounts payable	(456,169)	(113,834)	1,308,108	(35,726)
Change in deferred revenue	(117,695)			
Change in accrued wages	116,291	48,471	12,587	4,953
Change in other current assets	142,166	40,130	41,353	7,737
Total adjustments	4,873,682	1,248,173	2,101,789	212,820
Net cash provided by (used in) operating activities	\$ 23,576,364	\$ 4,468,896	\$ 3,388,452	\$ 322,896
Non-cash Item:				
Change in fair value of investments	\$ 108,493	\$ 4,560	\$ 4,525	\$ -
Capitalized interest	608,866	163,966	1,003,945	22,000
Amortization of bond discount			(3,282)	
Amortization of bond refunding loss	(368,798)	(16,469)		
Amortization of bond premium	1,201,931	108,969		120
Accounts payable relating to construction	(400,925)	4,355	1,303,281	(22,008)

	Non-Potable	Solid Waste	Administration and Project Development		Intersystem Elimination	Totals	Component Unit
	Non-Potable Water System	Household Hazardous Waste Program	Growth Fund Project	Administration and Capital Projects			
	\$ 39,305	\$ (7,280)	\$ 15,708	\$ 115,063		\$ 23,482,940	\$ (21,676)
	61,459			35,804		9,409,453	
	(955)	58		(9,931)		(1,884,926)	
	17,323	(7,318)		(63,652)		648,732	(5,664)
	(266)	(29)		(27,087)		(117,695)	
	1,441	245		118,909		154,920	
	79,002	(7,044)		54,043		351,981	-
	\$ 118,307	\$ (14,324)	\$ 15,708	\$ 169,106	\$ -	\$ 32,045,405	\$ (27,340)
	\$ 287	\$ -	\$ -	\$ -	\$ -	\$ 117,864	\$ -
						1,798,777	
						(3,282)	
						(385,267)	
						1,311,020	
						884,703	

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STATISTICAL SECTION  
(Unaudited)

**Financial Trends** – These schedules contain trend information to help the reader understand how the District’s financial performance and well-being have changed over time.

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Schedule 1 – Net Position .....	44
Schedule 2 – Changes in Net Position .....	45

**Revenue Capacity** – These schedules contain trend information to help the reader understand the Districts’s revenue sources.

Schedule 3 – Revenue by Service .....	46
Schedule 4 – Revenue Rates .....	47
Schedule 5 – Revenue Payers .....	48-49

**Debt Capacity** – These schedules contain trend information to help the reader understand the District’s outstanding debt, the capacity to repay that debt, and the ability to issue additional debt in the future.

Schedule 6 – Debt Service to Total Expense .....	50
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**Demographic Information** – This schedule offers demographic information to help the reader understand the environment within which the District’s financial activities take place.

Schedule 9 – Principal Employers in County Served.....	53
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**Operating Information** – These schedules assist the reader in evaluating the size, efficiency, and effectiveness of the District.

Schedule 11 – District Employees by Function.....	55
Schedule 12 – Operating Indicators by System .....	56
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UPPER TRINITY REGIONAL WATER DISTRICT

SCHEDULE 1 - NET POSITION  
 LAST TEN FISCAL YEARS  
 (ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Net investment in capital assets	\$ 58,301,439	\$ 48,182,131	\$ 34,354,599	\$ 19,179,156	\$ 18,553,606	\$ 9,705,365	\$ 6,362,662	\$ 7,374,969	\$ 9,360,283	\$ 6,928,379
Restricted:										
For debt service	18,878,672	17,593,749	14,123,967	14,843,645	14,237,237	14,547,560	6,330,065	4,414,206	4,210,642	2,290,511
Contributions for capital improvements	9,484,921	15,792,791	8,280,146	14,074,925						
Unrestricted	34,212,453	21,573,367	17,276,369	12,333,635	10,315,948	11,659,576	17,443,778	11,437,509	6,170,797	10,111,067
Total Net Position	\$ 120,877,485	\$ 103,142,038	\$ 74,035,081	\$ 60,431,361	\$ 43,106,791	\$ 35,912,501	\$ 30,136,505	\$ 23,226,684	\$ 19,741,722	\$ 19,329,957
% change from prior year	17%	39%	23%	40%	20%	19%	30%	18%	2%	9%

Source: UTRWD Comprehensive Annual Financial Report

UPPER TRINITY REGIONAL WATER DISTRICT

SCHEDULE 2 - CHANGES IN NET POSITION  
 LAST TEN FISCAL YEARS  
 (ACCRUAL BASIS OF ACCOUNTING)

	2017	2016	2015	2014	Fiscal Year		2011	2010	2009	2008
					2013	2012				
<b>Operating Revenues</b>										
Charges for services	\$ 53,749,737	\$ 51,445,158	\$ 47,000,481	\$ 43,626,393	\$ 41,789,296	\$ 40,774,563	\$ 40,110,762	\$ 37,957,932	\$ 35,186,375	\$ 32,750,527
Miscellaneous Income	268,747	173,514	276,904	125,263	118,061	70,385	49,924	89,023	744,799	473
<b>Total Operating Revenues</b>	<b>\$ 54,018,484</b>	<b>\$ 51,618,672</b>	<b>\$ 47,277,385</b>	<b>\$ 43,751,656</b>	<b>\$ 41,907,357</b>	<b>\$ 40,844,948</b>	<b>\$ 40,160,686</b>	<b>\$ 38,046,955</b>	<b>\$ 35,931,174</b>	<b>\$ 32,751,000</b>
<b>Operating Expenses</b>										
Water/Wastewater Treatment	\$ 12,009,695	\$ 11,702,578	\$ 8,658,156	\$ 9,230,839	\$ 8,455,278	\$ 8,257,044	\$ 8,198,525	\$ 7,313,063	\$ 7,105,174	\$ 7,131,311
Utilities	2,307,845	2,172,681	2,181,651	2,371,989	2,529,313	2,495,730	2,572,745	2,258,201	2,422,982	2,508,683
Chemicals	1,488,522	1,513,111	1,301,614	1,046,790	1,073,818	1,009,471	1,204,492	1,021,823	1,178,386	1,106,331
Depreciation & Amortization	9,409,453	9,031,406	8,850,626	8,982,059	9,225,989	9,429,899	9,821,882	9,619,055	10,417,152	6,489,304
Other	5,320,029	4,904,400	4,494,530	4,350,063	4,297,377	4,128,268	3,705,929	4,001,836	4,012,754	4,223,259
<b>Total Operating Expenses</b>	<b>\$ 30,535,544</b>	<b>\$ 29,324,176</b>	<b>\$ 25,486,577</b>	<b>\$ 25,981,740</b>	<b>\$ 25,581,775</b>	<b>\$ 25,320,412</b>	<b>\$ 25,503,573</b>	<b>\$ 24,213,978</b>	<b>\$ 25,136,448</b>	<b>\$ 21,458,888</b>
<b>Operating Income</b>	<b>\$ 23,482,940</b>	<b>\$ 22,294,496</b>	<b>\$ 21,790,808</b>	<b>\$ 17,769,916</b>	<b>\$ 16,325,582</b>	<b>\$ 15,524,536</b>	<b>\$ 14,657,113</b>	<b>\$ 13,832,977</b>	<b>\$ 10,794,726</b>	<b>\$ 11,292,112</b>
<b>Other Changes in Net Position</b>										
Equity Fees	\$ -	\$ -	\$ 60,000	\$ 20,000	\$ -	\$ -	\$ 160,000	\$ -	\$ -	\$ 317,522
Investment Income (Loss)	(1,351)	3,289	92,346	46,934	(153,335)	4,923	12,768	(9,083)	15,567	(9,597)
Interest Income	958,805	549,894	359,161	357,332	349,145	429,045	613,390	699,015	944,358	1,658,729
Interest Expense and fiscal charges	(7,919,151)	(8,694,166)	(9,252,633)	(9,888,248)	(9,495,377)	(10,324,702)	(10,552,215)	(11,810,537)	(12,088,201)	(12,780,613)
Other non-operating revenue	150,620	-	-	-	-	-	-	384,000	-	-
Contributions	1,127,278	14,930,004	709,522	16,298,898	547,136	571,702	2,486,934	345,855	776,900	1,052,982
Gain (Loss) on disposal of capital asset	(63,694)	23,440	(155,484)	(83,794)	(378,861)	(429,508)	(468,169)	42,735	(31,585)	1,878
<b>Total Other Changes in Net Position</b>	<b>\$ (5,747,493)</b>	<b>\$ 6,812,461</b>	<b>\$ (8,187,088)</b>	<b>\$ 6,751,142</b>	<b>\$ (9,131,292)</b>	<b>\$ (9,748,540)</b>	<b>\$ (7,747,292)</b>	<b>\$ (10,348,015)</b>	<b>\$ (10,382,961)</b>	<b>\$ (9,759,099)</b>
<b>Total Change in Net Position</b>	<b>\$ 17,735,447</b>	<b>\$ 29,106,957</b>	<b>\$ 13,603,720</b>	<b>\$ 24,521,058</b>	<b>\$ 7,194,290</b>	<b>\$ 5,775,996</b>	<b>\$ 6,909,821</b>	<b>\$ 3,484,962</b>	<b>\$ 411,765</b>	<b>\$ 1,533,013</b>

Source: UTRWD Comprehensive Annual Financial Report

**UPPER TRINITY REGIONAL WATER DISTRICT**

**SCHEDULE 3 - OPERATING REVENUE BY SERVICE PROVIDED  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Water Services</b>	<b>Water Reclamation</b>	<b>Non-Potable</b>	<b>Solid Waste</b>	<b>Administration and Project Development</b>	<b>Other Revenue</b>	<b>Total</b>
2008	\$26,062,896	\$ 5,781,166	\$ 340,586	\$417,895	\$ 147,984	\$ 473	\$ 32,751,000
2009	\$28,128,208	\$ 6,490,333	\$ 331,490	\$131,465	\$ 104,879	\$744,799	\$ 35,931,174
2010	\$29,526,583	\$ 7,756,159	\$ 337,622	\$140,166	\$ 197,402	\$ 89,023	\$ 38,046,955
2011	\$32,165,111	\$ 7,340,130	\$ 355,511	\$127,438	\$ 122,572	\$ 49,924	\$ 40,160,686
2012	\$32,424,268	\$ 7,823,019	\$ 337,011	\$ 61,564	\$ 128,701	\$ 70,385	\$ 40,844,948
2013	\$33,296,713	\$ 8,025,167	\$ 333,595	\$ 5,218	\$ 128,603	\$118,061	\$ 41,907,357
2014	\$34,421,728	\$ 8,708,511	\$ 336,304	\$ 15,864	\$ 143,986	\$125,263	\$ 43,751,656
2015	\$36,447,257	\$10,048,624	\$ 336,683	\$ 13,842	\$ 154,075	\$276,904	\$ 47,277,385
2016	\$39,413,117	\$11,610,202	\$ 244,142	\$ 24,310	\$ 153,387	\$173,514	\$ 51,618,672
2017	\$41,166,095	\$12,212,147	\$ 181,330	\$ 19,530	\$ 170,635	\$268,747	\$ 54,018,484

Source: UTRWD Comprehensive Annual Financial Report

UPPER TRINITY REGIONAL WATER DISTRICT

SCHEDULE 4 - REVENUE RATES BY SYSTEM  
LAST TEN FISCAL YEARS

WATER			WATER RECLAMATION						NON-POTABLE			SOLID WASTE		
Regional Treated Water System			Lakeview Water Reclamation System			Northeast Water Reclamation System				Non-Potable Water System			Regional Biosolids Program	Household Hazardous Waste Program
Member Rate Volume Per 1,000 Gallons Winter/Summer	Demand Per subscribed mgd per Year (1)	Member Rate Volume Per 1,000 Gallons	Member Rate Transportation Per 1,000 Gallons (3)	Joint Capital/Fixed O&M (2) Per subscribed mgd per Year (1)	Riverbend		Peninsula		Member Rate Treated Effluent Per 1,000 Gallons	Member Rate Raw Water Per 1,000 Gallons	Demand Per Year	Landfill Rate Per Cubic Yard	Per Household	
					Member Rate Volume Per 1,000 Gallons	Joint Capital/Fixed O&M (2) Per subscribed mgd per Year (1)	Member Rate Volume Per 1,000 Gallons	Joint Capital/Fixed O&M (2) Per subscribed mgd per Year (1)						
2008	\$0.76/\$0.76	\$290,000	\$1.42	\$0.08	\$390,000	\$1.56	\$175,000	\$1.56	\$528,600	\$0.25	\$0.48	\$305,000	\$37.80	\$80
2009	\$0.83/\$0.83	\$308,095	\$1.51	\$0.09	\$425,100	\$1.70	\$189,050	\$1.70	\$290,000	\$0.25	\$0.51	\$307,000	Discontinued	\$80
2010	\$0.86/\$0.86	\$324,970	\$1.62	\$0.11	\$447,900	\$1.75	\$203,000	\$1.75	\$290,000	\$0.28	\$0.54	\$315,000	Discontinued	\$84
2011	\$0.86/\$0.86	\$342,365	\$1.63	\$0.12	\$482,900	\$1.75	\$246,645	\$1.75	\$290,000	\$0.28	\$0.54	\$315,000	Discontinued	\$88
2012	\$0.86/\$0.86	\$355,935	\$1.70	\$0.12	\$500,000	\$1.75	\$275,600	\$1.75	\$290,000	\$0.28	\$0.54	\$307,000	Discontinued	\$88
2013	\$0.86/\$0.86	\$370,055	\$1.76	\$0.12	\$515,250	\$1.75	\$290,900	\$1.75	\$296,500	\$0.28	\$0.54	\$307,000	Discontinued	\$88
2014	\$0.95/\$0.95	\$373,265	\$1.90	\$0.12	\$515,250	\$1.75	\$315,050	\$1.75	\$310,600	\$0.29	\$0.62	\$307,000	Discontinued	\$88
2015	\$0.94/\$0.94	\$388,110	\$1.75		\$625,300	\$1.80	\$327,500	\$1.80	\$330,000	\$0.29	\$0.65	\$307,000	Discontinued	\$88
2016	\$1.09/\$1.09	\$398,110	\$1.50		\$174,250	\$1.50	\$390,000	\$1.50	\$430,000	\$0.29	\$0.91	\$225,000	Discontinued	\$88
2017	\$1.11/\$1.11	\$411,500	\$1.25		\$392,200	\$1.25	\$490,000	\$1.25	\$597,500	\$0.54	\$1.00	\$150,000	Discontinued	\$88

Note:

- (1) mgd is million gallons per day.
- (2) fixed O&M charges introduced in FY2016
- (3) transportation charge discontinued in FY2015

Source: UTRWD Annual Operating and Capital Budgets

**UPPER TRINITY REGIONAL WATER DISTRICT**

**SCHEDULE 5 - PRINCIPAL REVENUE PAYERS  
CURRENT YEAR AND NINE YEARS PRIOR**

**REGIONAL TREATED WATER SYSTEM**

Payer	2017		2008	
	Water Revenue Received	Percentage of Total Water Revenue	Water Revenue Received	Percentage of Total Water Revenue
Town of Flower Mound	\$ 15,931,019	38.49%	\$ 10,437,238	40.05%
City of Corinth	4,236,388	10.24%	2,973,076	11.41%
Lake Cities Municipal Authority	2,179,234	5.27%	1,497,881	5.75%
Highland Village	2,120,830	5.12%	1,459,162	5.60%
DCFWSD#7 (1)	2,007,325	4.85%	1,244,490	4.78%
Mustang Special Utility District	1,838,582	4.44%	1,213,447	4.66%
DCFWSD#1A (1)	1,835,310	4.43%	994,903	3.82%
City of Celina	1,683,028	4.07%	932,085	3.58%
DCFWSD#11 (1)	1,657,054	4.00%	886,897	3.40%
DCFWSD#10 (1)	1,454,382	3.51%	855,235	3.28%
Total attributable to ten largest payers:	<u>\$ 34,943,152</u>	<u>84.42%</u>	<u>\$ 22,494,414</u>	<u>86.33%</u>
Total Water Revenue	\$ 41,388,867	100.00%	\$ 26,061,569	100.00%

**LAKEVIEW REGIONAL WATER RECLAMATION SYSTEM**

Payer	2017		2008	
	Lakeview Revenue Received	Percentage of Total Lakeview Revenue	Lakeview Revenue Received	Percentage of Total Lakeview Revenue
Highland Village	\$ 2,149,092	30.73%	\$ 1,529,458	33.49%
City of Corinth	1,959,588	28.02%	1,286,864	28.18%
DCFWSD#7 (1)	1,430,054	20.45%	1,052,262	23.04%
Lake Cities Municipal Authority	1,364,605	19.51%	645,829	14.14%
Town of Bartonville	39,283	0.56%	22,986	0.50%
Town of Double Oak	21,221	0.30%	18,225	0.40%
Total attributable to six largest payers:	<u>\$ 6,963,843</u>	<u>99.57%</u>	<u>\$ 4,555,624</u>	<u>99.75%</u>
Total Lakeview Revenue	\$ 6,994,603	100.00%	\$ 4,566,921	100.00%

Note: (1) DCFWSD is Denton County Fresh Water Supply District

Source: UTRWD Business Department



UPPER TRINITY REGIONAL WATER DISTRICT

SCHEDULE 5 - PRINCIPAL REVENUE PAYERS  
CURRENT YEAR AND NINE YEARS PRIOR

NORTHEAST REGIONAL WATER RECLAMATION SYSTEM

Payer	2017				Percentage of Total Northeast Revenue		2008			
	Northeast Revenue Received						Northeast Revenue Received			
	Riverbend/ Doe Branch	Peninsula	Total			Riverbend/ Doe Branch	Peninsula	Total	Percentage of Total Northeast Revenue	
Celina	\$ 1,281,910	\$ -	\$ 1,281,910	24.42%	DCFWSD#9 (1)	\$ 353,402	\$ -	\$ 353,402	29.06%	
Mustang Special Utility District	228,413	803,520	1,031,933	19.66%	DCFWSD#8 (1)	264,328	-	264,328	21.74%	
DCFWSD#10 (1)	747,591	-	747,591	14.24%	DCFWSD#10 (1)	177,494	-	177,494	14.60%	
Town of Providence Village	613,728	-	613,728	11.69%	Cross Oak Ranch	-	152,320	152,320	12.53%	
DCFWSD#11 (1)	533,387	-	533,387	10.16%	Oak Point	-	122,843	122,843	10.10%	
Prosper	527,627	-	527,627	10.05%	DCFWSD#11 (1)	94,484	-	94,484	7.77%	
DCFWSD#8 (1)	507,914	-	507,914	9.68%	Lincoln Park	35,729	-	35,729	2.94%	
Total attributable to nine largest payers:	\$ 4,440,570	\$ 803,520	\$ 5,244,090	99.90%	Mustang Special Utility District	10,159	5,285	15,445	1.26%	
Total Northeast Revenue	\$ 4,444,218	\$ 804,432	\$ 5,248,650	100.00%	Total Northeast Revenue	\$ 935,596	\$ 280,449	\$ 1,216,045	100.00%	

Note: (1) DCFWSD is Denton County Fresh Water Supply District

Source: UTRWD Business Department

(Concluded)

UPPER TRINITY REGIONAL WATER DISTRICT

SCHEDULE 6 - RATIO OF REVENUE BOND AND STATE PARTICIPATION DEBT SERVICE TO TOTAL EXPENSES  
LAST TEN FISCAL YEARS

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Principal	\$ 13,955,000	\$ 14,865,000	\$ 14,360,000	\$ 13,145,000	\$ 12,665,000	\$ 10,340,000	\$ 10,125,000	\$ 7,875,000	\$ 6,805,000	\$ 6,450,000
Interest	9,910,257	11,310,916	9,787,938	11,007,204	9,532,511	10,448,765	13,437,715	13,291,744	13,357,454	13,701,155
Total Debt Service	\$ 23,865,257	\$ 26,175,916	\$ 24,147,938	\$ 24,152,204	\$ 22,197,511	\$ 20,788,765	\$ 23,562,715	\$ 21,166,744	\$ 20,162,454	\$ 20,151,155
Total Expenses	\$ 43,953,410	\$ 45,663,745	\$ 40,238,416	\$ 41,200,344	\$ 37,642,512	\$ 36,337,373	\$ 38,348,484	\$ 38,284,917	\$ 35,131,363	\$ 33,888,301
Ratio of Debt Service to Total Expenses	54.30%	57.32%	60.01%	58.62%	58.97%	57.21%	61.44%	55.29%	57.39%	59.46%

Source: UTRWD Comprehensive Annual Financial Report - Operating expenses (Cash Basis) plus debt service from Statement of Cash Flows

SCHEDULE 7 - OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenue Bonds	\$ 285,060,000	\$ 256,975,000	\$ 232,865,000	\$ 229,605,000	\$ 228,785,000	\$ 241,450,000	\$ 201,750,000	\$ 178,420,000	\$ 186,010,000	\$ 192,815,000
Discount	(32,238)	(35,520)	(235,797)	(262,777)						
Premium	8,867,534	10,048,594	6,947,771	3,051,226						
Board /State Participation	17,665,000	17,665,000	2,100,000	2,100,000	2,100,000	2,100,000	29,600,000	55,521,165	55,521,165	55,521,165
Commercial Paper	19,950,000	33,450,000	28,050,000	37,050,000	31,550,000	23,550,000	36,550,000	33,350,000	22,350,000	19,350,000
Lease Obligation								534	8,450	22,138
Long-term Water Supply Obligation	5,080,327	5,174,315	5,265,341	5,353,500	5,438,881	5,521,572	5,601,659	5,679,222	5,754,341	5,827,094
Notes Payable	11,260,297	11,794,447	12,319,147	12,710,647	10,663,725	10,890,524	11,088,518	11,212,516	11,391,154	12,110,048
	\$ 347,850,920	\$ 335,071,836	\$ 287,311,462	\$ 289,607,596	\$ 278,537,606	\$ 283,512,096	\$ 284,590,177	\$ 284,183,437	\$ 281,035,110	\$ 285,645,445

Source: UTRWD Comprehensive Annual Financial Report

UPPER TRINITY REGIONAL WATER DISTRICT

SCHEDULE 8 - REVENUE BOND COVERAGE BY SYSTEM

REVENUE BOND COVERAGE --REGIONAL TREATED WATER SYSTEM  
LAST TEN FISCAL YEARS

FY	Gross Revenues (1) \$	Operating Expenses (2) \$	Net Revenue Available for Debt Service \$	Average Annual Debt Service Requirements			Coverage
				Principal \$	Interest \$	Total \$	
2008	27,644,431	11,629,250	16,015,181	6,772,917	3,418,709	10,191,626	1.57
2009	29,651,163	11,321,220	18,329,943	6,843,043	3,257,512	10,100,555	1.81
2010	30,080,458	11,103,796	18,976,662	6,886,136	3,034,154	9,920,290	1.91
2011	32,789,687	12,397,845	20,391,842	8,189,762	3,229,904	11,419,666	1.79
2012	32,816,364	12,384,461	20,431,903	8,043,800	3,101,817	11,145,617	1.83
2013	33,664,958	12,562,777	21,102,181	7,961,042	2,911,165	10,872,207	1.94
2014	34,803,716	13,050,333	21,753,383	7,889,565	2,589,484	10,479,049	2.08
2015	37,014,131	12,852,888	24,161,243	6,342,759	2,116,384	8,459,143	2.86
2016	39,953,302	15,423,550	24,529,752	6,846,552	2,351,311	9,197,863	2.67
2017	42,063,235	15,954,021	26,109,214	6,828,333	2,399,669	9,228,002	2.83

REVENUE BOND COVERAGE--LAKEVIEW WATER RECLAMATION SYSTEM  
LAST TEN FISCAL YEARS

FY	Gross Revenues (1) \$	Operating Expenses (2) \$	Net Revenue Available for Debt Service \$	Average Annual Debt Service Requirements			Coverage
				Principal \$	Interest \$	Total \$	
2008	4,776,030	1,859,840	2,916,190	1,109,545	463,090	1,572,635	1.85
2009	5,127,307	2,048,450	3,078,857	1,097,619	436,086	1,533,705	2.01
2010	6,140,615	2,135,517	4,005,098	1,082,500	409,082	1,491,582	2.69
2011	5,630,539	1,985,235	3,645,304	1,305,000	504,785	1,809,785	2.01
2012	5,993,625	1,992,195	4,001,430	1,983,889	682,119	2,666,008	1.50
2013	5,985,545	2,379,552	3,605,993	1,965,588	646,794	2,612,382	1.38
2014	6,386,552	2,281,839	4,104,713	1,952,813	579,860	2,532,673	1.62
2015	7,225,217	2,148,242	5,076,975	1,619,750	477,721	2,097,471	2.42
2016	7,416,737	2,308,988	5,107,749	1,561,316	440,491	2,001,806	2.55
2017	7,074,234	2,327,475	4,746,759	1,535,833	403,440	1,939,273	2.45

(1) Gross Revenues include operating revenue, interest and equity fee income.

(2) Operating Expenses are exclusive of depreciation/amortization and interest expense.

Source: UTRWD Comprehensive Annual Financial Report

(Continued)

UPPER TRINITY REGIONAL WATER DISTRICT

SCHEDULE 8 - REVENUE BOND COVERAGE BY SYSTEM

REVENUE BOND COVERAGE--RIVERBEND/DOE BRANCH WATER RECLAMATION PLANTS  
LAST TEN FISCAL YEARS

FY	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Average Annual Debt Service Requirements			Coverage
				Principal	Interest	Total	
	\$	\$	\$	\$	\$	\$	
2008	1,377,982	968,307	409,675	172,917	107,309	280,226	1.46
2009	1,203,006	818,926	384,080	175,870	104,370	280,240	1.37
2010	1,453,201	781,855	671,346	178,864	101,340	280,204	2.40
2011	1,500,822	738,787	762,035	182,143	98,231	280,374	2.72
2012	1,519,658	941,668	577,990	185,250	95,032	280,282	2.06
2013	1,704,612	982,077	722,535	188,684	91,748	280,432	2.58
2014 (3)	1,963,302	1,101,220	862,082	683,750	414,117	1,097,867	0.79
2015 (3)	2,415,400	1,123,839	1,291,561	707,826	402,757	1,110,583	1.16
2016 (3)	3,561,471	1,667,402	1,894,069	955,345	561,275	1,516,620	1.25
2017 (3)	4,631,915	2,252,134	2,379,781	1,841,071	1,202,009	3,043,080	0.78

REVENUE BOND COVERAGE--PENINSULA WATER RECLAMATION PLANT  
LAST TWO FISCAL YEARS  
(No Revenue Bonds Issued For This Plant Prior to 2016)

FY	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Average Annual Debt Service Requirements			Coverage
				Principal	Interest	Total	
	\$	\$	\$	\$	\$	\$	
2016	808,281	527,159	281,122	55,526	16,004	71,530	3.93
2017	813,135	466,156	346,979	56,389	15,463	71,852	4.83

- (1) Gross Revenues include operating revenue, interest and equity fee income
- (2) Operating Expenses are exclusive of depreciation/amortization and interest expense.
- (3) Portions of debt service were financed via Capitalized Interest Funds during the year.

Source: UTRWD Comprehensive Annual Financial Report

(Concluded)

UPPER TRINITY REGIONAL WATER DISTRICT

SCHEDULE 9 - TOP TEN PRINCIPAL EMPLOYERS IN COUNTY SERVED  
CURRENT YEAR AND NINE YEARS PRIOR

Employer	2017		2008	
	No. of Employees	Rank	No. of Employees	Rank
University of North Texas (UNT)	8,887	1	7,400	1
Denton ISD	3,800	2	2,681	3
Walmart	3,722	3		
Peterbilt Motors Co.	2,314	4	2,000	6
Northwest ISD	2,246	5		
Lewisville ISD	2,061	6	5,665	2
Denton State School	1,700	7	1,450	7
Denton County	1,673	8	1,420	8
Texas Women's University (TWU)	1,672	9		
Nebraska Furniture Mart	1,500	10		
American Airlines			2,170	4
Frito-Lay Inc			2,050	5
Centex Home Equity Phase I & II			1,400	9
City of Denton			1,300	10

Source: Denton County Budget in Brief

UPPER TRINITY REGIONAL WATER DISTRICT

SCHEDULE 10 - MEMBER / CUSTOMER POPULATION  
LAST TEN FISCAL YEARS

	Notes	Fiscal Year									
		2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Argyle WSC	(2)	6,968	6,831	6,675	6,724	6,758	6,758	6,476	6,417	5,965	5,763
Argyle		3,920	3,820	3,690	3,510	3,420	3,350	3,400	3,400	3,300	3,250
Aubrey		3,110	3,100	2,780	2,670	2,610	2,610	2,610	2,600	2,550	2,500
Bartonville		1,670	1,650	1,640	1,630	1,630	1,590	1,580	1,400	1,360	1,350
Blackrock WSC	(2)	1,310	1,287	1,287	1,287	1,287	1,143	1,143	1,143	950	950
Celina		10,310	8,650	7,320	6,660	6,460	6,260	6,240	5,355	4,900	4,850
Copper Canyon		1,390	1,380	1,370	1,350	1,340	1,330	1,350	1,350	1,350	1,350
Corinth		20,800	20,900	20,900	20,520	20,420	20,573	20,605	20,605	19,700	19,650
Cross Timbers WSC	(2)	7,255	7,254	6,845	6,733	6,668	6,625	6,634	6,634	6,800	6,800
Denton		128,160	125,980	123,200	120,820	116,950	115,810	114,440	110,300	107,250	106,050
Denton County	(3)	52,164	30,931	29,677	30,324	28,676	32,351	38,178	25,256	52,000	14,000
DCFWSD #1A	(1)	12,106	10,881	10,881	9,973	9,650	10,213	8,481	8,270	4,650	4,650
DCFWSD #7	(1)	11,324	10,673	10,000	9,710	9,555	8,215	7,300	7,300	6,000	5,900
DCFWSD #8A	(1)	5,264	4,650	3,918	4,070	3,990	3,567	3,363	3,444	3,144	2,673
Providence Village (DCFWSD #9)		6,310	6,170	5,750	5,400	5,674	5,674	5,500	5,232	4,947	4,425
DCFWSD #10	(1)	11,783	6,634	7,142	5,160	5,059	4,396	4,275	4,107	3,999	2,862
DCFWSD #11	(1)	7,831	6,684	5,757	4,288	4,204	3,534	3,237	3,219	2,691	1,701
Double Oak		2,970	2,950	2,920	2,920	2,890	2,880	2,880	2,600	2,600	2,550
Flower Mound		71,850	70,180	66,820	66,130	66,095	65,060	65,474	62,950	62,666	62,450
Highland Village		17,000	17,000	17,000	16,500	16,500	15,500	16,500	16,500	15,200	15,100
Irving		234,710	231,040	228,610	227,030	220,750	218,850	216,970	213,700	212,250	210,150
Justin		4,320	4,320	3,260	3,250	3,429	3,250	3,631	3,555	3,150	3,100
Krum		5,760	5,760	4,790	4,750	4,420	4,250	4,190	4,000	3,825	3,800
Lake Cities MUA		15,500	15,150	14,917	14,697	14,211	14,211	14,526	14,526	14,610	14,229
Lewisville		103,640	100,400	99,480	98,330	97,140	96,000	96,450	96,450	95,250	92,850
Lincoln Park				487	487	627	627	618	517	517	517
Mustang SUD	(4)	21,846	20,022	19,737	15,603	15,603	17,050	17,050	14,700	14,700	14,700
Oak Point		3,210	3,180	3,040	3,040	2,930	2,820	2,900	2,700	2,525	2,500
Pilot Point		4,130	4,050	3,890	3,880	3,870	3,870	4,100	4,100	4,050	4,000
Ponder		1,780	1,560	1,520	1,460	1,420	1,410	1,400	1,150	1,150	1,050
Prosper		20,160	17,790	15,970	14,710	13,380	12,190	10,560	9,350	7,100	6,350
Sanger		8,000	7,800	7,415	7,490	7,170	6,970	7,300	7,300	6,950	6,700

Sources:

North Central Texas Council of Governments (NCTCOG)  
UTRWD Annual Survey

Notes:

1. DCFWSD - Denton County Fresh Water Supply District
2. WSC - Water Supply Corporation
3. Includes only unincorporated areas within the County
4. SUD - Special Utility District

UPPER TRINITY REGIONAL WATER DISTRICT

SCHEDULE 11 - FUNDED DISTRICT EMPLOYEES BY FUNCTION/PROGRAM  
 LAST TEN FISCAL YEARS

<u>Function/Program</u>	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Administration	15	16	9	9	9	9	9	9	8	9
Business/Finance	13	13	19	17	17	17	17	17	17	16
Operations	48	43	34	37	34	33	34	34	35	31
Maintenance	17	16	14	14	14	14	14	14	14	14
Engineering/Construction	12	11	19	14	18	18	17	17	17	17
Total	105	99	95	91	92	91	91	91	91	87

Source: UTRWD Business Department

**UPPER TRINITY REGIONAL WATER DISTRICT**

**SCHEDULE 12 - OPERATING INDICATORS BY SYSTEM  
LAST TEN FISCAL YEARS**

SYSTEM	2017	2016	2015	2014	Fiscal Year		2011	2010	2009	2008
					2013	2012				
Regional Treated Water System										
Wholesale Customers Contracted (See Note)	19	20	20	20	20	20	20	19	19	19
Total Town, Cities and Others Served (See Note)	29	30	30	30	30	29	29	29	29	29
Total Customer Delivery Points	31	28	28	25	25	24	24	24	24	24
Total Yearly Billed Flows (millions of gallons)	9,960	9,485	8,956	8,146	8,020	8,183	8,989	7,231	7,412	7,530
Lakeview Regional Water Reclamation System										
Wholesale Customers Contracted (See Note)	6	6	6	6	6	6	6	6	6	6
Total Town, Cities and Others Served (See Note)	9	9	9	9	9	8	8	8	8	8
Customer Points of Entry	10	10	10	10	10	8	8	8	8	8
Total Yearly Billed Flows (millions of gallons)	1,434	1,703	1,664	1,333	1,256	1,343	1,272	1,547	1,278	1,307
Northeast Regional Water Reclamation System										
Wholesale Customers Contracted (See Note)	9	9	9	9	9	8	8	8	8	8
Total Town, Cities and Others Served (See Note)	11	11	11	11	11	8	8	8	8	8
Customer Points of Entry	17	16	14	14	13	13	13	13	13	13
Total Yearly Billed Flows (millions of gallons)	1,040	907	779	610	533	480	442	451	365	316

Note: Some contracting parties provide service to more than one town or city

Source: UTRWD Operations & Engineering Department



UPPER TRINITY REGIONAL WATER DISTRICT

SCHEDULE 13 - CAPITAL ASSET (IN SERVICE) STATISTICS BY SYSTEM  
LAST TEN FISCAL YEARS

SYSTEM	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<u>Regional Treated Water System</u>										
<u>Regional Treated Water System</u>										
Raw Water Intake Capacity	200mgd	200mgd	200mgd	200mgd	200mgd	200mgd	200mgd	200mgd	200mgd	200mgd
Water Treatment Plant Capacity	70mgd	70mgd	70mgd	70mgd	70mgd	70mgd	70mgd	70mgd	70mgd	70mgd
Treated Water Pumping Capacity (est)	130mgd	130mgd	130mgd	130mgd	130mgd	130mgd	130mgd	130mgd	130mgd	130mgd
Transmission Pipelines (miles):										
12" to 20"	45.93	45.29	30.18	30.18	30.18	30.18	30.18	30.18	30.18	30.18
24" to 36"	43.34	42.95	40.27	40.27	40.27	40.27	40.27	40.27	40.27	39.83
48" to 60"	22.74	20.34	18.88	18.88	18.88	18.88	18.88	18.07	18.07	18.07
Treated Water Storage Tanks:										
Treatment Plant	4	4	4	4	4	4	4	4	4	4
Other	6	6	6	6	6	6	6	6	6	6
<u>Tom Harpool Water Treatment Plant</u>										
Raw Water Intake Capacity	45mgd	45mgd	45mgd	45mgd	45mgd	45mgd	45mgd	45mgd	45mgd	45mgd
Water Treatment Plant Capacity	20mgd	20mgd	20mgd	20mgd	20mgd	20mgd	20mgd	20mgd	20mgd	20mgd
Treated Water Pumping Capacity (est)	16mgd	16mgd	16mgd	16mgd	16mgd	16mgd	16mgd	16mgd	16mgd	16mgd
<u>Lakeview Regional Water Reclamation System</u>										
Water Reclamation Plant Capacity	5.5mgd	5.5mgd	5.5mgd	5.5mgd	5mgd	5mgd	5mgd	5mgd	5mgd	5mgd
Interceptor Pipeline (miles):										
8" to 10"	1.82	1.82	1.82	1.82	1.82	1.82	1.82	1.82	1.82	1.82
14"	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
18" & 20"	7.6	7.55	7.55	7.55	7.55	7.55	7.55	7.55	7.55	7.55
24" & 27"	4.76	4.72	4.72	4.72	4.72	4.72	4.72	4.72	4.70	3.88
Wastewater Lift Stations	5	5	5	5	5	5	5	5	5	5
<u>Northeast Regional Water Reclamation System</u>										
Riverbend Water Reclamation Plant Capacity	2.0mgd	2.0mgd	2.0mgd	2.0mgd	2.0mgd	1.5mgd	1.5mgd	1.5mgd	1.5mgd	1.5mgd
Doe Branch Water Reclamation Plant Capacity	2.0mgd									
Peninsula Water Reclamation Plant Capacity	0.94mgd	0.94mgd	0.94mgd	0.94mgd	0.94mgd	0.94mgd	0.94mgd	0.94mgd	0.94mgd	0.44mgd
Interceptor Pipeline (miles):										
8" to 20"	6.09	4.63	4.63	4.63	4.63	4.63	4.63	4.63	4.63	4.63
24" to 36"	6.30	6.30	6.30	6.30	6.30	6.30	6.30	6.30	6.30	4.36
Wastewater Lift Stations	1	1	1	1	1	1	1	1	1	1

Note: mgd is million gallons per day

Source: UTRWD Operations & Engineering Department

UPPER TRINITY REGIONAL WATER DISTRICT

SCHEDULE 14 - SUBSCRIBED CAPACITY BY PARTICIPANTS

September 30, 2017

Participant	Treated Water		Lakeview Wastewater Treatment		Northeast (Riverbend/Doe Branch) Wastewater Treatment (3)		Peninsula Wastewater Treatment		Non-Potable Water	
	MGD	%	MGD	%	MGD	%	MGD	%	MGD	%
Argyle Water Supply Corp.	2.00	2.72								
City of Aubrey	0.10 (2)	0.14			0.2800	6.55				
Town of Bartonville			0.0378	0.71						
City of Celina	2.50	3.40			0.6650	15.56				
City of Corinth	7.50	10.20	1.6080	30.18						
Cross Timbers WSC	2.50	3.40								
City of Denton	(1)									
Denton County Fresh Water Supply Dist. #1A	3.00	4.08							All	100.00
Denton County Fresh Water Supply Dist. #7	3.20	4.35	0.8440	15.84						
Denton County Fresh Water Supply Dist. #8A	2.17	2.95			0.4538	10.61				
Providence Village (DCFWSO #9)	2.40	3.26			0.3800	8.89				
Denton County Fresh Water Supply Dist. #10	2.40	3.26			0.6825	15.96				
Denton County Fresh Water Supply Dist. #11	3.00	4.08			0.4538	10.61				
Town of Double Oak			0.0080	0.15						
Town of Flower Mound	30.00	40.81								
City of Highland Village	3.00	4.08	1.6500	30.96						
City of Justin	0.85	1.16								
City of Krum	0.40 (2)	0.54								
Lake Cities Municipal Utility Authority	3.80	5.17	1.1810	22.16						
Mustang Special Utility District	2.90	3.94			0.360	8.42	All	100.00		
Town of Northlake	1.30	1.77								
Town of Prosper					1.000	23.39				
City of Sanger	0.50 (2)	0.68								
<b>Total Subscriptions</b>	<u>73.52</u>	<u>100.00</u>	<u>5.3288</u>	<u>100.00</u>	<u>4.2751</u>	<u>100.00</u>	<u>All</u>	<u>100.00</u>	<u>All</u>	<u>100.00</u>

(1) Service is provided according to need -- no specific capacity.

(2) Indirect customer: Receives water from an entity participating jointly with Upper Trinity.

(3) Includes Riverbend and Doe Branch Plants.

Source: UTRWD Operations Department

**SUPPLEMENTAL SCHEDULES  
REQUIRED BY THE  
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY  
(UNAUDITED)**

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# UPPER TRINITY REGIONAL WATER DISTRICT

## SERVICES AND RATES YEAR ENDED SEPTEMBER 30, 2017

1. **Services Provided by the District:**

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

2. **Retail Rates Based on 5/8" Meter:**  Retail Rates Not Applicable

Most prevalent type of meter (if not a 5/8"): \_\_\_\_\_

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum	Usage Levels
WATER:	\$ _____	_____	_____	\$ _____	_____ to _____
				\$ _____	_____ to _____
WASTEWATER:	\$ _____	_____	_____	\$ _____	_____ to _____
				\$ _____	_____ to _____
SURCHARGE:	\$ _____	_____	_____	\$ _____	_____ to _____

District employs winter averaging for wastewater usage? Yes  No

Total water and wastewater charges per 10,000 gallons usage (including surcharges). \$ \_\_\_\_\_

3. **Retail Service Providers:** Number of retail water and/or wastewater\* connections within the District as of the fiscal year end. Provide actual numbers and single family equivalents (ESFC) as noted:

	Active Connections	Active ESFC	Inactive Connections (ESFC)**
Single Family	_____	_____	_____
Multi-Family	_____	_____	_____
Commercial	_____	_____	_____
Other - recreational centers government & VFD	_____	_____	_____
<b>TOTAL</b>	=====	=====	=====

\* Number of connections relates to water service, if provided. Otherwise, the number of wastewater connections should be provided.

\*\* "Inactive" means that water and wastewater connections were made, but service is not being provided.

4. **Total Water Consumption (In Thousands) During The Fiscal Year:**

Gallons pumped into system: 10,380,001

Gallons billed to customers: 9,980,007

5. **Standby Fees:** Does the District assess standby fees?      Yes       No

For the most recent full fiscal year,      FYE \_\_\_\_\_, :

Debt Service:	Total levy	\$ _____
	Total Collected	\$ _____
	Percentage Collected	_____ %

Operation & Maintenance:	Total levy	\$ _____
	Total Collected	\$ _____
	Percentage Collected	_____ %

Have standby fees been levied in accordance with Water Code Section 49.231, thereby constituting a lien on property?      Yes       No

6. **Anticipated sources of funds to be used for debt service payments in the district's following fiscal year:**

- |    |                                      |                      |
|----|--------------------------------------|----------------------|
| a. | Debt Service Tax Receipts            | \$ _____             |
| b. | Surplus Construction Funds           | \$ _____             |
| c. | Water and/or Wastewater Revenue      | \$ <u>26,250,939</u> |
|    |                                      | \$ _____             |
| d. | Standby Fees                         | \$ _____             |
| e. | Debt Service Fund Balance To Be Used | \$ _____             |
| f. | Interest Revenues                    | \$ _____             |
| g. | Other (Describe)                     |                      |
|    | _____                                | \$ _____             |
|    | _____                                | \$ _____             |
|    | _____                                | \$ _____             |

**TOTAL ANTICIPATED FUNDS TO BE USED\***      \$26,250,939

\* This total should equal the district's total annual debt service for the fiscal year following the fiscal year reported or in the audited financial statements.



# UPPER TRINITY REGIONAL WATER DISTRICT

## SCHEDULE OF TEMPORARY INVESTMENTS SEPTEMBER 30, 2017

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Systems	Identification or Certificate Number	Interest Rate/Yield	Maturity Date	Balance at End of Year
<b>Lakeview Water Reclamation System</b>				
J.P. Morgan Security	46640QBS9	1.41%	02/26/18	\$ 994,063
<b>Riverbend Water Reclamation System</b>				
J.P. Morgan Security	46640QBS9	1.41%	02/26/18	\$ 994,063
<b>Regional Treated Water System</b>				
Toyota Motor Credit Security	89233GXA9	1.29%	10/10/17	\$ 5,998,134
Toyota Motor Credit Security (Operating)	89233GXA9	1.29%	10/10/17	\$ 3,998,756
J.P. Morgan Security	46640QBS9	1.41%	02/26/18	\$ 2,982,189
J.P. Morgan Security (Operating)	46640QBS9	1.41%	02/26/18	\$ 994,063



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# UPPER TRINITY REGIONAL WATER DISTRICT

## INSURANCE COVERAGE FOR THE YEAR ENDED SEPTEMBER 30, 2017

Type of Coverage	Amount of Coverage	Insurer Name	Type of Corporation	Policy Clause: Co-insurance
<b>FIDELITY:</b>				
Public Employee & Directors' Dishonesty	\$ 100,000 Per Employee or Director	Hartford Casualty Insurance Co.	Stock	No
	\$ 400,000 Excess Limit	Hartford Casualty Insurance Co.	Stock	No
Forgery & Alterations	\$ 40,000 Per Loss			
Public Employee Dishonesty	\$ 100,000 Per Employee	Texas Municipal League - IRP	Risk Pool	No
Forgery & Alterations	\$ 40,000 Per Loss	Texas Municipal League - IRP	Risk Pool	No
Theft, Disappearance, & Destruction	\$ 40,000 Per Loss	Texas Municipal League - IRP	Risk Pool	No
Computer Fraud	\$ 40,000 Per Loss	Texas Municipal League - IRP	Risk Pool	No
<b>LIABILITY:</b>				
General	\$ 10,000,000 Each Occurrence	Texas Municipal League - IRP	Risk Pool	No
Includes Sudden Events Pollution	\$ 2,000,000 Each Occurrence			
	\$ 10,000,000 Annual Aggregate	Texas Municipal League - IRP	Risk Pool	No
Errors & Omissions	\$ 5,000,000 Each Wrongful Act	Texas Municipal League - IRP	Risk Pool	No
	\$ 10,000,000 Annual Aggregate			
Automobile	\$ 5,000,000 Each Occurrence			
	\$ 2,000,000 Uninsured/Underinsured Motorists/ (Each Accident)	Texas Municipal League - IRP	Risk Pool	No
	\$ 25,000 Auto Medical Payments/(Each Person)			
<b>CYBER LIABILITY &amp; DATA BREACH:</b>				
Website Media	\$ 1,000,000 Annual Aggregate	Texas Municipal League - IRP	Risk Pool	No
Privacy Breach	\$ 25,000 Per Incident and in the Aggregate	Texas Municipal League - IRP	Risk Pool	No
Regulatory Defense & Penalties	\$ 50,000 Aggregate Limit			
Payment Card Industry Fines, Expenses And Costs				
Cyber Extortion		Texas Municipal League - IRP	Risk Pool	No
<b>PROPERTY:</b>				
Buildings & Contents	\$ 242,546,623 Special Form (Replacement Cost)/ Includes Earthquake & Flood Coverage			
	\$ 10,000,000 Acts of Terrorism Coverage/ (Each Occurrence)			
	\$ 62,000,000 Boiler & Machinery Coverage/ (Per Accident Limit)			
Mobile Equipment	\$ 890,416 As Scheduled (Replacement Cost) Includes Rented and Leased Equipment			
Automobile	As Scheduled Collision & Comprehensive Coverage/ (Actual Cash Value)			
<b>ACCIDENT/INJURY:</b>				
Workers' Compensation	Statutory Limits			

# UPPER TRINITY REGIONAL WATER DISTRICT

## COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES TWO YEARS ENDED SEPTEMBER 30, 2017

	Amount		% of Fund Total Revenues	
	2017	2016	2017	2016
<b>REVENUES:</b>				
Charges for services	\$ 53,749,737	\$ 51,445,158	99.5%	99.7%
Miscellaneous income	268,747	173,514	0.5%	0.3%
<b>Total revenues</b>	<b>54,018,484</b>	<b>51,618,672</b>	<b>100.0%</b>	<b>100.0%</b>
<b>EXPENSES:</b>				
Operation and maintenance:				
Salaries and benefits	4,350,365	4,210,038	8.1%	8.2%
Water and wastewater treatment	7,659,330	7,492,540	14.2%	14.5%
Lab chemicals and supplies	1,488,522	1,513,111	2.8%	2.9%
Maintenance materials service	1,103,404	1,084,100	2.0%	2.1%
Utilities	2,307,845	2,172,681	4.3%	4.2%
Equipment and tools	83,880	76,937	0.2%	0.1%
Sludge removal	445,934	405,384	0.8%	0.8%
Disposal service	15,544	11,362	0.0%	0.0%
Miscellaneous	270,424	228,712	0.5%	0.4%
Depreciation and amortization	9,409,453	9,031,406	17.4%	17.5%
Administrative other	3,400,843	3,097,905	6.3%	6.0%
<b>Total expenses</b>	<b>30,535,544</b>	<b>29,324,176</b>	<b>56.5%</b>	<b>56.8%</b>
<b>EXCESS REVENUES OVER EXPENSES</b>	<b>\$ 23,482,940</b>	<b>\$ 22,294,496</b>	<b>43.5%</b>	<b>43.2%</b>

# UPPER TRINITY REGIONAL WATER DISTRICT

## BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS FOR THE YEAR ENDED SEPTEMBER 30, 2017

Complete District Mailing Address: P. O. Box 305, 900 N. Kealy, Lewisville, TX 75067

District Business Telephone Number: (972) 219-1228 Fax: (972) 221-9896

Names and Addresses	Term of Office (Elected or Appointed) or Date Hired	Appointing Entity	Expense Reimbursements Year Ended September 30, 2017	Title	Resident of District
<b>Board Officers</b>					
Kevin Mercer General Manager DCFWSO #7 2652 FM 407 East, Suite 215 Bartonville, TX 76226	Appointed: June 1, 2017 Appointed: 11/02 – 05/19	Denton County FWSD #7	\$0.00	President Board of Directors	Yes
Richard A. Lubke 2700 Gentle Dr. Flower Mound, TX 75022	Appointed: June 1, 2017 04/00 - 05/19	Highland Village	\$0.00	Vice President Board of Directors	Yes
Ramiro Lopez Assistant City Manager City of Irving 825 W. Irving Blvd. Irving, TX 75060	Appointed: June 1, 2017 02/09 – 05/21	Irving	\$0.00	Treasurer Board of Directors	Yes
Mike Fairfield General Manager Lake Cities MUA 501 N. Shady Shores Dr. Lake Dallas, TX 75065-2409	Appointed: June 1, 2017 12/09 – 05/19	Lake Cities MUA	\$0.00	Secretary Board of Directors	Yes
<b>Board Members</b>					
Troy Norton Director of Public Works Town of Argyle P.O. Box 609 Argyle, TX 76226	Appointed 02/15 - 05/21	Argyle	\$0.00	Director	Yes
Brian Roberson 1745 FM 2931 Providence Village, TX 76227	Appointed 04/16 – 05/19	Aubrey	\$0.00	Director	Yes
Del Knowler 739 Seals Rd. Bartonville, TX 76226	Appointed 08/13 - 05/21	Bartonville	\$0.00	Director	Yes
James Burnham 401 Niles Ct. Oak Point, TX 75068	Appointed 07/17 – 05/21	Celina	\$0.00	Director	Yes
Janet Aune 1313 Copper Canyon Rd. Argyle, TX 76226-9401	Appointed 06/07 - 05/21	Copper Canyon	\$0.00	Director	Yes
Cody Collier Director of Public Works City of Corinth 3300 Corinth Parkway Corinth, TX 76208	Appointed 11/15 – 05/21	Corinth	\$0.00	Director	Yes

Names and Addresses	Term of Office (Elected or Appointed) or Date Hired	Appointing Entity	Expense Reimbursements Year Ended September 30, 2017	Title	Resident of District
Timothy S Fisher Director of Water Utilities City of Denton 901A Texas St. Denton, TX 76201	Appointed 06/01 – 05/21	City of Denton	\$0.00	Director	Yes
Johnny Harris 516 Addison Lake Dallas, TX 75065	Appointed 03/10 – 05/19	Denton County	\$0.00	Director	Yes
Jean Campbell 405 Canyon Oaks Dr. Argyle, TX 76226	Statutory 03/10 - 05/21	Denton County At-Large	\$0.00	Director	Yes
Kristina Clark Director of Administration DCFWSO #1-A 2540 King Arthur Blvd., Ste. 220 Lewisville, TX 75056	Appointed: 5/16 – 05/19	Denton County FWSD #1-A	\$0.00	Director	Yes
Dick Cook 170 Oak Trail Double Oak, TX 75077	Appointed 07/12 – 05/21	Double Oak	\$0.00	Director	Yes
Ken Parr Director of Public Works Town of Flower Mound 2121 Cross Timbers Road Flower Mound, TX 75028	Appointed 11/06 - 05/19	Flower Mound	\$0.00	Director	Yes
Virginia Blevins 22858 Indian Trail Justin, TX 76247	Appointed 06/03 - 05/21	Justin	\$0.00	Director	Yes
Gary Calmes 1421 N. Elm St. Ste. 102 Denton, TX 76201	Appointed: 10/09 – 05/21	Krum	\$0.00	Director	Yes
Eric Ferris Deputy City Manager City of Lewisville P.O. Box 299002 Lewisville, TX 75029-9002	Appointed 04/17 – 05/21	Lewisville	\$0.00	Director	Yes
Chris Boyd General Manager Mustang Special Utility District 7985 F.M. 2931 Aubrey, TX 76227	Appointed: 03/07 - 05/19	Mustang SUD	\$0.00	Director	Yes
Alan Guard City Manager City of Pilot Point 102 E. Main Street Pilot Point, TX 76258	Appointed 06/17 – 05/19	Pilot Point	\$0.00	Director	Yes
Mike Anderson 833 Lochmoor Lane Highland Village, TX 75077	Appointed 07/16 - 5/21	Ponder	\$0.00	Director	Yes
Frank Jaromin Director of Public Works Town of Prosper 601 W. 5 <sup>th</sup> St. P.O. Box 307 Prosper, TX 75078-0307	Appointed 07/15 - 05/19	Prosper	\$0.00	Director	Yes

Names and Addresses	Term of Office (Elected or Appointed) or Date Hired	Appointing Entity	Expense Reimbursements Year Ended September 30, 2017	Title	Resident of District
Mike Brice City Manager City of Sanger P.O. Box 1729 Sanger, TX 76266	Appointed 08/13 - 09/17	Sanger	\$0.00	Director	Yes
<b>Key Administrative Personnel</b>					
Thomas E. Taylor, P.E. 900 N. Kealy P.O. Box 305 Lewisville, TX 75067	Contract 05/01/89 Employee 03/01/92 - Present	UTRWD	\$17,244	Executive Director	No
Larry N. Patterson, P.E. 900 N. Kealy P.O. Box 305 Lewisville, TX 75067	Hired 08/12/02 - Present	UTRWD	\$14,035	Deputy Executive Director	Yes
William A. Greenleaf 900 N. Kealy P.O. Box 305 Lewisville, TX 75067	Hired 09/28/98 - Present	UTRWD	\$6,085	Director - Business Services	Yes
Thomas W. Snyder, P.E. 900 N. Kealy P.O. Box 305 Lewisville, TX 75067	Hired 07/01/93 - Present	UTRWD	\$6,085	Assistant Director - Construction and Engineering	Yes
Jody Zabolio, P.E. 900 N. Kealy P.O. Box 305 Lewisville, TX 75067	Hired 12/13/04 - Present	UTRWD	\$6,085	Assistant Director - Operations	No
<b>Consultants</b>					
Dave Medanich Senior Vice President First Southwest Company 777 Main St., Suite 1200 Fort Worth, TX 76102	Contracts 09/07/89 - Present	UTRWD	N/A	Financial Advisor	N/A
John F. Boyle, Jr. Boyle & Lowry LLP Attorneys and Counselors 4201 Wingren, Suite 108 Irving, TX 75062-2763	Contracts 02/02/95 - Present	UTRWD	N/A	General Counsel	N/A
Rob Collins, III - Partner Bracewell LLP 1445 Ross Avenue Suite 3800 Dallas, TX 75202-2711	Contracts 04/07/95 - Present	UTRWD	N/A	Bond Counsel	N/A
Patrick O. Waddel Jones Gotcher 3800 First Place Tower 15 East Fifth St Tulsa, OK 74103-4309	Contracts 09/28/16 - Present	UTRWD	N/A	General Counsel	N/A
Richard H. Kelsey, P. C. Kelsey and Kelsey, L.L.P. Attorneys At Law 2225 East McKinney Denton, TX 76209	Contracts 11/12/92 - Present	UTRWD	N/A	Real Estate Counsel	N/A
Lauren Kalisek Lloyd Gosselink 816 Congress Ave. Suite 1900 Austin, TX 78701	Contracts 05/06/99 - Present	UTRWD	N/A	General Counsel	N/A
Myles Porter Myles Porter, P.C. 411 N. Main St. Bonham, TX 75418	Contracts 09/10/15 - Present	UTRWD	N/A	Real Estate Counsel	N/A

<b>Names and Addresses</b>	<b>Term of Office (Elected or Appointed) or Date Hired</b>	<b>Appointing Entity</b>	<b>Expense Reimbursements Year Ended September 30, 2017</b>	<b>Title</b>	<b>Resident of District</b>
Chris Young President Alan Plummer & Assoc., Inc. 1320 S. University Dr., Ste.300 Fort Worth, TX 76107	Contracts 02/20/91 - Present	UTRWD	N/A	Engineering	N/A
S. Alan Skinner, PhD AR Consultants, Inc. 805 Business Parkway Richardson, TX 75081	Contracts 01/26/16 - Present	UTRWD	N/A	Engineering	N/A
Robert Brandes, P. E. Robert J. Brandes Consulting 6000 Mavrys Trail Austin, TX 78730	Contracts 03/17/17 - Present	UTRWD	N/A	Engineering	N/A
Ignacio Cadena Black & Veatch Corporation 5400 LBJ Freeway, Suite 975 Dallas, TX 75240	Contracts 09/30/16 - Present	UTRWD	N/A	Engineering	N/A
Samir S. Mathur, P. E. CDM Smith Inc. 8140 Walnut Hill Lane, Ste.1000 Dallas, TX 75231	Contracts 08/03/06 - Present	UTRWD	N/A	Engineering	N/A
Edward M. Motley P. E. - VP CH2M Hill., Inc. 12750 Merit Drive, Suite 1100 Dallas, TX 75251	Contracts 09/16/93 - Present	UTRWD	N/A	Engineering	N/A
Scott Hoff, P. E. – Senior VP Carollo Engineers Inc. 14785 Preston Rd., Suite 950 Dallas, TX 75254	Contracts 10/06/00 - Present	UTRWD	N/A	Engineering	N/A
Pete Patel, President, CEO CP&Y Inc. 1820 Regal Row, Ste. #200 Dallas, TX 75235	Contracts 09/16/93 - Present	UTRWD	N/A	Engineering	N/A
Kelly DiNatale - President DiNatale Water Consultants 2919 Valmont Road, Suite 204 Boulder, CO 80301	Contracts 05/02/16 - Present	UTRWD	N/A	Engineering	N/A
J.A. Sosebee, P. E. – Sr. VP Huit-Zollars, Inc. 1717 McKinney Ave, Suite 1400 Dallas, TX 75202	Contracts 05/05/11 - Present	UTRWD	N/A	Engineering	N/A
Antonio Almeida, P.E. Program Manager Half Associates, Inc. 12225 Greenville Ave., Suite 200 Dallas, TX 75243	Contracts 02/02/11 - Present	UTRWD	N/A	Engineering	N/A
Jerry W. Snead II, P.E. JQ Infrastructure 2015 Commerce Street, Suite 200 Dallas, TX 75201	Contracts 02/10/16 - Present	UTRWD	N/A	Engineering	N/A
Heather Harward Texas Water Supply Partners 3305 Silverleaf Drive Austin, TX 78757	Contracts 03/29/17 - Present	UTRWD	N/A	Engineering	N/A
Stephen W. McCullough 1616 Oak Meadow Drive Irving, TX 75061	Contracts 01/27/16 - Present	UTRWD	N/A	Engineering	N/A
Harvey Economics 469 South Cherry St, Suite 100 Denver, CO 80246	Contracts 01/08/18 - Present	UTRWD	N/A	Engineering	N/A

Names and Addresses	Term of Office (Elected or Appointed) or Date Hired	Appointing Entity	Expense Reimbursements Year Ended September 30, 2017	Title	Resident of District
Jeff Sober Vice President Garver, LLC 3010 Gaylord Parkway, Ste. 190 Frisco, TX 75034	Contracts 03/03/16 - Present	UTRWD	N/A	Engineering	N/A
Matt Barkley Project Manager Michael Baker Jr., Inc 810 Hester's Crossing., Suite 163 Round Rock, TX 78681	Contracts 10/02/08 - Present	UTRWD	N/A	Engineering	N/A
<b>Independent Auditor</b>					
Reem Samra Deloitte & Touche LLP Chase Tower, Ste. #1600 2200 Ross Avenue Dallas, TX 75201-6778	Contracts 11/12/93 - Present	UTRWD	N/A	Auditor	N/A
<b>Investment Officers</b>					
Thomas E. Taylor 900 N. Kealy P.O. Box 305 Lewisville, TX 75067	Contract 05/01/89 Employee 03/01/92 - Present	UTRWD	N/A	Executive Director	No
William A. Greenleaf 900 N. Kealy P.O. Box 305 Lewisville, TX 75067	Hired 09/28/98 - Present	UTRWD	N/A	Director - Business Services	Yes
Lester T. Harris Jr. 900 N. Kealy P.O. Box 305 Lewisville, TX 75067	Hired 05/05/03 - Present	UTRWD	N/A	Accounting Manager	No



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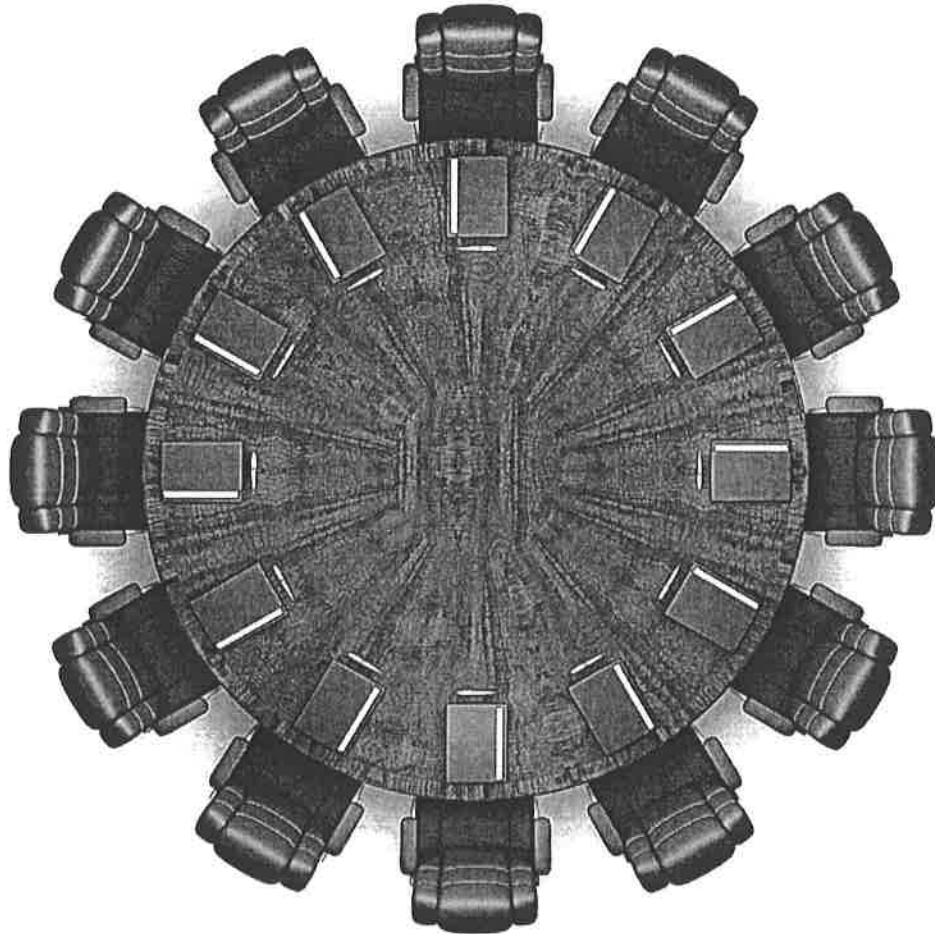




**UPPER TRINITY**

**REGIONAL WATER DISTRICT**

**Tab 11**  
**Part C - #47**  
**Management Letter**



**Upper Trinity Regional  
Water District**  
Results of the Audit Including  
Control-Related Matters

# Deloitte.

**Deloitte & Touche LLP**  
JPMorgan Chase Tower  
2200 Ross Avenue  
Suite 1600  
Dallas, TX 75201-6778  
USA

March 22, 2018

Tel: +1 214 840 7000  
[www.deloitte.com](http://www.deloitte.com)

Members of the Board of Directors  
Upper Trinity Regional Water District  
Lewisville, Texas

Dear Members of the Board of Directors:

We have performed an audit of the basic financial statements of Upper Trinity Regional Water District (the "District") as of and for the year ended September 30, 2017 (the "financial statements"), in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards") and have issued our report thereon dated March 22, 2018.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the District is responsible.

This report is intended solely for the information and use of management, the Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

*Deloitte & Touche LLP*

cc: The Management of the Upper Trinity Regional Water District

### **Our Responsibility under Generally Accepted Auditing Standards**

Our responsibility under generally accepted auditing standards has been described in our engagement letter dated September 28, 2017. As described in that letter, the objective of a financial statement audit conducted in accordance with generally accepted auditing standards is to express an opinion on the fairness of the presentation of the District's financial statements for the year ended September 30, 2017, in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), in all material respects. Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Board of Directors are presented fairly, in all material respects, in conformity with generally accepted accounting principles. The audit of the financial statements does not relieve management or the Board of Directors of their responsibilities.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether caused by fraud or error. In making those risk assessments, we considered internal control over financial reporting relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting. Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

### **Significant Accounting Policies**

The District's significant accounting policies are set forth in Note 1 to the District's 2017 financial statements. We are not aware of any significant changes in previously adopted accounting policies or their application during the year ended September 30, 2017.

We have evaluated the significant qualitative aspects of the District's accounting practices, including accounting policies, accounting estimates and financial statement disclosures and concluded that the policies are appropriate, adequately disclosed, and consistently applied by management.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are ordinarily based on knowledge and experience about past and current events and on assumptions about future events.

### **Uncorrected Misstatements**

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. There were no uncorrected misstatements or disclosure items passed identified during our audit.

### Material Corrected Misstatements

Our audit of the financial statements was designed to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. There were no material misstatements that were brought to the attention of management as a result of our audit procedures.

### Other Information in the Comprehensive Annual Financial Report

When audited financial statements are included in documents containing other information such as the District's Comprehensive Annual Financial Report ("CAFR"), we read such other information and consider whether it, or the manner of its presentation, is materially inconsistent with the information, or the manner of its presentation, in the financial statements audited by us. We have read the other information in the District's CAFR and have inquired as to the methods of measurement and presentation of such information. We did not note any material inconsistencies or obtain knowledge of a material misstatement of fact in the other information.

### Disagreements with Management

We have not had any disagreements with management related to matters that are material to the District's 2017 financial statements.

### Our Views about Significant Matters That Were the Subject of Consultation with Other Accountants

We are not aware of any consultations that management may have had with other accountants about auditing and accounting matters during 2017.

### Significant Findings or Issues Discussed, or Subject of Correspondence, with Management Prior to Our Initial Engagement or Retention

Throughout the year, routine discussions were held, or were the subject of correspondence, with management regarding the application of accounting principles or auditing standards in connection with transactions that have occurred, transactions that are contemplated, or reassessment of current circumstances. In our judgment, such discussions or correspondence were not held in connection with our retention as auditors.

### Other Significant Findings or Issues Arising From the Audit Discussed, or Subject of Correspondence, with Management

Throughout the year, routine discussions were held, or were the subject of correspondence, with management. In our judgment, such discussions or correspondence did not involve significant findings or issues requiring communication to the Board of Directors.

### Significant Difficulties Encountered in Performing the Audit

In our judgment, we received the full cooperation of the District's management and staff and had unrestricted access to the District's senior management in the performance of our audit.



**Management's Representations**

We have made specific inquiries of the District's management about the representations embodied in the financial statements. In addition, we have requested that management provide to us the written representations the District is required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter, as Appendix A, a copy of the representation letter we have requested from management.

**Control-Related Matters**

We have identified, and included in Appendix B, a matter involving the District's internal control over financial reporting that we consider to be a significant deficiency under generally accepted auditing standards. We have also identified, and included in Appendix B, other matters involving the District's internal control over financial reporting as of September 30, 2017, that we wish to bring to your attention.

The definitions of a deficiency, a material weakness, and a significant deficiency are also set forth in Appendix B.

\* \* \* \* \*



March 22, 2018

Deloitte & Touche LLP  
2200 Ross Avenue, Suite 1600,  
Dallas, Texas 75201-6778

We are providing this letter in connection with your audit of the financial statements of the business-type activities and the discretely presented component unit of the Upper Trinity Regional Water District (the "District"), as of and for the year ended September 30, 2017, which collectively comprise the District's basic financial statements for the purpose of expressing an opinion as to whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the District in accordance with accounting principles generally accepted in the United States of America (GAAP).

We confirm that we are responsible for the following:

- a. The preparation and fair presentation in the basic financial statements of financial position of business-type activities, and the discretely presented component unit, in conformity with GAAP
- b. The design, implementation, and maintenance of internal control:
  - Relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
  - To prevent and detect fraud

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

1. The basic financial statements referred to above are fairly presented in accordance with GAAP. In addition:
  - a. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related

organizations.

- b. Net position components (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
  - c. Deposits and investment securities are properly classified in the category of custodial credit risk.
  - d. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
  - e. Required supplementary information is measured and presented within prescribed guidelines.
  - f. Applicable laws and regulations are followed in adopting, approving, and amending budgets.
  - g. Intersystem and inter-entity activity and balances have been appropriately classified and reported.
2. The District has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.
  3. The District has made available to you:
    - a. All minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
    - b. All financial records and related data for all financial transactions of the District and for all funds administered by the District. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by the District and provide the audit trail to be used in a review of accountability. Information presented in financial reports is supported by the books and records from which the financial statements have been prepared.
    - c. Contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies.
  4. There has been no:
    - a. Action taken by District management that contravenes the provisions of federal laws and State of Texas laws and regulations, or of contracts and grants applicable to the District
    - b. Communication with other regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements.
  5. The District has disclosed to you the results of management's risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud.
  6. We have no knowledge of any fraud or suspected fraud affecting the District involving:

- a. Management.
  - b. Employees who have significant roles in internal control over financial reporting.
  - c. Others where the fraud could have a material effect on the financial statements.
7. We have no knowledge of any allegations of fraud or suspected fraud affecting the District's financial statements communicated by employees, former employees, analysts, regulators, or others. Management has disclosed to you and the Board an improper payment transaction occurring during fiscal year 2018 in the approximate amount of \$789,000 perpetrated against the District by an outside party.
  8. There are no unasserted claims or assessments that we are aware of or that legal counsel has advised us are probable of assertion and must be disclosed in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards ("GASB Codification") Section C50, *Claims and Judgments*.
  9. Management has identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.
  10. We have adopted the provisions of GASB Codification Section 2100, *Defining the Financial Reporting Entity*. We believe that we have properly identified and reported as a component unit of the District each organization that meets the criteria established in GASB Codification Section 2100, *Defining the Financial Reporting Entity*.
  11. The District has appropriately identified and disclosed all segments in accordance with GASB Codification Section 2500, *Segment Information*.
  12. Tax-exempt bonds issued have retained their tax-exempt status.
  13. Significant assumptions used by us in making accounting estimates are reasonable.
  14. As disclosed in Note 13 to the financial statements, the Governmental Accounting Standards Board has issued the following new accounting pronouncements:
    - Statement No. 81, *Irrevocable Split-Interest Agreements*;
    - Statement No. 83, *Certain Asset Retirement Obligations*;
    - Statement No. 84, *Fiduciary Activities*;
    - Statement No. 85, Omnibus 2017
    - Statement No. 86, *Certain Debt Extinguishment Issues*; and
    - Statement No. 87, *Leases*.

Management of the District has not yet determined the impact of these statements on the basic financial statements.

15. The District has recorded its investment in Texpool investment pools at amortized cost as of September 30, 2017. We have evaluated the criteria in GASB Statement 79, *Certain*

*External Investment Pools and Pool Participants* paragraph 4 and have determined that the pools measured at amortized cost meet the criteria for amortized cost reporting.

16. The District has appropriately identified and recorded all intangible assets under GASB Codification Section 1400.138 – 1400.152, *Intangible Assets*

Except where otherwise stated below, immaterial matters less than \$712,000 collectively for the District, and \$260 collectively for the discretely presented component unit are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to, or disclosure in, the basic financial statements.

17. There are no transactions that have not been properly recorded and reflected in the accounting records underlying the financial statements.
18. The District has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
19. Regarding related parties:
  - a. We have disclosed to you the identity of the District's related parties and all the related party relationships and transactions of which we are aware.
  - b. To the extent applicable, related parties and all the related-party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral) have been appropriately identified, properly accounted for, and disclosed in the financial statements.
20. In preparing the financial statements in accordance with GAAP, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:
  - a. It is reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events
  - b. The effect of the change would be material to the financial statements.
21. There are no:
  - a. Instances of identified or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.
  - b. Known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and that have not been disclosed to you and accounted for and disclosed in accordance with GAAP.
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Codification Section C50, *Claims and Judgments*.

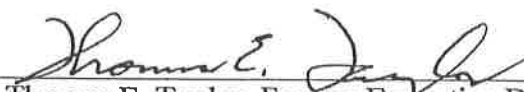
22. The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
23. The District has complied with all aspects of contractual agreements that affect the financial statements.
24. No department or system of the District has reported a material instance of noncompliance to us.
25. The District has no derivative instruments as defined by GASB Codification Section D40, *Derivative Instruments*.
26. No events have occurred after September 30, 2017, but before March 22, 2018, the date the financial statements were issued, that require consideration as adjustments to or disclosures in the financial statements.
27. The District has determined a capital asset has been impaired in accordance with GASB Codification Section 1400.180-1400.200, *Impairment of Capital Assets*. In making this determination, the District considered the following factors:
  - a. The magnitude of the decline in service utility is significant
  - b. The decline in service utility is unexpected.
28. We have appropriately identified and properly recorded and disclosed in the financial statements all interfund transactions, including repayment terms.
29. There are no changes in internal control or other factors that might significantly affect internal control that have occurred subsequent to September 30, 2017.
30. Management believes that all accounts receivable related to water revenues and other contracts are considered fully collectible as of September 30, 2017, and, accordingly, no provision for uncollectible accounts has been recorded.
31. Regarding required supplementary information:
  - a. We confirm that we are responsible for the required supplementary information
  - b. The required supplementary information is measured and presented in accordance with GASB Standards
  - c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.
32. Regarding supplementary information:
  - a. We are responsible for the preparation and fair presentation of the supplementary information in accordance with statutory requirements of the Texas Commission on Environmental Quality (“the requirements”)
  - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with the requirements

- c. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period.
33. With regard to the fair value measurements and disclosures of certain assets, liabilities, and specific components of equity, such as investments:
- a. The measurement methods, including the related assumptions, used in determining fair value were appropriate, consistent with market participant assumptions where available without undue cost and effort, and were consistently applied
  - b. The completeness and adequacy of the disclosures related to fair values are in conformity with accounting principles generally accepted in the United States of America
  - c. No events have occurred after September 30, 2017, but before March 22, 2018, the date the financial statements were issued, that require adjustment to the fair value measurements and disclosures included in the financial statements.
34. Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the balance-sheet date and have been appropriately reduced to their estimated net realizable value, if applicable.
35. We agree with the findings of management's expert in evaluating the liability for health claims (IBNR) and have adequately considered the qualifications of management's expert in determining amounts and disclosures used in the financial statements and underlying accounting records. We did not give any instructions, nor cause any instructions to be given, to management's expert with respect to values or amounts derived in an attempt to bias his or her work, and we are not aware of any matters that have affected the independence or objectivity of management's expert.



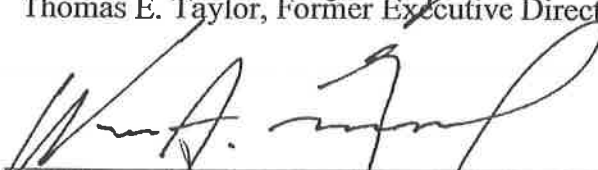
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Larry N. Patterson, Executive Director



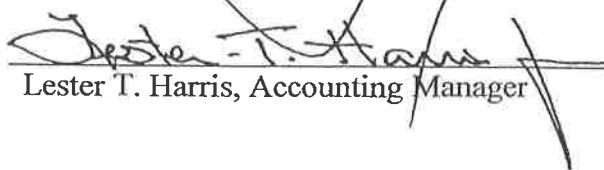
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Thomas E. Taylor, Former Executive Director



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William A. Greenleaf, Director of Business Services



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Lester T. Harris, Accounting Manager

## APPENDIX B

**Section I—Significant Deficiency**

We consider the following deficiency in the District's internal control over financial reporting to be a significant deficiency as of September 30, 2017:

***Finding 2017—01 Entity Wide Risk Assessment—Training, Establishment, and Revision of Policies and Procedures***

*Finding*—The District's "Disbursement of Funds and Check Signing Policy" requires that "all checks, drafts and other instruments for expenditures of \$100,000 or more shall require two signatures, one of which must be an officer of the District; and countersigned by the Executive Director (or designee)." While the District has procedures in place for large disbursements, whether by check, draft or other instrument, and has implemented segregation of duties policies, including the separation of initiation from authorization of wires in the bank account system, electronic control procedures in the bank portal over wire transfers exceeding the dollar thresholds established by the District's policy are not in place to allow for the additional approval of the Executive Director or Board Officer on large disbursements made by wire transfers. Although the District executed a limited number of wires to a single vendor and the supporting documentation was approved for payment by the required approvers prior to the execution of the wire, the authorization of the wire transfers per District policy was not properly established or implemented.

Additionally, the District's internal control policies require that the District Business Department staff perform a monthly Accounts Payable reconciliation that is reviewed by an independent reviewer. For the last three months of fiscal year 2017, these reconciliations were not performed in a timely manner. It should be noted that weekly reconciliations were performed throughout the fiscal year by the Cash Coordinator, though not all of the relevant supporting documentation was retained. As of January 2018, monthly reconciliations are current.

*Background*—The District has developed and maintains an entity-wide Fraud Risk Assessment and Procedures Manual ("Manual") that is a detailed and comprehensive manual designed to address the District's potential risks of fraud and error and document the related internal control policies and procedures currently adopted and in force. The Manual was adopted by the Board of Directors and any changes are brought to the Audit Committee for review and approval.

We noted that while management maintains the Manual, not all employees may utilize the complete or most current version of the Manual. Additionally, while each department was represented in developing and updating the risk assessment, not all department employees may be well trained and well versed in the evolving risks of fraud and/or error that exist today.

In addition, while the Manual is comprehensive and addresses the material and routine transactions and business events of the District, there are certain events and transactions that may occur less frequently, such as changes to the vendor master files and payroll files, and certain banking transactions, such as bank authorizations required over a certain threshold to match District policies, that are not adequately addressed.



*Recommendation*—The District should have a process in place to ensure that policies and procedures such as timely reconciliations and authorizations are adhered to. In addition, the District's Fraud Risk Assessment and Procedures Manual should be revisited in detail to protect the District against the risk of fraud and error, as the environment and the risks of fraud are constantly changing and evolving. To ensure that internal controls reflect current resources and best practices, consider:

- Reviewing policies and procedures in place to address evolving risks, including a review of the Manual. Updates should be made immediately to address known weaknesses and updated manuals should be made accessible to all employees.
- Given that the District does not have an internal audit department that performs ongoing or continuous audit procedures on internal controls, consider engaging an outside party to perform testing of operating effectiveness of internal controls on a periodic basis to determine whether the identified controls properly mitigate the District's assessed risks to an acceptable level.
- Providing training on a routine basis to all employees on the risks of fraud as they apply to the District in a way that is made meaningful to the jobs and tasks that they regularly perform. Policies and procedures should be enforced as written.

## **Section II—Other Matters**

The Governmental Accounting Standards Board (GASB) has issued a number of new accounting pronouncements become effective in future fiscal years. Such pronouncements should be evaluated by management to determine what impact, if any, they have on the District's financial statements upon implementation.

***GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions***, was issued in June 2015 and addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. It is effective for fiscal 2018.

***GASB Statement No. 81, Irrevocable Split-Interest Agreements***, was issued in March 2016 and requires a recognition of assets, liabilities, and deferred inflows of resources at the inception of the irrevocable split-interest agreement (an agreement where a donor gives to two or more beneficiaries). The new pronouncement also requires governments to recognize assets that are administered by third parties if the government controls the present service capacity (when resources become applicable to the reporting period). It is effective for fiscal 2018.

***GASB Statement No. 83, Certain Asset Retirement Obligations***, was issued in November 2016 and addresses the accounting and reporting of a legally enforceable liability associated with the retirement of a tangible capital asset (that is, the tangible capital asset is permanently removed from service). Such retirement encompasses its sale, abandonment, recycling, or disposal in some other manner. Examples include the decommissioning of nuclear reactors, removal and disposal of wind turbines in wind farms, dismantling and removal of sewage treatment plants, and removal and disposal of x-ray machines. This statement is effective for fiscal 2019.

**GASB Statement 84, *Fiduciary Activities***, was issued in January 2017 and establishes criteria for reporting fiduciary activity in one of four types of fiduciary funds: (1) pension and other employee benefit trust funds; (2) investment trust funds; (3) private purpose trust funds; and (4) custodial funds. This statement further clarifies accounting and reporting of fiduciary component units and whether and how business type activities should report fiduciary activities. It is effective for fiscal 2020.

**GASB Statement No. 85, *Omnibus 2017***, was issued in March 2017 and addresses a variety of practice issues related to blended component units in business type-activity presentations, goodwill, fair value measurement and application, and pension and OPEB issues. This statement becomes effective in fiscal 2018.

**GASB Statement No. 86, *Certain Debt Extinguishment Issues***, was issued in May 2017 and addresses the accounting for in-substance defeasances of debt paid from existing resources. This standard clarifies that the accounting is essentially the same whether the proceeds from a refunding or existing resources are placed in a trust in an in-substance defeasance transaction. This statement is effective for fiscal 2018.

**GASB Statement No. 87, *Leases***, was issued in June 2017 and changes the accounting for leases to require all leases be recorded using a single model that presumes that all leases are the financing of the underlying right to use asset, unless certain exceptions are met (primarily a term of 12 months or less). This becomes effective in fiscal 2021.

### **Section III—Definitions**

The definitions of a deficiency, material weakness, and a significant deficiency are as follows:

A *deficiency* in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

\* \* \* \* \*

**Tab 12**

**Part C - #49**

**Listing of Outstanding Debt**

Upper Trinity Regional Water District

2018 SWIFT Application

Part C, Number 49

<u>Dated Date</u>	<u>Issue Amount</u>	<u>Outstanding Bonds <sup>(1)</sup></u>	<u>Issue Description</u>	<u>Debt Holder</u>
6/1/2008	\$ 10,400,000	\$ 10,400,000	Regional Treated Water Supply System Revenue Bonds, Series 2008	TWDB
8/1/2010	8,520,000	3,325,000	Regional Treated Water Supply System Revenue Refunding Bonds, Series 2010	Publically Offered
9/1/2010	28,840,000	16,925,000	Regional Treated Water Supply System Revenue Bonds, Series 2010A	Publically Offered
1/1/2012	13,795,000	10,435,000	Regional Treated Water Supply System Revenue Refunding Bonds, Series 2012	Publically Offered
8/1/2012	36,970,000	31,355,000	Regional Treated Water Supply System Revenue Refunding and Improvement	Publically Offered
11/21/2013	16,550,000	15,140,000	Regional Treated Water Supply System Revenue Refunding Bonds, Series 2013	Compass Bank
3/15/2015	48,355,000	40,315,000	Regional Treated Water Supply System Revenue Refunding Bonds, Series 2015	Publically Offered
12/1/2015	29,155,000	29,115,000	Regional Treated Water Supply System Revenue Bonds, Series 2015A	TWDB
4/1/2016	33,585,000	29,790,000	Regional Treated Water Supply System Revenue Refunding Bonds, Series 2016	Publically Offered
6/1/2017	18,050,000	18,050,000	Regional Treated Water Supply System Revenue Refunding Bonds, Series 2017	Publically Offered
		<u>204,850,000</u>		
10/1/2015	15,565,000	15,565,000	Board Participation - Master Agreement	TWDB
		<u>\$ 220,415,000</u>		

(1) As of September 30, 2017

Upper Trinity Regional Water District

2018 SWIFT Applications

Part C, Number 49

Fiscal Year Ending 9/30	Outstanding Debt Parity Debt			Sub Lien	Grand
	Principal	Interest	Total	Board Participation	Total D/S
2018	\$ 13,525,000	\$ 6,602,610	\$ 20,127,610		20,127,610
2019	13,615,000	6,297,004	19,912,004	125,142	20,037,146
2020	12,610,000	5,742,981	18,352,981	125,142	18,478,123
2021	12,590,000	5,265,846	17,855,846	187,713	18,043,559
2022	11,640,000	4,763,541	16,403,541	250,284	16,653,824
2023	12,115,000	4,311,392	16,426,392	344,140	16,770,532
2024	13,505,000	4,497,797	18,002,797	437,996	18,440,793
2025	14,025,000	4,374,020	18,399,020	531,853	18,930,873
2026	12,120,000	3,846,080	15,966,080	625,709	16,591,789
2027	10,120,000	3,397,013	13,517,013	625,709	14,142,722
2028	9,270,000	3,024,124	12,294,124	625,709	12,919,833
2029	8,720,000	2,665,787	11,385,787	1,201,759	12,587,545
2030	6,200,000	2,327,319	8,527,319	1,201,759	9,729,078
2031	4,995,000	2,111,739	7,106,739	1,201,759	8,308,497
2032	5,180,000	1,924,582	7,104,582	1,201,759	8,306,340
2033	4,820,000	1,726,996	6,546,996	1,201,759	7,748,754
2034	5,010,000	1,542,183	6,552,183	1,201,759	7,753,942
2035	3,710,000	1,344,094	5,054,094	1,201,759	6,255,852
2036	3,865,000	1,196,574	5,061,574	1,390,709	6,452,283
2037	4,025,000	1,039,234	5,064,234	1,390,262	6,454,496
2038	3,235,000	887,910	4,122,910	1,393,621	5,516,531
2039	3,365,000	767,491	4,132,491	1,395,587	5,528,078
2040	2,695,000	640,862	3,335,862	1,396,074	4,731,935
2041	2,800,000	539,363	3,339,363	1,400,164	4,739,527
2042	2,905,000	432,275	3,337,275	1,396,718	4,733,992
2043	2,415,000	321,176	2,736,176	1,401,840	4,138,016
2044	2,510,000	225,436	2,735,436	1,400,020	4,135,456
2045	2,345,000	125,926	2,470,926	1,406,560	3,877,486
2046	450,000	32,200	482,200	1,405,939	1,888,139
2047	470,000	16,450	486,450	1,409,970	1,896,420
2048				1,417,011	1,417,011
2049				1,421,863	1,421,863
2050				1,424,526	1,424,526
	<u>\$ 204,850,000</u>	<u>\$ 71,990,003</u>	<u>\$ 276,840,003</u>	<u>\$ 33,342,568</u>	<u>\$ 310,182,572</u>

**Tab 13**

**Part C - #52**

**Sample Member Contract**



**WHEREAS**, the Contract, in Section 4.07 thereof, provides that Member may submit future requests for changes in Demand with "...such advance notice as will be necessary to allow for financing, design and construction of the needed facilities"; and

**WHEREAS**, Member has requested an increase in Demand from ten (10.0) MGD to thirty (30.0) MGD, and has requested District to proceed on an expedited schedule, with design and construction of appropriate facilities to meet such Demand; and

**WHEREAS**, District is proceeding with engineering design, funding arrangements and other steps to honor Member's request, and similar requests for increased Demand from other Participating Members and Participating Utilities; and

**WHEREAS**, District desires to increase future water resources available to District to supply needs of Participants in the System by obtaining from the State the right to reuse treated wastewater effluent discharged to waters of the State; and

**WHEREAS**, Member desires to retain maximum flexibility for treatment and use of its wastewater resources; and

**WHEREAS**, the Water Supply Contract, dated February 12, 1992, between District and City of Dallas provides an adequate water supply for District to meet Flower Mound's requirements, and Member desires that District use water obtained under the terms of said contract to provide treated water from the System for Member's requirements under this Contract; and

**WHEREAS**, Member agrees to support District in its efforts to obtain State authorization to reuse treated wastewater effluent generated from sources other than water from the City of Dallas, provided the District's efforts to obtain such State authorization will not limit or restrict Member's ability to implement its own direct or indirect reuse program or preclude Member from contracting with other parties for the treatment of its wastewater flows; and



**WHEREAS**, the Contract provides for one Point of Delivery to be constructed by District for delivery of treated water to Member from the System, but provides for a second Point of Delivery under specified circumstances; and

**WHEREAS**, ten (10.0) MGD out of the total twenty (20.0) MGD increase in Demand requested by Member is conditioned on the District providing a second Point of Delivery in the western portion of Member's service area; and

**WHEREAS**, District is willing to provide for a second Point of Delivery in conjunction with a planned westward extension of transmission facilities at a mutually agreeable location; and, the District has determined that it is reasonable to use funds of the System to provide for a second Point of Delivery for Member for ten (10.0) MGD of the requested minimum Demand; and

**WHEREAS**, the District and Member desire to amend the Contract to confirm, and to provide for, such increased Demand and to make such other changes in the Contract that will enable timely completion of expanded System capability; and

**WHEREAS**, the District has used State Participation Funds from the Texas Water Development Board (TWDB) to help finance the System and the District has implemented an Equity Fee that applies to all new requests for Demand, which Equity Fee will be used to repurchase portions of the System owned by the TWDB; and

**WHEREAS**, Member agrees to pay for the revised Demand as specified herein in accordance with the terms of the Contract and applicable rate schedules of the District.

**NOW, THEREFORE**, in consideration of the foregoing and the mutual covenants and agreements contained in the Contract, the District agrees to provide increased Demand under the Contract, and to use its best efforts to issue its Bonds and to acquire, construct and complete facilities for the System upon and subject to the terms and conditions of the Contract and of this Amendment as hereinafter set forth, to-wit:

**Section 1. Adoption of Preamble.** All of the matters stated on the preamble of this Amendment are true and correct and are hereby incorporated into the body of this Amendment as though fully set forth in their entirety herein.

**Section 2. Demand.** As of the Date of this Amendment, the minimum Demand shall be thirty (30.0) MGD as specified in the revised Exhibit B, attached hereto as part of this Amendment. The District agrees to proceed on a mutually agreeable schedule with plans to construct a pipeline and other elements of the System to provide for the future water supply needs of Member and other Customers, and for a second Point of Delivery for Member. It is hereby agreed by Member and District that Member will not be obligated to pay charges for minimum Demand above twenty (20.0) MGD until District has awarded a construction contract for facilities required to enable the second Point of Delivery.

**Section 3. Point of Delivery.** The general location for the second Point of Delivery is noted on Exhibit A-1 attached hereto as part of this Amendment.

**Section 4. Equity Fee.**

(a) Member agrees to pay to District a one-time Equity Fee of \$2,665,757 for the twenty (20.0) MGD increase in Demand as agreed to in this Amendment. Said Equity Fee shall be due and payable as of June 15, 1999. If not paid by said date; the amount due shall increase at the rate of \$138.33 per day per MGD of such increase in Demand.

(b) Said one-time Equity Fee, together with all interest thereon, shall be used by the District for the sole purpose of purchasing all or a portion of the TWDB's ownership interest in the Project, or for the payment of accrued and/or deferred interest thereon.

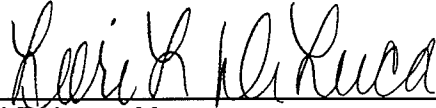
**Section 5. Source of Water/Reuse.** The Contract is hereby amended to include a new Section 4.21 as follows:

"Section 4.21. Source of Water/Reuse. District may use any water resources available in the System to meet the needs of Member under this Contract. However, Member specifically requests and the District agrees that District shall provide for Member's Demand and volume requirements hereunder solely from water to be purchased by District under its February 12, 1992 contract with City of Dallas, unless District, in its sole judgement, determines that other water sources should be used for limited periods of time not to exceed six (6) months, to protect public health and safety or for other reasons in the best interest of the System. However, if District so uses water from sources other than City of Dallas to supply Member, District agrees to make no reuse of such water sold to Member hereunder without Member's prior written consent. District and Member further agree that general benefits realized by the District's development and use of water from sources other than City of Dallas, specifically including cost savings from reuse of treated wastewater effluent, if any, shall be shared with Member and all Participants in the System according to the terms of this Contract and similar contracts with other Participants and Customers of the System."

**Section 6. Contract Provisions.** All other provisions of the Contract shall continue in full force and effect.

**IN WITNESS WHEREOF,** District and Member, under authority of their respective governing bodies, have caused this Amendment to be fully executed in several counterparts, each of which shall constitute an original, all as of the day and year first above written, which is the effective Date of this Amendment.

**TOWN OF FLOWER MOUND**



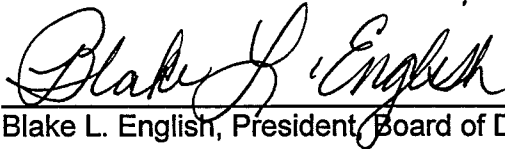
\_\_\_\_\_  
Lori DeLuca, Mayor

**ATTEST:**



\_\_\_\_\_  
Paula Lawrence, Town Secretary

**UPPER TRINITY REGIONAL WATER DISTRICT**



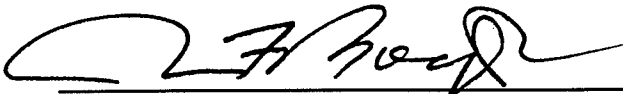
\_\_\_\_\_  
Blake L. English, President, Board of Directors

**ATTEST:**



\_\_\_\_\_  
Paul E. Reese, Secretary, Board of Directors

**APPROVED AS TO FORM AND LEGALITY:**



\_\_\_\_\_  
John F. Boyle, Jr., General Counsel for the District

Attachments: Exhibit A-1, Second Point of Delivery  
Exhibit B, Revised Minimum Demand

**EXHIBIT A - 1  
TOWN OF FLOWER MOUND**

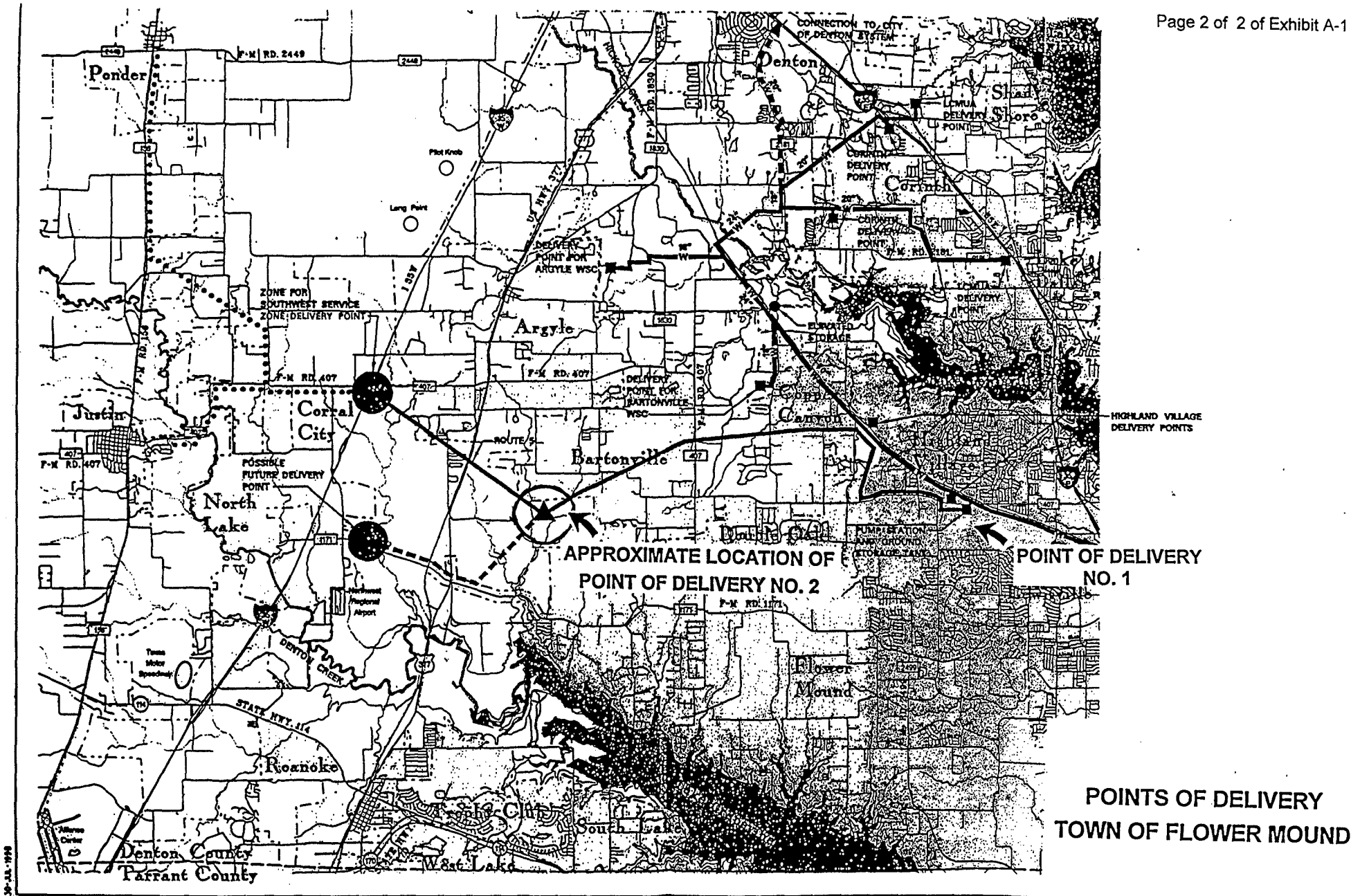
**APPROXIMATE LOCATION OF SECOND POINT OF DELIVERY**

At the Site of the District's proposed pump station, which site is planned for the area east of US377 and north of FM1171 in the western portion of Flower Mound.

**Note**

Upon mutual agreement of the District and Town of Flower Mound, an updated Exhibit A-1 may be substituted for this Exhibit A-1.

EXHIBIT A-1  
Part C - #52  
TOWN OF FLOWER MOUND



**EXHIBIT B - REVISED  
TOWN OF FLOWER MOUND**

**MINIMUM AMOUNT OF SYSTEM CAPACITY BEING COMMITTED IN ACCORDANCE WITH  
SECTION 4.04 OF CONTRACT**

The provisions of this Revised Exhibit B adopted by Contract Amendment form a part of the Contract and are applicable to the District and to Flower Mound as if set forth in its entirety in the body of the Contract.

The following quantities constitute minimum Demands in accordance with Section 4.04 of Contract. Said minimum Demands are noted for an "Interim Period" and for "Regular Service." The Interim Period shall apply from Date of this Amendment until the District has awarded a construction contract for facilities required to enable a Second Point of Delivery in the western portion of Flower Mound's service area, the general location of which is delineated on Exhibit A-1 of the Contract. Thereafter, the minimum Demands for Regular Service shall apply.

<u>Participating Member</u>	<u>Minimum Demand (MGD)</u>	
	<u>Interim Period</u>	<u>Regular Service</u>
Town of Flower Mound	20.0 mgd	30.0 mgd

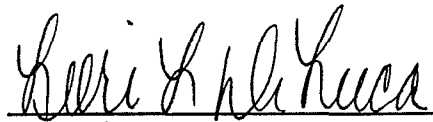
After the Date of Amendment, the District may adjust the minimum Demand for Member by mutual agreement to amend this Exhibit B.

Signed for Identification Only:

**UPPER TRINITY REGIONAL WATER DISTRICT**

**TOWN OF FLOWER MOUND**

  
\_\_\_\_\_  
Blake L. English, President

  
\_\_\_\_\_  
Lori DeLuca, Mayor

June 3, 1999  
Date

June 7, 1999  
Date

UPPER TRINITY REGIONAL WATER DISTRICT  
REGIONAL TREATED WATER SUPPLY SERVICE  
CONTRACT FOR ADDITIONAL PARTICIPATING MEMBER  
WITH TOWN OF FLOWER MOUND

THE STATE OF TEXAS   §  
                              §  
COUNTY OF DENTON   §

THIS REGIONAL TREATED WATER SUPPLY CONTRACT (the "Contract") made and entered into as of the 7th day of May, 1992 (the "Contract Date"), by and between UPPER TRINITY REGIONAL WATER DISTRICT, (the "District"), a conservation and reclamation district created pursuant to Article XVI, Section 59 of the Constitution of the State of Texas, and TOWN OF FLOWER MOUND ("Flower Mound"), a municipality of the State of Texas, which party may be referred to herein as "Additional Participating Member" (or Member).

W I T N E S S E T H:

WHEREAS, Flower Mound is a municipality, a duly incorporated political subdivision of the State of Texas operating under the Constitution and laws of the State of Texas; and

WHEREAS, Flower Mound is a governmental entity in Denton County that provides retail utility service to customers within its service area; and

WHEREAS, Flower Mound has a contract with City of Dallas under which Flower Mound receives wholesale treated water service and Flower Mound desires to continue that contract and



to retain the option to contract with City of Dallas for increased quantities of treated water in future years; and

WHEREAS, one of the purposes for which the District was created was to provide treated water to cities and water distribution utilities of the Denton County area, either as their sole supplier or as a second supplier of treated water; and

WHEREAS, Flower Mound desires that the District undertake steps to provide a second supply of treated water, a supply that would supplement their present supply from City of Dallas; and

WHEREAS, District has a contract with City of Dallas dated February 12, 1992, under which the District has the right to purchase untreated surface water out of Lake Ray Roberts or Lake Lewisville to serve cities and utilities within the District's service area, including Flower Mound; and

WHEREAS, the District proposes to develop a regional water system for Participating Members and Customers, which system is planned to include raw water transmission lines, water treatment plants, pump stations, treated water transmission lines, storage tanks and metering facilities; and

WHEREAS, the District proposes to develop the regional water system for Participating Members either by constructing and owning such facilities, or through contracts with others; and

WHEREAS, District has entered into prior contracts with Participating Members (Contract dated November 13, 1990) and with Participating Utilities (Contract dated November 2, 1990), under which Contracts the District is authorized to enter into contracts with additional parties such as this Contract; and

WHEREAS, the District will manage and operate, or contract with others for the management and operation of such facilities; and

WHEREAS, District proposes as part of the regional water system to construct or develop Phase I of the System in general accordance with the engineering reports prepared by Alan Plummer and Associates, Inc. in 1992 and prior years, herein referred to as the "Project"; and

WHEREAS, the District proposes to provide a portion of the regional water system's treated water by construction of a Water Treatment Plant near Lake Lewisville; and

WHEREAS, Flower Mound is a Contract Member as defined in the contract dated June 6, 1991 with the District under which contract Flower Mound has an option to become a Participating Member prior to June 16, 1999; and

WHEREAS, Flower Mound desires to become an "Additional Participating Member" as defined in this Contract; and

WHEREAS, the District and Flower Mound are authorized to enter into this Contract pursuant to the District's enabling statute, H.B. 3112 (1989 regular session of the Texas Legislature) (the "Act") and Vernon's Ann. Tex. Civ. St.

Article 4413 (32c) (the "Interlocal Cooperation Act"), and other applicable laws; and

WHEREAS, the District agrees that Flower Mound shall own and continue to operate its own water pumping, storage and distribution facilities; and

WHEREAS, the Initial Participating Members heretofore agreed that the District may enter into such a contract as this Contract with Additional Participating Members and other Customers; and

WHEREAS, it is expected by the parties hereto that as soon as practicable after the execution of this Contract, the District will issue an installment of Bonds to provide part of the money to acquire and construct the Project, and thereafter will issue a subsequent installment or installments of Bonds to complete the acquisition and construction of the Project, with all of said Bonds to be payable from and secured by Annual Payments made under this Contract by Flower Mound and all other Customers.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the District agrees to provide treated water supply services of the System to the Members under this Contract, and use its best efforts to issue its Bonds and to acquire, construct and complete the Project and other System Facilities upon and subject to the terms and conditions hereinafter set forth, to-wit:

ARTICLE I

Definitions

Section 1.1. The following terms and expressions as used in this Contract, unless the context clearly shows otherwise, shall have the following meanings:

1. "Act" means H.B. 3112 adopted by the Legislature of the State of Texas in the 1989 regular session, which was signed by the Governor and became effective June 16, 1989.

2. "Additional Participating Member" means Flower Mound and any party other than the Initial Participating Members listed herein with which the District makes a contract similar to this Contract for supplying treated water from the System, provided that after execution of any such contract such party shall become one of the Participating Members for all purposes of this Contract.

3. "Administrative Payment" means the amount of money to be paid to the District by each of the Participating Members, Participating Utilities, Additional Participating Members, Contract Members and Contract Utilities during each Annual Payment Period as their proportionate share of Administration and Planning Expenses of the District.

4. "Adjusted Annual Payment" means the Annual Payment as adjusted by the Board during or after such Annual Payment Period, as provided by this Contract.

5. "Administrative and Planning Expenses" means the general overhead cost and expenses of managing the District,

but not including expenses related to capital projects financed by the District; such expenses shall include the administration of the District's general office, the activities and meetings of the Board and the planning activities of the District, to the extent such programs and activities shall be for the general welfare of the District; activities and programs for the benefit of specific parties and for specific capital projects shall, unless otherwise authorized, be the responsibility of the benefitting parties.

6. "Annual Payment" means the amount of money to be paid to the District by each of the Members during each Annual Payment Period as its proportionate share of the Annual Requirement.

7. "Annual Payment Period" means the District's fiscal year, which currently begins on October 1 of each calendar year and ends on September 30 of the next following calendar year, but which may be any twelve consecutive month period fixed by the District; and the first Annual Payment Period under this Contract is estimated to be the period of October 1, 1991, through September 30, 1992.

8. "Annual Requirement" means the total amount of money required for District to pay all Operation and Maintenance Expenses of the System, and to pay the Bond Service Component of the Annual Requirement as described hereinafter including debt service on its Bonds, and any sums required to pay or restore any amounts required to be deposited in any

special or reserve funds required to be established and/or maintained by the provisions of the Bond Resolutions.

9. "Board" means the governing body of the District.

10. "Boardmembers" means a member or members of the Board.

11. "Bond Resolution" means any resolution of the District which authorizes any Bonds.

12. "Bonds" means all bonds hereafter issued by the District, whether in one or more series or issues, and the interest thereon, to acquire, construct and complete the Project, and/or all bonds issued subsequently to improve, extend, operate or maintain the System, and any bonds issued to refund any bonds or to refund any such refunding bonds.

13. "Contract Member" means an entity that provides retail utility service or has taken and is taking definitive steps to provide retail utility service to customers within its boundaries, that contracts with the District to preserve the option to become a Participating Member prior to June 16, 1999, and that agrees to pay an annual pro rata share of the Administrative and Planning Expenses of the District.

14. "County" means Denton County, Texas.

15. "Customer" means any wholesale user of the water services provided by the District which user provides retail utility service within its boundaries.

16. "Customer Advisory Council" or "Council" means the committee to be created to consult with and advise the District

with respect to the System as provided in this Contract:

17. "Demand" means the maximum rate of flow expressed in MGD mutually established by Member and District that is or may be taken by Member within a Water Year.

18. "District" means the Upper Trinity Regional Water District, a conservation and reclamation district pursuant to Article XVI, Section 59 of the Constitution of the State of Texas created in accordance with the Act.

19. "Initial Participating Member" means those governmental entities who executed a contract dated November 13, 1990, as amended, namely, Town of Corinth, City of Highland Village, Lake Cities Municipal Utility Authority, Town of Northlake, City of Pilot Point and City of Sanger.

20. "MGD" is an abbreviation for "million gallons of water per day".

21. "North Service Area" means generally the northern portion of the County, which service area may be separate from other service areas of the District for purposes of determining the Annual Requirement and for delivery of services and which may be modified from time to time by the District.

22. "Operation and Maintenance Expenses" means all administrative and planning expenses and all costs and expenses of operation and maintenance of the System, including (for greater certainty but without limiting the generality of the foregoing) repairs and replacements, operating personnel, the cost of utilities, the amounts required to pay the U.S. Army

Corps of Engineers or any other federal, state, or local agency for water storage rights or other interests in water in any reservoir, or for the purchase of water, or for the use or operation of any property or facilities, the costs of supervision, engineering, accounting, auditing, legal services, insurance premiums, supplies, services, administration of the System, Administrative and Planning Expenses, and equipment necessary for proper operation and maintenance of the System, and payments made by District in satisfaction of judgments resulting from claims not covered by District's insurance arising in connection with the acquisition, construction, operation, and maintenance of the System. The term also includes the charges of the bank or banks acting as paying agents and/or registrars for any Bonds. The term does not include depreciation expense.

23. "Participating Member" means a governmental entity that provides retail utility service or has or is taking definitive steps to provide retail utility service to customers within its boundaries that contracts with the District for the acquisition, construction, improvement, enlargement, and payment for the water projects to be financed from time to time by the District, and specifically includes Flower Mound and those entities identified as Initial Participating Members in this Contract.

24. "Plant" means the water treatment plant proposed to be constructed near Lake Lewisville.



25. "Point(s) of Delivery" means the point designated in this Contract where water will be delivered to Flower Mound from the System.

26. "Project" means the "Project" as defined in the Preamble of this Contract.

27. "South Service Area" means the south and southeast portions of the County designated by the District to be provided treated water service by the District, from the Plant, or from other sources, which service area may be separate from other water service areas of the District, for purposes of determining the annual requirement and for delivery of service, and which may be modified from time to time by the District.

28. "State" means the State of Texas.

29. "System" means the Project, the Plant, the regional water system, together with all future improvements, enlargements, extensions, and additions to any of the foregoing which are deemed necessary and feasible by the District to provide treated water service to Participating Members and other Customers and all future new facilities and/or water rights, which are acquired or constructed with the proceeds from the sale of any Bonds or revenues from the System, and any water supply or treatment facilities which are deliberately and specifically, at the option of the District, made a part of the System by resolution of the Board, and all repairs to or replacements of the System. Said term does not include any District facilities which provide wastewater treatment or

disposal services, or solid waste disposal services, of any kind. Said term does not include any facilities acquired or constructed by the District with the proceeds from the issuance of "Special Facilities Bonds," which are hereby defined as being revenue obligations of the District which are not secured by or payable from payments made under this Contract and similar contracts with Participating Members or Customers, and which are payable solely from sources other than revenues of the System.

30. "Water Year" means the period of June 1 of each calendar year through May 31 of the next following calendar year.

## ARTICLE II

### Board of Directors

Section 2.01. Board Representation. The governing body of each Contract Member, each Participating Member and the County are entitled to appoint a qualified person to serve on the Board. Flower Mound is specifically included in this provision.

Section 2.02. Board Votes. Boardmembers appointed by the governing body of Participating Members shall be entitled to vote on all matters coming before the Board. Boardmembers appointed by the governing body of Contract Members shall be entitled to vote on all matters before the Board except those matters that require a weighted vote. The Board shall establish rules for the implementation of a system of weighted

votes in accordance with the Act for matters concerning authorization of and financial commitments for capital projects.

Section 2.03. Terms. Boardmembers shall serve staggered four (4) year terms in accordance with procedures established by the Board. Boardmembers may serve consecutive terms. A Boardmember may be removed at any time by the governing body of the entity that appointed that Boardmember.

Section 2.04. Board Compensation. The District will not compensate Boardmembers for serving on the Board, but may reimburse Boardmembers for actual reasonable expenses necessarily incurred on behalf of the District or in the discharge of official duties.

Section 2.05. Board Qualifications. A Boardmember must be a qualified voter who resides in the District and may not be an elected official of any governmental entity that has the authority to appoint a member of the Board.

### ARTICLE III

#### Construction and Issuance of Bonds

Section 3.01. Consulting Engineers. The District and the Participating Members agree that the District will choose the Consulting Engineers for the System and may change Consulting Engineers at the option of the District.

Section 3.02. Construction of Projects and System. The District agrees to use its best efforts to issue its Bonds, payable from and secured by Annual Payments made under this Contract, to acquire and construct the Project and other System

facilities when and as needed, as determined by the District, to supply treated water to all Participating Members and other Customers. It is anticipated that such acquisition and construction will be in phases and that each phase will be financed by the District through the issuance of one or more series or issues of its Bonds; and the District agrees to use its best efforts to issue its Bonds for such purpose. Bonds also may, at the discretion of the District, be issued to refund any Bonds, and be issued to extend, enlarge, repair, renovate, equip, operate, maintain and otherwise improve the System and any System facilities. District agrees that such improvements will be made in accordance with generally accepted engineering practices. It is anticipated that such improvement will be financed by the District through the issuance of one or more series or issues of its Bonds payable from and secured by Annual Payments made under this Contract.

Section 3.03. Bond Proceeds. The proceeds from the sale and delivery of such Bonds may be used to fund to the extent deemed advisable by the District a debt service reserve fund, a contingency fund, and interest on the Bonds during construction; and such proceeds also will be used for the payment of the District's expenses and costs in connection with the Project and System (including all engineering and design costs and expenses, and the cost of the land and interests therein related to the System) and the Bonds, including, without limitation, all financing, legal, printing, and other

expenses and costs related to the issuance of such Bonds and the System.

Section 3.04. Bond Resolution. Each Bond Resolution of the District shall specify the exact principal amount of the Bonds to be issued thereunder, which shall mature within the maximum period, and shall bear interest at not to exceed the maximum rates then permitted by law, and each Bond Resolution shall create and provide for the maintenance of a revenue fund, an interest and sinking fund, a debt service reserve fund, and any other funds deemed advisable, all in the manner and amounts as provided in such Bond Resolution. Each Member agrees that if and when such Bonds are actually issued and delivered to the purchaser thereof, either for the purpose of initially acquiring and constructing the System, or subsequently for improving and/or extending the System, the Bond Resolution authorizing the Bonds shall for all purposes be 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.

#### ARTICLE IV

##### Operating Requirements

Section 4.01. Water Sales. District agrees to deliver to Participating Member potable water in accordance with the specifications and restrictions of this Article. District agrees to provide potable water to meet volume and demand requirements of Members as provided herein.

Section 4.02. Water Supply Limitations. Delivery of potable water to meet the requirements of Customers, including Participating Members, is subject to and limited by available System supply and System deliverability, as determined by the District. Such delivery shall not be unreasonably withheld. The District will use its best efforts to furnish and remain in position to furnish treated water sufficient for all reasonable treated water requirements of each Member, but its obligation shall be limited to the amount of treated water available from the System; and provided that the maximum rate of delivery shall be consistent with the capacities and abilities of System facilities, and shall not exceed the amounts fixed on an equitable and uniform basis by the Board.

Section 4.03. Quantity. The District agrees to deliver treated water under this Contract to Flower Mound at its Point(s) of Delivery as described in Section 4.13 hereof, and Flower Mound agrees to take at its Point(s) of Delivery or to pay for certain minimum amounts of water to assure adequate funds to the District to fulfill its obligations under this Contract.

Section 4.04. Minimum Amounts. For the purpose of calculating the minimum amount of each Annual Requirement for which Flower Mound is unconditionally liable, without offset or counterclaim, Flower Mound, during each Annual Payment Period, shall be deemed to have taken and used the minimum Demand for System treated water (regardless of whether or not such amount

is or was actually taken or used) specified for Flower Mound in Exhibit B.

Section 4.05. Demand. Unless modified in accordance with the provisions of Exhibit B, Flower Mound will be obligated to take or pay for the Demand specified in Exhibit B. After one year of operating experience, the District may adjust the Demand for any Water Year for any Member by mutual agreement; however, District in making such adjustment shall always assure that the sum of all Demands for all Customers will be adequate to support the costs and expenses of the District. The District and all Members hereby agree that it is the intention of all parties to adopt a procedure for determination of Demand on an annual basis that takes into account actual usage for the most recent five (5) Water Years and projected needs for the next Water Year. However, the parties agree to adhere to minimum Demands specified herein until the District has sufficient data to justify a transition to a Demand calculation based on actual and projected usages. It is the intention of the District to adopt the revised method of calculating Demand as soon as prudent to promote fairness and equity among all Customers and to avoid any Member paying unnecessarily for water or Demand not needed in the near future.

Section 4.06. Demand Meters. No Demand meters shall be required during initial construction of the Project. However, Flower Mound and District agree that after an initial five (5) year period, the District may require the installation of rate-of-flow controllers at the cost and expense of the Member

to regulate and measure Demand for all Members using or requiring a Demand of 1.0 MGD or greater. Further, the District may require at its discretion any other Additional Participating Member or future Customer to install a rate-of-flow controller as part of the initial installation.

Section 4.07. Changes in Demand. Customer shall give reasonable notice to District of anticipated changes in Demand requirements. Such notice shall be given at least six (6) months in advance if the requested change, when considered with other pending or contemporaneous requests, does not require construction of additional facilities. The Executive Director of the District may waive the six (6) month notice requirement for good cause shown. If construction of additional facilities is required, such advance notice as will be necessary to allow for financing, design and construction of the needed facilities shall be given.

Section 4.08. Payment for Demand. For Members whose Demand is measured by a rate-of-flow controller or other device, Member agrees to pay the total annual Demand charge for any increase in the agreed upon maximum Demand during a Water Year; and for each Water Year to pay annual Demand charges based on (a) the current Water Year Demand or (b) the highest Demand established during the five (5) Water Years preceding, whichever is greater. For Members without such devices to measure or regulate Demand, Member agrees to pay such Demand



charge as may be required by this Contract or subsequent agreements.

4.09. Other Water Supplies. Members are not obligated to secure all of their water supply requirements from the District, either initially or in the future. Nonetheless, all parties to this Contract have a desire to promote, achieve and maintain efficient System operation and to promote conservation of limited ground water resources. To that end, all Members agree to minimize the installation of new wells to withdraw additional underground water resources and to stabilize pumping from existing wells. Further, if any Member develops plans to seek future surface water supplies from an entity other than the District, each Member agrees to give the District sixty (60) days written notice of such intention and to give the District an opportunity to address the needs or concerns so noticed. The acquisition of or use of water from other sources shall never obviate or reduce the obligations, duties and responsibilities of Members to make payments specified in this Contract and to secure the payment of Bonds issued pursuant to this Contract.

Section 4.10. Resale. Members hereby agree not to sell water purchased from District to any person or entity outside such Member's corporate boundaries or prescribed service area (as may be adjusted from time to time) unless Member has received prior written approval from the District. Approval to make retail sales to individual customers outside such boundaries may be granted by the Executive Director of the

District. Approval to make wholesale sales for resale shall require the specific approval of the Board. In granting such authorization, District may establish the terms and conditions of the conveyance of such water including, but not restricted to, the setting of monetary rates for sale of such water. "Convey" means sell, trade, donate, exchange, transfer title, or contract therefor. This provision applies to all water whether initially conveyed to Member under this Contract, obtained from the water wells of Member or from other sources.

Section 4.11. Other Contracts.

(a) The District reserves the right to supply treated water from the System to Additional Participating Members under contracts similar to this Contract subject to the requirements concerning "minimums" as provided in Sections 4.04 and 5.05 hereof. Each contract with any Additional Participating Member shall comply with the requirements of this Contract, shall substantially restate the essential provisions of this Contract, and shall be structured to be similar hereto to the fullest extent applicable and practicable, with such additions or changes as are necessary to meet the actual circumstances, with the effect that each Additional Participating Member will in effect adopt the provisions of this Contract, as supplemented and necessarily changed by its contract.

(b) It is further recognized and agreed that the District may sell treated water from the System to Customers which are not Additional Participating Members, provided that

all such sales of water from the System to such customers shall not impair the capability of the District to fulfill its duties and obligations under this Contract. Such contracts to sell water may be on a parity with this Contract or may be subordinate to the prior rights of the Participating Members to water from the System.

(c) However, the District shall not obligate itself to sell or deliver raw or treated water from the System to an Additional Participating Member or future Customer if, in the judgment and discretion of the District, such obligation would jeopardize the District's ability to meet its obligation to treat, transport and deliver treated water from the System to Participating Members, including specifically Flower Mound.

(d) The parties hereto recognize and acknowledge that it is the policy and practice of the District that any other person that desires to receive service from the System shall contract directly with the District to become a Customer of the District or an Additional Participating Member. Any proposal to the contrary would be considered an exception to that policy. Accordingly, a Member may enter into subcontracts with another city or other entity to provide wholesale water service only if approved in writing in advance by the District. If approved, no such transaction shall relieve the Member of its obligations to the District under the terms of this Contract.

Section 4.12. Quality. The water to be delivered by the District and received by each Member shall be potable, treated

water from the System. Each Member has satisfied itself that such water will be suitable for its needs. The District is obligated to treat such water according to standards of all State and Federal agencies having jurisdiction over water quality. The District and the Members shall cooperate, each within its legal powers, in preventing, to the extent practicable, the pollution and contamination of the reservoirs and watersheds from which System water is obtained.

Section 4.13 Points of Delivery.

(a) District agrees to deliver water contracted for by Flower Mound at Point(s) of Delivery as delineated in Exhibit A attached hereto. The initial delivery facilities delineated in Exhibit A hereof shall be constructed by District and included in the cost of the Project.

(b) Unless otherwise mutually agreed to, Members shall be responsible for the design, contracting, construction and financing of facilities and acquisition of any right of way for additional or future Points of Delivery for water from the System. Plans shall be submitted to District for written approval and all designs, materials and specifications shall conform to District requirements. Each Member agrees that District has the right to make periodic inspections during the construction phase of such future or additional delivery facilities. Final acceptance of completed delivery facilities is subject to the written approval of District. Each Member agrees that after final inspection and acceptance of delivery

facilities, Member will convey title of those facilities and rights of way in conjunction therewith to District. Upon conveyance of title to delivery facilities by appropriate instrument(s), District shall be responsible for operation and maintenance thereof.

Section 4.14. Metering Equipment.

(a) The District will furnish, install, operate, and maintain at its expense the necessary equipment and devices of standard type required for measuring the quantity of treated water delivered under this Contract from the System to each Member through its Point or Points of Delivery, except as otherwise provided in Section 4.13. Such meters and other equipment so installed shall remain the property of the District. The District shall inspect, calibrate, and adjust its meters at least annually as necessary to maintain accurate measurements of the quantity of treated water being delivered. Each Member shall have access to the metering equipment at all reasonable times for inspection and examination, but the reading, calibration, and adjustment thereof shall be done only by employees or agents of the District. If requested, the affected Member may witness such reading, calibration and adjustment of meters. All readings of meters will be entered upon proper books of record maintained by the District. Any Member may have access to said record books during normal business hours.

(b) A Member may request, in writing, that the District calibrate any meter or meters in the presence of the Member. The District will make up to two (2) such calibrations in any fiscal year at no charge to the requesting Member. All requested calibrations in excess of two (2) will be made at the expense of the requesting Member, except when the accuracy of the meter is beyond the limits of commercial accuracy in which case the District shall bear such expense. If, for any reason, any meter is out of service or out of repair, or if, upon any test, the percentage of inaccuracy of any meter is found to be in excess of commercial accuracy (which unless otherwise agreed to shall be considered to be two ( $2\% \pm$ ) percent), registration thereof shall be corrected for a period of time extending back to the time when such inaccuracy began, if such time is ascertainable, and if not ascertainable, then for a period extending back one-half ( $1/2$ ) of the time elapsed since the date of the last calibration, but in no event further back than a period of six (6) months.

(c) Any Member may, at its option and its own expense, install and operate a meter (check meter) to check any meter installed by the District, but the measurement for the purpose of this Contract shall be solely by the District's meters, except as in this Section specifically provided to the contrary. All such check meters shall be of standard make, shall be installed in a location approved by the District, and shall be subject at all reasonable times to inspection and

examination by any employee or agent of the District, but the reading, calibration, and adjustment thereof shall be made only by the Member, except during any period when a check meter may be used under specific written consent by the District for measuring the amount of treated water delivered into the System, in which case the reading, calibration, and adjustment thereof shall be made by the District with like effect as if such check meter or meters had been furnished or installed by the District.

(d) If either 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 party, and the parties hereto shall then cooperate to procure an immediate calibration test and joint observation of any adjustment and the same meter or meters shall then be adjusted to accuracy. Each party shall give the other party forty-eight (48) hours' notice of the time of all tests of meters so that the other party may conveniently have a representative present.

(e) If for any reason any meters are out of repair so that the amount of water delivered cannot be ascertained or computed from the reading thereof, the water delivered through 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 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) estimating the quantity of delivery by deliveries during the preceding periods under similar conditions when the meter or meters were registering accurately.

Section 4.15. Unit of Measurement. The unit of measurement for treated water delivery from the System hereunder shall be 1,000 gallons, U.S. Standard Liquid Measure.

Section 4.16. Access.

(a) Each Member agrees to provide ingress and egress for District employees and agents to all its premises inside Members' boundaries to install, operate, inspect, test, and maintain facilities owned or maintained by District within corporate or jurisdictional limits of Member.

(b) District agrees to provide ingress and egress for Member employees and agents to all premises under control of the District to install, operate, inspect, test, and maintain facilities, and read meters owned or maintained by Member.

Section 4.17. Reporting Requirements. (a) Approximately sixty days after the end of each Annual Payment Period each Member, for each Member's retail system respectively, shall furnish in writing to the District the following information:



(1) The number of active domestic water connections currently served;

(2) The number of commercial and business water connections currently served;

(3) The number of water connections currently served which purchase 1,000,000 gallons or more per year, with name and location of each;

(4) The number of gallons of water pumped from sources other than the District during the most recent Annual Payment Period;

(5) An estimate of the projected annual water requirements from the System by Member for each of the next five (5) years;

(6) An estimate of Demand for the next Water Year.

The purpose of this provision is to permit the District to accumulate statistical data which will enable it to plan for adequate service, and to facilitate plans for betterment and future facilities expansion.

Section 4.18. Customer Advisory Council. (a) The governing body of each Customer annually may appoint one of the members of its governing body or one of its employees as a member of the Customer Advisory Council for the District, which Council is hereby created and established. The Council shall elect a Chairman, a Vice Chairman, and a Secretary. The Council may establish bylaws governing the election of officers, meeting dates and other matters pertinent to its

function. The Council shall consult with and advise the District and the Board with regard to the following matters pertaining to the District:

- (i) The issuance of Bonds;
- (ii) The operation and maintenance of the District and the System;
- (iii) Contracts for services to Customers;
- (iv) The District's Annual Budget, prior to its submission to the Board;
- (v) All other pertinent matters relating to operation of the District and the System; and
- (vi) Improvements and extensions of the System.

The Council shall have access to and may inspect at reasonable times all physical elements of the System and all records and accounts of the District pertaining to the System.

(b) The term of membership on the Council shall be at the pleasure of each governing body represented, respectively, and each member shall serve until replaced by such governing body. All expenses of the Council in discharging its duties under this Section shall be considered as an Operation and Maintenance Expense of the District.

Section 4.19. Water Conservation, Drought Contingency Plan.

(a) Each Member agrees that water supplies or services may be limited or curtailed pursuant to Section 4.02. Also, Members agree to coordinate with the District the

implementation of any action to limit or curtail water supplies to minimize adverse impact on System operation, and on adequacy of service, and to promote public understanding of the need for and terms of such limitation or curtailment.

(b) It is the policy of the District to prepare, adopt and maintain a regional water conservation plan which incorporates loss reduction measures and demand management practices which insure that the available supply of the System is used in an economically efficient and environmentally sensitive manner. Similarly, it is the policy of the District to prepare, adopt and maintain a drought and emergency contingency plan for water supply to Customers. Each Member agrees to cooperate in the implementation of both plans and to adopt and enforce such or similar plans for use within their respective jurisdictions. The Member's water conservation plan is subject to approval by District.

(c) To the extent the District imposes restrictions of general applicability to Customers, including rules relating to the curtailment or rationing of water delivery and availability, District agrees to impose such restrictions equitably and in a non-discriminatory fashion. Such rationing shall, within the limits permitted by law, be done by the District on the basis of the relative actual total amount of water taken from the System by each Customer respectively during the most recent Water Year during which rationing among the Customers was not necessary.

Section 4.20. Standards. Each Member agrees to protect its storage and distribution system from cross connections under the specifications required by health standards of the State of Texas. Member agrees to provide air gaps for any ground storage and backflow preventers for any elevated storage receiving water from the System. Member agrees to provide internal storage sufficient to meet its emergency needs and to maintain a reasonable load factor for deliveries from the System.

ARTICLE V

Fiscal Provisions

Section 5.01. Annual Requirements. Subject to the terms and provisions of this Contract, the District will provide and pay for the cost of the acquisition, construction and improvement of the System and all System facilities, by issuing its Bonds in amounts which will be sufficient to accomplish such purposes. It is acknowledged and agreed that payments to be made under this Contract and similar contracts with other Customers and Additional Participating Members, if any, will be the primary source available to the District to provide the Annual Requirement. In compliance with the District's duty to fix and from time to time to revise the rates and charges for services of the System, the Annual Requirement may change from time to time. Each such Annual Requirement shall be allocated among the Members as hereinafter provided, and the Annual Requirement for each Annual Payment Period shall be provided

for in each Annual Budget and shall at all times be not less than an amount sufficient to pay or provide for the payment of:

(a) An "Operation and Maintenance Component" equal to the amount paid or payable for all Operation and Maintenance Expenses of the System; and

(b) A "Capital Component" equal to:

(1) the principal of, redemption premium, if any, and interest on, its Bonds, as such principal, redemption premium, if any, and interest become due, less interest to be paid out of Bond proceeds or from other sources if permitted by any Bond Resolution, and all amounts required to redeem any Bonds prior to maturity when and as provided in any Bond Resolution, plus the fees, expenses and charges of each paying agent/registrar for paying the principal of and interest on the Bonds, and for authenticating, registering and transferring Bonds on the registration books; and

(2) the proportionate amount of any special, contingency or reserve funds required to be accumulated and maintained by the provisions of any Bond Resolution; and

- (3) an amount in addition thereto sufficient to restore any deficiency in any of such funds required to be accumulated and maintained by the provisions of any Bond Resolution; and
- (c) An amount deemed appropriate and necessary by the Board to be required as a special reserve for operation and maintenance expenses of the System or for capital improvements. Any such reserve shall be used as operating capital for Operation and Maintenance Expenses, for emergency expenses and a fluctuating reserve for additions to or shortfalls in the annual revenues of the System. The normal level of such reserve shall not exceed 25% of the annual Operation and Maintenance Expenses (estimated to be approximately three (3) months expenses).

Section 5.02. Annual Budget. Each Annual Budget for the System shall always provide for amounts sufficient to pay the Annual Requirement. The Annual Budget for the System for all or any part of the Annual Payment Period during which the System is first placed into operation shall be prepared by the District based on estimates made by the District. On or before June 15 of each year after the System is first placed in operation, the District shall furnish to each Member a preliminary estimate of the Annual Payment required from each

Member for the next following Annual Payment Period. Not less than forty days before the commencement of the Annual Payment Period after the System is first placed into operation, and not less than forty days before the commencement of each Annual Payment Period thereafter, the District shall cause to be prepared as herein provided its preliminary budget for the System for the next ensuing Annual Payment Period. A copy of such preliminary budget shall be filed with each Participating Member for review before action by the Board. Any Participating Member may submit comments about the preliminary budget directly to the Board. The Board may adopt the preliminary budget or make such amendments thereto as the Board may deem proper. The budget thus approved by the Board shall be the Annual Budget for the next ensuing Annual Payment Period. The Annual Budget (including the first Annual Budget) may be amended by the District at any time to transfer funds from one account or fund to another account or fund so long as such transfer will not increase the total budget. The amount for any account or fund, or the amount for any purpose, in the Annual Budget may be increased through formal action by the Board even though such action might cause the total amount of the Annual Budget to be exceeded; provided that such action shall be taken only in the event of an emergency or special circumstances which shall be clearly stated in a resolution at the time such action is taken by the Board.

Section 5.03. Payments by Participating Members.

(a) For the treated water services to be provided to Flower Mound under this Contract, Flower Mound agrees to pay, at the time and in the manner hereinafter provided, its proportionate share (Annual Payment) of the Annual Requirement. Flower Mound shall pay its part of the Annual Requirement for each Annual Payment Period directly to the District, in monthly installments in accordance with the schedule of payments furnished by the District, as hereinafter provided.

(b) Flower Mound shall pay its Annual Payment according to the minimum amounts respectively specified in Section 4.04 and according to the actual volume of treated water taken. The District shall estimate its cost per 1,000 gallons of water and shall establish a price per 1,000 gallons of Demand and volume for purposes of determining the monthly payment to be made by each Member. Each Member shall pay a Demand charge in approximately equal monthly installments and based on the minimum quantity specified in Exhibit B or upon a different quantity subsequently established by the District in accordance with Section 4.05. Such Demand charge shall be sufficient to cover the fixed cost portion of the Annual Requirement. Each Member shall pay a volume charge based on the actual volume of treated water delivered to each Member monthly. The volume charge shall be sufficient to cover the variable cost portion of the Annual Requirement and



specifically the variable costs associated with treating, pumping, transporting and delivering the water. The District reserves the right to combine the volume and Demand charge into a unified charge for the convenience of the District and its Customers, especially for short-term sales or for sale of small quantities.

Section 5.04. Fiscal Policy.

It is provided that in estimating costs for services, the District is specifically authorized, in its discretion, to include in such estimate of costs reasonable contributions to Reserve Funds or to assume that the Annual Payment Period may be a wet year which could cause revenues to be increased if the year is actually normal or dry. This fiscal policy is expressly approved by the Participating Members and is deemed by the parties hereto to be beneficial in the fiscal management of the System, and will assure the timely availability of funds even under unexpected circumstances. Upon receipt during any Annual Payment Period of an amount sufficient to meet the then current Annual Budget of the System for the remainder of the then current Annual Payment Period, the District shall deposit subsequent revenues received into appropriate reserve or contingency accounts, unless otherwise specifically hereinafter provided in the event of unexpected or additional Annual Budget requirements. If there is a shortfall in revenues, the District may withdraw from the reserves, adjust the Annual

Requirement, revise the payment schedule or do any combination thereof.

Section 5.05. Minimum Payments. It is agreed that if, during any Annual Payment Period, the estimated and/or actual metered volume of treated water provided by the System to Flower Mound is, for any reason whatsoever, less than any minimum amount prescribed by this Contract and the District, Flower Mound shall pay its Annual Payment according to such minimum amount. However, if Flower Mound's estimated and/or actual metered amount of water is equal to or in excess of such minimum amount, its Annual Payment shall be calculated on the basis of estimated and actual volumes and Demands. All contracts with Additional /Participating Members shall also provide for equitable minimum amounts. Such minimums shall be fixed in amounts at least sufficient, as determined by the District, to assure an initial annual payment by such Additional Participating Member for not less than the amount of its estimated use of treated water during the first year of service under such contract.

Section 5.06. Redetermination of Annual Requirements. Notwithstanding the foregoing, the Annual Requirement, and each Member's share thereof (Annual Payment), shall be redetermined, after consultation with each Member, at any time during any Annual Payment Period, to the extent deemed necessary or advisable by the District, if:

- (i) The District commences furnishing services of the

System to an Additional Participating Member or Customer;

- (ii) Unusual, extraordinary, or unexpected expenditures for operation and maintenance expenses are required which are not provided for in the District's Annual Budget or reserves for the System;
- (iii) Operation and maintenance expenses of the System are substantially less than estimated;
- (iv) District issues Bonds which require an increase in the capital component of the Annual Payment; or
- (v) The District receives either significantly more or significantly less revenues or other amounts than those anticipated.

If the Annual Requirement is redetermined, Member will be advised of the Adjusted Annual Payment.

Section 5.07. Other Revenues. During each Annual Payment Period, all revenue derived from sales of System water, other than sales of treated water to Participating Members, shall be credited to and be used for paying part of the Annual Requirement in the manner determined by the District, with the result that such credits shall reduce, to the extent of such credits, the amounts which otherwise would be payable by the Participating Member. The District shall estimate all such credits which it expects to make during each Annual Payment Period in calculating each Annual Payment. All Administrative

Payments made by Contract Members shall be used to help pay Administrative and Planning Expenses of the District and not for costs related to the Project or System.

Section 5.08. Prompt Payment/Disputed Bills. Each Member hereby agrees that it will make payments to the District required by this Contract within 20 days of the date a bill for service is rendered. If any Member at any time disputes the amount to be paid by it to the District, such complaining party shall nevertheless promptly make such payment or payments; but if it is subsequently determined by agreement or court decision that such disputed payments should have been less, or more, the District shall promptly revise and reallocate the charges in such manner that the Member will recover its overpayment or the District will recover the amount due it. All amounts due and owing to the District by each Member or due and owing to any Member by the District shall, if not paid when due, bear interest at the rate of ten (10) percent per annum from the date when due until paid.

Section 5.09. Delinquent Bills. The District shall, to the extent permitted by law, suspend the delivery of water from the System to any Member which remains delinquent in any payments due hereunder for a period of sixty days, and shall not resume delivery of water while such Member is so delinquent. It is further provided and agreed that if any Member should remain delinquent in any payments due hereunder for a period of one hundred twenty days, and if such

delinquency continues during any period thereafter, such Member's minimum amount specified in Exhibit B, shall be deemed to have been zero gallons during all periods of such delinquency, for the purpose of calculating and redetermining the percentage of each Annual Payment to be paid by the non-delinquent Members and the District shall redetermine such percentage on that basis in such event so that the non-delinquent Members collectively shall be required to pay all of the Annual Requirement. However, the District shall pursue all legal remedies against any such delinquent Member to enforce and protect the rights of the District, the other Members, and the holders of the Bonds. The delinquent Member shall not be relieved of the liability to the District for the payment of all amounts which would have been due hereunder had no default occurred or the percentage had not been redetermined as provided in this Section. It is understood that the foregoing provisions are for the benefit of the holders of the Bonds so as to insure that all of the Annual Requirement will be paid by the non-delinquent Members during each Annual Payment Period regardless of the delinquency of a particular Member. If any amount due and owing the District by any Member is placed with an attorney for collection, such Member shall pay to the District all attorneys fees, in addition to all other payments provided for herein, including interest.

Section 5.10. Updated Schedule of Payment. If, during any Annual Payment Period, any Member's Annual Payment is

redetermined in any manner as provided or required in the foregoing sections, the District will promptly furnish such Member with an updated schedule of monthly payments reflecting such redetermination.

Section 5.11. Service Areas. For purposes of determining the Annual Requirement and for delivery of services, the District shall maintain separate cost centers for each service area, including specifically the North Service Area and the South Service Area. Provided, however, that the District may combine the cost of two (2) or more such service areas, if, in the Board's judgment, such action would result in more equitable distribution of costs of the System.

#### ARTICLE VI

##### Miscellaneous Provisions and Special Conditions

Section 6.01. Operation and Maintenance of System. The District will continuously operate and maintain the System in an efficient manner and in accordance with good business and engineering practices, and at reasonable cost and expense. The District recognizes its right and duty to operate the various facilities of the System in the most prudent and economical manner for the benefit of all Customers.

Section 6.02. Project Schedule. It is the intent of the parties that the Project will be placed in operation as soon as practicable, and the District agrees to proceed diligently with the design and construction of the Project to meet such

schedule, subject to the other terms and conditions in this Contract.

Section 6.03. Permits, Financing and Applicable Laws.

It is understood that any obligations on the part of the District to acquire, construct, and complete the Project and other System facilities and to provide treated water from the Project and other System facilities to the Members shall be: (i) conditioned upon the District's ability to obtain all necessary permits, material, labor, and equipment; (ii) conditioned upon the ability of the District to finance the cost of the Project and other System facilities through the actual sale of the District's Bonds; and (iii) subject to all present and future valid laws, orders, rules, and regulations of the United States of America, the State of Texas, and any regulatory body having jurisdiction.

Section 6.04. Title to Water; Indemnification. Title to all water supplied to each Member shall be in the District up to each Point of Delivery, at which point title shall pass to the receiving Member. The District and Flower Mound agree to save and hold each other harmless from all claims, demands, and causes of action which may be asserted by anyone on account of the transportation and delivery of said water while title remains in such party.

Section 6.05. (a) Payments Solely From Revenues. The District shall never have the right to demand payment by Flower Mound of any obligations assumed by it or imposed on it under

and by virtue of this Contract from funds raised or to be raised by taxes, and the obligations under this Contract shall never be construed to be a debt of such kind as to require any of the Participating Members to levy and collect a tax to discharge such obligation. Nonetheless, any Participating Member may make payments from its water and wastewater (sewer) system revenues, or from any other lawful source, including ad valorem taxes.

Section 6.06. Operating Expenses. Each of the Participating Members, respectively, represents and covenants that all payments to be made by it under this Contract shall constitute reasonable and necessary "operating expenses" of its combined waterworks and sewer system, as defined in Vernon's Ann. Tex. Civ. St. Article 1113, and that all such payments will be made from the revenues of its combined waterworks and sewer system or any other lawful source. Participating Members, respectively, represent and have determined that the treated water supply to be obtained from the System, including the Project and other System facilities, is absolutely necessary and essential to the present and future operation of its water system and that the System is the best long-term source of supply of treated water therefor, and, accordingly, all payments required by this Contract to be made by each Participating Member shall constitute reasonable and necessary operating expenses of its respective system as described above,



with the effect that the obligation to make such payments from revenues of such systems shall have priority over any obligation to make any payments from such revenues (whether of principal, interest, or otherwise) with respect to all bonds or other obligations heretofore or hereafter issued by such Participating Member.

Section 6.07. Rates for Water and Wastewater Services.

Each of the Participating Members agrees throughout the term of this Contract to continuously operate and maintain its waterworks system, its wastewater (sewer) system or both, and to fix and collect such rates and charges for water services, wastewater (sewer) services or both to be supplied by its system or systems as aforesaid as will produce revenues in an amount equal to at least (i) all of the expenses of operation and maintenance expenses of such system or systems, including specifically, its payments under this Contract, and (ii) all other amounts as required by law and the provisions of the ordinance or resolutions authorizing its revenue bonds or other obligations now or hereafter outstanding, including the amounts required to pay all principal of and interest on such bonds and other obligations.

Section 6.08. Use of Funds and System. The District covenants and agrees that neither the proceeds from the sale of the Bonds, nor the moneys paid it pursuant to this Contract, nor any earnings from the investment of any of the foregoing, will be used for any purposes, except those directly relating

to the System, and the Bonds as provided in this Contract; provided that the District may rebate any excess arbitrage earnings from such investment earnings to the United States of America in order to prevent any Bonds from becoming "arbitrage bonds" within the meaning of the Internal Revenue Code of 1986 (the "Code") or any amendments thereto in effect on the date of issue of such Bonds. Flower Mound covenants and agrees that it will not use or permit the use of the System in any manner that would cause the interest on any of the Bonds to be or become subject to federal income taxation under the Code or any amendments thereto in effect on the date of issue of such Bonds.

Section 6.09. Rights-of-Way. (a) Flower Mound hereby grants to the District without additional cost to the District, the perpetual use of the streets, easements, and rights-of-way under its control for the construction, operation, and maintenance of the System and the Project.

(b) Flower Mound agrees that with prior written approval, District may use streets, alleys and public rights of way within Member's boundaries for pipeline purposes to provide water to Member or to other Customers without charges or tolls provided that District makes the necessary repairs to restore the streets, alleys or public rights of way used to their original condition.

Section 6.10. Use of Customer Facilities. Each of the parties to this Contract, including specifically the District, desires to develop and operate the System in the most efficient

manner. To that end, the policy of the District is to encourage joint-use of facilities, including existing and future pipelines, storage tanks and pump stations owned by and under the control of Customers wherever feasible and advantageous to the delivery of water from the System. The District agrees that if it proposes the joint use of such facilities and if a Customer agrees, that the Customer whose facilities will be used is entitled to fair and reasonable compensation for the use of facilities and for the service provided by the Customer to District.

Further, it is agreed by all parties to this Contract that such compensation will be considered to be an Operation and Maintenance Expense of the System.

Section 6.11. Unconditional Obligation to Make Payments. Recognizing the fact that Flower Mound and other Participating Members urgently require the facilities and services of the Project and the System, and that such facilities and services are essential and necessary for actual use and for standby purposes, and recognizing the fact that the District will use payments received from Flower Mound and other Participating Members to pay and secure its Bonds, it is hereby agreed that Flower Mound shall be unconditionally obligated to pay, without offset or counterclaim, its proportionate share of the Annual Requirement, as provided and determined in this Contract (including the obligations for paying for "minimums" as described in Section 4.04 hereof), regardless of whether or

not the District actually acquires, constructs or completes the Project or the System or is actually delivering water from the System to Flower Mound, or whether or not Flower Mound actually receives or uses water from the System whether due to Force Majeure or any other reason whatsoever, regardless of any other provisions of this or any other contract or agreement between any of the parties hereto. This covenant by Flower Mound shall be for the benefit of and enforceable by the holders of the Bonds as well as the District.

Section 6.12. Insurance. The District agrees to carry and arrange for fire, casualty, public liability, and/or other insurance, including self insurance, on the System for purposes and in amounts which, as determined by the District, ordinarily would be carried by a privately owned utility company owning and operating such facilities, except that the District shall not be required to provide liability insurance except to insure itself against risk of loss due to claims for which it can, in the opinion of the District's legal counsel, be liable under the Texas Tort Claims Act or any similar law or judicial decision. Such insurance will provide, to the extent feasible and practicable, for the restoration of damaged or destroyed properties and equipment, to minimize the interruption of the services of such facilities. All premiums for such insurance shall constitute an Operation and Maintenance Expense of the System.

Section 6.13. Future Capacity. The Project will include capacity in pipelines and certain other facilities for future needs of Participating Members, Additional Participating Members and other Customers, generally in accordance with the regional plan prepared by the Steering Committee for Denton County Water Plan and referred to as the Denton County Water and Wastewater Study--Regional Master Plan for the Year 2010. Each Member agrees that it is in the best interest of the District and each Member, respectively, to plan, acquire and construct the Project and System with excess capacity in anticipation of future increases in Member's requirements and in anticipation of future new Customers. Further, Flower Mound agrees that if the District executes a financial plan for the Project that includes participation by the State in future capacity costs and includes deferral of a portion of the costs to a future date, that Flower Mound will assume its respective share when due of such System cost so deferred as if Bonds had been issued during the initial construction of the Project. The District reserves the right to Contract with Additional Participating Members and other Customers for equitable participation in such future capacity in accordance with Section 4.11.

Section 6.14. Special Provisions. The parties hereto acknowledge and agree to the Special Provisions which are set forth in Exhibit C hereto which Exhibit is incorporated herein for all purposes. The Special Provisions for this Contract

reflect circumstances or issues for this specific Customer which may be different from those of other Customers and therefore constitute a modification of, or a requirement in addition to, the standard provisions otherwise contained in this Contract.

ARTICLE VII

Section 7.01. 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 Participating Member to make the payments required under this Contract, then if such party shall give notice and full particulars of such force majeure in writing to the other parties within a reasonable time after 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, strikes, lockouts or other industrial disturbances, acts of public enemy, orders of any kind of the Government of the United States or the State of Texas, or any Civil or military authority, insurrection, riots, epidemics, landslides, lightning, earthquake, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances,

explosions, breakage or accidents to machinery, pipelines or canals, partial or entire failure of water supply, or on account of any other causes not reasonably within the control of the party claiming such inability.

Section 7.02. Limitations and Conditions. (a) To provide the services and to perform the obligations contemplated in this Contract, it is the intent of all Participating Members and the District to allow the District to contract with other parties for joint development of certain portions of the Project. It is expressly understood that such contracts may require the District to compensate such other parties for the District's use of such other systems or to participate with other parties in the construction of certain additional facilities in order for the District to carry out its obligations under this Contract. The District retains the right and option to construct its own facilities rather than to contract with others, if in the District's judgment such facilities, if constructed by the District, would allow the District to provide more dependable or economical service to Participating Members.

(b) If the District determines that it will be necessary to participate with other parties in the construction of facilities in order to fulfill its obligations under this Contract, each of the Participating Members agrees that such participation is as much a part of the Project as if separate facilities were constructed by the District. Furthermore, any

cost, rates, fees or charges applicable to pumping, transportation or treatment of water by others, and charges for other services rendered by other parties at the request of the District for the benefit of the Project and System shall constitute Operation and Maintenance Expense of the System as defined herein.

Section 7.03. Term of Contract. This Contract shall be effective on and from the Contract Date, and shall continue in force and effect for thirty (30) years or for such period of time that Bonds issued by the District for the System remain outstanding, whichever is greater; provided, however, the term of the Contract and the expiration date may be extended for a period not to exceed 20 years at the option of the Participating Member, upon the mutual agreement of the Participating Member and the District as to the terms and conditions. The District's obligation to provide the contracted for services shall commence from the date that the District, in writing, deems the System operational and functional to treat and deliver treated water to any Participating Member. This Contract constitutes the sole agreement between the parties hereto with respect to the Project.

Section 7.04. Contracting Parties. This Contract shall be effective as to Flower Mound whether or not all parties who have previously executed contracts of a similar nature remain participants in the Project. The "minimums" listed in Exhibit



B shall remain the same as listed for Flower Mound, whether or not the District may agree to changes in minimums with other parties who are participants in the Project.

Section 7.05. Modification. 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 moneys required to be paid by any Participating Member under this Contract or any similar 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 7.06. 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 any other party 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 District, to:

Executive Director  
Upper Trinity Regional  
Water District  
396 W. Main Street  
P. O. Drawer 305  
Lewisville, Texas 75067

If to Flower Mound, to:

Town Manager  
Town of Flower Mound  
2121 Cross Timbers Road  
Flower Mound, Texas 75028

The parties 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 hereto.

Section 7.07. 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.

Section 7.08. 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 any party hereto and shall be cumulative. Recognizing however, that the District's undertaking to provide and maintain the services of the System is an obligation, failure in the performance of which cannot be adequately compensated in money damages alone, the District agrees, in the event of any default on its part, that each Participating Member shall have available to it the equitable remedy of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available. Recognizing that failure in the performance of any Participating Member's obligations hereunder could not be adequately compensated in money damages alone, each Participating Member agrees in the event of any default on its part that the District shall have available to it the equitable remedy of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available to the District. Notwithstanding anything to the contrary contained in this Contract, any right or remedy or any default hereunder, except the right of the District to receive the Annual Payment 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 on (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 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 circumstance.

Section 7.09. 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 sections, 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 7.10. 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 Denton County, Texas, which is the County in which the principal administrative offices of the District are located. It is specifically agreed among the parties to this Contract that Denton 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 Denton County, Texas.

IN WITNESS WHEREOF, the parties hereto acting under authority of their respective governing bodies have caused this Contract to be duly executed in several counterparts, each of which shall constitute an original, all as of the day and year first above written, which is the date of this Contract.

UPPER TRINITY REGIONAL  
WATER DISTRICT

BY: Jim Karlovich  
President, Board of Directors

ATTEST:

Tom Harpoe  
Secretary, Board of Directors  
(AUTHORITY SEAL)

APPROVED AS TO FORM AND LEGALITY:

[Signature]  
Counsel for the District

TOWN OF FLOWER MOUND

By: *Gary Aiken*  
Mayor, Town of Flower Mound

ATTEST:

*Ruth DeShaw*  
Town Secretary

APPROVED AS TO FORM:

*Terence P. Held*  
Counsel for Town of Flower Mound

EXHIBIT A

page 1

TOWN OF FLOWER MOUND

APPROXIMATE DELIVERY POINT

At the District's proposed ground storage tank or at a proposed ground storage tank for Flower Mound, either of which is planned for the general vicinity of the intersection of AT & SF Railroad and FM Road 407 near the northeast corner of the corporate limits of Flower Mound.

Note

Upon mutual agreement of the District and Town of Flower Mound, an updated Exhibit A may be substituted for this Exhibit A.

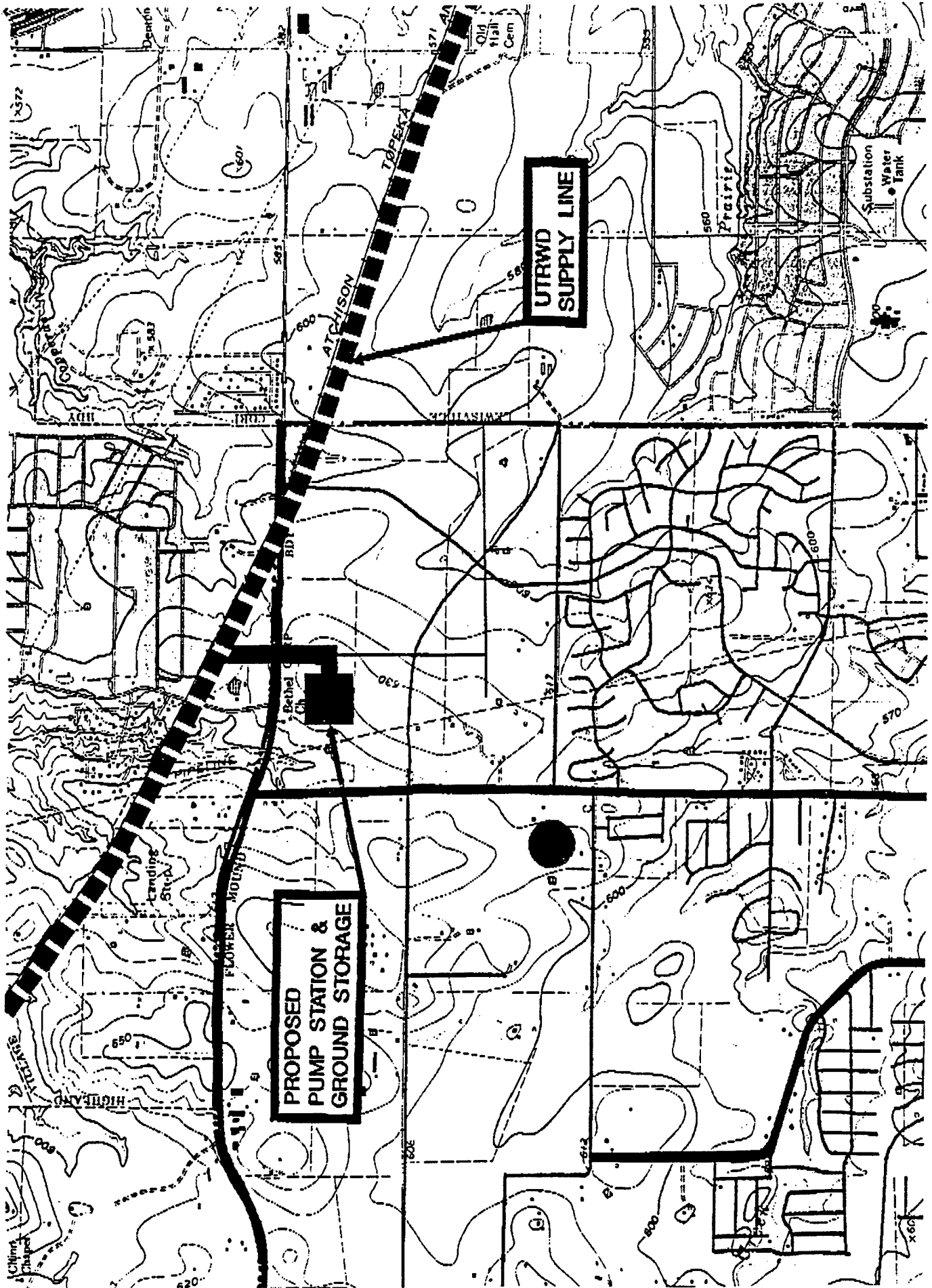




EXHIBIT B

MINIMUM AMOUNT OF SYSTEM CAPACITY BEING COMMITTED FOR TOWN OF FLOWER MOUND IN ACCORDANCE WITH SECTION 4.04 OF CONTRACT

The provisions of this Exhibit B form a part of the Contract and are applicable to the District and to Flower Mound as if set forth in its entirety in the body of the Contract.

The following quantities constitute minimum Demands in accordance with Section 4.04 of Contract. Said minimum Demands are noted for an "Interim Period" and for "Regular Service". The Interim Period shall apply from date of this Contract until the District implements its permanent plans for Regular Service; after which, the minimum Demands for Regular Service shall apply.

<u>Participating Member</u>	<u>Minimum Demand (mgd)</u>	
	<u>Interim Period</u>	<u>Regular Service</u>
Town of Flower Mound	5.0 mgd	10.0 mgd

In accordance with Section 4.05 of the Contract, the minimum Demand shown for Interim Period shall apply for first Water Year of the Interim Period. Thereafter, the District may adjust the Demand for any Participating Member by mutual agreement. Furthermore, District and each Member may adjust the Demand for Regular Service by mutual agreement prior to District completing permanent plans for Regular Service; provided however, notwithstanding any provision herein to the contrary, Flower Mound may elect to continue during Regular Service at the level specified above for the Interim Period. Such election to remain at the Interim Period level must be submitted in writing to District by Flower Mound within thirty (30) days after District gives notice that it is preparing to complete permanent plans for Regular Service.

EXHIBIT C

Special Provisions for Town of Flower Mound

The provisions of this Exhibit C form a part of the Contract and are applicable to the Upper Trinity Regional Water District (the "District") and to Town of Flower Mound ("Flower Mound") as if set forth in their entirety in the body of the Contract.

1. In conjunction with the treated water service to be provided by the District to Flower Mound, there may be an opportunity for the District and Flower Mound to construct on a joint basis either ground storage tanks or other Project facilities. If the District and Flower Mound agree that such joint facilities are mutually beneficial, a separate agreement will be executed.

2. The provisions of Section 4.13 Points of Delivery notwithstanding, the District and Flower Mound agree that the District may provide Flower Mound a second Point of Delivery under certain circumstances. If the District extends a water transmission line westward, generally along F.M. Road 407, to serve other Customers in the western part of the District's service area, District may at Flower Mound's request establish a Second Point of Delivery off such transmission line if Flower Mound subscribes to at least an additional 1.0 mgd Water Demand to be taken through such second Point of Delivery.

3. Flower Mound agrees to maintain master plans for both the water and wastewater systems within its service area. To that end, Flower Mound agrees to provide the District with updated master plans for both water and wastewater at least every five years.

4. The District and Flower Mound agree that the public health and safety require that plans for control of wastewater be prepared and implemented in conjunction with extension of the treated surface water supply system being developed by the District.

5. Flower Mound will cooperate with and support the District's program to prevent pollution of surface waters through an effort to upgrade the design, construction, operation and maintenance of on-site wastewater treatment systems (generally referred to as septic tanks). To that end, Flower Mound will develop a regulatory strategy for regular inspection and maintenance of on-site treatment facilities now existing or later installed in the Town.

6. Flower Mound will require customers within the Town to connect to the Town's wastewater collection system under reasonable rules as the collection system is installed or extended.

7. If Flower Mound receives notice from the District, the County or any regulatory agency having jurisdiction that one of its water customers is not in compliance with public health or water quality rules, Flower Mound agrees to terminate water service to that customer if necessary to achieve compliance with such rules or notice.

8. As regards above requirements of this Exhibit C, District and Flower Mound recognize that certain portions of the service area and corporate limits of Flower Mound are currently receiving and will continue to receive retail water service from utilities other than Flower Mound. To the extent reasonable and appropriate, District will waive applicable provisions of this Exhibit C for such areas and circumstances.

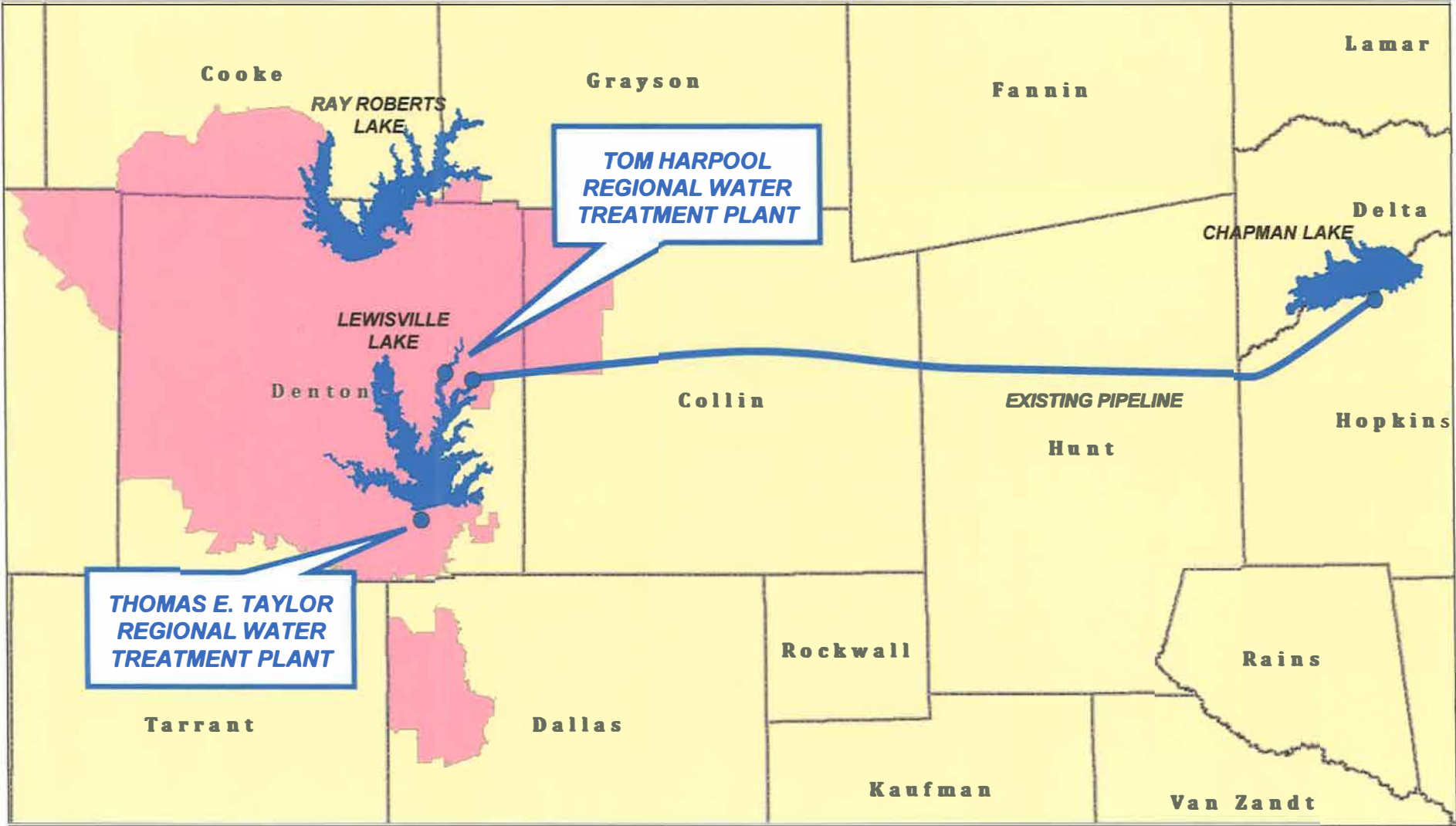
9. District agrees not to enter into future contracts to provide water or wastewater service to other retail utilities providing service to customers inside the corporate limits of Flower Mound unless Flower Mound gives its written consent; provided however, that the provisions of this paragraph do not apply to contracts heretofore entered into by the District with other utilities prior to the execution date of this Contract.

**Tab 14**

**Part D - #56**

**Proposed Parallel Pipeline to  
Stone Hill Pump Station**

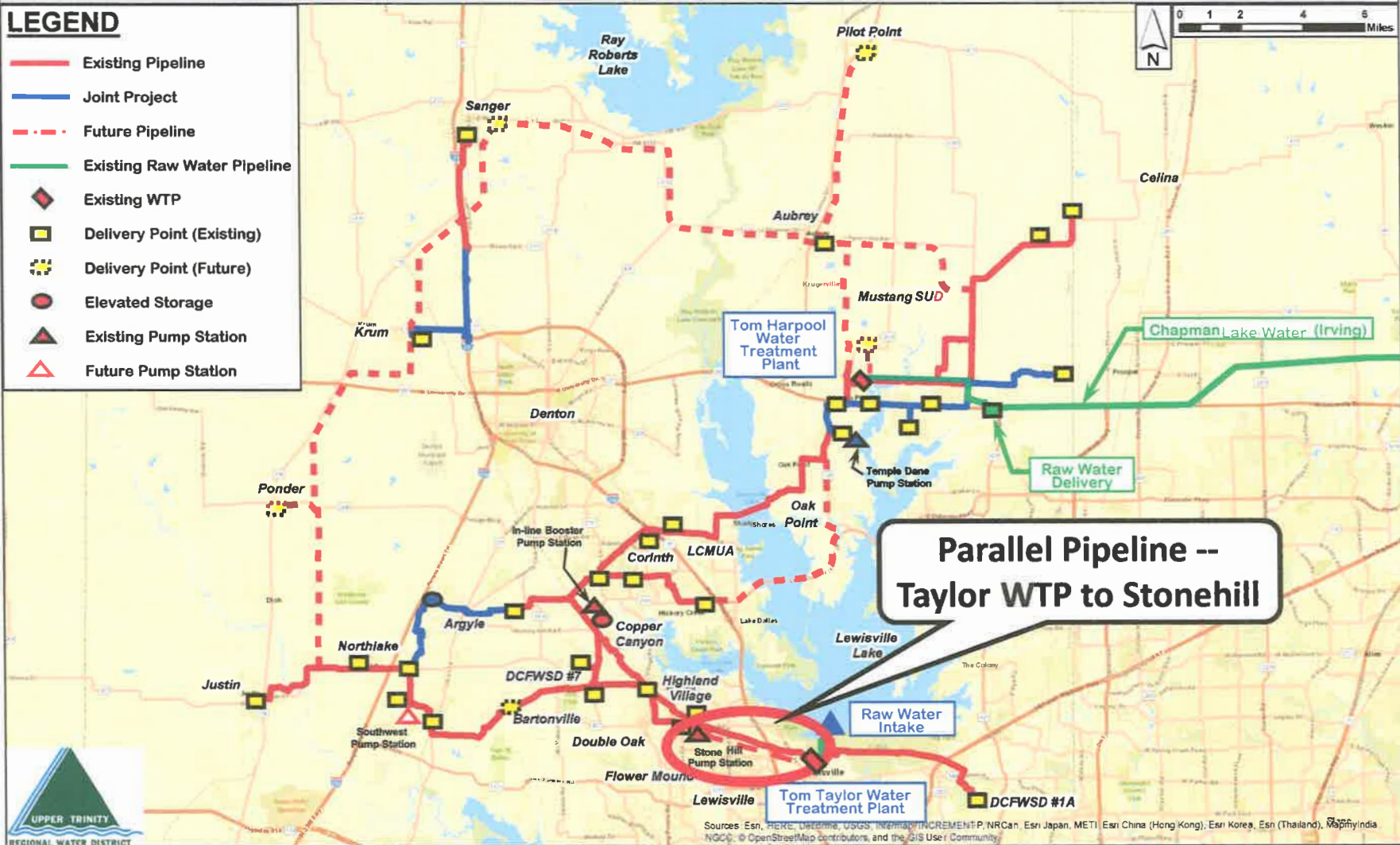
# Upper Trinity Regional Water District Water System Service Area & Sources



# Regional Treated Water System

## LEGEND

- Existing Pipeline
- Joint Project
- - - Future Pipeline
- Existing Raw Water Pipeline
- ◆ Existing WTP
- Delivery Point (Existing)
- Delivery Point (Future)
- Elevated Storage
- ▲ Existing Pump Station
- △ Future Pump Station



Sources: Esri, HERE, DeLorme, USGS, Imagery, NRCAN, Esri Japan, METI, Esri China (Hong Kong), Esri Korea, Esri (Thailand), Swire, India, NGCC, OpenStreetMap contributors, and the GIS User Community

**Tab 15**  
**Part D - #57**  
**Census Tracts**

## Part D - #57

<u>Census Tract</u>	<u>County</u>	<u>Census Tract</u>	<u>County</u>	<u>Census Tract</u>	<u>County</u>
99	Dallas	201.10	Denton	216.05	Denton
100	Dallas	201.11	Denton	216.06	Denton
141.03	Dallas	201.12	Denton	216.10	Denton
141.13	Dallas	201.13	Denton	216.17	Denton
141.14	Dallas	201.14	Denton	216.18	Denton
141.15	Dallas	201.15	Denton	216.19	Denton
141.16	Dallas	202.01	Denton	216.20	Denton
141.24	Dallas	202.02	Denton	216.21	Denton
141.27	Dallas	202.03	Denton	216.22	Denton
141.28	Dallas	202.04	Denton	216.23	Denton
141.29	Dallas	202.05	Denton	216.24	Denton
141.30	Dallas	203.01	Denton	216.29	Denton
141.31	Dallas	203.03	Denton	217.03	Denton
141.32	Dallas	203.04	Denton	217.05	Denton
141.33	Dallas	203.05	Denton	217.07	Denton
141.36	Dallas	203.07	Denton	217.09	Denton
141.37	Dallas	203.09	Denton	217.10	Denton
141.38	Dallas	203.10	Denton	217.11	Denton
142.03	Dallas	204.01	Denton	217.12	Denton
142.04	Dallas	204.02	Denton	217.13	Denton
142.05	Dallas	204.03	Denton	217.14	Denton
142.06	Dallas	205.01	Denton	217.15	Denton
143.02	Dallas	205.02	Denton	217.16	Denton
143.06	Dallas	205.03	Denton	217.17	Denton
143.07	Dallas	205.04	Denton	217.18	Denton
143.08	Dallas	205.05	Denton	217.19	Denton
143.09	Dallas	205.06	Denton	217.20	Denton
143.10	Dallas	206.01	Denton	217.21	Denton
143.11	Dallas	206.02	Denton	217.22	Denton
143.12	Dallas	207	Denton	217.23	Denton
144.03	Dallas	208	Denton	217.24	Denton
144.05	Dallas	209	Denton	217.25	Denton
144.06	Dallas	210	Denton	217.26	Denton
144.07	Dallas	211	Denton	217.27	Denton
144.08	Dallas	212	Denton	217.28	Denton
145.01	Dallas	212.01	Denton	217.29	Denton
145.02	Dallas	212.02	Denton	217.30	Denton
146.01	Dallas	213.01	Denton	217.31	Denton
146.02	Dallas	213.02	Denton	217.32	Denton
146.03	Dallas	213.03	Denton	217.33	Denton
147.01	Dallas	213.04	Denton	217.34	Denton
147.02	Dallas	213.05	Denton	217.35	Denton
147.03	Dallas	214.01	Denton	217.36	Denton
149.01	Dallas	214.02	Denton	217.37	Denton
149.02	Dallas	214.03	Denton	217.38	Denton
150	Dallas	214.04	Denton	217.39	Denton
151	Dallas	214.05	Denton	217.40	Denton
152.02	Dallas	214.06	Denton	217.41	Denton



## Part D - #57 continued

152.04	Dallas	214.07	Denton	217.42	Denton
152.05	Dallas	214.08	Denton	217.43	Denton
152.06	Dallas	214.09	Denton	217.44	Denton
153.03	Dallas	215.02	Denton	217.45	Denton
153.04	Dallas	215.04	Denton	217.46	Denton
153.05	Dallas	215.05	Denton	217.47	Denton
153.06	Dallas	215.06	Denton	217.48	Denton
201	Dallas	215.08	Denton	217.49	Denton
9800	Dallas	215.09	Denton	217.50	Denton
201.01	Denton	215.10	Denton	217.51	Denton
201.02	Denton	215.11	Denton	217.52	Denton
201.03	Denton	215.12	Denton	217.53	Denton
201.04	Denton	215.13	Denton	303.04	Collin
201.05	Denton	215.14	Denton	303.05	Collin
201.06	Denton	215.17	Denton	303.03	Collin

**Tab 16**

**Part D - #59**

**Population and  
Water Demand Projections**

Part D - #59

**APPENDIX F - Region C 2016 - Population Projections for UTRWD Customers**

County	Water User Group (WUG)	2020	2030	2040	2050	2060	2070
COLLIN	CELINA	21,995	43,200	72,980	112,500	112,500	112,500
COLLIN	PROSPER	20,004	28,022	32,637	33,848	35,058	35,058
COOKE	BOLIVAR WSC	1,631	1,751	1,842	1,934	2,010	2,076
COOKE	VALLEY VIEW	820	880	926	972	1,010	1,043
DENTON	ARGYLE	6,000	9,000	13,000	13,000	13,000	13,000
DENTON	ARGYLE WSC	5,040	5,040	5,040	5,040	5,040	5,040
DENTON	AUBREY	4,726	6,284	7,349	8,713	10,459	12,693
DENTON	BARTONVILLE	4,500	5,000	5,000	5,000	5,000	5,000
DENTON	BOLIVAR WSC	9,480	11,534	13,988	16,730	19,940	23,604
DENTON	CELINA	680	4,800	16,020	37,500	37,500	37,500
DENTON	COPPER CANYON	1,419	1,523	1,647	1,785	1,947	2,131
DENTON	CORINTH	24,911	29,499	29,499	29,499	29,499	29,499
DENTON	COUNTY-OTHER	30,207	33,609	37,232	53,174	86,087	160,675
DENTON	CROSS ROADS	2,256	3,096	3,800	3,800	3,800	3,800
DENTON	DENTON COUNTY FWSD No.1A	14,000	25,021	30,000	30,000	30,000	30,000
DENTON	DENTON COUNTY FWSD No.7	13,500	13,500	13,500	13,500	13,500	13,500
DENTON	DENTON COUNTY FWSD No. 10	7,884	16,750	16,750	16,750	16,750	16,750
DENTON	DOUBLE OAK	3,000	3,000	3,000	3,000	3,000	3,000
DENTON	FLOWER MOUND	75,315	92,730	92,730	92,730	92,730	92,730
DENTON	HICKORY CREEK	4,089	5,110	6,331	7,941	7,941	7,941
DENTON	HIGHLAND VILLAGE	17,100	18,000	18,000	18,000	18,000	18,000
DENTON	JUSTIN	4,650	8,325	12,000	12,000	12,000	12,000
DENTON	KRUGERVILLE	1,986	2,437	2,889	3,440	3,440	3,440
DENTON	KRUM	5,195	6,453	7,957	9,637	11,603	13,848
DENTON	LAKEWOOD VILLAGE	692	870	1,082	1,319	1,597	1,914
DENTON	LAKE DALLAS	7,782	8,603	9,933	9,933	9,933	9,933
DENTON	LINCOLN PARK	0	0	0	0	0	0
DENTON	MUSTANG SUD	12,500	23,946	35,392	46,838	58,284	69,730
DENTON	NORTHLAKE	4,500	17,000	31,010	43,005	55,000	55,000
DENTON	OAK POINT	8,305	12,586	16,868	21,149	25,430	25,430
DENTON	PALOMA CREEK	12,348	16,839	16,839	16,839	16,839	16,839
DENTON	PILOT POINT	6,500	8,000	11,000	15,000	20,000	27,000
DENTON	PONDER	2,035	2,811	3,738	4,774	5,987	7,371
DENTON	PROSPER	750	4,794	12,241	23,092	33,942	33,942
DENTON	PROVIDENCE VILLAGE WCID	7,235	7,235	7,235	7,235	7,235	7,235
DENTON	SANGER	8,632	10,713	13,199	15,977	19,229	22,941
DENTON	SHADY SHORES	3,441	3,936	3,936	3,936	3,936	3,936
FANNIN	LADONIA	1,600	2,000	2,200	2,500	3,000	3,000
WISE	BOLIVAR WSC	1,232	1,420	1,614	1,827	2,054	2,294
<b>UTRWD Total</b>		<b>364,350</b>	<b>501,727</b>	<b>616,702</b>	<b>750,215</b>	<b>840,481</b>	<b>947,594</b>
		<b>250,436</b>	<b>468,296</b>	<b>578,204</b>	<b>711,417</b>	<b>801,280</b>	<b>908,393</b>

## APPENDIX H.32 - 2016 Region C Plan - UTRWD Demands

Demands (Acre-feet/year)	2020	2030	2040	2050	2060	2070
Argyle WSC	496	541	589	641	689	689
Argyle	945	1,659	2,606	2,648	2,691	2,690
<i>Total for Argyle WSC</i>	1,441	2,200	3,195	3,289	3,380	3,379
Aubrey	563	731	847	999	1,197	1,452
Cross Timbers WSC	36	71	110	147	183	207
Bartonville	657	756	769	783	799	798
Copper Canyon	93	122	155	193	237	268
Double Oak	233	254	278	307	338	338
<i>Total for Cross Timbers WSC</i>	1,019	1,203	1,312	1,430	1,557	1,611
Bolivar WSC	0	204	481	798	1,164	1,459
Celina	4,522	8,195	15,109	25,634	25,632	25,629
Corinth	3,145	3,301	3,274	3,257	3,250	3,249
Denton County Other	595	1,230	2,006	4,220	8,419	17,635
Denton County FWSD NO. 1A	2,452	4,351	5,211	5,209	5,207	5,205
Denton County FWSD NO. 7	3,418	3,405	3,403	3,401	3,399	3,397
Denton County FWSD NO. 10(direct)	1,188	1,172	1,171	1,170	1,168	1,168
Flower Mound	10,477	14,352	14,274	14,228	14,213	14,212
Highland Village	2,485	2,756	2,845	2,960	3,085	3,085
Justin	209	775	1,344	1,391	1,437	1,436
Krum	707	1,012	1,373	1,778	2,245	2,730
Ladonia	0	36	59	91	138	137
Lake Cities MUA						
Hickory Creek	486	622	788	1,011	1,018	1,018
Lake Dallas	914	1,017	1,193	1,202	1,217	1,217
Shady Shores	385	447	450	455	461	460
<i>Total for Lake Cities MUA</i>	1,785	2,086	2,431	2,668	2,696	2,695
Mustang SUD	700	2,469	4,248	6,036	7,821	9,491
Cross Roads	457	619	756	755	754	754
Denton County FWSD NO. 10 (thru Mustang)*	298	1,956	1,956	1,956	1,956	1,956
Krugerville	263	315	368	435	434	434
Oak Point	789	1,334	1,885	2,440	2,995	2,994
Paloma Creek*	2,562	3,472	3,470	3,468	3,465	3,464
Providence Village WCID*	938	931	929	927	926	925
<i>Total for Mustang SUD</i>	6,007	11,096	13,612	16,017	18,351	20,018
Lincoln Park	105	122	141	159	181	181
Northlake	578	2,521	4,702	6,568	8,436	8,436
Pilot Point	0	0	351	1,010	1,794	2,706
Ponder	0	0	70	243	433	598
Prosper	0	0	0	0	0	0
Sanger	78	440	862	1,335	1,871	2,360
Denton County Mining	2,363	766	1,382	2,343	3,241	4,328
Denton County Manufacturing	72	164	184	202	219	238
<b>Total Demands</b>	43,207	62,118	79,638	100,399	112,765	127,433
	<b>38,673</b>	<b>57,609</b>	<b>74,228</b>	<b>94,941</b>	<b>107,187</b>	<b>121,821</b>

**Tab 17**

**Part D - #60**

**Form TWDB-1201**

**Project Budget**

PROJECT BUDGET - UPPER TRINITY REGIONAL WATER DISTRICT						
Uses	TWDB Funds Series 1	TWDB Funds Series 2	TWDB Funds Series 3	Total TWDB Cost	Other Funds	Total Cost
<b>Construction</b>						
Construction	\$3,696,000	\$16,000,000	\$13,704,000	\$33,400,000	\$0	\$33,400,000
<b>Subtotal Construction</b>	<b>\$3,696,000</b>	<b>\$16,000,000</b>	<b>\$13,704,000</b>	<b>\$33,400,000</b>	<b>\$0</b>	<b>\$33,400,000</b>
<b>Basic Engineering Fees</b>						
Planning +	\$235,500	\$0	\$0	\$235,500	\$0	\$235,500
Design	\$1,698,500	\$0	\$0	\$1,698,500	\$0	\$1,698,500
Construction Engineering	\$200,000	\$500,000	\$335,500	\$1,035,500	\$0	\$1,035,500
<b>Basic Engineering Other **</b>	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Basic Engineering Fees</b>	<b>\$2,134,000</b>	<b>\$500,000</b>	<b>\$335,500</b>	<b>\$2,969,500</b>	<b>\$0</b>	<b>\$2,969,500</b>
<b>Special Services</b>						
Application	\$20,000	\$0	\$0	\$20,000	\$0	\$20,000
Environmental	\$7,000	\$0	\$0	\$7,000	\$0	\$7,000
Water Conservation Plan	\$4,000	\$0	\$0	\$4,000	\$0	\$4,000
I/I Studies/Sewer	\$0	\$0	\$0	\$0	\$0	\$0
Surveying	\$125,000	\$0	\$0	\$125,000	\$0	\$125,000
Geotechnical	\$125,000	\$0	\$0	\$125,000	\$0	\$125,000
Testing	\$70,000	\$0	\$0	\$70,000	\$0	\$70,000
Permits	\$7,000	\$0	\$0	\$7,000	\$0	\$7,000
Inspection	\$0	\$0	\$0	\$0	\$0	\$0
O&M Manual	\$12,000	\$0	\$0	\$12,000	\$0	\$12,000
Project Management (by engineer)	\$0	\$0	\$0	\$0	\$0	\$0
Pilot Testing	\$0	\$0	\$0	\$0	\$0	\$0
Water Distribution	\$0	\$0	\$0	\$0	\$0	\$0
<b>Special Services Other **</b>	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Special Services</b>	<b>\$370,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$370,000</b>	<b>\$0</b>	<b>\$370,000</b>
<b>Other</b>						
Administration	\$800,000	\$2,000,000	\$1,670,500	\$4,470,500	\$0	\$4,470,500
Land/Easements	\$500,000	\$0	\$0	\$500,000	\$0	\$500,000
Water Rights Purchase (If Applicable)	\$0	\$0	\$0	\$0	\$0	\$0
Capacity Buy-In (If Applicable)	\$0	\$0	\$0	\$0	\$0	\$0
Project Legal Expenses	\$0	\$0	\$0	\$0	\$0	\$0
<b>Other **</b>	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Other Services</b>	<b>\$1,300,000</b>	<b>\$2,000,000</b>	<b>\$1,670,500</b>	<b>\$4,970,500</b>	<b>\$0</b>	<b>\$4,970,500</b>
<b>Fiscal Services</b>						
Financial Advisor	\$29,375	\$44,375	\$40,887	\$114,637	\$0	\$114,637
Bond Counsel	\$40,500	\$74,250	\$67,275	\$182,025	\$0	\$182,025
Issuance Cost	\$0	\$0	\$0	\$0	\$0	\$0
Bond Insurance/Surety	\$0	\$0	\$0	\$0	\$0	\$0
Fiscal/Legal	\$9,500	\$9,500	\$9,500	\$28,500	\$0	\$28,500
Capitalized Interest	\$0	\$0	\$0	\$0	\$0	\$0
Bond Reserve Fund	\$0	\$0	\$0	\$0	\$0	\$0
Loan Origination Fee	\$0	\$0	\$0	\$0	\$0	\$0
<b>Other **</b>	\$10,625	\$11,875	\$12,338	\$34,838	\$0	\$34,838
<b>Subtotal Fiscal Services</b>	<b>\$90,000</b>	<b>\$140,000</b>	<b>\$130,000</b>	<b>\$360,000</b>	<b>\$0</b>	<b>\$360,000</b>
<b>Contingency</b>						
Contingency	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Contingency</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>TOTAL COSTS</b>	<b>\$7,590,000</b>	<b>\$18,640,000</b>	<b>\$15,840,000</b>	<b>\$42,070,000</b>	<b>\$0</b>	<b>\$42,070,000</b>
<b>Other ** description must be entered</b>						
+ For Planning applications under the EDAP Program, please break down Planning costs as follows:						
Category A						0
Category B						0
Category C						0
Category D						0
<b>Total Planning Costs</b>				0	0	0

**Tab 18**

**Part D - #61**

**Form WRD-253d Water  
Project Information Form**

# PART D - # 61

WRD-253d  
10/17

Texas Water Development Board Water Project Information							
A. Project Name <b>Parallel Pipeline Taylor TWTP to Stone Hill Pump Station</b>		B. Project No.		C. County <b>Denton</b>			
D. Program(s) <b>SWIFT Low Interest Loans</b>		E. Date <b>April 2018</b>		F. Regional Planning Group (A-P) <b>Reg. Planning Group C</b>			
G. Water Project Description: (Multiphase project, new or expansion; plant, well, storage, pump station, distribution system, etc) This project consists of approximately 3.3 miles of treated water transmission pipeline from the Taylor Water Treatment Plant (TWTP) to the Stone Hill Pump Station (SHPS). The proposed pipeline is in a congested urban terrain and will cross IH35E, large overhead electric transmission lines and the Kansas City Southern Railroad (KCS). The size of the transmission pipeline is anticipated to be at least 60-inch diameter. The alignment, final pipeline size and construction delivery method will be evaluated and recommendations presented as part of the early phases of this multi-year project. Additional easements may be required depending on the final alignment. Preliminary, as well as final design and construction phase services will also be included in the project. This pipeline will provide additional capacity, reliability and operational security to Upper Trinity Regional Water District's Regional Treated Water System. See <b>ATTACHMENT A - Service Area Map</b> .  <b>This critical project is required to meet the future demands of UTRWD's growing service area, as well as, provide necessary redundancy in the system.</b> Attach map of service area affected by Project or other documentation.							
H. Is an Inter Basin Transfer potentially involved? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>			I. Is project located in a Groundwater District (If yes, identify District by name)? Yes <input checked="" type="checkbox"/> <b>North Texas Groundwater Conservation District</b> No <input type="checkbox"/>				
J. Service Area Projected Population for at least a 20 year period: (if different from Planning Area, discuss in separate attachment)	Current Population		Projected Population				
	Year:	<b>2018</b>	2020	2025	2030	2035	2040
	<b>Population Served by the Project</b>	<b>229,000</b>	<b>250,000</b>	<b>360,000</b>	<b>470,000</b>	<b>520,000</b>	<b>580,000</b>
Project Design Year: (Year for which project will be sized)		<b>2070</b>		Design Population: (Population served by project on the design year)		<b>910,000</b>	
K. Is the proposed project included in a current Regional Water Plan? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Don't Know <input type="checkbox"/> (If Yes, please specify on what page in the Regional Water Plan - Regional Water Plan Page Number: <b>Page Q.92, Table Q-54</b> )							
L. What type of water source is <b>associated directly with the proposed project</b> ? Surface Water <input checked="" type="checkbox"/> Groundwater <input type="checkbox"/> Reuse <input type="checkbox"/>							
M. Will the project increase the volume of water supply? Yes <input checked="" type="checkbox"/> <b>Supply of treated water will double</b> No <input type="checkbox"/>							
N. What volume of water is the project anticipated to deliver/ treat per year? <b>49,846</b> Acre-Feet/Year							
O. Current Water Supply Information							
Surface Water Supply Source / Provider Names <b>See Attachment B</b>		Certificate No. <b>See Attachment B</b>		Source County <b>See Attachment B</b>		Annual Volume and Unit <b>See Attachment B</b>	
Groundwater Supply Aquifer <b>N/A</b>		Well Field location <b>N/A</b>		Source County <b>N/A</b>		Annual Volume and Unit <b>N/A</b>	
Reuse Water <b>See Attachment B</b>		Certificate No. <b>See Attachment B</b>		Annual Amount Used and Unit <b>See Attachment B</b>			

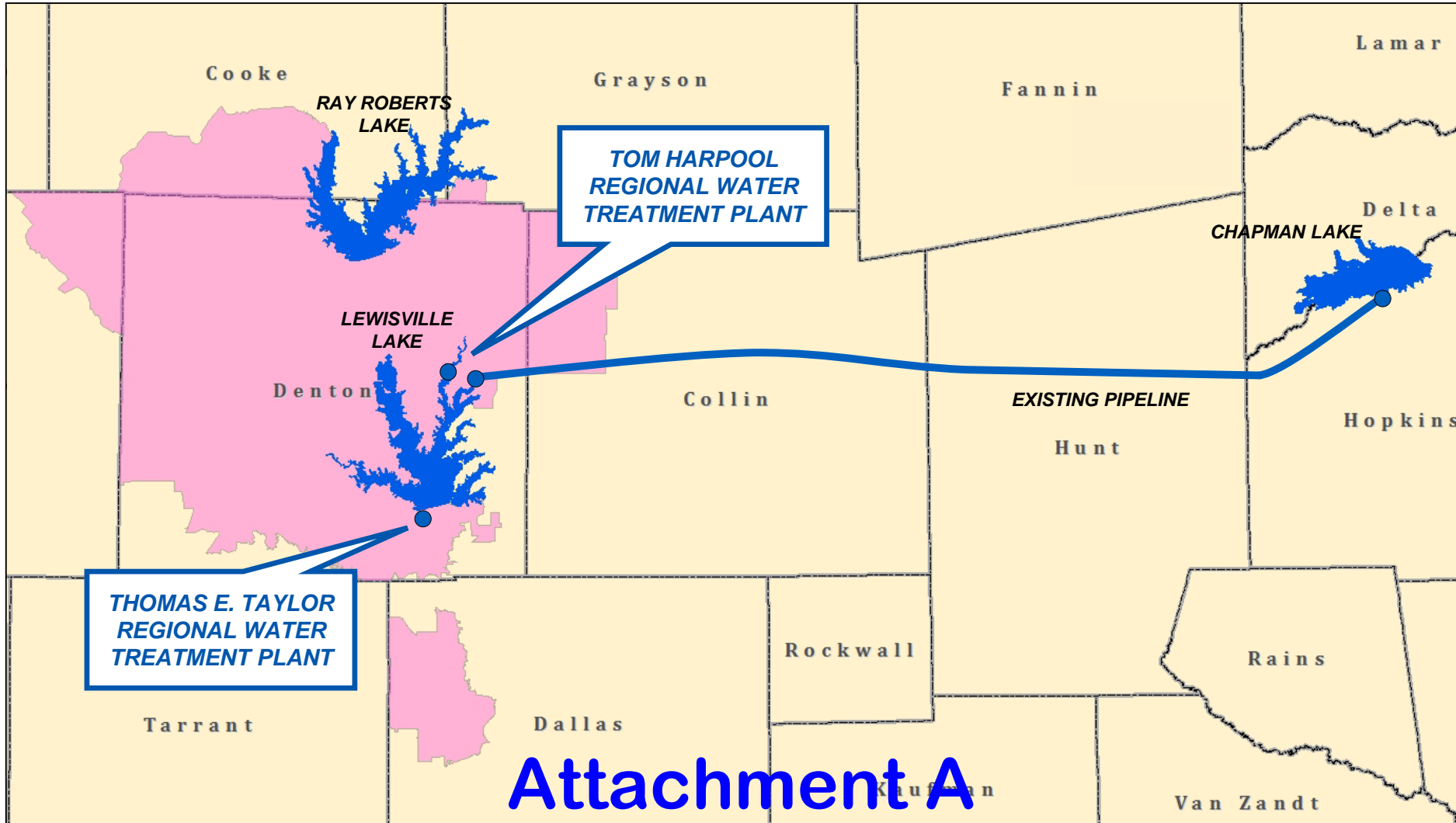


## PART D - # 61

P. Proposed Water Supply Associated Directly with the Proposed Project			
Surface Water Supply Source / Provider Names <b>See Attachment B</b>	Certificate No. <b>See Attachment B</b>	Source County <b>See Attachment B</b>	Annual Volume and Unit <b>See Attachment B</b>
Groundwater Supply Aquifer <b>N/A</b>	Well Field Location <b>N/A</b>	Source County <b>N/A</b>	Annual Volume and Unit <b>N/A</b>
Reuse Water <b>N/A</b>	Certificate No. <b>N/A</b>	Annual Amount Used and Unit <b>N/A</b>	
Q. Consulting Engineer Name <b>N/A</b>	Telephone No. <b>N/A</b>	E-mail address <b>N/A</b>	
R. Applicant Contact Name, Title <b>Kurt J. Staller, P.E. Acting Director Engineering &amp; Construction, UTRWD</b>	Telephone No. <b>972-219-1228</b>	E-mail address <b>kstaller@utrwd.com</b>	

All boxes on this form must be filled out for the application to be administratively complete. Items may be marked as N/A if appropriate.

# Upper Trinity Regional Water District Water System Service Area & Sources



## Attachment A

# PART D - # 61

## **Attachment B Upper Trinity Regional Water District Existing Water Supplies**

1. Water Supply Contract – City of Dallas
  - Terms of Agreement
    - o Source(s): Lewisville Lake or Ray Roberts Lake
    - o Source Counties: Denton, Cooke & Grayson
    - o Annual Amount Used (Projected):
      - 39,126 AcFt/Yr in 2020
      - 46,718 AcFt/Yr in 2030
      - 48,978 AcFt/Yr in 2040
  - City of Dallas Certificates of Adjudication
    - o Lewisville Lake
      - CA 08-2456D
    - o Ray Roberts Lake
      - CA 08-2455A
  
2. Water Supply Contract – City of Commerce
  - Terms of Agreement
    - o Source(s): Chapman Lake (Cooper Lake)
    - o Source Counties: Delta & Hopkins
    - o Contract Amount = 16,106 AcFt/Yr
  - Sulphur River Municipal Water District Certificate of Adjudication
    - o Chapman Lake (Cooper Lake)
      - CA 03-4797A
  
3. Water Reuse Permit
  - Permit Number – 5778
    - o Source: Chapman Lake Return Flows
    - o Source Counties: Denton
    - o Permit Amount – 9,664 AcFt/Yr
  
4. Water Supply Permit – Upper Trinity Regional Water District
  - Permit Number – 5821
    - o Source: Lake Ralph Hall
    - o Source County: Fannin
    - o Maximum Annual Diversion – 45,000 AcFt/Yr

**Tab 19**  
**Part D - #64**  
**Form ED-101**  
**Site Certificate**

STATE OF TEXAS

§  
§  
§

COUNTY OF Denton

**SITE  
CERTIFICATE**

Before me, the undersigned notary, on this day personally appeared Kurt J. Staller, a person whose identity is known to me or who has presented to me a satisfactory proof of identity. After I administered an oath, this person swore to the following:

- (1) My name is Kurt J. Staller. I am over 18 years of age and I am of sound mind, and capable of swearing to the facts contained in this Site Certificate. The facts stated in this certificate are within my personal knowledge and are true and correct.
- (2) I am an authorized representative of Upper Trinity Regional Water District, an entity that has filed an application for financial assistance with the Texas Water Development Board for a (water) (wastewater) project.

Please complete only those sections that apply to your project:

**LEGAL CERTIFICATION – LEASE/CONTRACT**

I certify that: \_\_\_\_\_  
(Legal Name of Applicant, i.e., City, District, etc.)

has executed a written lease or other contractual agreement to use the property needed for this (water)(wastewater) project that extends through \_\_\_\_\_ (date), the life of the Texas Water Development Board loan or grant that will be used to finance this project, either in whole or in part. A copy of this lease or agreement is attached hereto.

**LEGAL CERTIFICATION – PROPERTY EASEMENT**

I certify that: Upper Trinity Regional Water District  
(Legal Name of Applicant, i.e., City, District, etc.)

has executed an express easement to use the property needed for this (water) (wastewater) project that extends through the life of the Texas Water Development Board loan or grant that will be used to finance this project, either in whole or in part. The express easement to use the property needed for this (water) (wastewater) project extends through Dec - 2044 (date). A copy of the express easement agreement is attached hereto.

**LEGAL CERTIFICATION – OWNERSHIP INTEREST**

I certify that Upper Trinity Regional Water Distirct  
(Legal Name of Applicant, e.g. City, District, etc.)

Option A: has acquired the necessary real property interest, as evidenced by fee simple purchase, deed, fully executed earnest money contracts, or completion of eminent domain proceedings; that such acquisition will guarantee access and egress; and such interest will contain the necessary easements, rights of way, or unrestricted use as is required for the project being financed by the Texas Water Development Board. The legal description is referenced below. ***If needed, additional easements will be identified durng the planning process.***

Option B: is in the process of acquiring the necessary real property interest, as evidenced by earnest money contracts, contracts for sale, firm option agreements to purchase the subject property, or the initiation of eminent domain procedures; that such acquisition will guarantee access and egress; and such interest will contain the necessary easements, rights of way, or unrestricted use as is required for the project being financed by the Texas Water Development Board. The legal description is referenced below. The anticipated date of acquisition is:  
\_\_\_\_\_.

The property has been/will be acquired with the use of eminent domain:  True  False  
**We don't intend to use eminent domain, but we will if necessary.**

Location and Description of Property Interests acquired for Project:  
See Attachment A, parcel map (Sheet 1 - Sheet 3)

Any deeds or other instruments required to be recorded to protect the title(s) held by  
N/A (Legal Name of Applicant)  
have been recorded or filed for the record in the County deed records or other required location.  
The following documents are attached hereto:  
Attachment B, Copies of filed easements and property deeds.

Description of documents that were used or will be used to acquire the property:

Part D - #64

EXECUTED this 1 day of May, 2018.

[Signature] (Signature)

Kurt Staller (Print Name)

Acting Director Engineering & Construction (Title)

Sworn to and subscribed before me by Kurt Staller on this 1st day of May, 2018.

Brenda S. Scott (Notary Public in and for the State of Texas)



[SEAL]









# Phase 1B Section 3 Easements

ATTACHMENT A  
Sheet 2 of 3



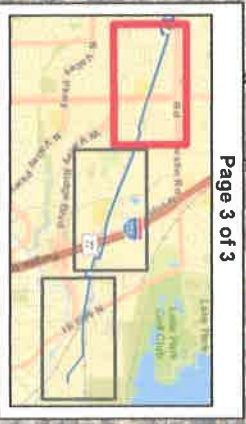
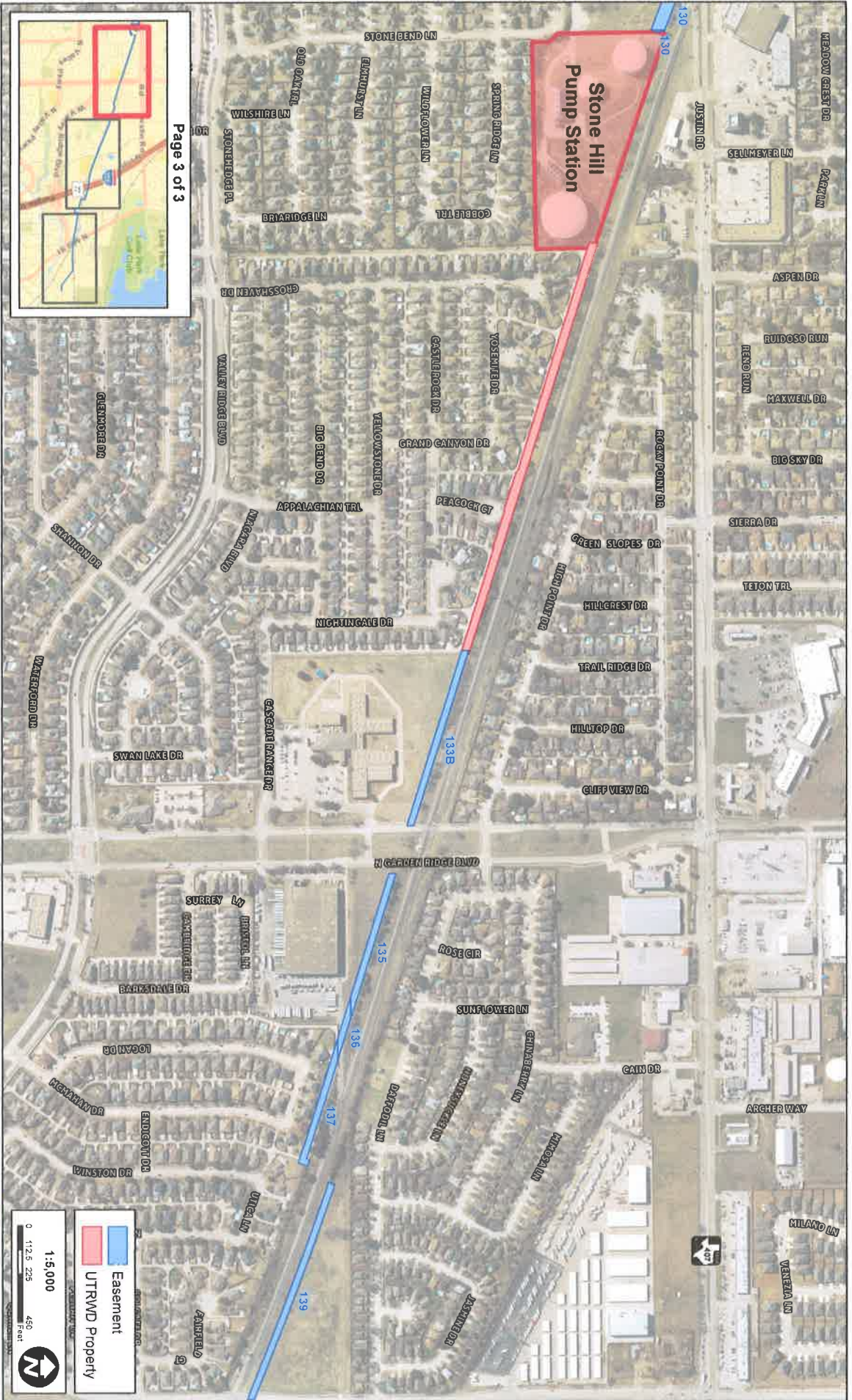
2018 UTRWD  
Date: 4/20/2018  
Author: [illegible]  
Scale: 1:5,000  
North Arrow





# Phase 1B Section 3 Easements

ATTACHMENT A  
Sheet 3 of 3



1:5,000

0 112.5 225 450 Feet

COPY

CONDEMNATION PROCEEDINGS

NO. CV 94-00351-C

13-07-2014  
11:29:33 AM  
COURT REPORTER  
COURT REPORTER

UPPER TRINITY REGIONAL  
WATER DISTRICT,  
Condemnor

§  
§  
§  
§  
§  
§  
§  
§

IN THE PROBATE COURT KS

VS.

OF

SINACOLA PROPERTIES, INC.,  
Condemnee

DENTON COUNTY, TEXAS

FINAL JUDGMENT

On this day came on to be heard the above-entitled and numbered cause, wherein UPPER TRINITY REGIONAL WATER DISTRICT is Plaintiff and Condemnor, and SINACOLA PROPERTIES, INC., is Condemnee and Defendant.

UPPER TRINITY REGIONAL WATER DISTRICT is referred to in this judgment as UTRWD. SINACOLA PROPERTIES, INC., is referred to in this judgment as SINACOLA.

The parties announced to the Court that all matters in dispute in this cause have been fully and finally settled by agreement and that all parties have withdrawn the request for jury trial, waived trial, and stipulated and agreed to the rendition and entry of this judgment as the FINAL JUDGMENT of the Court. All parties have waived appeal and have further waived the right to unilaterally file a motion for new trial, although each party has reserved its right to file for any clarification of judgment or any judgment nunc pro tunc, or any subsequent agreed judgment or modification to this judgment which is presented within the plenary jurisdiction of this Court and agreed to by all parties. Such waivers and stipulations have been accepted by the Court.

IT IS THEREFORE ORDERED, ADJUDGED, and DECREED:

## Part D - #64 "Attachment B"

1. That UTRWD had and has the right, power, and legal capacity to condemn by eminent domain the 61.558 acres described in Exhibit "A" attached hereto and incorporated herein by reference for all purposes the same as if set forth verbatim. The term "61.558 acres" as used in this judgment shall refer to Exhibit "A", and vice-versa.
2. That the procedure for condemnation followed by UTRWD was legally sufficient to confer in personam and in rem jurisdiction before the Special Commissioners and upon this Court as necessary, proper, and appropriate for this Court to make the decrees and judgments herein contained.
3. That the purpose for which the condemnation was implemented to carry out was for a public purpose.
4. That the scope of taking in regard to the size and dimensions of the 61.558 acre tract is reasonably necessary to support the public project.
5. That the taking in fee simple of the 61.558 acre tract is necessary and appropriate to support the public project.
6. The full fee simple in and to the 61.558 acres is hereby divested out of SINACOLA and vested in UTRWD, its successors and assigns.
7. SINACOLA shall have and recover of and from UTRWD the sum of \$2,300,000.00 as total compensation for the taking of the 61.558 acres and any damages to the remainder less the sum of \$325,000.00 which is on deposit in the registry this Court. The title and all ownership in and to the \$325,000.00 on deposit together with all accrued interest is declared to be the sole property of SINACOLA free and clear of all claims of UTRWD. The Clerk of this Court is

Part D - #64 "Attachment B"

ordered to identify the deposit account which represents the deposit of the \$325,000.00 paid by UTRWD on October 13, 1994, and to immediately and forthwith write a check payable to SINACOLA PROPERTIES, INC., in the amount of 325,000.00 plus all interest which has accrued on such account.

8. The remaining \$1,975,000.00 shall be paid to SINACOLA by UTRWD on or before ten (10) days from the date this judgment is signed. SINACOLA may have execution and other enforcement, writs, and process upon proper application.
9. All relief not expressly granted herein is expressly denied.
10. All costs in this matter shall be born by the party who incurred them for which let execution issue if not timely paid.
11. This cause is removed from the trial or dismissal docket.
12. UTRWD shall have the right of exclusive possession of the 61.558 acres retroactive to October 13, 1994, and shall have all writs and process necessary to place UTRWD in exclusive possession of said 61.558 acres.

SIGNED this 2<sup>ND</sup> day of September, 1999.




DON R. WINDLE, Judge Presiding

**STIPULATED, AGREED, AND  
APPROVED AS TO SUBSTANCE AND  
FORM:**

**SINACOLA PROPERTIES, INC.**

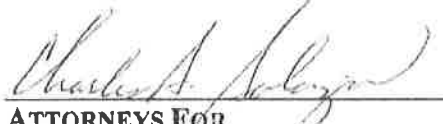
By:



AUTHORIZED OFFICER

Michael Sinacola Vice-President

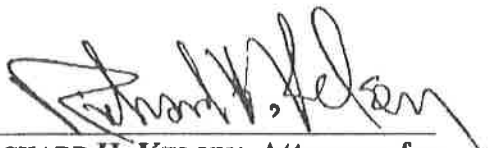
**LAW OFFICES OF EDDIE VASSALLO**

By:   
ATTORNEYS FOR  
SINACOLA PROPERTIES, INC.

**UPPER TRINITY REGIONAL  
WATER DISTRICT**

By:   
THOMAS E. TAYLOR,  
Executive Director

**KELSEY & KELSEY, P.C.**

By:   
RICHARD H. KELSEY, Attorneys for  
Upper Trinity Regional Water  
District

**WOOD, THACKER, & WEATHERLY**

By: \_\_\_\_\_  
BILL WOOD, Attorneys for  
Upper Trinity Regional Water  
District



Part D - #64 "Attachment B"

EXHIBIT "A"

PAGE 1 OF 2

FIELD NOTES  
61.558 ACRES

Being all that certain lot, tract or parcel of land situated in the E. Sutton Survey, Abstract Number 1167, City of Lewisville, Denton County, Texas, and being part of Lot 1 and all of Lot 2, Block A of Sinacola & Sons Addition, an addition to the City of Lewisville, Denton County, Texas, according to the plat thereof recorded in Cabinet H, Page 258 of the Plat Records of Denton County, Texas, and being more particularly described as follows:

BEGINNING at a 1/2" iron rod found on the east line of Kealy Avenue (60' right-of-way) at the northwest corner of said Lot 2, said point also being the southwest corner of Lot 1, Block A of the Municipal Service Center and Waste Water Treatment Plant Addition according to the plat thereof recorded in Cabinet H, Page 67 of the Plat Records of Denton County, Texas, and being on the south line of Treatment Plant Road (an undedicated roadway);

THENCE N 89°10'15" E, 2115.07 feet generally with a fence along the south line of said Treatment Plant Road and the south line of said Lot 1 of the Municipal Service Center and the north line of said Lot 2 to a 2" steel fence post;

THENCE S 00°23'39" E, 71.58 feet generally with a fence along the common line between said Lot 1 of the Municipal Service Center and said Lot 2 to a 2" steel fence post;

THENCE N 89°06'48" E, 658.70 feet generally with a fence along said common line to a 1/2" iron rod found at the northeast corner of said Lot 2, same being the northwest corner of Lot 2 of Stockard Addition according to the plat thereof recorded in Cabinet B, Page 345 of the Plat Records of Denton County, Texas;

THENCE S 00°37'02" W, 1229.32 feet along the common line between said Lot 2 of Stockard Addition and said Lot 2 of Sinacola & Sons Addition to a 1/2" iron rod set at the southeast corner of said Lot 2 of Sinacola & Sons Addition, same being the northeast corner of Lot 1-B of the Replat of Stockard Addition according to the plat thereof recorded in Cabinet D, Page 226 of the Plat Records of Denton County, Texas;

THENCE S 88°38'41" W, 1623.90 feet along the common line between said Lot 1-B and said Lot 2 of Sinacola & Sons Addition to a 2" steel fence post at the southerly southwest corner thereof, same being the southeast corner of Smith Cemetery;

THENCE N 29°25'33" E, 362.51 feet along the east line of said cemetery to a 2" steel fence post;

Part D - #64 "Attachment B"

EXHIBIT "A"  
PAGE 2 OF 2

THENCE N 65°41'01" W, 256.65 feet along the north line of said cemetery to a 2" steel fence post;

THENCE N 19°54'54" W, 182.50 along the east line of said Lot 1 of Sinacola & Sons Addition to a 1/2" iron rod set on the north line of a 70' wide T. P. & L. easement described in Volume 192, Page 15 and Volume 518, Page 349 of the Deed Records of Denton County, Texas;

THENCE N 54°56'01" W, 398.58 feet along the north line of said easement to a 1/2" iron rod set on the north line of said Lot 1 of Sinacola & Sons Addition;

THENCE N 89°54'54" W, 698.49 feet along the north line of said Lot 1 of Sinacola & Sons Addition to a 1/2" iron rod found at the northwest corner thereof, same being the westerly southwest corner of said Lot 2 of Sinacola & Sons Addition said point also being on the east line of Kealy Avenue;

THENCE N 00°39'05" E, 475.42 feet along the east line of said Kealy Avenue and the west line of said Lot 2 of Sinacola & Sons Addition to the POINT OF BEGINNING and containing approximately 61.558 acres of land.





Part D - #64 "Attachment B"

P133B 94-1794R

STATE OF TEXAS  
COUNTY OF DENTON

§  
§ UTILITY EASEMENT  
§

ORIGINAL

Grantor: Lewisville Independent School District, By: Dr. Clayton Downing, Superintendent of Schools  
Grantee: UPPER TRINITY REGIONAL WATER DISTRICT  
Address: 396 W. Main Street, Lewisville, Texas 75067 075667  
Consideration: Ten Dollars and other good and valuable consideration all paid in cash, receipt of which in full is acknowledged by Grantor.  
Estate Granted: Grantor GRANTS, BARGAINS, SELLS, AND CONVEYS to UPPER TRINITY REGIONAL WATER DISTRICT, its successors and assigns, an easement on, over, in, across or under the following tracts of land for the purposes and upon the uses herein stated, hereby recognizing that Grantee holds a dominant and superior right of use and easement as follows:

TRACT A: A permanent and perpetual general utility easement as above stated legally described in Exhibit A attached hereto and incorporated herein by reference for all purposes. The easement shall be for the purpose (s) of surveying and engineering, installing, maintaining, testing, repairing, removing or replacing water, sanitary sewer and storm sewer lines and associated wiring and appurtenances, and augmenting by adding parallel line or lines. The Grantee shall have the right of ingress and egress over Grantor's adjacent lands to and from the easement and right of way. However, no such services shall include overhead utilities. The minimum depth of all pipes within this easement shall be three (3) feet from the top of the pipe to the surface of the ground. Grantor shall have the right and privilege to use such land, subject to the dominant right of Grantee to prevent any use which would unreasonably interfere with the dominant estate. Specifically, Grantor shall have the right to put or place any nonpermanent improvement on the surface including but not limited to fences, grasses, ground cover, non-commercial recreational facilities, paving, playground equipment, roads and streets crossing at an angle of at least 45 degrees or more to the center line with intersecting utilities crossing at an intersecting point not less than 45 degrees. Provided, however, that none of the activities or uses by Grantor shall cause the continuing utility operations of Grantee, its successors or assigns, to be in violation of any state, federal, or municipal law, ordinance, or regulation. Grantee specially covenants that any desired or prospective use by Grantor may, with substantially correct and accurate information, be submitted to Grantee for a written response within 60 days as to whether such proposed use would be in conflict with the dominant estate. Grantee will not unreasonably withhold such consent. It is the intent and purpose of this easement to facilitate the maximum use by Grantor of Grantor's residual rights and uses, subject only to the rights of the dominant estate. Provided, further, that any improvements placed on the permanent easement by Grantor may be removed or destroyed by Grantee after reasonable notice to Grantor. Grantee may, for example, remove fencing placed on the easement by Grantor in order to use the easement and may place gates at easement boundary entry and exit points. Grantee specially covenants and agrees that Grantee will restore the natural surface of the permanent easement to a condition comparable to that which existed prior to the entry and construction to the extent that it is reasonably practical to do so. All existing fencing and gates shall be restored to their original condition as found before construction. However, on no occasion, circumstance, or event shall Grantee be liable or responsible to Grantor to replace shrubs or trees or any man-made improvements, except paving, it being understood that all of such improvements shall be placed upon this tract at Grantor's sole risk. Except as noted herein, Grantee shall have no right of control or duty to supervise, evaluate, or maintain any of the acts or improvements of Grantor as the same pertains to this easement.

TRACT B: Tract B is legally described in Exhibit A attached to this easement. Tract B may be used by Grantee only for purposes of the initial phase of construction to be completed no later than the 31st day of December, 1997, after which such easement shall be forever abandoned. The general purpose for the temporary duration easement is to store construction supplies, equipment, appurtenances, facilities, pipe, and related construction activity. Grantee specially covenants and agrees that Grantee will within 30 days after the termination of such temporary easement, remove all matters placed on or in the temporary easement and restore the surface of Tract B to the original condition as when received to a reasonable and practical extent including restoration and replacement of paving, grasses and sod with the same general quantity and quality as existed immediately prior to the entry and use of such land by Grantee. All existing fencing and gates shall be restored to their original condition as found before construction.

However, Grantee shall not be required to replace any landscaping, trees or shrubs other than grasses and sod. Grantee shall not be responsible for the maintenance or replacement of any paving, grasses, or sod once the original replacement has been made.

**Confidential:**  
Confidential Notice: These drawings are for the sole use of the intended recipient(s) and are confidential and may be privileged. You are hereby notified that any dissemination, distribution, or reproduction of these drawings is strictly Prohibited. The information contained in these drawings are not guaranteed

Part D - #64 "Attachment B"

TO HAVE AND TO HOLD under the Grantee, its successors and assigns forever as to Tract A and until the 31st. day of December, 1997, as to Tract B. Upon termination of the temporary easement on Tract B, all right, title and interest of Grantee, its successors and assigns in and to Tract B shall terminate ipso facto and without further action revert to Grantor, or Grantor's successors and assigns.

Warranty of Title: Grantor, it successors and assigns, specially covenants to warrant and defend unto Grantee, its successors and assigns, full and unencumbered fee title in and to the estate herein granted.

The term "Grantor" used herein means all and singular and include Grantor's successors and assigns.

This easement is and shall be effective upon acceptance by Grantee and payment to Grantor of the agreed upon consideration.

SIGNED this 5th day of August/September, 19 95.

AFTER RECORDING, RETURN TO:

GRANTOR:

Upper Trinity Regional Water District  
396 W. Main Street, Suite 102  
Lewisville, Texas 75057

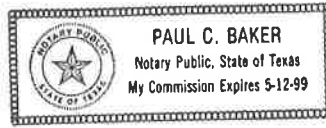
Lewisville Independent School District

Clayton Downing  
By: Dr. Clayton Downing, Superintendent of Schools

STATE OF TEXAS §  
COUNTY OF DENTON §

Before me, the undersigned authority, on this day personally appeared Dr. Clayton Downing known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he/she executed the same as Superintendent of Schools for Lewisville Independent School District on behalf of said Lewisville Independent School District in the capacity stated.

Given under my hand and seal of office this the 5th day of September, 1995.



Paul C Baker  
Notary Public, State of Texas

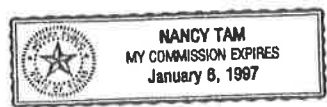
ACCEPTED this 20th day of November, 1995.

UPPER TRINITY REGIONAL WATER DISTRICT

By: Thomas E. Taylor  
THOMAS E TAYLOR  
EXECUTIVE DIRECTOR

STATE OF TEXAS §  
COUNTY OF DENTON §

This instrument was acknowledged before me by Thomas E. Taylor of the Upper Trinity Regional Water District on this the 20th day of November, 1995. and in the capacity therein stated.



Nancy Tam  
Notary Public, State of Texas

Confidential:  
Confidential Notice:  
These drawings are for the sole use of the intended recipient(s) and are confidential and may be privileged. You are hereby notified that any dissemination, distribution, or reproduction of these drawings is strictly Prohibited. The information contained in these drawings are not guaranteed

# Part D - #64 "Attachment B"

PHASE 1B, SECTION 3  
LEWISVILLE INDEPENDENT  
SCHOOL DISTRICT  
PARCEL 133B  
OCTOBER 21, 1994  
REV: JUNE 23, 1995

## EXHIBIT "A"

### TRACT A

#### A THIRTY (30) FOOT EASEMENT OF RIGHT-OF-WAY

BEING a strip of land for a water line easement thirty (30) feet in width. Being over, under and across a tract of land situated in the Edmund Sutton Survey, Abstract 1168, Denton County, Texas. Being part of a called approximately 15.0 acre tract of land conveyed to Lewisville Independent School District by Special Warranty Deed dated June 30, 1994 and recorded in County Clerk # 94-R0052530 of the Deed Records of Denton County, Texas. Said thirty (30) foot easement being fifteen (15) feet right and left of the following described centerline:

COMMENCING at a 1/2 inch iron rod found at the Northwest corner of the said 15.0 acre tract, also at the Northeast corner of the residue of a called 30.248 acre tract (County Clerk # 94-R0051164), also in the South Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad;

THENCE South 00° 48' 58" East 15.79 feet along the West line of said 15.0 acre tract, also along the East line of the residue of said 30.248 acre tract, to the POINT OF BEGINNING;

THENCE South 72° 35' 57" East 852.18 feet, being at all times fifteen (15) feet South of and parallel with the North line of said 15.0 acre tract, also being at all times fifteen (15) feet South of and parallel with the South Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad, to a point of termination in the East line of said 15.0 acre tract, also in the West Right-of-Way line of Garden Ridge Road, said point being South 00° 48' 55" East 15.79 feet from a found "X" in concrete at the Northeast corner of said 15.0 acre tract, also at the intersection of the West Right-of-Way line of Garden Ridge Road and the South Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad and containing 25,565 square feet or 0.58 acre of land.

### TRACT B

#### TEMPORARY CONSTRUCTION EASEMENT

Also a temporary construction easement South of and immediately adjacent to the above described easement to be used on the construction of the proposed water line and to be more particularly described as follows:

PAGE 1 OF 2

<p><b>Confidential:</b> Confidential Notice: These drawings are for the sole use of the intended recipient(s) and are confidential and may be privileged. You are hereby notified that any dissemination, distribution, or reproduction of these drawings is strictly Prohibited. The information contained in these drawings are not guaranteed</p>
--

Part D - #64 "Attachment B"

BEGINNING at a point for the Southwest corner of the above described easement, said beginning point being located South 00° 48' 58" East, 31.58 feet from the Northwest corner of the above mentioned 15.0 acre tract;

THENCE South 72° 35' 57" East, 852.18 feet along the South line of the above described easement to a point for the Southeast corner of same, said point being in the East line of said 15.0 acre tract;

THENCE South 00° 48' 55" East, 52.64 feet along the East line of said 15.0 acre tract, to a point;

THENCE North 72° 35' 57" West, 450.00 feet, to a point;

THENCE North 17° 24' 03" East, 30 feet, to a point;

THENCE North 72° 35' 57" West, 412.05 feet, to a point in the West line of said 15.0 acre tract;

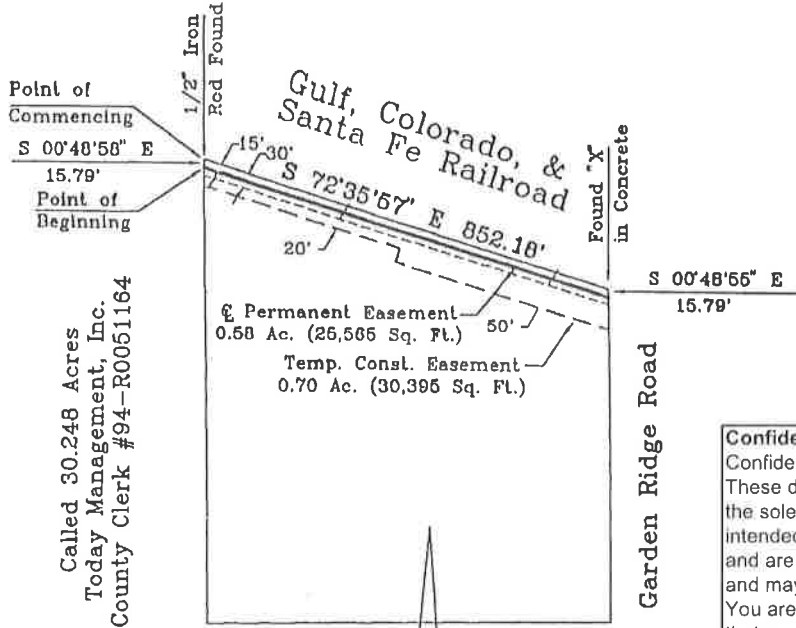
THENCE North 00° 48' 58" West, 21.06 feet along the West line of said 15.0 acre tract back to the Place of Beginning and containing 30,395 square feet or 0.70 acres of land.

5281R-133

**Confidential:**  
Confidential Notice:  
These drawings are for  
the sole use of the  
intended recipient(s)  
and are confidential  
and may be privileged.  
You are hereby notified  
that any dissemination,  
distribution, or  
reproduction of these  
drawings is strictly  
Prohibited. The  
information contained  
in these drawings are  
not guaranteed

SCALE: 1" = 300'

**EDMUND BUTTON SURVEY**  
 ABSTRACT 1188



Called Approximately 15.0 Acres  
 Lewisville Independent School District  
 County Clerk #94-R0052530  
 Deed Records  
 Denton County, Texas

**Confidential:**  
 Confidential Notice:  
 These drawings are for the sole use of the intended recipient(s) and are confidential and may be privileged. You are hereby notified that any dissemination, distribution, or reproduction of these drawings is strictly prohibited. The information contained in these drawings are not guaranteed

LEWISVILLE INDEPENDENT SCHOOL DISTRICT  
 PARCEL - 133B  
 OCTOBER 20, 1994  
 DENTON CO., TEXAS

**PROJECT: REGIONAL WATER SYSTEM - PHASE 1B**



**WALKER & ASSOCIATES SURVEYING, INC.**  
 PHONE: 903-502-0515 FAX: 903-502-1254

DRAWN: R.W.P.  
 REVISED: 10/20/94  
 FB/PG: WA288/16  
 JOB NO.: J5281-E2

**UPPER TRINITY REGIONAL WATER DISTRICT  
 REGIONAL WATER SYSTEM**

Part D - #64 "Attachment B"

**Confidential:**  
Confidential Notice:  
These drawings are for the sole use of the intended recipient(s) and are confidential and may be privileged. You are hereby notified that any dissemination, distribution, or reproduction of these drawings is strictly Prohibited. The information contained in these drawings are not guaranteed

ALL INFORMATION CONTAINED HEREIN IS UNCLASSIFIED EXCEPT WHERE SHOWN OTHERWISE BY THE DATE AND TIME OF DECLASSIFICATION AND BY THE AUTHORITY THEREOF.  
DATE 08-14-2013 BY 60322 UCBAW/STP

DEC 05 1995

*P. Hodges*  
COUNTY CLERK  
DENTON COUNTY, TEXAS



Filed for Record in:  
DENTON COUNTY, TX  
HONORABLE TIM HODGES/COUNTY CLERK

On Dec 05 1995  
At 2:56pm

Doc/Num : 95-R0075667  
Doc/Type : EAS  
Recording : 13.00  
Doc/Mgmt : 6.00  
Receipt #: 33964  
Deputy -- BRANDIE



Part D - #64 "Attachment B"

94-1851R

2105

STATE OF TEXAS §
COUNTY OF DENTON § WATER AND SEWER EASEMENT §

Grantor: MASTERSON PROPERTIES, LTD., By Masterson Property Management Inc., its general partner, Stephen R. Williamson, President

Grantee: UPPER TRINITY REGIONAL WATER DISTRICT 039422

Address: 396 W. Main Street, Lewisville, Texas 75057

Consideration: Ten Dollars and other good and valuable consideration all paid in cash, receipt of which in full is acknowledged by Grantor.

Estate Granted: Grantor GRANTS, BARGAINS, SELLS, AND CONVEYS to UPPER TRINITY REGIONAL WATER DISTRICT, its successors and assigns, an easement on, in, across or under the following tracts of land for the purposes and upon the uses herein stated, hereby recognizing that Grantee holds a dominant and superior right of use and easement as follows:

TRACT A: A permanent and perpetual general water and sewer easement as above stated legally described in Exhibit A attached hereto and incorporated herein by reference for all purposes. The easement shall be for the purpose (s) of surveying and engineering, installing, maintaining, testing, repairing, removing or replacing underground water, sanitary sewer and storm sewer lines and associated wiring and appurtenances on or above the ground surface (But Grantee agrees that any above ground appurtenances will be constructed and maintained at or below grade of the surrounding land and that any vent pipes will be moved to the outer edge of the grantor's property line that lays adjacent to the Santa Fe Railroad right of way. Grantee further agrees to limit above ground appurtenances to no more than required by sound engineering practices) , and augmenting by adding parallel line or lines within the easement. The Grantee shall have the right of reasonable ingress and egress over Grantor's adjacent lands to and from the easement and right of way. However, other than necessary appurtenances as described above, no such service shall include above ground or overhead utilities. The minimum depth of all pipes within this easement shall be three (3) feet from the top of the pipe to the surface of the ground. Grantor shall have the right and privilege to use such land, subject to the dominant right of Grantee to prevent any use which is judicially determined to unreasonably interfere with the dominant estate. Specifically, Grantor shall have the right to put or place any railroad track diagonally crossing the easement, or nonpermanent improvement on or above the surface including but not limited to fences, grasses, ground cover, non-commercial recreational facilities, paving, playground equipment, roads and streets crossing at an angle of at least 45 degrees or more to the center line with intersecting utilities crossing at an intersecting point not less than 45 degrees. The design and location of existing spur railroad track is acceptable to the Grantee. Any future railroad spur track diagonally crossing the easement shall be designed and installed in accordance with the design policy of the operating railroad company and such that the amount of track within said easement shall be no more than is necessary to conform to the design policy of the operating railroad company. Grantor agrees it will not place any buildings within the permanent easement. Provided, however, that none of the activities or uses by Grantor shall cause the continuing utility operations of Grantee, its successors or assigns, to be in violation of any state, federal, or municipal law, ordinance, or regulation. Grantee specially covenants that any desired or prospective use by Grantor may, with substantially correct and accurate information, be submitted to Grantee for a written response within 60 days as to whether in Grantee's reasonable, good faith opinion such proposed use would be in conflict with the dominant estate. Grantee will not unreasonably withhold such consent. It is the intent and purpose of this easement to facilitate the maximum use by Grantor of Grantor's residual rights and uses, subject only to the reasonable rights, exercised in good faith of the dominant estate. Provided, further that any improvements placed on the permanent easement by Grantor may be removed or destroyed by Grantee after reasonable notice (except that notice is not required in the event of an emergency) to Grantor. Grantee may, for example, remove fencing placed on the easement by Grantor in order to use the easement and may place gates at easement boundary entry and exit points. Grantee specially covenants and agrees that Grantee will restore the natural surface of the permanent easement to a condition comparable to that which existed prior to the entry and construction to the extent that it is reasonably practical to do so. All existing fencing and gates, and shrubs shall be restored to their original condition as found before construction. However, on no occasion, circumstance, or event shall Grantee be liable and or responsible to Grantor to replace trees or any man-made improvements except paving, shrubs, and spur railroad track, it being understood that all of such improvements shall be placed upon this tract at Grantor's sole risk. Except as noted herein, Grantee shall have no right of control or duty to supervise, evaluate, or maintain any of the acts or improvements of Grantor as the same pertains to this easement.

TRACT B: Tract B is legally described in Exhibit A attached to this easement. Tract B may be used by Grantee only for purposes of the initial phase of construction to be completed no later than the 31st. day of December, 1997, after which such easement shall be forever abandoned. The general purpose for the temporary duration easement is to store construction supplies, equipment, appurtenances, facilities, pipe, and related construction activity. Grantee specially covenants and agrees that Grantee will within 30 days after the termination of such temporary easement, remove all matters placed on or in the temporary easement and restore the surface of Tract B to the original condition as when received to a reasonable and practical extent limited to restoration and replacement of paving, grasses, sod, and spur railroad track and to the extent existing on the date hereof, landscaping i.e., trees, shrubs, grasses, sod, and spur railroad track with the same general quantity and quality as existed immediately prior to the entry and use of such land by Grantee. All existing fencing and gates shall be restored to their original condition as found before construction.

Confidential: Confidential Notice: These drawings are for the sole use of the intended recipient(s) and are confidential and may be privileged. You are hereby notified that any dissemination, distribution, or reproduction of these drawings is strictly Prohibited. The information contained in these drawings are not guaranteed

Part D - #64 "Attachment B"

TO HAVE AND TO HOLD under the Grantee, its successors and assigns forever as to Tract A and until the 31st day of December, 1997, as to Tract B. Upon termination of the temporary easement on Tract B, all right, title and interest of Grantee, its successors and assigns in and to Tract B shall terminate ipso facto and without further action revert to Grantor, or Grantor's successors and assigns.

Warranty of Title: Grantor, it successors and assigns, make no express or implied warranty of title in and to the estate herein granted.

The term "Grantor" used herein means all and singular and include Grantor's successors and assigns.

This easement is and shall be effective upon acceptance by Grantee and payment to Grantor of the agreed upon consideration.

SIGNED this 21st day of July, 1995.

AFTER RECORDING, RETURN TO:

GRANTOR:

Upper Trinity Regional Water District
396 W. Main
Lewisville, Texas 75067

MASTERTSON PROPERTIES, LTD.
By: Mastertson Property Management, Inc., its
general partner

BY: Stephen R. Williamson
Stephen R. Williamson, President

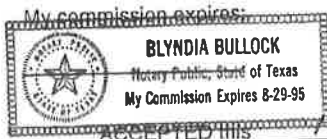
STATE OF TEXAS §
COUNTY OF DENTON §

BEFORE ME, the undersigned authority, a Notary Public, on this day personally appeared Stephen R. Williamson, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of Mastertson Property Management, Inc. a corporation, in its capacity as a general partner of Mastertson Properties, Ltd., a limited partnership, and that he executed the same as the act of said corporation acting as such partner for the purposes and consideration therein expressed and in the capacity therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 21st day of July, 1995.

[Signature]
Notary Public, State of Texas

BLYNDIA BULLOCK
(printed name)



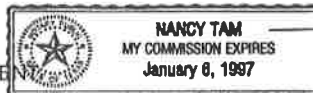
ACCEPTED THIS 13th day of May, 1996.

UPPER TRINITY REGIONAL WATER DISTRICT

By: [Signature]
THOMAS E TAYLOR
EXECUTIVE DIRECTOR

STATE OF TEXAS §
COUNTY OF DENTON §

This instrument was acknowledged before me by Thomas E. Taylor of the Upper Trinity Regional Water District on this the 13th day of May, 1996, and in the capacity therein stated.



[Signature]
Notary Public, State of Texas

Confidential:
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Part D - #64 "Attachment B"

PHASE 1B, SECTION 3  
MASTERTON PROPERTIES, LTD.  
PARCEL 135  
November 2, 1994  
REVISED: NOVEMBER 2, 1994

EXHIBIT "A"

TRACT A

A THIRTY (30) FOOT EASEMENT OF RIGHT-OF-WAY

BEING a strip of land for a water line easement thirty (30) feet in width. Being over, under and across a tract of land situated in the Levi N. Sparks Survey, Abstract 1135, Denton County, Texas. Being part of a called 1.8674 acre tract of land conveyed to Masterton Properties, Ltd. by Special Warranty Deed dated September 12, 1994 and recorded in County Clerk #94-R0072643 of the Deed Records of Denton County, Texas. Said thirty (30) foot easement being fifteen (15) feet right and left of the following described centerline:

COMMENCING at a 1/2 inch iron rod found at the Northwest corner of said 1.8674 acre tract, also at the Southeast corner of the intersection of the East Right-of-Way line of Garden Ridge Road and the South Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad;

THENCE South 00° 52' 10" East 31.59 feet along the West line said 1.8674 acre tract, also along the East Right-of-Way line of Garden Ridge Road, to the POINT OF BEGINNING;

THENCE South 72° 36' 33" East 651.45 feet, being at all times thirty (30) feet South of and parallel with the North line of said 1.8674 acre tract, also being at all times thirty (30) feet South of and parallel with the South Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad, to a point of termination in the South line of said 1.8674 acre tract, also in the North line of a called 7.554 acre tract (Volume 3412, Page 546), said point being North 89° 58' 08" West 100.55 feet from a one inch iron rod found at the most Easterly corner of said 1.8674 acre tract and containing 19,543 square feet or 0.44 acre of land.

TRACT B

TEMPORARY CONSTRUCTION EASEMENT

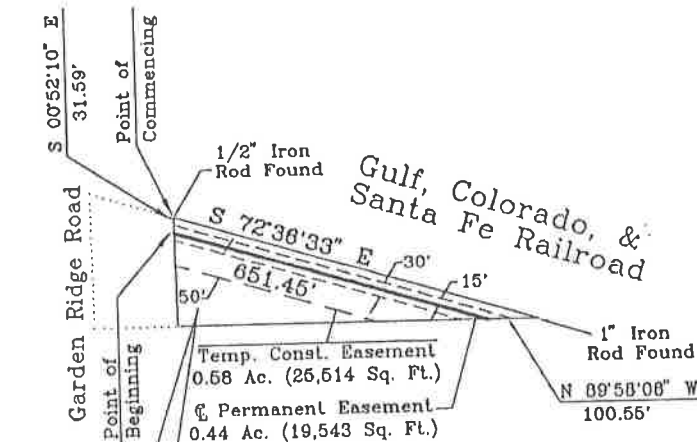
Also a temporary construction easement fifty (50) feet in width South of and immediately adjacent to the above described easement to be used during the construction of the proposed water line and containing 25,514 square feet or 0.58 acre of land.

RWP/pls  
5281-135

**Confidential:**  
Confidential Notice:  
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SCALE: 1" = 300'

**LEVI N. SPARKS SURVEY**  
 ABSTRACT 1135



Called 1.8674 Acres  
 Masterson Properties, Ltd.  
 County Clerk #94-R0072643  
 Deed Records  
 Denton County, Texas

Called 7.554 Acres  
 Masterson Properties, Ltd.  
 Volume 3412, Page 546

**Confidential:**  
 Confidential Notice:  
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**MASTERSON PROPERTIES, LTD.**  
 PARCEL - 135  
 NOVEMBER 2, 1994  
 DENTON CO., TEXAS

**PROJECT: REGIONAL WATER SYSTEM - PHASE 1B**

<b>WALKER &amp; ASSOCIATES SURVEYING, INC.</b> PHONE: 903-592-8515 FAX: 903-592-1254	DRAWN: R.W.P.	<b>UPPER TRINITY REGIONAL WATER DISTRICT</b> <b>REGIONAL WATER SYSTEM</b>
	REVISED: 11/2/94	
	FB/PC: WA288/16	
	JOB NO.: J5281-E135	

Part D - #64 "Attachment B"

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reproduction of these  
drawings is strictly  
Prohibited. The  
information contained  
in these drawings are  
not guaranteed

Filed for Record in:  
DENTON COUNTY, TX  
HONORABLE TIM HODGES/COUNTY  
CLERK

On Jun 10 1996  
At 1:27pm

Doc/Num : 96-R0039422  
Doc/Type : EAS  
Recording: 11.00  
Doc/Mgmt : 6.00  
Receipt #: 18141  
Deputy - BRANDIE

STATE OF TEXAS  
COUNTY OF DENTON

§  
§  
§

WATER AND SEWER EASEMENT

039421

Grantor: MASTERSON PROPERTIES, LTD., By Masterson Property Management Inc., its general partner, Stephen R. Williamson, President

Grantee: UPPER TRINITY REGIONAL WATER DISTRICT

Address: 396 W. Main Street, Lewisville, Texas 75057

Consideration: Ten Dollars and other good and valuable consideration all paid in cash, receipt of which in full is acknowledged by Grantor.

Estate Granted: Grantor GRANTS, BARGAINS, SELLS, AND CONVEYS to UPPER TRINITY REGIONAL WATER DISTRICT, its successors and assigns, an easement on, in, across or under the following tracts of land for the purposes and upon the uses herein stated, hereby recognizing that Grantee holds a dominant and superior right of use and easement as follows:

TRACT A: A permanent and perpetual general water and sewer easement as above stated legally described in Exhibit A attached hereto and incorporated herein by reference for all purposes. The easement shall be for the purpose (s) of surveying and engineering, installing, maintaining, testing, repairing, removing or replacing underground water, sanitary sewer and storm sewer lines and associated wiring and appurtenances on or above the ground surface (But Grantee agrees that any above ground appurtenances will be constructed and maintained at or below grade of the surrounding land and that any vent pipes will be moved to the outer edge of the grantor's property line that lays adjacent to the Santa Fe Railroad right of way. Grantee further agrees to limit above ground appurtenances to no more than required by sound engineering practices), and augmenting by adding parallel line or lines within the easement. The Grantee shall have the right of reasonable ingress and egress over Grantor's adjacent lands to and from the easement and right of way. However, other than necessary appurtenances as described above, no such service shall include above ground or overhead utilities. The minimum depth of all pipes within this easement shall be three (3) feet from the top of the pipe to the surface of the ground. Grantor shall have the right and privilege to use such land, subject to the dominant right of Grantee to prevent any use which is judicially determined to unreasonably interfere with the dominant estate. Specifically, Grantor shall have the right to put or place any railroad track diagonally crossing the easement, or nonpermanent improvement on or above the surface including but not limited to fences, grasses, ground cover, non-commercial recreational facilities, paving, playground equipment, roads and streets crossing at an angle of at least 45 degrees or more to the center line with intersecting utilities crossing at an intersecting point not less than 45 degrees. The design and location of existing spur railroad track is acceptable to the Grantee. Any future railroad spur track diagonally crossing the easement shall be designed and installed in accordance with the design policy of the operating railroad company and such that the amount of track within said easement shall be no more than is necessary to conform to the design policy of the operating railroad company. Grantor agrees it will not place any buildings within the permanent easement. Provided, however, that none of the activities or uses by Grantor shall cause the continuing utility operations of Grantee, its successors or assigns, to be in violation of any state, federal, or municipal law, ordinance, or regulation. Grantee specially covenants that any desired or prospective use by Grantor may, with substantially correct and accurate information, be submitted to Grantee for a written response within 60 days as to whether in Grantee's reasonable, good faith opinion such proposed use would be in conflict with the dominant estate. Grantee will not unreasonably withhold such consent. It is the intent and purpose of this easement to facilitate the maximum use by Grantor of Grantor's residual rights and uses, subject only to the reasonable rights, exercised in good faith of the dominant estate. Provided, further that any improvements placed on the permanent easement by Grantor may be removed or destroyed by Grantee after reasonable notice (except that notice is not required in the event of an emergency) to Grantor. Grantee may, for example, remove fencing placed on the easement by Grantor in order to use the easement and may place gates at easement boundary entry and exit points. Grantee specially covenants and agrees that Grantee will restore the natural surface of the permanent easement to a condition comparable to that which existed prior to the entry and construction to the extent that it is reasonably practical to do so. All existing fencing and gates, and shrubs shall be restored to their original condition as found before construction. However, on no occasion, circumstance, or event shall Grantee be liable and or responsible to Grantor to replace trees or any man-made improvements except paving, shrubs, and spur railroad track, it being understood that all of such improvements shall be placed upon this tract at Grantor's sole risk. Except as noted herein, Grantee shall have no right of control or duty to supervise, evaluate, or maintain any of the acts or improvements of Grantor as the same pertains to this easement.

TRACT B: Tract B is legally described in Exhibit A attached to this easement. Tract B may be used by Grantee only for purposes of the initial phase of construction to be completed no later than the 31st. day of December, 1997, after which such easement shall be forever abandoned. The general purpose for the temporary duration easement is to store construction supplies, equipment, appurtenances, facilities, pipe, and related construction activity. Grantee specially covenants and agrees that Grantee will within 30 days after the termination of such temporary easement, remove all matters placed on or in the temporary easement and restore the surface of Tract B to the original condition as when received to a reasonable and practical extent limited to restoration and replacement of paving, grasses, sod, and spur railroad track and to the extent existing on the date hereof, landscaping i.e., trees, shrubs, grasses, sod, and spur railroad track with the same general quantity and quality as existed immediately prior to the entry and use of such land by Grantee. All existing fencing and gates shall be restored to their original condition as found before construction.

Confidential:  
Confidential Notice: These drawings are for the sole use of the intended recipient(s) and are confidential and may be privileged. You are hereby notified that any dissemination, distribution, or reproduction of these drawings is strictly Prohibited. The information contained in these drawings are not guaranteed

Part D - #64 "Attachment B"

TO HAVE AND TO HOLD under the Grantee, its successors and assigns forever as to Tract A and until the 31st day of December, 1997, as to Tract B. Upon termination of the temporary easement on Tract B, all right, title and interest of Grantee, its successors and assigns in and to Tract B shall terminate ipso facto and without further action revert to Grantor, or Grantor's successors and assigns.

Warranty of Title: Grantor, it successors and assigns, make no express or implied warranty of title in and to the estate herein granted.

The term "Grantor" used herein means all and singular and include Grantor's successors and assigns.

This easement is and shall be effective upon acceptance by Grantee and payment to Grantor of the agreed upon consideration.

SIGNED this 21st day of July, 1995.

AFTER RECORDING, RETURN TO:

GRANTOR:

Upper Trinity Regional Water District  
396 W. Main  
Lewisville, Texas 75067

MASTERTSON PROPERTIES, LTD.  
By: Mastertson Property Management, Inc., its  
general partner

BY: Stephen Williamson  
Stephen R. Williamson, President

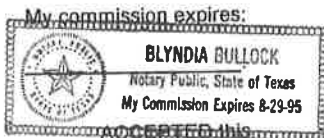
STATE OF TEXAS §  
§  
COUNTY OF DENTON §

BEFORE ME, the undersigned authority, a Notary Public, on this day personally appeared Stephen R. Williamson, known to me to be the person and officer whose name is subscribed to the foregoing Instrument and acknowledged to me that the same was the act of Mastertson Property Management, Inc. a corporation, in its capacity as a general partner of Mastertson Properties, Ltd., a limited partnership, and that he executed the same as the act of said corporation acting as such partner for the purposes and consideration therein expressed and in the capacity therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 21st day of July, 1995.

Blyndia Bullock  
Notary Public, State of Texas

BLYNDIA BULLOCK  
(printed name)



My commission expires: ACCEPTED this 13th day of May, 1996.

UPPER TRINITY REGIONAL WATER DISTRICT

By: Thomas E. Taylor  
THOMAS E TAYLOR  
EXECUTIVE DIRECTOR

STATE OF TEXAS §  
§  
COUNTY OF DENTON §

This instrument was acknowledged before me by Thomas E. Taylor of the Upper Trinity Regional Water District on this the 13th day of May, 1996 and in the capacity therein stated.



Nancy Tam  
Notary Public, State of Texas

Page 2 - UTILITY EASEMENT  
UTRWD/UE

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Confidential Notice: These drawings are for the sole use of the intended recipient(s) and are confidential and may be privileged. You are hereby notified that any dissemination, distribution, or reproduction of these drawings is strictly Prohibited. The information contained in these drawings are not guaranteed

## Part D - #64 "Attachment B"

**Confidential:**

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PHASE 1B, SECTION 3  
MASTERTSON PROPERIES, LTD.  
PARCEL 136  
OCTOBER 20, 1994

### EXHIBIT "A"

#### TRACT A

#### A Thirty (30) FOOT EASEMENT OF RIGHT-OF-WAY

BEING a strip of land for a water line easement thirty (30) feet in width. Being over, under and across a tract of land situated in the Levi N. Sparks Survey, Abstract 1135, Denton County, Texas. Being part of a called 7.554 acre tract of land conveyed to Mastertson Properties, Ltd. by Special Warranty Deed dated December 21, 1992 and recorded in Volume 3412, Page 546 of the Deed Records of Denton County, Texas. Said thirty (30) foot easement being fifteen (15) feet right and left of the following described centerline:

COMMENCING at a 1 inch iron rod found at the Northeast corner of said 7.554 acre tract, also in the Southeast corner of a called 2.831 acre tract (Volume 2363, Page 311), also in the South Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad;

THENCE North 89° 58' 08" West 101.67 feet along the North line of said 7.554 acre tract, also along the South line of said 2.831 acre tract, to the POINT OF BEGINNING;

THENCE South 72° 48' 22" East 201.25 feet, being at all times thirty (30) feet South of and parallel with an East line of said 7.554 acre tract, also being at all times thirty (30) feet South of and parallel with the South Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad, to a point of termination in the most Northerly South line of said 7.554 acre tract, also in the North line of a called 18.3689 acre tract (County Clerk No. 93-R0084729), said point being North 89° 59' 28" West 101.54 feet from a found 1/2 inch iron rod at the most Easterly corner of said 7.554 acre tract and containing 6,037 square feet or 0.13 acre of land.

#### TRACT B

#### TEMPORARY CONSTRUCTION EASEMENT

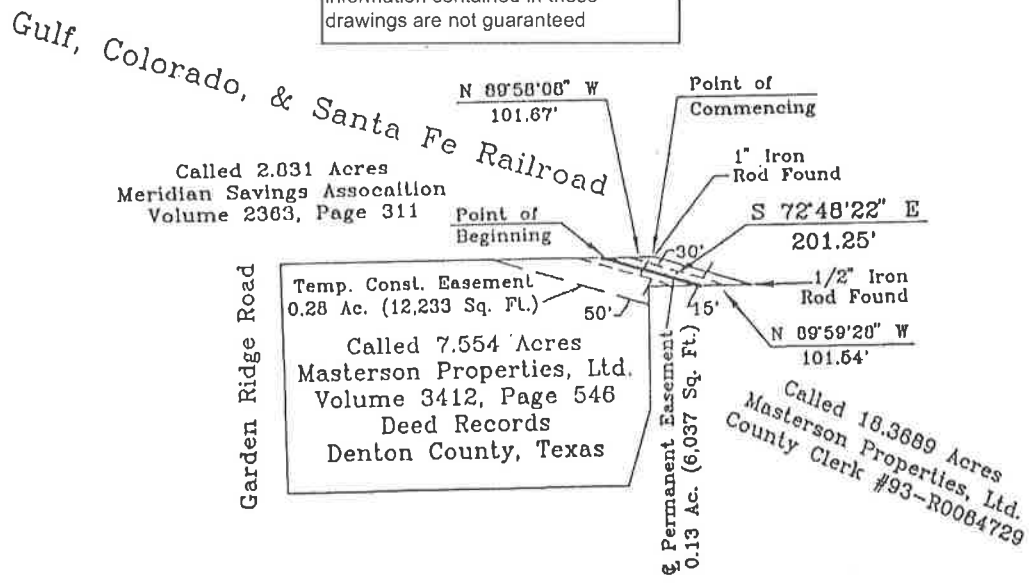
Also a temporary construction easement fifty (50) feet in width South of and immediately adjacent to the above described easement to be used during the construction of the proposed water line and containing 12,233 square feet or 0.28 acre of land.

RWP/pls  
5281-136

**LEVI N. SPARKS SURVEY**  
 ABSTRACT 1135



**Confidential:**  
 Confidential Notice: These drawings are for the sole use of the intended recipient(s) and are confidential and may be privileged. You are hereby notified that any dissemination, distribution, or reproduction of these drawings is strictly Prohibited. The information contained in these drawings are not guaranteed



**MASTERSON PROPERTIES, LTD.**  
 PARCEL - 136  
 OCTOBER 20, 1994  
 DENTON CO., TEXAS

**PROJECT: REGIONAL WATER SYSTEM - PHASE 1B**

<p><b>WALKER &amp; ASSOCIATES SURVEYING, INC.</b>                  PHONE: 903-502-0515 FAX: 903-502-1254</p>	DRAWN: R.W.P.	<p><b>UPPER TRINITY REGIONAL WATER DISTRICT</b>                  REGIONAL WATER SYSTEM</p>
	REVISED: 10/20/94	
	FB/PG: WA288/16	
	JOB NO.: J5281-E136	

Part D - #64 "Attachment B"

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information contained  
in these drawings are  
not guaranteed

Filed for Record in:  
DENTON COUNTY, TX  
HONORABLE TIM HODGES/COUNTY  
CLERK

On Jun 10 1996  
At 1:27pm

Doc/Num : 96-R0039421  
Doc/Type : EAS  
Recording: 11.00  
Doc/Mgmt : 6.00  
Receipt #: 18141  
Deputy - BRANDIE



Part D - #64 "Attachment B"

94 -1749 R p137

STATE OF TEXAS §
COUNTY OF DENTON § WATER AND SEWER EASEMENT §

Grantor: MASTERSON PROPERTIES, LTD., By Masterson Property Management Inc., its general partner, Stephen R. Williamson, President
Grantee: UPPER TRINITY REGIONAL WATER DISTRICT 039420
Address: 396 W. Main Street, Lewisville, Texas 75057

Consideration: Ten Dollars and other good and valuable consideration all paid in cash, receipt of which in full is acknowledged by Grantor.

Estate Granted: Grantor GRANTS, BARGAINS, SELLS, AND CONVEYS to UPPER TRINITY REGIONAL WATER DISTRICT, its successors and assigns, an easement on, in, across or under the following tracts of land for the purposes and upon the uses herein stated, hereby recognizing that Grantee holds a dominant and superior right of use and easement as follows:

TRACT A: A permanent and perpetual general water and sewer easement as above stated legally described in Exhibit A attached hereto and incorporated herein by reference for all purposes. The easement shall be for the purpose (s) of surveying and engineering, installing, maintaining, testing, repairing, removing or replacing underground water, sanitary sewer and storm sewer lines and associated wiring and appurtenances on or above the ground surface (But Grantee agrees that any above ground appurtenances will be constructed and maintained at or below grade of the surrounding land and that any vent pipes will be moved to the outer edge of the grantor's property line that lays adjacent to the Santa Fe Railroad right of way. Grantee further agrees to limit above ground appurtenances to no more than required by sound engineering practices), and augmenting by adding parallel line or lines within the easement. The Grantee shall have the right of reasonable ingress and egress over Grantor's adjacent lands to and from the easement and right of way. However, other than necessary appurtenances as described above, no such service shall include above ground or overhead utilities. The minimum depth of all pipes within this easement shall be three (3) feet from the top of the pipe to the surface of the ground. Grantor shall have the right and privilege to use such land, subject to the dominant right of Grantee to prevent any use which is judicially determined to unreasonably interfere with the dominant estate. Specifically, Grantor shall have the right to put or place any railroad track diagonally crossing the easement, or nonpermanent improvement on or above the surface including but not limited to fences, grasses, ground cover, non-commercial recreational facilities, paving, playground equipment, roads and streets crossing at an angle of at least 45 degrees or more to the center line with intersecting utilities crossing at an intersecting point not less than 45 degrees. The design and location of existing spur railroad track is acceptable to the Grantee. Any future railroad spur track diagonally crossing the easement shall be designed and installed in accordance with the design policy of the operating railroad company and such that the amount of track within said easement shall be no more than is necessary to conform to the design policy of the operating railroad company. Grantor agrees it will not place any buildings within the permanent easement. Provided, however, that none of the activities or uses by Grantor shall cause the continuing utility operations of Grantee, its successors or assigns, to be in violation of any state, federal, or municipal law, ordinance, or regulation. Grantee specially covenants that any desired or prospective use by Grantor may, with substantially correct and accurate information, be submitted to Grantee for a written response within 60 days as to whether in Grantee's reasonable, good faith opinion such proposed use would be in conflict with the dominant estate. Grantee will not unreasonably withhold such consent. It is the intent and purpose of this easement to facilitate the maximum use by Grantor of Grantor's residual rights and uses, subject only to the reasonable rights, exercised in good faith of the dominant estate. Provided, further that any improvements placed on the permanent easement by Grantor may be removed or destroyed by Grantee after reasonable notice (except that notice is not required in the event of an emergency) to Grantor. Grantee may, for example, remove fencing placed on the easement by Grantor in order to use the easement and may place gates at easement boundary entry and exit points. Grantee specially covenants and agrees that Grantee will restore the natural surface of the permanent easement to a condition comparable to that which existed prior to the entry and construction to the extent that it is reasonably practical to do so. All existing fencing and gates, and shrubs shall be restored to their original condition as found before construction. However, on no occasion, circumstance, or event shall Grantee be liable and or responsible to Grantor to replace trees or any man-made improvements except paving, shrubs, and spur railroad track, it being understood that all of such improvements shall be placed upon this tract at Grantor's sole risk. Except as noted herein, Grantee shall have no right of control or duty to supervise, evaluate, or maintain any of the acts or improvements of Grantor as the same pertains to this easement.

TRACT B: Tract B is legally described in Exhibit A attached to this easement. Tract B may be used by Grantee only for purposes of the initial phase of construction to be completed no later than the 31st. day of December, 1997, after which such easement shall be forever abandoned. The general purpose for the temporary duration easement is to store construction supplies, equipment, appurtenances, facilities, pipe, and related construction activity. Grantee specially covenants and agrees that Grantee will within 30 days after the termination of such temporary easement, remove all matters placed on or in the temporary easement and restore the surface of Tract B to the original condition as when received to a reasonable and practical extent limited to restoration and replacement of paving, grasses, sod, and spur railroad track and to the extent existing on the date hereof, landscaping i.e., trees, shrubs, grasses, sod, and spur railroad track with the same general quantity and quality as existed immediately prior to the entry and use of such land by Grantee. All existing fencing and gates shall be restored to their original condition as found before construction.

Confidential: Confidential Notice: These drawings are for the sole use of the intended recipient(s) and are confidential and may be privileged. You are hereby notified that any dissemination, distribution, or reproduction of these drawings is strictly Prohibited. The information contained in these drawings are not guaranteed

Part D - #64 "Attachment B"

TO HAVE AND TO HOLD under the Grantee, its successors and assigns forever as to Tract A and until the 31st day of December, 1997, as to Tract B. Upon termination of the temporary easement on Tract B, all right, title and interest of Grantee, its successors and assigns in and to Tract B shall terminate ipso facto and without further action revert to Grantor, or Grantor's successors and assigns.

Warranty of Title: Grantor, it successors and assigns, make no express or implied warranty of title in and to the estate herein granted.

The term "Grantor" used herein means all and singular and include Grantor's successors and assigns.

This easement is and shall be effective upon acceptance by Grantee and payment to Grantor of the agreed upon consideration.

SIGNED this 21st day of July, 1995.

AFTER RECORDING, RETURN TO: Upper Trinity Regional Water District 396 W. Main Lewisville, Texas 75067

GRANTOR:

MASTERSON PROPERTIES, LTD. By: Masterson Property Management, Inc., its general partner

BY: Stephen Williamson, President

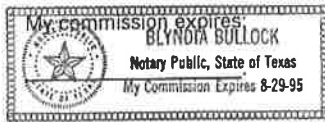
STATE OF TEXAS COUNTY OF DENTON

BEFORE ME, the undersigned authority, a Notary Public, on this day personally appeared Stephen R. Williamson, known to me to be the person and officer whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of Masterson Property Management, Inc. a corporation, in its capacity as a general partner of Masterson Properties, Ltd., a limited partnership, and that he executed the same as the act of said corporation acting as such partner for the purposes and consideration therein expressed and in the capacity therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 21st day of July, 1995.

Blyndia Bullock, Notary Public, State of Texas

BLYNDIA BULLOCK (printed name)



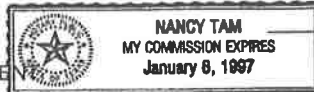
ACCEPTED this 13th day of May, 1996

UPPER TRINITY REGIONAL WATER DISTRICT

By: Thomas E. Taylor, THOMAS E TAYLOR EXECUTIVE DIRECTOR

STATE OF TEXAS COUNTY OF DENTON

This instrument was acknowledged before me by Thomas E. Taylor of the Upper Trinity Regional Water District on this the 13th day of May, 1996, and in the capacity therein stated.



Nancy Tam, Notary Public, State of Texas

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## Part D - #64 "Attachment B"

PHASE 1B, SECTION 3  
MASTERTON PROPERTIES, LTD.  
PARCEL 137  
OCTOBER 20, 1994

### EXHIBIT "A"

#### TRACT A

#### A Thirty (30) FOOT EASEMENT OF RIGHT-OF-WAY

BEING a strip of land for a water line easement thirty (30) feet in width. Being over, under and across a tract of land situated in the Levi N. Sparks Survey, Abstract 1135, Denton County, Texas. Being part of a called 18.3689 acre tract of land conveyed to Masterton Properties, Ltd. by Special Warranty Deed dated November 18, 1993 and recorded in County Clerk # 93-R0084729 of the Deed Records of Denton County, Texas. Said thirty (30) foot easement being fifteen (15) feet right and left of the following described centerline:

COMMENCING at a 1/2 inch iron rod found at the most Northerly corner of said 18.3689 acre tract, also at the most Easterly corner of a called 7.554 acre tract (Volume 3412, Page 546), also in the South Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad;

THENCE North  $89^{\circ} 59' 28''$  West 100.45 feet along a North line of said 18.3689 acre tract, also along a South line of said 7.554 acre tract, to the POINT OF BEGINNING;

THENCE South  $72^{\circ} 36' 48''$  East 228.89 feet, being at all times thirty (30) feet South of and parallel with a North line of said 18.3689 acre tract, also being at all times thirty (30) feet South of and parallel with the South Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad;

THENCE Southeasterly 315.77 feet along a curve to the right, delta =  $01^{\circ} 02' 30''$ , radius = 17,370.22 feet, chord bears South  $72^{\circ} 05' 33''$  East 315.77 feet, being at all times thirty (30) feet South and parallel with a North line of said 18.3689 acre tract, also being at all times thirty (30) feet South of and parallel with the South Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad, to a point;

THENCE North  $17^{\circ} 22' 33''$  East 30.00 feet, being at all times fifteen (15) feet West of and parallel with the East line of said 18.3689 acre tract, to a point of termination in the North line of said 18.3689 acre tract, also in the South Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad, said point being North  $71^{\circ} 32' 56''$  West 15.00 feet from a 1/2 inch iron rod set at the Northeast corner of said 18.3689 acre tract, also in the Northwest corner of the residue of a called 98.5255 acre tract (Volume 3084, Page 490), also in the South Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad, and containing 17,239 square feet or 0.39 acre of land.

#### TRACT B

#### TEMPORARY CONSTRUCTION EASEMENT

Also a temporary construction easement fifty (50) feet in width South of and immediately adjacent to the above described easement to be used during the construction of the proposed water line and containing 32,488 square feet or 0.74 acre of land.

RWP/pls  
5281-137

Part D - #64 "Attachment B"

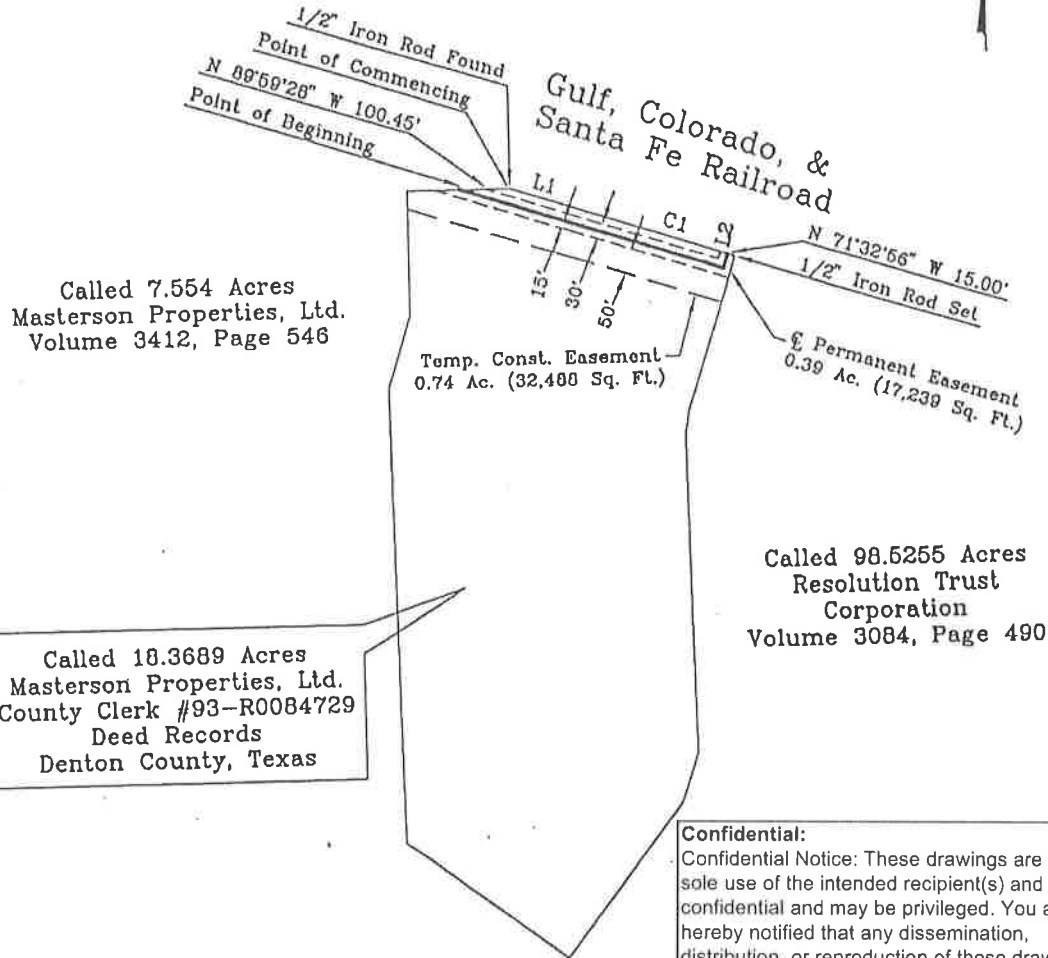
CURVE	DELTA	RADIUS	LENGTH	BEARING	CHORD
C1	01°02'30"	17,370.22'	315.77'	S 72°05'33" E	315.77'

LINE	DIRECTION	DISTANCE
L1	S 72°36'48" E	228.89'
L2	N 17°22'33" E	30.00'

SCALE: 1" = 300'



**LEVI N. SPARKS SURVEY**  
ABSTRACT 1135



Called 7.554 Acres  
Masterson Properties, Ltd.  
Volume 3412, Page 546

Called 18.3689 Acres  
Masterson Properties, Ltd.  
County Clerk #93-R0084729  
Deed Records  
Denton County, Texas

Called 98.5255 Acres  
Resolution Trust  
Corporation  
Volume 3084, Page 490

**Confidential:**  
Confidential Notice: These drawings are for the sole use of the intended recipient(s) and are confidential and may be privileged. You are hereby notified that any dissemination, distribution, or reproduction of these drawings is strictly Prohibited. The information contained in these drawings are not guaranteed

**MASTERSON PROPERTIES, LTD.**  
PARCEL - 137  
OCTOBER 20, 1994  
DENTON CO., TEXAS

**PROJECT: REGIONAL WATER SYSTEM - PHASE 1B**



**WALKER & ASSOCIATES SURVEYING, INC.**  
PHONE: 903-502-0515 FAX: 903-502-1254

DRAWN: R.W.P.  
REVISED: 10/20/94  
FB/PG: WA288/16  
JOB NO.: J5281-137

**UPPER TRINITY REGIONAL WATER DISTRICT**  
REGIONAL WATER SYSTEM

# Part D - #64 "Attachment B"

**Confidential:**  
Confidential Notice:  
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and may be privileged.  
You are hereby notified  
that any dissemination,  
distribution, or  
reproduction of these  
drawings is strictly  
Prohibited. The  
information contained  
in these drawings are  
not guaranteed

Filed for Record in:  
DENTON COUNTY, TX  
HONORABLE TIM HODGES/COUNTY  
CLERK

On Jun 10 1996  
At 1:27pm

Doc/Num : 96-R0039420  
Doc/Type : EAS  
Recording: 11.00  
Doc/Mgmt : 6.00  
Receipt #: 18141  
Deputy - BRANDIE

STATE OF TEXAS  
COUNTY OF DENTON

§  
§  
§

UTILITY EASEMENT

Grantor: DR CAPITAL COMPANY  
Grantee: UPPER TRINITY REGIONAL WATER DISTRICT  
Address: 396 W. Main Street, Lewisville, Texas 75067

082412

Consideration: Ten Dollars and other good and valuable consideration all paid in cash, receipt of which in full is acknowledged by Grantor.

Estate Granted: Grantor GRANTS, BARGAINS, SELLS, AND CONVEYS to UPPER TRINITY REGIONAL WATER DISTRICT, its successors and assigns, an easement on, over, in, across or under the following tracts of land for the purposes and upon the uses herein stated, hereby recognizing that Grantee holds a dominant and superior right of use and easement as follows:

TRACT A: A permanent and perpetual general utility easement as above stated legally described in Exhibit A attached hereto and incorporated herein by reference for all purposes. The easement shall be for the purpose(s) of surveying and engineering, installing, maintaining, repairing, removing, replacing, augmenting by adding parallel line or lines including water, sanitary sewer, and storm sewer, and testing pipe or pipes, wiring, appurtenances. However, no such services shall include overhead utilities. The minimum depth of all pipes within this easement shall be three (3) feet from the top of the pipe to the surface of the ground. Grantor shall have the right and privilege to use such land, subject to the dominant right of Grantee to prevent any use which would unreasonably interfere with the dominant estate. Specifically, Grantor shall have the right to put or place any nonpermanent improvement on the surface including but not limited to fences, grasses, ground cover, non-commercial recreational facilities, paving, playground equipment, roads and streets crossing at an angle of at least 45 degrees or more to the center line with intersecting utilities crossing at an intersecting point not less than 45 degrees. Provided, however, that none of the activities or uses by Grantor shall cause the continuing utility operations of Grantee, its successors or assigns, to be in violation of any state, federal, or municipal law, ordinance, or regulation. Grantee specially covenants that any desired or prospective use by Grantor may, with substantially correct and accurate information, be submitted to Grantee for a written response within 60 days as to whether such proposed use would be in conflict with the dominant estate. Grantee will not unreasonably withhold such consent. It is the intent and purpose of this easement to facilitate the maximum use by Grantor of Grantor's residual rights and uses, subject only to the rights of the dominant estate. Provided, further, that any improvements placed on the permanent easement by Grantor may be removed or destroyed by Grantee after reasonable notice to Grantor. Grantee may, for example, remove fencing placed on the easement by Grantor in order to use the easement and may place gates at easement boundary entry and exit points. Grantee specially covenants and agrees that Grantee will restore the natural surface of the permanent easement to a condition comparable to that which existed prior to the entry and construction to the extent that it is reasonably practical to do so. All existing fencing and gates shall be restored to their original condition as found before construction. However, on no occasion, circumstance, or event shall Grantee be liable or responsible to Grantor to replace shrubs or trees or any man-made improvements, except paving, it being understood that all of such improvements shall be placed upon this tract at Grantor's sole risk. Except as noted herein, Grantee shall have no right of control or duty to supervise, evaluate, or maintain any of the acts or improvements of Grantor as the same pertains to this easement.

TRACT B: Tract B is legally described in Exhibit A attached to this easement. Tract B may be used by Grantee only for purposes of the initial phase of construction to be completed no later than the 31st day of December, 1997, after which such easement shall be forever abandoned. The general purpose for the temporary duration easement is to store construction supplies, equipment, appurtenances, facilities, pipe, and related construction activity. Grantee specially covenants and agrees that Grantee will within 30 days after the termination of such temporary easement, remove all matters placed on or in the temporary easement and restore the surface of Tract B to the original condition as when received to a reasonable and practical extent including restoration and replacement of paving, grasses and sod with the same general quantity and quality as existed immediately prior to the entry and use of such land by Grantee. All existing fencing and gates shall be restored to their original condition as found before construction.

However, Grantee shall not be required to replace any landscaping, trees or shrubs other than grasses and sod. Grantee shall not be responsible for the maintenance or replacement of any paving, grasses, or sod once the original replacement has been made.

Confidential:  
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Part D - #64 "Attachment B"

TO HAVE AND TO HOLD under the Grantee, its successors and assigns forever as to Tract A and until the 31st. day of December, 1997, as to Tract B. Upon termination of the temporary easement on Tract B, all right, title and interest of Grantee, its successors and assigns in and to Tract B shall terminate ipso facto and without further action revert to Grantor, or Grantor's successors and assigns.

Warranty of Title: Grantor, its successors and assigns, specially covenants to warrant and defend unto Grantee, its successors and assigns, full and unencumbered fee title in and to the estate herein granted.

The term "Grantor" used herein means all and singular and include Grantor's successors and assigns.

This easement is and shall be effective upon acceptance by Grantee and payment to Grantor of the agreed upon consideration.

✓ SIGNED this 12<sup>th</sup> day of September, 1994.

AFTER RECORDING, RETURN TO:

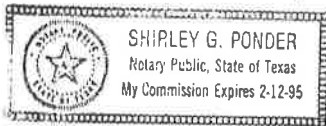
James Daniels & Associates, Inc.  
Right-of-Way Services  
210 West Sixth Street, Suite 506  
Fort Worth, Texas 76102

GRANTOR:

John S. Dowdall, Partner Charles M. Reynolds  
5001 Spring Valley Road Suite # 845 E  
Dallas, Texas 75244

STATE OF TEXAS §  
COUNTY OF DENTON §

This instrument was acknowledged before me by John S. Dowdall & Charles M. Reynolds on this the 12<sup>th</sup> day of September, 1994.



Shirley G. Ponder  
Notary Public, State of Texas

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STATE OF TEXAS §  
COUNTY OF DENTON §

This instrument was acknowledged before me by \_\_\_\_\_ on this the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.

\_\_\_\_\_  
Notary Public, State of Texas

ACCEPTED this Oct. 31 day of \_\_\_\_\_, 1994.

UPPER TRINITY REGIONAL WATER DISTRICT

By: Thomas E. Taylor  
Executive Director

STATE OF TEXAS §  
COUNTY OF DENTON §

This instrument was acknowledged before me by Thomas E. Taylor of the Upper Trinity Regional Water District on this the 31 day of October, 1994 and in the capacity therein stated.



Nancy Tam  
Notary Public, State of Texas

Part D - #64 "Attachment B"

PHASE 1B, SECTION 3  
DR CAPITAL COMPANY  
PARCEL 139  
AUGUST 15, 1994  
REVISED SEPTEMBER 8, '94

EXHIBIT "A"

TRACT A

A THIRTY (30) FOOT EASEMENT OF RIGHT-OF-WAY

BEING a strip of land for a water line easement thirty (30) feet in width. Being over, under and across a tract of land situated in the Levi N. Sparks Survey, Abstract 1135, Denton County, Texas. Being part of a called 6.8697 acre tract of land conveyed to DR Capital Company by Deed dated October 17, 1991 and recorded in County Clerk # 93-R0050620 of the Deed Records of Denton County, Texas. Said thirty (30) foot easement being fifteen (15) feet right and left of the following described centerline:

COMMENCING at a 1/2 inch iron rod found at the Southeast corner of said 6.8697 acre tract, also at the intersection of the North Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad and the West Right-of-Way line of McGee Lane;

THENCE North 00° 29' 37" West 16.11 feet along the East line of said 6.8697 acre tract, also along the West Right-of-Way line of McGee Lane, to the POINT OF BEGINNING;

THENCE North 69° 03' 26" West 371.50 feet, being at all times fifteen (15) feet North of and parallel with the South line of said 6.8697 acre tract, also being at all times fifteen (15) feet North of and parallel with the North Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad, to a point;

THENCE Northwesterly 705.42 feet along a curve to the left, delta = 02° 18' 26", radius = 17,518.35 feet, chord bears North 70° 12' 39" West 705.37 feet, being at all times fifteen (15) feet North of and parallel with the South line of said 6.8697 acre tract, also being at all times fifteen (15) feet North of and parallel with the North Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad, to a point of termination. Said point of termination being South 74° 34' 44" East 319.26 feet from a 1/2 inch iron rod found at the West corner of said 6.8697 acre tract, also in the North Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad, and containing 32,307 square feet or 0.74 acre of land.

TRACT B

TEMPORARY CONSTRUCTION EASEMENT

Also a temporary construction easement fifty (50) feet in width North and West of and immediately adjacent to the above described easement to be used during the construction of the proposed water line and containing 56,611 square feet or 1.29 acres of land.

RWP/pls  
5281-139

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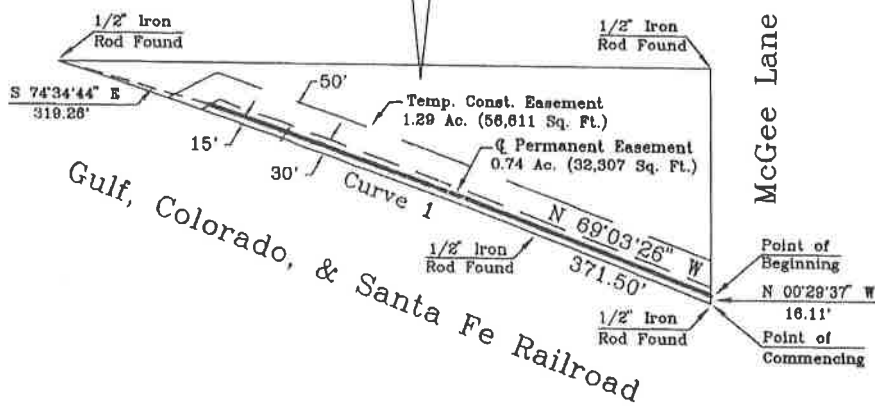


SCALE: 1" = 300'

**LEVI N. SPARKS SURVEY**  
 ABSTRACT 1135



Called 6.8697 Acres  
 DR Capital Company  
 County Clerk #93-R0050620  
 Deed Records  
 Denton County, Texas



CURVE	DELTA	RADIUS	LENGTH	BEARING	CHORD
Curve 1	02°18'26"	17,518.35'	705.42'	N 70°12'39" W	705.37'

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**DR CAPITAL COMPANY**  
**PARCEL - 139**  
**SEPTEMBER 1, 1994**  
**DENTON CO., TEXAS**

**PROJECT: REGIONAL WATER SYSTEM - PHASE 1B**

**WA WALKER & ASSOCIATES SURVEYING, INC.**  
 PHONE: 903-592-8515 FAX: 903-592-1254

DRAWN: M.D.G.  
 DATE: 08/12/94  
 FB/PG: WA288/16  
 JOB NO.: J5281-E9

**UPPER TRINITY REGIONAL WATER DISTRICT**  
**REGIONAL WATER SYSTEM**

UPPER TRINITY **Part D - #64 "Attachment B"**  
REGIONAL WATER DISTRICT  
396 West Main, Suite 102  
P.O. Drawer 305  
Lewisville, Texas 75067

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not guaranteed

NOV 01 1994

*[Signature]*  
CLERK  
DENTON COUNTY, TEXAS



Filed for Record in:  
DENTON COUNTY, TX  
HONORABLE TIM HODGES/COUNTY  
CLERK

On Nov 01 1994  
At 2:00pm

Doc/Num : 94-R0082432  
Doc/Type : EAS  
Recording : 11.00  
Doc/Plat : 6.00  
Receipt #: 31786  
Deputy - SHELLEY

Part D - #64 "Attachment B"

ORIGINAL

STATE OF TEXAS §
COUNTY OF DENTON § § UTILITY EASEMENT

Grantor: ALPHA-REPUBLIC INVESTMENTS, LTD.

Grantee: UPPER TRINITY REGIONAL WATER DISTRICT 029207
Address: 396 W. Main Street, Lewisville, Texas 75057

Consideration: Ten Dollars and other good and valuable consideration all paid in cash, receipt of which in full is acknowledged by Grantor.

Estate Granted: Grantor GRANTS, BARGAINS, SELLS, AND CONVEYS to UPPER TRINITY REGIONAL WATER DISTRICT, its successors and assigns, an easement on, over, in, across or under the following tracts of land for the purposes and upon the uses herein stated, hereby recognizing that Grantee holds a dominant and superior right of use and easement as follows:

TRACT A: A permanent and perpetual general utility easement as above stated legally described in Exhibit A attached hereto and incorporated herein by reference for all purposes. The easement shall be for the purpose (s) of surveying and engineering, installing, maintaining, testing, repairing, removing or replacing water, sanitary sewer and storm sewer lines and associated wiring and appurtenances (But Grantee agrees that any above ground appurtenances will be constructed and maintained at or below grade of the surrounding land and that any above ground vent pipes will be installed near the outer edge of the permanent easement nearest to the Santa Fe Railroad right of way.), and augmenting by adding parallel line or lines. However, no such services shall include overhead utilities. The minimum depth of all pipes within this easement shall be four(4) feet from the top of the pipe to the surface of the ground. Grantor shall have the right and privilege to use such land, subject to the dominant right of Grantee to prevent any use which would unreasonably interfere with the dominant estate. Specifically, Grantor shall have the right to put or place any nonpermanent improvement on the surface including but not limited to fences, grasses, ground cover, and non-commercial recreational facilities. Grantor shall have the right and privilege to place permanent paving and streets across the easement and a railroad spur track crossing the easement. Any paving shall be placed such that a minimum of four (4) feet of vertical separation distance is maintained at all times between the bottom of the paving and the top of any existing or proposed buried pipelines. The railroad spur track crossing the easement shall be designed and installed in accordance with the design policy of the operating railroad company and such that the amount of track within said easement shall be no more than is necessary to cross the easement and conform to the design policy of the operating railroad company. Utility crossings shall be at an intersecting angle of at least 45 degrees or more to the centerline of the easement. Provided, however, that none of the activities or uses by Grantor shall cause the continuing utility operations of Grantee, its successors or assigns, to be in violation of any state, federal, or municipal law, ordinance, or regulation. Grantee specially covenants that any desired or prospective use by Grantor may, with substantially correct and accurate information, be submitted to Grantee for a written response within 60 days as to whether such proposed use would be in conflict with the dominant estate. Grantee will not unreasonably withhold such consent. It is the intent and purpose of this easement to facilitate the maximum use by Grantor of Grantor's residual rights and uses, subject only to the rights of the dominant estate. Provided, further, that any improvements placed on the permanent easement by Grantor may be removed or destroyed by Grantee after reasonable notice to Grantor. Grantee may, for example, remove fencing placed on the easement by Grantor in order to use the easement and may place gates at easement boundary entry and exit points. Grantee specially covenants and agrees that Grantee will restore the natural surface of the permanent easement to a condition comparable to that which existed prior to the entry and construction to the extent that it is reasonably practical to do so. All existing fencing and gates shall be restored to their original condition as found before construction. However, on no occasion, circumstance, or event shall Grantee be liable or responsible to Grantor to replace shrubs or trees or any man-made improvements, except paving and rail spur track, it being understood that all of such improvements shall be placed upon this tract at Grantor's sole risk. Except as noted herein, Grantee shall have no right of control or duty to supervise, evaluate, or maintain any of the acts or improvements of Grantor as the same pertains to this easement.

TRACT B: Tract B is legally described in Exhibit A attached to this easement. Tract B may be used by Grantee only for purposes of the initial phase of construction to be completed no later than the 31st. day of December, 1996, after which such easement shall be forever abandoned. The general purpose for the temporary duration easement is to store construction supplies, equipment, appurtenances, facilities, pipe, and related construction activity. Grantee specially covenants and agrees that Grantee will within 30 days after the termination of such temporary easement, remove all matters placed on or in the temporary easement and restore the surface of Tract B to the original condition as when received to a reasonable and practical extent including restoration and replacement of paving, grasses and sod with the same general quantity and quality as existed immediately prior to the entry and use of such

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Part D - #64 "Attachment B"

land by Grantee. All existing fencing and gates shall be restored to their original condition as found before construction. However, Grantee shall not be required to replace any landscaping, trees or shrubs other than grasses and sod. Grantee shall not be responsible for the maintenance or replacement of any paving, grasses, or sod once the original replacement has been made.

TRACT C: Tract C is legally described in Exhibit A attached to this easement. Tract C may be used by Grantee only for purposes of the initial phase of construction to be completed no later than the 1st day of April, 1997, after which such easement shall be forever abandoned. The general purpose for the temporary duration easement is to store construction supplies, equipment, appurtenances, facilities, pipe, and related construction activity. Grantee specially covenants and agrees that Grantee will within 30 days after the termination of such temporary easement, remove all matters placed on or in the temporary easement and restore the surface of Tract C to the original condition as when received to a reasonable and practical extent including restoration and replacement of paving, grasses and sod with the same general quantity and quality as existed immediately prior to the entry and use of such land by Grantee. All existing fencing and gates shall be restored to their original condition as found before construction. However, Grantee shall not be required to replace any landscaping, trees or shrubs other than grasses and sod. Grantee shall not be responsible for the maintenance or replacement of any paving, grasses, or sod once the original replacement has been made.

TO HAVE AND TO HOLD under the Grantee, its successors and assigns forever as to Tract A and until the 31st. day of December, 1996, as to Tract B, and until the 1st day of April, 1997, as to Tract C. Upon termination of the temporary easement on Tract B and Tract C, all right, title and interest of Grantee, its successors and assigns in and to Tract B and Tract C shall terminate ipso facto and without further action revert to Grantor, or Grantor's successors and assigns.

Warranty of Title: Grantor, it successors and assigns, specially covenants to warrant and defend unto Grantee, its successors and assigns, full and unencumbered fee title in and to the estate herein granted.

The term "Grantor" used herein means all and singular and includes Grantor's successors and assigns.

This easement is and shall be effective upon acceptance by Grantee and payment to Grantor of the agreed upon consideration.

SIGNED this 3rd day of April, 1996.

AFTER RECORDING, RETURN TO:

Upper Trinity Regional Water District  
396 W. Main Street, Suite 102  
Lewisville, Texas 75057

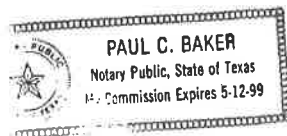
GRANTOR:

W. Kenneth Wood  
Alpha Republic Investments, Ltd. By: W. Kenneth Wood  
President

STATE OF TEXAS §  
COUNTY OF DENTON §

Before me, the undersigned authority, on this day personally appeared W. Kenneth Wood known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he/she executed the same as President for Alpha Republic Investments, Ltd. on behalf of said Alpha Republic Investments Ltd. in the capacity stated.

Given under my hand and seal of office this the 3rd day of April, 1996



Paul C. Baker  
Notary Public, State of Texas

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Part D - #64 "Attachment B"

ACCEPTED this 19<sup>th</sup> day of April, 1996

UPPER TRINITY REGIONAL WATER DISTRICT

By:

Thomas E. Taylor  
**THOMAS E TAYLOR**  
**EXECUTIVE DIRECTOR**

STATE OF TEXAS

§  
§  
§

COUNTY OF DENTON

This instrument was acknowledged before me by Thomas E. Taylor  
of the Upper Trinity Regional Water District on this the 19<sup>th</sup> day of April, 1996,  
and in the capacity therein stated.

Nancy Tam  
Notary Public, State of Texas



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# Part D - #64 "Attachment B"

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PHASE 1B, SECTION 3  
ALPHA-REPUBLIC  
INVESTMENTS, LTD.  
PARCEL 140  
OCTOBER 20, 1994  
REV: JUNE 22, 1995  
REV: NOVEMBER 14, 1995  
REV: FEBRUARY 20, 1996

## EXHIBIT "A"

### TRACT A

#### A THIRTY (30) FOOT EASEMENT OF RIGHT-OF-WAY

BEING a strip of land for a water line easement thirty (30) feet in width. Being over, under and across a tract of land situated in the Stephen Riggs Survey, Abstract 1088, Denton County, Texas. Being part of a called 143.63 acre tract of land conveyed to Alpha-Republic Investments, Ltd. by Special Warranty Deed dated July 23, 1993 and recorded in County Clerk #93-R0051606 of the Deed Records of Denton County, Texas. Said thirty (30) foot easement being fifteen (15) feet right and left of the following described centerline:

COMMENCING at the most Westerly Southwest corner of said 143.63 acre tract, also at the intersection of the East Right-of-Way line of McGee Lane and the North Right-of-Way of the Gulf, Colorado and Santa Fe Railroad;

THENCE North 00° 33' 14" West 32.24 feet along the West line of said 143.63 acre tract, also along the East Right-of-Way of McGee Lane, to the POINT OF BEGINNING;

THENCE South 69° 03' 17" East 1,396.01 feet, being at all times thirty (30) feet North of and parallel with a South line of the said 143.63 acre tract, also being at all times thirty (30) feet North of and parallel with the North Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad, to a point of termination in the South line of said 143.63 acre tract, also in the North Right-of-Way line of Grandy's Lane, said point being North 89° 41' 41" East 82.77 feet from a 1 inch iron pipe found at the most Southerly Southwest corner of said 143.63 acre tract, also at the intersection of the North Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad and the North Right-of-Way line of Grandy's Lane, and containing 41,880 square feet or 0.96 acre of land.

### TRACT B

#### TEMPORARY CONSTRUCTION EASEMENT

A temporary construction easement twenty (20) feet in width North of and immediately adjacent to the above described easement to be used during the construction of the proposed water line and containing 29,403 square feet or 0.68 acres of land.

### TRACT C

#### TEMPORARY CONSTRUCTION EASEMENT

A temporary construction easement fifteen (15) feet in width South of and immediately adjacent to the above described easement to be used during the construction of the proposed water line and containing 19,939 square feet or 0.46 acres of land.

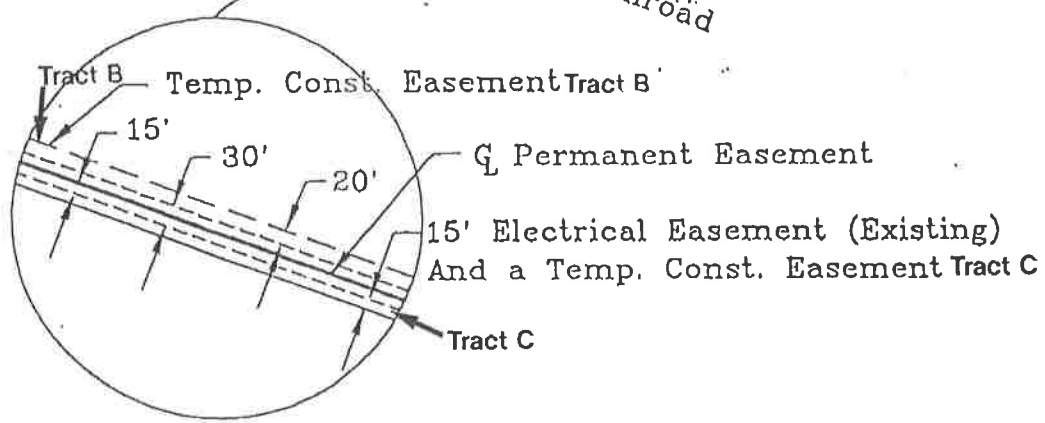
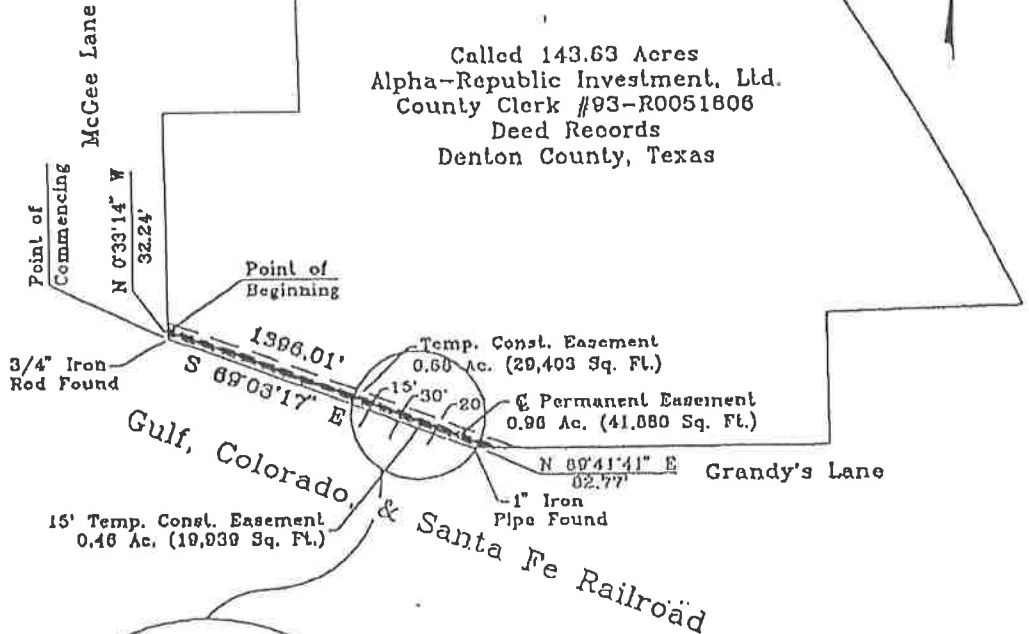
5281R-140

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SCALE: 1" = 800'

**STEPHEN RIDGS SURVEY**  
 ABSTRACT 1088

Called 143.63 Acres  
 Alpha-Republic Investment, Ltd.  
 County Clerk #93-R0051808  
 Deed Records  
 Denton County, Texas



**ALPHA-REPUBLIC INVESTMENTS, LTD.**  
 PARCEL - 140  
 OCTOBER 20, 1994  
 DENTON CO., TEXAS

Rev. 11/14/95  
 Rev. 10/26/95  
 Rev. 10/05/95

**PROJECT: REGIONAL WATER SYSTEM - PHASE 1B**



**WALKER & ASSOCIATES SURVEYING, INC.**  
 PHONE: 003-592-8516 FAX: 003-592-1254

DRAWN: R.W.P.  
 REVISED: 10/20/94  
 FB/PC: WA288/16  
 JOB NO.: JS281-E140

**UPPER TRINITY REGIONAL WATER DISTRICT**  
 REGIONAL WATER SYSTEM

Part D - #64 "Attachment B"

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ANY INSTRUMENT WHICH PURPORTS TO CONVEY THE SALE, RENTAL, OR USE OF THE DESCRIBED REAL PROPERTY SUBJECT OF RECORD OR TRADE IS VOID AND INEFFECTIVE UNLESS IT IS FILED IN ACCORDANCE WITH THE STATUTES OF THE STATE OF TEXAS.  
COUNTY OF DENTON  
I hereby certify that this instrument was FILED in the File Number Sequence on the date and hour stated herein, and was duly RECORDED, in the General Public Records of:  
Texas on

APR 30 1996

*L. Hodges*  
COUNTY CLERK  
DENTON COUNTY, TEXAS



Filed for Record in:  
DENTON COUNTY, TX  
HONORABLE TIM HODGES/COUNTY CLERK

On Apr 30 1996  
At 3:12pm

Doc/Num : 96-R0029207  
Doc/Type : EAS  
Recording : 13.00  
Doc/Mgmt : 6.00  
Receipt #: 13554  
Deputy - BRANDIE





Part D - #64 "Attachment B"

ORIGINAL

P. 41

STATE OF TEXAS §
COUNTY OF DENTON § UTILITY EASEMENT §

Grantor: LENMAR DEVELOPMENT CORPORATION
Grantee: UPPER TRINITY REGIONAL WATER DISTRICT 075669
Address: 396 W. Main Street, Lewisville, Texas 75057
Consideration: Ten Dollars and other good and valuable consideration all paid in cash, receipt of which in full is acknowledged by Grantor.
Estate Granted: Grantor GRANTS, BARGAINS, SELLS, AND CONVEYS to UPPER TRINITY REGIONAL WATER DISTRICT, its successors and assigns, an easement on, over, in, across or under the following tracts of land for the purposes and upon the uses herein stated, hereby recognizing that Grantee holds a dominant and superior right of use and easement as follows:

TRACT A: A permanent and perpetual general utility easement on, over and across the property identified as "TRACT A" and as more particularly described in Exhibit A attached hereto and incorporated herein by reference for all purposes. The easement shall be for the purpose(s) of surveying and engineering, installing, maintaining, testing, repairing, removing or replacing water, sanitary sewer and storm sewer lines and associated wiring and appurtenances, and augmenting by adding parallel line or lines. The Grantee shall have the right of ingress and egress over Grantor's adjacent lands to and from the easement and right of way, if, as and when and only if, as and when access off of the adjacent public rights of way is not sufficient for Grantees' purpose. However, no such services shall include overhead utilities. The minimum depth of all pipes within this easement shall be three (3) feet from the top of the pipe to the surface of the ground, and all other appurtenances shall be at or below grade, and to the extent possible, any at or below grade appurtenances shall be installed and located along the southernmost boundary of the easement, and under no circumstances shall any use of the easement interfere, hinder or obstruct the crossing of proposed Summit Avenue in accordance with the standards and requirements of the City of Lewisville as may be applicable at the time Summit Avenue is extended over said easement area. Notwithstanding the three (3) foot minimum depth of the utilities as specified above, the minimum depth of the portion of the utilities at the Summit Avenue crossing shall be increased if required by the City of Lewisville. Grantor reserves and shall have the right to use and enjoy the easement area for all purposes not inconsistent with the dominant estate granted herein. Specifically, Grantor shall have the right to put or place any nonpermanent improvement on the surface including but not limited to fences, grasses, ground cover, non-commercial recreational facilities, paving, playground equipment, roads and streets crossing at an angle of at least 45 degrees or more to the center line with intersecting utilities crossing at an intersecting point not less than 45 degrees, but Grantor shall not place any buildings, or permanent structures on the surface of the easement area. Provided, however, that none of the activities or uses by Grantor shall cause the continuing utility operations of Grantee, its successors or assigns, to be in violation of any state, federal, or municipal law, ordinance, or regulation. Grantor agrees to notify Grantee at least 30 days prior to any proposed construction within the easement area. It is the intent and purpose of this easement to facilitate the maximum use by Grantor of Grantor's residual rights and uses, subject only to the rights of the dominant estate. Provided, further, that any improvements placed on the permanent easement by Grantor may be removed or destroyed by Grantee after reasonable notice to Grantor. Grantee may, for example, remove fencing placed on the easement by Grantor in order to use the easement and may place gates at easement boundary entry and exit points. Grantee specially covenants and agrees that Grantee, at Grantee's sole cost and expense, will restore the natural surface of the permanent easement, and any improvements thereon (paving & sod), to the condition that existed prior to the entry and construction. All existing fencing, gates, sod, and pavement shall be restored to their original condition as found before construction. However, on no occasion, circumstance, or event shall Grantee be liable or responsible for Grantor to replace shrubs or trees, except paving and/or sod, it being understood that all of such improvements, other than paving and/or sod, shall be placed upon this tract at Grantee's risk. Except as noted herein, Grantee shall have no right of control or duty to supervise evaluate, or maintain any of the acts or improvements of Grantor as the same pertains to this easement.

TRACT B: Tract B is legally described in Exhibit A attached to this easement. Tract B may be used by Grantee only for purposes of the initial phase of construction to be completed no later than the 31st day of December, 1997, after which such easement shall be forever abandoned automatically without the need for any further action or instruments by any party. The purpose for the temporary duration easement is to store construction supplies, equipment, appurtenances, facilities, pipe, and related construction activity for use in connection with the use of the permanent easement granted on, over and across Tract A hereinabove, and not in connection with any other construction or any activity not related to said easement. It is expressly understood and agreed that Grantee may not use the

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Part D - #64 "Attachment B"

ACCEPTED this 20<sup>th</sup> day of November, 1995

UPPER TRINITY REGIONAL WATER DISTRICT

By: Thomas E. Taylor  
THOMAS E TAYLOR  
EXECUTIVE DIRECTOR

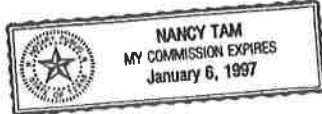
STATE OF TEXAS

§  
§  
§

COUNTY OF DENTON

This instrument was acknowledged before me by Thomas E. Taylor  
of the Upper Trinity Regional Water District on this the 20<sup>th</sup> day of November, 1995,  
and in the capacity therein stated.

Nancy Tam  
Notary Public, State of Texas



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Part D - #64 "Attachment B"

PHASE 3B, SECTION 3  
LENMAR DEVELOPMENT CORPORATION  
PARCEL 141  
AUGUST 8, 1994  
REVISED: NOVEMBER 21, 1994  
REVISED: JULY 31, 1995

EXHIBIT "A"

TRACT A

A THIRTY (30) FOOT EASEMENT OF RIGHT-OF-WAY

BEING a strip of land for a water line easement thirty (30) feet in width. Being over, under and across a tract of land situated in the W. B. Brown Survey, Abstract 63, Denton County, Texas. Being part of a called 2.099 acre tract of land and a called 26.580 acre tract of land conveyed to Lenmar Development Corporation by Special Warranty Deed dated August 27, 1992 and recorded in Volume 3313, Page 417 of the Deed Records of Denton County, Texas. Said thirty (30) foot easement being fifteen (15) feet right and left of the following described centerline:

COMMENCING at a 1/2 inch iron rod found at the most Westerly corner of said 2.099 acre tract, also in the centerline of Grandy's Lane, also in the North Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad;

THENCE North 89° 28' 39" East 40.99 feet along the North line of said 2.099 acre tract, also along the centerline of Grandy's Lane, to the POINT OF BEGINNING;

THENCE South 69° 03' 18" East 688.39 feet, being at all times fifteen (15) feet North of and parallel with the South line of the said 2.099 acre tract, also being at all times fifteen (15) feet North of and parallel with the North Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad, to a point in the East line of said 2.099 acre tract, also in the West line of said 26.508 acre tract;

THENCE South 69° 05' 32" East 1,032.11 feet, being at all times fifteen (15) feet North of and parallel with the South line of the said 26.508 acre tract, also being at all times fifteen (15) feet North of and parallel with the North Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad, to a point;

THENCE South 73° 56' 14" East 506.13 feet being at all times fifteen (15) feet North of and parallel with the South line of said 26.508 acre tract, also being at all times fifteen (15) feet North of and parallel with the North Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad, to a point;

THENCE South 79° 03' 42" East 488.96 feet being at all times fifteen (15) feet North of and parallel with the South line of said 26.508 acre tract, also being at all times fifteen (15) feet North of and parallel with the North Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad, to a point;

THENCE North 66° 56' 39" East 73.26 feet, to a point;

THENCE South 83° 03' 06" East 42.43 feet, to a point of termination in the East line of said 26.508 acre tract, also in the West Right-of-Way line of Interstate Highway 35E, said point being North 18° 00' 27" West 39.75 feet from a 1/2 inch iron rod found at the Southeast corner of said 26.508 acre tract, also at the intersection of the North Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad and the West Right-of-Way line of Interstate Highway 35E and containing 84,938 square feet or 1.94 acres of land.

TRACT B

TEMPORARY CONSTRUCTION EASEMENT

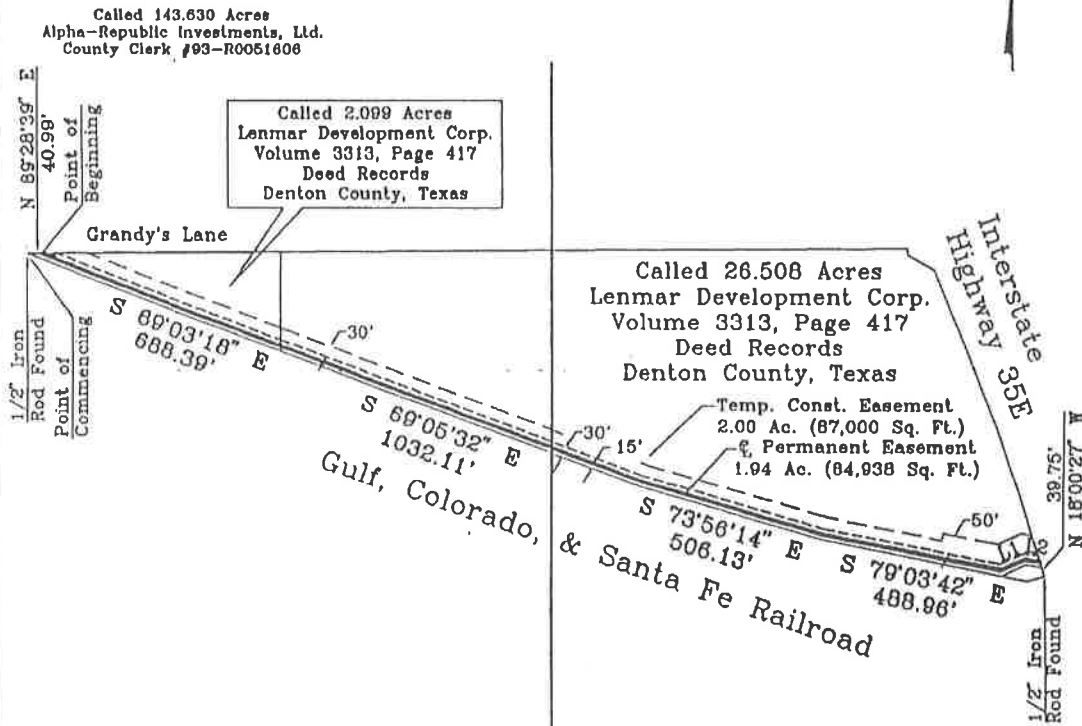
Also a temporary construction easement varying in width from thirty (30) to fifty (50) feet North of and immediately adjacent to the above described easement to be used during the construction of the proposed water line and containing 87,000 square feet or 2.00 acres of land.

Part D - #64 "Attachment B"

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SCALE: 1" = 400'



**W. B. BROWN SURVEY**  
ABSTRACT 63

**EDWARD BROWN SURVEY**  
ABSTRACT 62

LINE	DIRECTION	DISTANCE
L1	N 66°56'39" E	73.26'
L2	S 83°03'06" E	42.43'

LENMAR DEVELOPMENT CORPORATION  
PARCEL - 141  
NOVEMBER 21, 1994  
DENTON CO., TEXAS

PROJECT: REGIONAL WATER SYSTEM - PHASE 1B



**WALKER & ASSOCIATES SURVEYING, INC.**  
PHONE: 903-592-8615 FAX: 903-592-1254

DRAWN: R.W.P.  
REVISED: 11/21/94  
FB/PG: WA288/16  
JOB NO.: J5281-E141

UPPER TRINITY REGIONAL WATER DISTRICT  
REGIONAL WATER SYSTEM

Part D - #64 "Attachment B"

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THIS INSTRUMENT HAS BEEN FILED FOR RECORD IN THE PUBLIC RECORDS OF THE COUNTY OF DENTON, TEXAS. IT IS HEREBY CERTIFIED THAT THIS INSTRUMENT IS A TRUE AND CORRECT COPY OF THE ORIGINAL INSTRUMENT AS FILED IN THE PUBLIC RECORDS OF THE COUNTY OF DENTON, TEXAS.

DEC 05 1995

  
COUNTY CLERK  
DENTON COUNTY, TEXAS



Filed for Record in:  
DENTON COUNTY, TX  
HONORABLE TIM HODGES/COUNTY CLERK

On Dec 05 1995  
At 2:56pm

Doc/Num : 95-R0075669  
Doc/Type : EAS  
Recording : 13.00  
Doc/Mgmt : 6.00  
Receipt #: 33964  
Deputy - BRANDIE



Part D - #64 "Attachment B"

TO HAVE AND TO HOLD under the Grantee, its successors and assigns forever as to Tract A and until the 31st. day of December, 1997, as to Tract B. Upon termination of the temporary easement on Tract B, all right, title and interest of Grantee, its successors and assigns in and to Tract B shall terminate ipso facto and without further action revert to Grantor, or Grantor's successors and assigns.

Warranty of Title: Grantor, it successors and assigns, specially covenants to warrant and defend unto Grantee, its successors and assigns, full and unencumbered fee title in and to the estate herein granted.

The term "Grantor" used herein means all and singular and include Grantor's successors and assigns.

This easement is and shall be effective upon acceptance by Grantee and payment to Grantor of the agreed upon consideration.

SIGNED this 14 day of December, 1994.

AFTER RECORDING, RETURN TO:

James Daniels & Associates, Inc.
Right-of-Way Services
210 West Sixth Street, Suite 506
Fort Worth, Texas 76102

GRANTOR:

Handwritten signatures of Juanita Bogue Butler, Shady Robert Butler, and John Wayne Butler.

STATE OF TEXAS
COUNTY OF DENTON



This instrument was acknowledged before me by JUANITA BOGUE BUTLER on this the 14 day of December, 1994.

Notary Public, State of Texas

STATE OF TEXAS
COUNTY OF DENTON

This instrument was acknowledged before me by Shady Robert Butler on this the 9th day of January, 1995.



Notary Public, State of Texas

ACCEPTED this 26 day of April, 1995

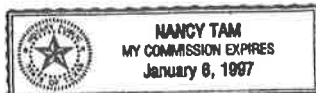
UPPER TRINITY REGIONAL WATER DISTRICT

By: Thomas E. Taylor

THOMAS E TAYLOR
EXECUTIVE DIRECTOR

STATE OF TEXAS
COUNTY OF DENTON

This instrument was acknowledged before me by Thomas E. Taylor of the Upper Trinity Regional Water District on this the 26 day of April, 1995 and in the capacity therein stated.



Notary Public, State of Texas

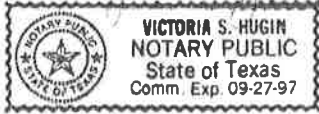
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Part D - #64 "Attachment B"

THE STATE OF TEXAS )  
                                  )  
COUNTY OF DALLAS )

This instrument was acknowledged before me on  
January 16, 1995 by JOHN BOGUE BUTLER



VICTORIA S. HUGIN  
Notary Public, State of Texas  
Printed

Name: Victoria S. Hugin  
Commission Expires: 9-27-97

**Confidential:**  
Confidential Notice: These drawings are for the sole use of the intended recipient(s) and are confidential and may be privileged. You are hereby notified that any dissemination, distribution, or reproduction of these drawings is strictly Prohibited. The information contained in these drawings are not guaranteed

Part D - #64 "Attachment B"

PHASE 1B, SECTION 3  
JUANITA BOGUE BUTLER, ET AL.  
PARCEL 142  
AUGUST 26, 1994  
REVISED: NOVEMBER 30, 1994

EXHIBIT "A"

TRACT A

A FORTY (40) FOOT EASEMENT OF RIGHT-OF-WAY

BEING a strip of land for a water line easement forty (40) feet in width. Being over, under and across a tract of land situated in the Edward Brown Survey, Abstract 62, Denton County, Texas. Being part of a called 18.79 acre tract of land conveyed to Juanita Bogue Butler, et al. by Special Warranty Deed dated November 3, 1993 and recorded in County Clerk #93-R0080575 of the Deed Records of Denton County, Texas. Said forty (40) foot easement being twenty (20) feet right and left of the following described centerline:

COMMENCING at a 1/2 inch iron rod set at the Southwest corner of said 18.79 acre tract, also at the intersection of the East Right-of-Way line of Interstate Highway 35E, and the North Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad;

THENCE North 17° 40' 07" West 53.55 feet along the West line of said 18.79 acre tract, also along the East Right-of-Way line of Interstate Highway 35E, to the POINT OF BEGINNING;

THENCE South 83° 02' 50" East 44.00 feet, to a point;

THENCE South 17° 40' 10" East 37.86 feet, being at all times forty (40) feet East of and parallel with the West line of said 18.79 acre tract, also being at all times forty (40) feet East of and parallel with the East Right-of-Way line of Interstate Highway 35E, to a point;

THENCE South 73° 57' 50" East 729.97 feet, being at all times twenty (20) feet North of and parallel with the South line of said 18.79 acre tract, also being at all times twenty (20) feet North of and parallel with the North Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad, to a point of termination in the East line of said 18.79 acre tract and containing 32,473 square feet or 0.74 acre of land.

TRACT B

TEMPORARY CONSTRUCTION EASEMENT

Also a temporary construction easement fifty (50) feet in width North and East of and immediately adjacent to the above described easement to be used during the construction of the proposed water line and containing 41,466 square feet or 0.95 acre of land.

RWP/pls  
5281-142

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SCALE: 1" = 200'

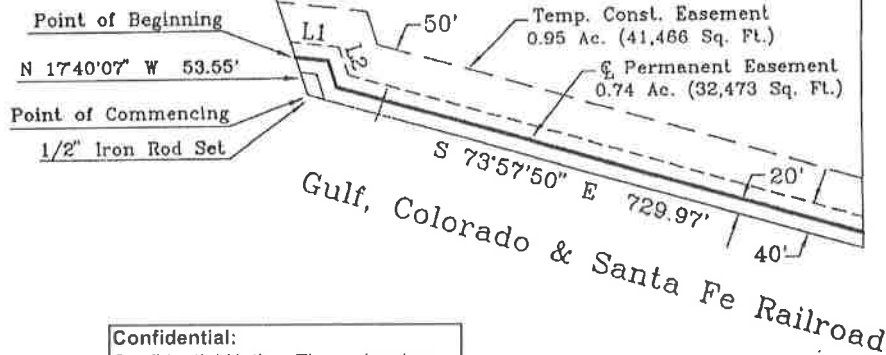
**EDWARD BROWN SURVEY**  
ABSTRACT 62



Called 18.79 Acres  
Jaunita Bogue Bulter, et al  
County Clerk #93-R0080575  
Deed Records  
Denton County, Texas

Interstate Highway 35E

LINE	DIRECTION	DISTANCE
L1	S 83°02'50" E	44.00'
L2	S 17°40'10" E	37.86'



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JUANITA BOGUE BUTLER, ET AL  
PARCEL - 142  
NOVEMBER 21, 1994  
DENTON CO., TEXAS

PROJECT: REGIONAL WATER SYSTEM - PHASE 1B



**WALKER & ASSOCIATES SURVEYING, INC.**  
PHONE: 903-592-8515 FAX: 903-592-1254

DRAWN: R.W.P.  
REVISED: 11/24/94  
FB/PG: WA288/16  
JOB NO.: J5281-E142

**UPPER TRINITY REGIONAL WATER DISTRICT**  
**REGIONAL WATER SYSTEM**

Part D - #64 "Attachment B"

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After Filing please return to:  
UPPER TRINITY REGIONAL WATER DIST.  
396 WEST MAIN STREET  
LEWISVILLE TX 75057

IF THE UNDERSIGNED SIGNATURE IS NOT IN THE PUBLIC RECORDS AND IS  
INVALID AND UNENFORCEABLE UNDER FEDERAL AND STATE LAWS OF  
THE STATE OF TEXAS  
COUNTY OF DENTON  
I hereby certify that this instrument was FILED in the File Number Sequence of  
the date and the time shown hereon by me, and was duly RECORDED, in the  
Official Public Records of Real Property of Denton County, Texas on

MAY 11 1995

*T. Hodges*  
COUNTY CLERK  
DENTON COUNTY, TEXAS



Filed for Record in:  
DENTON COUNTY, TX  
HONORABLE TIM HODGES/COUNTY  
CLERK

On May 11 1995  
At 4:09pm

Doc/Num : 95-R0027763  
Doc/Type : EAS  
Recording: 13.00  
Doc/Mgmt : 6.00  
Receipt #: 12947  
Deputy - MARY

Part D - #64 "Attachment B"

ORIGINAL

STATE OF TEXAS §
COUNTY OF DENTON § § § UTILITY EASEMENT

Grantor: ELSIE M. BENNETT

Grantee: UPPER TRINITY REGIONAL WATER DISTRICT

Address: 396 W. Main Street, Lewisville, Texas 75067 027377

Consideration: Ten Dollars and other good and valuable consideration all paid in cash, receipt of which in full is acknowledged by Grantor.

Estate Granted: Grantor GRANTS, BARGAINS, SELLS, AND CONVEYS to UPPER TRINITY REGIONAL WATER DISTRICT, its successors and assigns, an easement on, over, in, across or under the following tracts of land for the purposes and upon the uses herein stated, hereby recognizing that Grantee holds a dominant and superior right of use and easement as follows:

TRACT A: A permanent and perpetual general utility easement as above stated legally described in Exhibit A attached hereto and incorporated herein by reference for all purposes. The easement shall be for the purpose (s) of surveying and engineering, installing, maintaining, testing, repairing, removing or replacing water, sanitary sewer and storm sewer lines and associated wiring and appurtenances, and augmenting by adding parallel line or lines. The Grantee shall have the right of ingress and egress over Grantor's adjacent lands to and from the easement and right of way. However, no such services shall include overhead utilities. The minimum depth of all pipes within this easement shall be three (3) feet from the top of the pipe to the surface of the ground. Grantor shall have the right and privilege to use such land, subject to the dominant right of Grantee to prevent any use which would unreasonably interfere with the dominant estate. Specifically, Grantor shall have the right to put or place any nonpermanent improvement on the surface including but not limited to fences, grasses, ground cover, non-commercial recreational facilities, paving, playground equipment, roads and streets crossing at an angle of at least 45 degrees or more to the center line with intersecting utilities crossing at an intersecting point not less than 45 degrees. Provided, however, that none of the activities or uses by Grantor shall cause the continuing utility operations of Grantee, its successors or assigns, to be in violation of any state, federal, or municipal law, ordinance, or regulation. Grantee specially covenants that any desired or prospective use by Grantor may, with substantially correct and accurate information, be submitted to Grantee for a written response within 60 days as to whether such proposed use would be in conflict with the dominant estate. Grantee will not unreasonably withhold such consent. It is the intent and purpose of this easement to facilitate the maximum use by Grantor of Grantor's residual rights and uses, subject only to the rights of the dominant estate. Provided, further, that any improvements placed on the permanent easement by Grantor may be removed or destroyed by Grantee after reasonable notice to Grantor. Grantee may, for example, remove fencing placed on the easement by Grantor in order to use the easement and may place gates at easement boundary entry and exit points. Grantee specially covenants and agrees that Grantee will restore the natural surface of the permanent easement to a condition comparable to that which existed prior to the entry and construction to the extent that it is reasonably practical to do so. All existing fencing and gates shall be restored to their original condition as found before construction. However, on no occasion, circumstance, or event shall Grantee be liable or responsible to Grantor to replace shrubs or trees or any man-made improvements, except paving, it being understood that all of such improvements shall be placed upon this tract at Grantor's sole risk. Except as noted herein, Grantee shall have no right of control or duty to supervise, evaluate, or maintain any of the acts or improvements of Grantor as the same pertains to this easement.

TRACT B: Tract B is legally described in Exhibit A attached to this easement. Tract B may be used by Grantee only for purposes of the initial phase of construction to be completed no later than the 31st day of December, 1997, after which such easement shall be forever abandoned. The general purpose for the temporary duration easement is to store construction supplies, equipment, appurtenances, facilities, pipe, and related construction activity. Grantee specially covenants and agrees that Grantee will within 30 days after the termination of such temporary easement, remove all matters placed on or in the temporary easement and restore the surface of Tract B to the original condition as when received to a reasonable and practical extent including restoration and replacement of paving, grasses and sod with the same general quantity and quality as existed immediately prior to the entry and use of such land by Grantee. All existing fencing and gates shall be restored to their original condition as found before construction.

However, Grantee shall not be required to replace any landscaping, trees or shrubs other than grasses and sod. Grantee shall not be responsible for the maintenance or replacement of any paving, grasses, or sod once the original replacement has been made.

Confidential: Confidential Notice: These drawings are for the sole use of the intended recipient(s) and are confidential and may be privileged. You are hereby notified that any dissemination, distribution, or reproduction of these drawings is strictly Prohibited. The information contained in these drawings are not guaranteed

Part D - #64 "Attachment B"

PHASE 1B, SECTION 3  
GEORGE A. BENNETT  
PARCEL 144  
AUGUST 23, 1994  
REVISED: NOVEMBER 30, 1994

EXHIBIT "A"

TRACT A

A THIRTY (30) FOOT EASEMENT OF RIGHT-OF-WAY

BEING a strip of land for a water line easement thirty (30) feet in width. Being over, under and across a tract of land situated in the E. Brown Survey, Abstract 62, Denton County, Texas. Being part of a called 3.399 acre tract of land conveyed to George A. Bennett by Quit Claim Deed dated December 1988 and recorded in Volume 2613, Page 396 of the Deed Records of Denton County, Texas. Said thirty (30) foot easement being fifteen (15) feet right and left of the following described centerline:

COMMENCING at a 1/2 inch iron rod set at the Northeast corner of said 3.399 acre tract, also at the most Northerly Northwest corner of the residue of a called 9.551 acre tract (Volume 1232, Page 805), also in the South Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad;

THENCE South 72° 26' 34" West 32.49 feet along the South line of said 3.399 acre tract, also along the North line of the residue of said 9.551 acre tract, to the POINT OF BEGINNING;

THENCE North 80° 03' 48" West 231.18 feet, being at all times fifteen (15) feet South of and parallel with the North line of said 3.399 acre tract, also being at all times fifteen (15) feet South of and parallel with the South Right-of-Way of the Gulf, Colorado and Santa Fe Railroad, to a point of termination, and containing 6,935 square feet or 0.15 acre of land.

TRACT B

TEMPORARY CONSTRUCTION EASEMENT

Also a temporary construction easement fifty (50) feet in width South of and immediately adjacent to the above described easement to be used during the construction of the proposed water line and containing 7,715 square feet or 0.17 acre of land.

RWP/pls  
5201-144

**Confidential:**  
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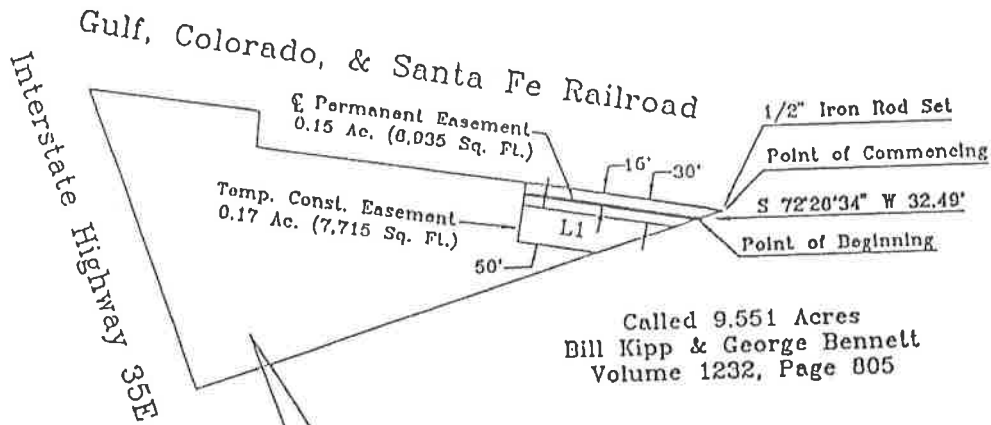
Part D - #64 "Attachment B"

SCALE: 1" = 200'

**EDWARD BROWN SURVEY**  
ABSTRACT 02



LINE	DIRECTION	DISTANCE
L1	N 80°03'48" W	231.18



Called 9.551 Acres  
Bill Kipp & George Bennett  
Volume 1232, Page 805

Called 3.399 Acres  
George A. Bennett  
Volume 2613, Page 396  
Deed Records  
Denton County, Texas

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**GEORGE A. BENNETT**  
PARCEL - 144  
NOVEMBER 21, 1994  
DENTON CO., TEXAS

PROJECT: REGIONAL WATER SYSTEM - PHASE 1B

<p><b>WALKEN &amp; ASSOCIATES SURVEYING, INC.</b> PHONE: 003-502-0515 FAX: 003-502-1254</p>	DRAWN: R.W.P. REVISED: 11/24/94 FH/PG: WA288/16 JOB NO.: J5231-E144	UPPER TRINITY REGIONAL WATER DISTRICT REGIONAL WATER SYSTEM



Part D - #64 "Attachment B"

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After Filing please return to:  
UPPER TRINITY REGIONAL WATER DIST.  
396 WEST MAIN STREET  
LEWISVILLE TX 75057

ANY PROVISION HEREIN WHICH RESTRICTS THE FULL ENJOYMENT  
OF THE DESCRIBED REAL PROPERTY BECAUSE OF THE PUBLIC POLICY IS  
INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.  
THE STATE OF TEXAS )  
COUNTY OF DENTON )  
I hereby certify that this instrument was FILED in the File Number Sequence of  
the date and the time stamped hereon by me, and was duly RECORDED, in the  
Official Public Records of said Property in Denton County, Texas on

MAY 09 1995

  
COUNTY CLERK  
DENTON COUNTY, TEXAS



Filed for Record in:  
DENTON COUNTY, TX  
HONORABLE TIM HODGES/COUNTY  
CLERK

On May 09 1995  
At 3:55pm

Doc/Num : 95-R0027377  
Doc/Type : EAS  
Recording : 11.00  
Doc/Amount : 8.00  
Receipt #: 12666  
Deputy - SHELLEY

Part D - #64 "Attachment B"

ORIGINAL

STATE OF TEXAS §
COUNTY OF DENTON § § UTILITY EASEMENT

Grantor: BUDDY GREGG MOTOR HOMES, INC.
Grantee: UPPER TRINITY REGIONAL WATER DISTRICT
Address: 396 W. Main Street, Lewisville, Texas 75067

022541

Consideration: Ten Dollars and other good and valuable consideration all paid in cash, receipt of which in full is acknowledged by Grantor.

Estate Granted: Grantor GRANTS, BARGAINS, SELLS, AND CONVEYS to UPPER TRINITY REGIONAL WATER DISTRICT, its successors and assigns, an easement on, over, in, across or under the following tracts of land for the purposes and upon the uses herein stated, hereby recognizing that Grantee holds a dominant and superior right of use and easement as follows:

TRACT A: A permanent and perpetual general utility easement as above stated legally described in Exhibit A attached hereto and incorporated herein by reference for all purposes. The easement shall be for the purpose(s) of surveying and engineering, installing, maintaining, testing, repairing, removing or replacing water, sanitary sewer and storm sewer lines and associated wiring and appurtenances, and augmenting by adding parallel line or lines. However, no such services shall include overhead utilities. The minimum depth of all pipes within this easement shall be three (3) feet from the top of the pipe to the surface of the ground. Grantor shall have the right and privilege to use such land, subject to the dominant right of Grantee to prevent any use which would unreasonably interfere with the dominant estate. Specifically, Grantor shall have the right to put or place any nonpermanent improvement on the surface including but not limited to fences, grasses, ground cover, non-commercial recreational facilities, paving, playground equipment, roads and streets crossing at an angle of at least 45 degrees or more to the center line with intersecting utilities crossing at an intersecting point not less than 45 degrees. Provided, however, that none of the activities or uses by Grantor shall cause the continuing utility operations of Grantee, its successors or assigns, to be in violation of any state, federal, or municipal law, ordinance, or regulation. Grantee specially covenants that any desired or prospective use by Grantor may, with substantially correct and accurate information, be submitted to Grantee for a written response within 60 days as to whether such proposed use would be in conflict with the dominant estate. Grantee will not unreasonably withhold such consent. It is the intent and purpose of this easement to facilitate the maximum use by Grantor of Grantor's residual rights and uses, subject only to the rights of the dominant estate. Provided, further, that any improvements placed on the permanent easement by Grantor may be removed or destroyed by Grantee after reasonable notice to Grantor. Grantee may, for example, remove fencing placed on the easement by Grantor in order to use the easement and may place gates at easement boundary entry and exit points. Grantee specially covenants and agrees that Grantee will restore the natural surface of the permanent easement to a condition comparable to that which existed prior to the entry and construction to the extent that it is reasonably practical to do so. All existing fencing and gates shall be restored to their original condition as found before construction. However, on no occasion, circumstance, or event shall Grantee be liable or responsible to Grantor to replace shrubs or trees or any man-made improvements, except paving, it being understood that all of such improvements shall be placed upon this tract at Grantor's sole risk. Except as noted herein, Grantee shall have no right of control or duty to supervise, evaluate, or maintain any of the acts or improvements of Grantor as the same pertains to this easement.

TRACT B: Tract B is legally described in Exhibit A attached to this easement. Tract B may be used by Grantee only for purposes of the initial phase of construction to be completed no later than the 31st day of December, 1997, after which such easement shall be forever abandoned. The general purpose for the temporary duration easement is to store construction supplies, equipment, appurtenances, facilities, pipe, and related construction activity. Grantee specially covenants and agrees that Grantee will within 30 days after the termination of such temporary easement, remove all matters placed on or in the temporary easement and restore the surface of Tract B to the original condition as when received to a reasonable and practical extent including restoration and replacement of paving, grasses and sod with the same general quantity and quality as existed immediately prior to the entry and use of such land by Grantee. All existing fencing and gates shall be restored to their original condition as found before construction.

However, Grantee shall not be required to replace any landscaping, trees or shrubs other than grasses and sod. Grantee shall not be responsible for the maintenance or replacement of any paving, grasses, or sod once the original replacement has been made.

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Part D - #64 "Attachment B"

TO HAVE AND TO HOLD under the Grantee, its successors and assigns forever as to Tract A and until the 31st. day of December, 1997, as to Tract B. Upon termination of the temporary easement on Tract B, all right, title and interest of Grantee, its successors and assigns in and to Tract B shall terminate ipso facto and without further action revert to Grantor, or Grantor's successors and assigns.

Warranty of Title: Grantor, it successors and assigns, specially covenants to warrant and defend unto Grantee, its successors and assigns, full and unencumbered fee title in and to the estate herein granted.

The term "Grantor" used herein means all and singular and include Grantor's successors and assigns.

This easement is and shall be effective upon acceptance by Grantee and payment to Grantor of the agreed upon consideration.

SIGNED this 4 day of January, 1995.

AFTER RECORDING, RETURN TO:

James Daniels & Associates, Inc.
Right-of-Way Services
210 West Sixth Street, Suite 506
Fort Worth, Texas 76102

GRANTOR:

Buddy Gregg McFar James Jr
A/D Spitzbauch v.s

STATE OF TEXAS §
COUNTY OF DENTON §

This instrument was acknowledged before me by Art Spitzbauch on this the 4 day of Jan, 1995.



Vanessa Barnett
Notary Public, State of Texas

STATE OF TEXAS §
COUNTY OF DENTON §

This instrument was acknowledged before me by \_\_\_\_\_ on this the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_.

Notary Public, State of Texas

ACCEPTED this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_.

UPPER TRINITY REGIONAL WATER DISTRICT

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

STATE OF TEXAS §
COUNTY OF DENTON §

This instrument was acknowledged before me by \_\_\_\_\_ of the Upper Trinity Regional Water District on this the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_, and in the capacity therein stated.

Notary Public, State of Texas

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## Part D - #64 "Attachment B"

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PHASE 1B, SECTION 3  
BUDDY GREGG MOTOR HOMES, INC.  
PARCEL 145  
OCTOBER 21, 1994  
REVISED: NOVEMBER 1, 1994

### EXHIBIT "A"

#### TRACT A

#### A THIRTY (30) FOOT EASEMENT OF RIGHT-OF-WAY

BEING a strip of land for a water line easement thirty (30) feet in width. Being over, under and across a tract of land situated in the E. Brown Survey, Abstract 62, Denton County, Texas. Being part of a called 6.152 acre tract of land conveyed to Buddy Gregg Motor Homes, Inc. by Warranty Deed dated September 20, 1994 and recorded in County Clerk #94-R0072745 of the Deed Records of Denton County, Texas. Said thirty (30) foot easement being fifteen (15) feet right and left of the following described centerline:

COMMENCING at a 1/2 inch iron rod set at the most Northerly Northwest corner of said 6.152 acre tract, also at the East corner of a 3.399 acre tract (Volume 2613, Page 396), also in the South Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad;

THENCE South 72° 26' 34" West 32.49 feet along a North line of said 6.152 acre tract, also along the South line of said 3.399 acre tract, to the POINT OF BEGINNING;

THENCE South 80° 03' 48" East 85.27 feet, being at all times fifteen (15) feet South of and parallel with a North line of said 6.152 acre tract, also being at all times fifteen (15) feet South of and parallel with the South Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad, to a point;

THENCE South 35° 04' 23" East 21.22 feet to a point;

THENCE South 80° 03' 48" East 8.77 feet, being at all times thirty (30) feet South of and parallel with a North line of said 6.152 acre tract, also being at all times thirty (30) feet South of and parallel with the South Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad, to a point of termination in the East line of said 6.152 acre tract, also in the West line of a called 58.546 acre tract (Volume 2436, Page 591), said point being South 00° 15' 54" West 30.43 feet from a 3/4 inch iron rod found at the Northeast corner of said 6.152 acre tract, also in the South Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad, and containing 3,550 square feet or 0.08 acre of land.

#### TRACT B

#### TEMPORARY CONSTRUCTION EASEMENT

Also a temporary construction easement fifty (50) feet in width South of and immediately adjacent to the above described easement to be used during the construction of the proposed water line and containing 9,946 square feet or 0.22 acre of land.

Part D - #64 "Attachment B"

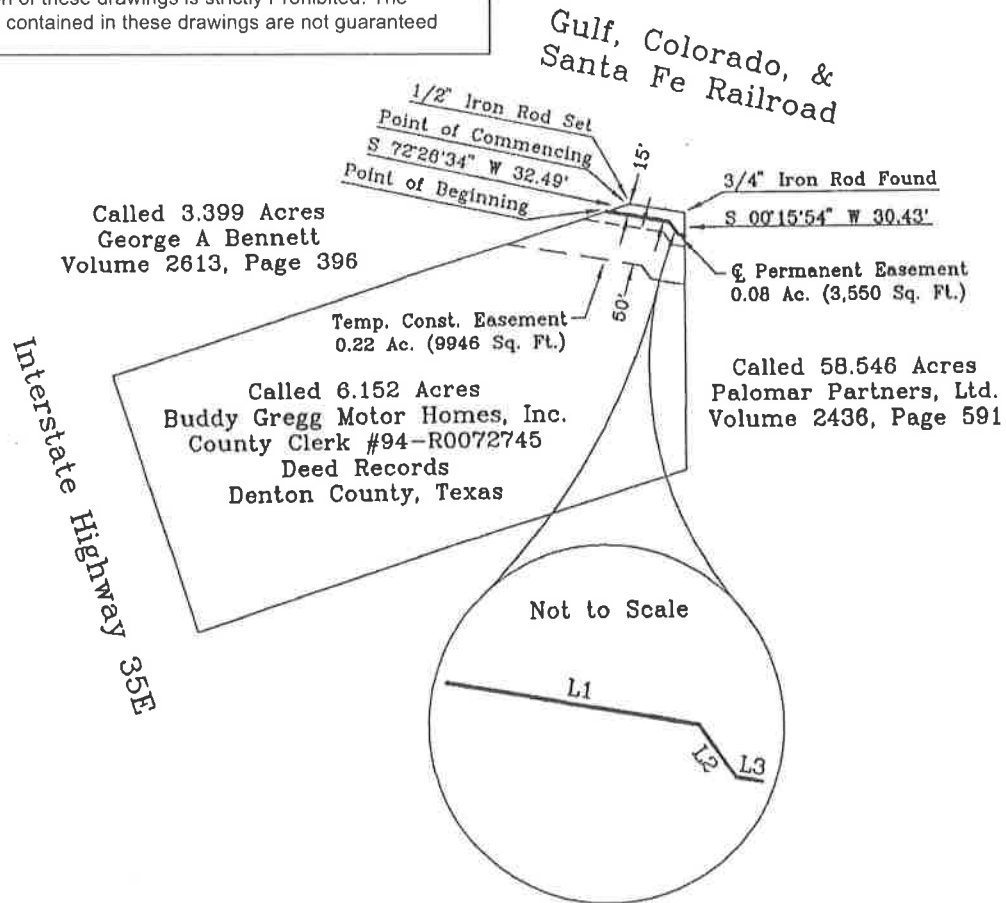
SCALE: 1" = 200'

LINE	DIRECTION	DISTANCE
L1	S 80°03'48" E	85.27'
L2	S 35°04'23" E	21.22'
L3	S 80°03'48" E	8.77'



**E. BROWN SURVEY**  
ABSTRACT 62

**Confidential:**  
Confidential Notice: These drawings are for the sole use of the intended recipient(s) and are confidential and may be privileged. You are hereby notified that any dissemination, distribution, or reproduction of these drawings is strictly Prohibited. The information contained in these drawings are not guaranteed



**BUDDY GREGG MOTOR HOMES, INC.**  
PARCEL - 145  
NOVEMBER 1, 1994  
DENTON CO., TEXAS

**PROJECT: REGIONAL WATER SYSTEM - PHASE 1B**

**WA WALKER & ASSOCIATES SURVEYING, INC.**  
PHONE: 903-592-8515 FAX: 903-592-1254

DRAWN: R.W.P.  
REVISED: 11/1/94  
FB/PG: WA285/16  
JOB NO.: J5281-E145

**UPPER TRINITY REGIONAL WATER DISTRICT**  
REGIONAL WATER SYSTEM

Part D - #64 "Attachment B"

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that any dissemination,  
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reproduction of these  
drawings is strictly  
Prohibited. The  
information contained  
in these drawings are  
not guaranteed

After Filing please return to:  
UPPER TRINITY REGIONAL WATER DIST.  
396 WEST MAIN STREET  
LEWISVILLE TX 75057

*[Faint, illegible text]*

JUN 05 1995

*[Handwritten signature]*  
CLERK  
DENTON COUNTY TEXAS



Filed for Record in:  
DENTON COUNTY, TX  
HONORABLE TIM HODGES/COUNTY  
CLERK

On Jun 05 1995  
At 3:19pm

Doc/Num : 95-R0032541  
Doc/Type : EAS  
Recording: 13.00  
Doc/Mgmt : 6.00  
Receipt #: 15265  
Deputy - CASSY

## Part D - #64 "Attachment B"

**Confidential:**  
Confidential Notice:  
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STATE OF TEXAS

### WATER AND SEWER UTILITY EASEMENT

COUNTY OF DENTON

**Grantor:** Steven S. Turoff, Independent Trustee of WHH Liquidating Trust

**Grantee:** UPPER TRINITY REGIONAL WATER DISTRICT

**Address:** 396 W. Main Street, Lewisville, Texas 75067

**Consideration:** Ten Dollars and other good and valuable consideration all paid in cash, receipt of which in full is acknowledged by Grantor.

**Estate Granted:** Grantor GRANTS, BARGAINS, SELLS, AND CONVEYS TO UPPER TRINITY REGIONAL WATER DISTRICT, its successors and assigns, an easement on, over, in, across or under the following tracts of land for the purposes and upon the uses herein stated, hereby recognizing that Grantee holds a dominant right of use and easement as follows:

TRACT A: A permanent and perpetual water and sewer utility easement as above stated legally described in Exhibit A attached hereto and incorporated herein by reference. The easement shall be for the purpose (s) of surveying and engineering, installing, maintaining, testing, repairing, removing or replacing underground water, sanitary sewer and storm sewer lines and associated wiring and appurtenances, and augmenting by adding parallel line or lines (the "Facilities"). Grantee agrees that any above ground appurtenances will be constructed and maintained at or below grade of the surrounding land and that any vent pipes will be moved to the outer edge of Grantor's property line that lays adjacent to the Santa Fe Railroad right of way. Grantee further agrees to limit above ground appurtenances to no more than required by sound engineering practices. The Grantee shall have the right of ingress and egress over Grantor's adjacent lands to and from the easement and right of way in areas providing access to the Facilities across Grantor's adjacent lands designated from time to time for vehicular ingress, egress and circulation. However, no such services shall include overhead utilities. The minimum depth of all pipes within this easement shall be three (3) feet from the top of the pipe to the surface of the ground. Grantor shall have the right and privilege to use such land, subject to the dominant right of Grantee to prevent any use which would unreasonably interfere with the dominant estate. Specifically, Grantor shall have the right to put or place any non-permanent improvement on the surface including but not limited to fences, grasses, ground cover, non-commercial recreational facilities, paving (concrete and asphalt), playground equipment, roads and streets crossing at an angle of at least 45 degrees or more to the center line with intersecting utilities crossing at an intersecting point not less than 45 degrees. Provided, however, that none of the activities or uses by Grantor shall cause the continuing utility operations of Grantee, its successors or assigns, to be in violation of any state, federal, or municipal law, ordinance, or regulation. Grantee specially covenants that any desired or prospective use by Grantor may, with substantially correct and accurate information, be submitted to Grantee for a written response within 30 days as to whether such proposed use would unreasonably conflict with the dominant estate or cause Grantee's use to be in violation of any federal, state or municipal law, ordinance or regulation.

Grantee will not unreasonably withhold such consent. It is the intent and purpose of this easement to facilitate the maximum use by Grantor of Grantor's residual rights and uses, subject only to the rights of



## Part D - #64 "Attachment B"

**Confidential:**  
Confidential Notice:  
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the dominant estate. Provided, further, that any improvements placed on the permanent easement by Grantor may be removed or destroyed by Grantee after reasonable notice to Grantor. Grantee may, for example, remove fencing placed on the easement by Grantor in order to use the easement and may place gates at easement boundary entry and exit points. Grantee specially covenants and agrees that Grantee will restore the surface of the permanent easement to a condition comparable to that which existed prior to the entry and construction, installation, maintenance, repair, removal or testing. All improvements existing on the data of this Water and Sewer Utility Easement shall be restored to their original condition by Grantee as found before construction, installation, maintenance, repair, removal or testing. However, on no occasion, circumstance or event shall Grantee be liable or responsible to Grantor to replace trees or any man-made improvements except paving, it being understood that all of such improvements shall be placed upon this tract at Grantor's sole risk. Except as noted herein, Grantee shall have no right of control or duty to supervise, evaluate, or maintain any of the acts or improvements of Grantor as the same pertains to this easement.

TRACT B: Tract B is legally described in Exhibit A attached to this easement. Tract B may be used by Grantee only for purposes of the initial phase of construction to be completed no later than the 31st day of December, 1997, after which such easement shall be forever abandoned. The general purpose for the temporary duration easement is to store construction supplies, equipment, appurtenances, facilities, pipe, and related construction activity. Grantee specifically covenants and agrees that Grantee will within 30 days after the termination of such temporary easement, remove all materials placed on or in the temporary easement and restore the surface of Tract B to the original condition as when received to a reasonable and practical extent including restoration and replacement of paving, grasses and sod with the same general quantity and quality as existed immediately prior to the entry and use of such land by Grantee. All existing fencing and gates shall be restored to their original condition as found before construction.

However, Grantee shall not be required to replace any landscaping, trees or shrubs other than grasses and sod. Grantee shall not be responsible for the maintenance or replacement of any paving, grasses, or sod once the original replacement has been made.

Grantee shall and does hereby agree to indemnify, defend and hold harmless Grantor, its successors, assigns, and grantees, for, from and against all costs, expenses, claims, causes of actions, damages, losses, penalties, fines, liabilities and obligations arising from or relating to: (i) Grantee's, its employee's, contractor's, agent's, invitee's and licensee's, use and occupancy of Tract A and Tract B; (ii) the existence of Facilities on Tract A and Tract B; (iii) the condition of the Facilities; and (iv) the Grantee's, its employee's, contractor's, agent's, invitee's and licensee's construction, installation, maintenance, testing, repair, removal and replacement of the Facilities.

In the event of any spill, discharge, release, leak, seepage or leaching of any substance or material from any of the Facilities or from Grantee's use of Tract A or Tract B (a "Release"), Grantee shall: (i) promptly repair the Facilities to halt the further Release; (ii) repair any damage to Tract A and Tract B and any adjacent land and all improvements thereon damaged by such Release; and (iii) comply with all federal, state and local laws, statutes, ordinances, orders, rules and regulations applicable to the clean up and remediation of the Release, including, without limitation, environmental laws, statutes, ordinances, orders, rules and regulations.

TO HAVE AND TO HOLD under the Grantee, its successors and assigns forever as to Tract A and until the 31st day of December, 1997, as to Tract B. Upon termination of the temporary easement on Tract B,

Confidential - #64 "Attachment B"  
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all right, title and interest of Grantee, its successor and assigns in and to Tract B shall terminate ipso facto and without further action revert to Grantor, or Grantor's successors and assigns.

The term "Grantor" used herein means all and singular and include Grantor's successors and assigns.

This easement is and shall be effective upon acceptance by Grantee and payment to Grantor of the agreed upon consideration.

SIGNED this \_\_\_\_\_ day of \_\_\_\_\_, 19 \_\_\_\_\_.

AFTER RECORDING, RETURN TO:

GRANTOR:

Upper Trinity Regional Water District  
396 W. Main Street, Suite 102  
Lewisville, Texas 75057

\_\_\_\_\_  
Steven S. Turoff, Independent Trustee of the  
WHH Liquidating Trust  
2121 San Jacinto Street  
Suite 1010  
Dallas, Texas 75201

STATE OF TEXAS

COUNTY OF DALLAS

This instrument was acknowledged before me by \_\_\_\_\_  
on this the \_\_\_\_\_ day of \_\_\_\_\_, 19 \_\_\_\_.

\_\_\_\_\_  
Notary Public, State of Texas

ACCEPTED THIS 13<sup>th</sup> day of September, 19 95.

UPPER TRINITY REGIONAL WATER DISTRICT

By: Thomas E. Taylor

**THOMAS E TAYLOR**  
**EXECUTIVE DIRECTOR**

STATE OF TEXAS

COUNTY OF DENTON

This instrument was acknowledged before me by Thomas E. Taylor  
of the Upper Trinity Regional Water District on this the 13<sup>th</sup> day of September  
\_\_\_\_\_, 19 95, and in the capacity therein stated.

\_\_\_\_\_  
Notary Public, State of Texas



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**Part D - #64 "Attachment B"**

**Steven S. Turoff** PHASE 1B, SECTION 3  
**Independent Trustee** for WHH Liquidating Trust  
PARCEL 146A  
AUGUST 23, 1994  
REVISED: OCTOBER 27, 1994

**EXHIBIT "A"**

**TRACT A**

**A THIRTY (30) FOOT EASEMENT OF RIGHT-OF-WAY**

BEING a strip of land for a water line easement thirty (30) feet in width. Being over, under and across a tract of land situated in the J. Wagner Survey, Abstract 1399, Denton County, Texas. Being part of a called 58.546 acre tract of land conveyed to Palomar Partners, Ltd. by Warranty Deed dated August 8, 1988 and recorded in Volume 2436, Page 591 of the Deed Records of Denton County, Texas. Being part of Lot 4, Block B, Valley Ridge Business Park East as recorded in Cabinet F, Page 281, Plat Records of Denton County, Texas. Said thirty (30) foot easement being fifteen (15) feet right and left of the following described centerline:

COMMENCING at a 3/4 inch iron rod found at the Northwest corner of said Lot 4, also at the Northeast corner of a called 9.551 acre tract (Volume 1232, Page 805), also in the South Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad;

THENCE South 00° 15' 54" West 30.43 feet along the West line of said Lot 4, also along the East line of said 9.551 acre tract, to the POINT OF BEGINNING;

THENCE South 00° 04' 23" East 283.55 feet, being at all times thirty (30) feet South of and parallel with the North line of said Lot 4, also being at all times thirty (30) feet South of and parallel with the South Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad, to a point;

THENCE South 00° 07' 19" East 265.39 feet, being at all times thirty (30) feet West of and parallel with the common line between said Lot 4, and the Fox Hembry Cemetery, to a point;

THENCE North 89° 18' 22" East 268.84 feet, being at all times thirty (30) feet South of and parallel with the common line between said Lot 4 and the Fox Hembry Cemetery, to a point;

THENCE North 00° 07' 19" West 215.15 feet, being at all times thirty (30) feet East of and parallel with the common line between said Lot 4 and the Fox Hembry Cemetery, to a point;

THENCE South 80° 05' 34" East 343.72 feet, being at all times thirty (30) feet South of and parallel with the North line of said Lot 4, also being at all times thirty (30) feet South of and parallel with the South Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad, to a point of termination in the East line of said Lot 4, also in the West line of Lot 3, Block B, said point being South 00° 25' 19" East 30.49 feet from a 1/2 inch iron rod found at the Northeast corner of said Lot 4, also at the Northwest corner of said Lot 3, also in the South Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad and containing 41,299 square feet or 0.94 acres of land.

**TRACT B**

**TEMPORARY CONSTRUCTION EASEMENT**

Also a temporary construction easement fifty (50) feet in width Southwest and East of and immediately adjacent to the above described easement to be used during the construction of the proposed water line and containing 68,733 square feet or 1.57 acres of land.

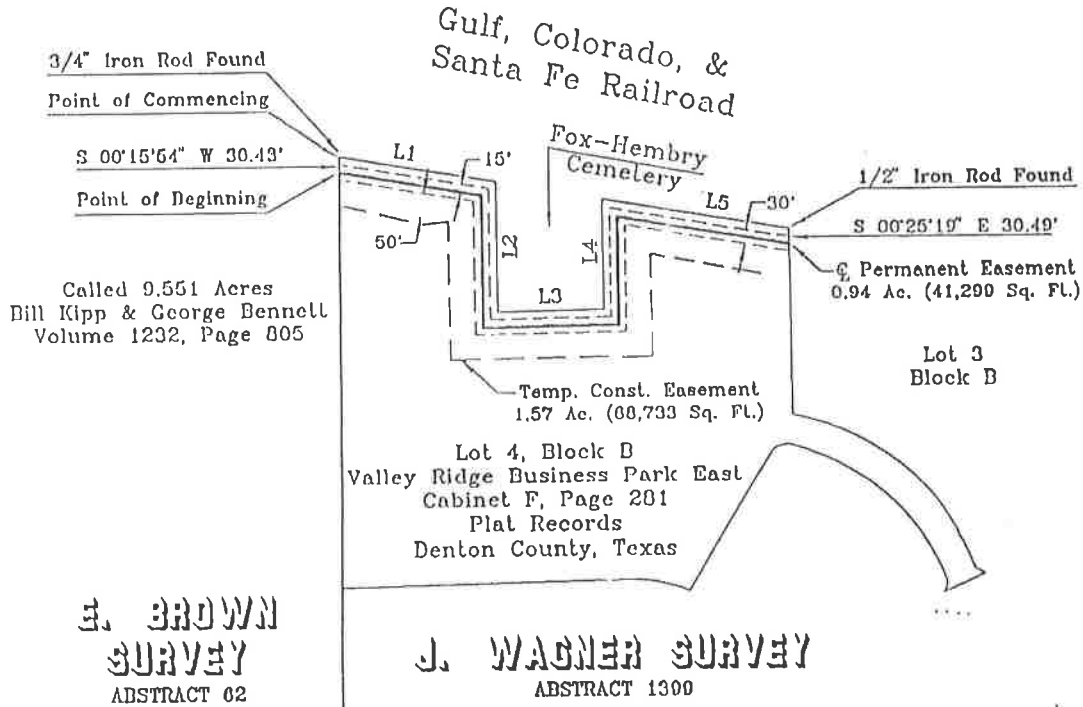
RWP/pls  
5281(A)-146

Part D - #64 "Attachment B"

LINE	DIRECTION	DISTANCE
L1	S 00°04'23" E	203.55'
L2	S 00°07'10" E	265.39'
L3	N 09°18'22" E	268.84'
L4	N 00°07'19" W	215.15'
L5	S 80°05'34" E	343.72'

SCALE: 1" = 300'

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Steven S. Turoff, Independent Trustee  
 for the WHH Liquidating Trust  
 Denton County Clerk # 94-R0089745,  
 Deed Records Denton County, Texas

PARCEL - 146A  
 OCTOBER 26, 1994  
 DENTON CO., TEXAS

PROJECT: REGIONAL WATER SYSTEM - PHASE 1B

**WA** WALKER & ASSOCIATES SURVEYING, INC.  
 PHONE: 003-502-0515 FAX: 003-502-1254

DRAWN: R.W.P.  
 REVISED: 10/26/94  
 FB/PC: WA208/16  
 JOB NO.: J5281-E146A

UPPER TRINITY REGIONAL WATER DISTRICT  
 REGIONAL WATER SYSTEM

STATE OF TEXAS

## WATER AND SEWER UTILITY EASEMENT

COUNTY OF DENTON

Grantor: Steven S. Turoff, Independent Trustee of WHH Liquidating Trust

Grantee: UPPER TRINITY REGIONAL WATER DISTRICT

Address: 396 W. Main Street, Lewisville, Texas 75067

059834

Consideration: Ten Dollars and other good and valuable consideration all paid in cash, receipt of which in full is acknowledged by Grantor.

Estate Granted: Grantor GRANTS, BARGAINS, SELLS, AND CONVEYS TO UPPER TRINITY REGIONAL WATER DISTRICT, its successors and assigns, an easement on, over, in, across or under the following tracts of land for the purposes and upon the uses herein stated, hereby recognizing that Grantee holds a dominant right of use and easement as follows:

**TRACT A:** A permanent and perpetual water and sewer utility easement as above stated legally described in Exhibit A attached hereto and incorporated herein by reference. The easement shall be for the purpose (s) of surveying and engineering, installing, maintaining, testing, repairing, removing or replacing underground water, sanitary sewer and storm sewer lines and associated wiring and appurtenances, and augmenting by adding parallel line or lines (the "Facilities"). Grantee agrees that any above ground appurtenances will be constructed and maintained at or below grade of the surrounding land and that any vent pipes will be moved to the outer edge of Grantor's property line that lays adjacent to the Santa Fe Railroad right of way. Grantee further agrees to limit above ground appurtenances to no more than required by sound engineering practices. The Grantee shall have the right of ingress and egress over Grantor's adjacent lands to and from the easement and right of way in areas providing access to the Facilities across Grantor's adjacent lands designated from time to time for vehicular ingress, egress and circulation. However, no such services shall include overhead utilities. The minimum depth of all pipes within this easement shall be three (3) feet from the top of the pipe to the surface of the ground. Grantor shall have the right and privilege to use such land, subject to the dominant right of Grantee to prevent any use which would unreasonably interfere with the dominant estate. Specifically, Grantor shall have the right to put or place any non-permanent improvement on the surface including but not limited to fences, grasses, ground cover, non-commercial recreational facilities, paving (concrete and asphalt), playground equipment, roads and streets crossing at an angle of at least 45 degrees or more to the center line with intersecting utilities crossing at an intersecting point not less than 45 degrees. Provided, however, that none of the activities or uses by Grantor shall cause the continuing utility operations of Grantee, its successors or assigns, to be in violation of any state, federal, or municipal law, ordinance, or regulation. Grantee specially covenants that any desired or prospective use by Grantor may, with substantially correct and accurate information, be submitted to Grantee for a written response within 30 days as to whether such proposed use would unreasonably conflict with the dominant estate or cause Grantee's use to be in violation of any federal, state or municipal law, ordinance or regulation.

Grantee will not unreasonably withhold such consent. It is the intent and purpose of this easement to facilitate the maximum use by Grantor of Grantor's residual rights and uses, subject only to the rights of

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TRACT B: Tract B is legally described in Exhibit A attached to this easement. Tract B may be used by Grantee only for purposes of the initial phase of construction to be completed no later than the 31st day of December, 1997, after which such easement shall be forever abandoned. The general purpose for the temporary duration easement is to store construction supplies, equipment, appurtenances, facilities, pipe, and related construction activity. Grantee specifically covenants and agrees that Grantee will within 30 days after the termination of such temporary easement, remove all materials placed on or in the temporary easement and restore the surface of Tract B to the original condition as when received to a reasonable and practical extent including restoration and replacement of paving, grasses and sod with the same general quantity and quality as existed immediately prior to the entry and use of such land by Grantee. All existing fencing and gates shall be restored to their original condition as found before construction.

However, Grantee shall not be required to replace any landscaping, trees or shrubs other than grasses and sod. Grantee shall not be responsible for the maintenance or replacement of any paving, grasses, or sod once the original replacement has been made.

Grantee shall and does hereby agree to indemnify, defend and hold harmless Grantor, its successors, assigns, and grantees, for, from and against all costs, expenses, claims, causes of actions, damages, losses, penalties, fines, liabilities and obligations arising from or relating to: (i) Grantee's, its employee's, contractor's, agent's, invitee's and licensee's, use and occupancy of Tract A and Tract B; (ii) the existence of Facilities on Tract A and Tract B; (iii) the condition of the Facilities; and (iv) the Grantee's, its employee's, contractor's, agent's, invitee's and licensee's construction, installation, maintenance, testing, repair, removal and replacement of the Facilities.

In the event of any spill, discharge, release, leak, seepage or leaching of any substance or material from any of the Facilities or from Grantee's use of Tract A or Tract B (a "Release"), Grantee shall: (i) promptly repair the Facilities to halt the further Release; (ii) repair any damage to Tract A and Tract B and any adjacent land and all improvements thereon damaged by such Release; and (iii) comply with all federal, state and local laws, statutes, ordinances, orders, rules and regulations applicable to the clean up and remediation of the Release, including, without limitation, environmental laws, statutes, ordinances, orders, rules and regulations.

TO HAVE AND TO HOLD under the Grantee, its successors and assigns forever as to Tract A and until the 31st day of December, 1997, as to Tract B. Upon termination of the temporary easement on Tract B,

all right, title and interest of Grantee, its successor and assigns in and to Tract B shall terminate ipso facto and without further action revert to Grantor, or Grantor's successors and assigns.

The term "Grantor" used herein means all and singular and include Grantor's successors and assigns.

This easement is and shall be effective upon acceptance by Grantee and payment to Grantor of the agreed upon consideration.

SIGNED this 13<sup>th</sup> day of September, 19 95.

AFTER RECORDING, RETURN TO:

Upper Trinity Regional Water District  
396 W. Main Street, Suite 102  
Lewisville, Texas 75057

GRANTOR:

Steven S. Turoff  
Steven S. Turoff, Independent Trustee of the  
WHH Liquidating Trust  
2121 San Jacinto Street  
Suite 1010  
Dallas, Texas 75201

STATE OF TEXAS

COUNTY OF DALLAS

This instrument was acknowledged before me by STEVEN S. TUROFF  
on this the 13<sup>th</sup> day of SEPTEMBER, 19 95.



Chrissy L. Grant  
Notary Public, State of Texas

ACCEPTED THIS 13<sup>th</sup> day of September, 19 95.

UPPER TRINITY REGIONAL WATER DISTRICT

By: Thomas E. Taylor

**THOMAS E TAYLOR**  
**EXECUTIVE DIRECTOR**

STATE OF TEXAS

COUNTY OF DENTON

This instrument was acknowledged before me by Thomas E. Taylor  
of the Upper Trinity Regional Water District on this the 13<sup>th</sup> day of September  
19 95, and in the capacity therein stated.



Nancy Tam  
Notary Public, State of Texas

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**Part D - #64 "Attachment B"**

**Steven S. Turoff** PHASE 1B, SECTION 3  
**Independent Trustee** for WHH Liquidating Trust  
PARCEL 146A  
AUGUST 23, 1994  
REVISED: OCTOBER 27, 1994

EXHIBIT "A"

TRACT A

**A THIRTY (30) FOOT EASEMENT OF RIGHT-OF-WAY**

BEING a strip of land for a water line easement thirty (30) feet in width. Being over, under and across a tract of land situated in the J. Wagner Survey, Abstract 1399, Denton County, Texas. Being part of a called 58.546 acre tract of land conveyed to Palomar Partners, Ltd. by Warranty Deed dated August 8, 1988 and recorded in Volume 2436, Page 591 of the Deed Records of Denton County, Texas. Being part of Lot 4, Block B, Valley Ridge Business Park East as recorded in Cabinet F, Page 281, Plat Records of Denton County, Texas. Said thirty (30) foot easement being fifteen (15) feet right and left of the following described centerline:

COMMENCING at a 3/4 inch iron rod found at the Northwest corner of said Lot 4, also at the Northeast corner of a called 9.551 acre tract (Volume 1232, Page 805), also in the South Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad;

THENCE South 00° 15' 54" West 30.43 feet along the West line of said Lot 4, also along the East line of said 9.551 acre tract, to the POINT OF BEGINNING;

THENCE South 00° 04' 23" East 203.55 feet, being at all times thirty (30) feet South of and parallel with the North line of said Lot 4, also being at all times thirty (30) feet South of and parallel with the South Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad, to a point;

THENCE South 00° 07' 19" East 265.39 feet, being at all times thirty (30) feet West of and parallel with the common line between said Lot 4, and the Fox Hembry Cemetery, to a point;

THENCE North 89° 18' 22" East 268.84 feet, being at all times thirty (30) feet South of and parallel with the common line between said Lot 4 and the Fox Hembry Cemetery, to a point;

THENCE North 00° 07' 19" West 215.15 feet, being at all times thirty (30) feet East of and parallel with the common line between said Lot 4 and the Fox Hembry Cemetery, to a point;

THENCE South 00° 05' 34" East 343.72 feet, being at all times thirty (30) feet South of and parallel with the North line of said Lot 4, also being at all times thirty (30) feet South of and parallel with the South Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad, to a point of termination in the East line of said Lot 4, also in the West line of Lot 3, Block B, said point being South 00° 25' 19" East 30.49 feet from a 1/2 inch iron rod found at the Northeast corner of said Lot 4, also at the Northwest corner of said Lot 3, also in the South Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad and containing 41,299 square feet or 0.94 acres of land.

TRACT B

**TEMPORARY CONSTRUCTION EASEMENT**

Also a temporary construction easement fifty (50) feet in width Southwest and East of and immediately adjacent to the above described easement to be used during the construction of the proposed water line and containing 68,733 square feet or 1.57 acres of land.

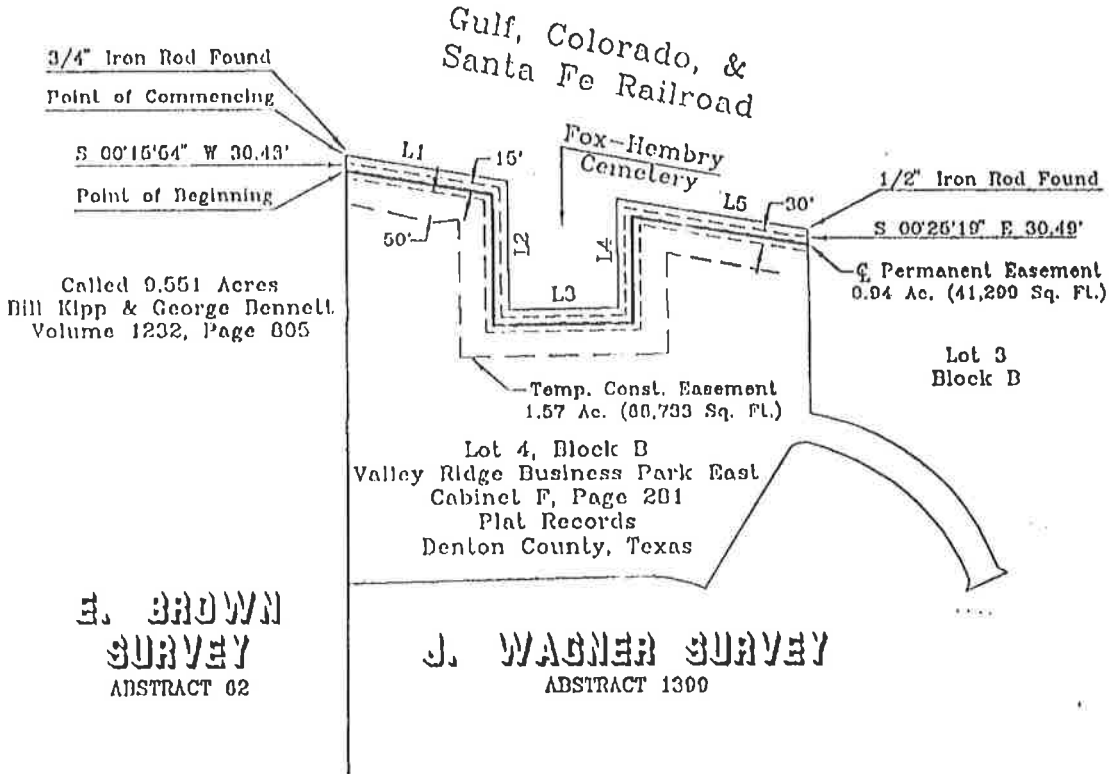
RWP/pls  
5201(A)-146



Part D - #64 "Attachment B"

LINE	DIRECTION	DISTANCE
L1	S 00°04'23" E	203.55'
L2	S 00°07'10" E	265.30'
L3	N 09°10'22" E	260.04'
L4	N 00°07'10" W	215.15'
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SCALE: 1" = 300'



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Steven S. Turoff, Independent Trustee  
 for the WHH Liquidating Trust  
 Denton County Clerk # 94-R0089745,  
 Deed Records Denton County, Texas

PARCEL - 146A  
 OCTOBER 26, 1994  
 DENTON CO., TEXAS

PROJECT: REGIONAL WATER SYSTEM - PHASE 1B

**WA** WALKER & ASSOCIATED SURVEYING, INC.  
 PHONE: 803-502-0515 FAX: 803-502-1254

DRAWN: R.W.P.  
 REVISED: 10/26/94  
 TB/PG: WA200/16  
 JOB NO.: J5201-E146A

UPPER TRINITY REGIONAL WATER DISTRICT  
 REGIONAL WATER SYSTEM

Part D - #64 "Attachment B"

Filed for Record in:  
DEMION COUNTY, TX  
HONORABLE TIM HODGES/COUNTY  
CLERK  
On Sep 25 1995  
At 2:43pm  
Doc/Num : 95-R0059034  
Doc/Type : EAS  
Recording : 13.00  
Doc/Hgmt : 6.00  
Receipt #: 26923  
Deputy - CASSY

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Part D - #64 "Attachment B"

94-1762R1

P146B

STATE OF TEXAS

WATER AND SEWER UTILITY EASEMENT

COUNTY OF DENTON

Grantor: Steven S. Turoff, Independent Trustee of WHH Liquidating Trust

Grantee: UPPER TRINITY REGIONAL WATER DISTRICT

059835

Address: 396 W. Main Street, Lewisville, Texas 75067

Consideration: Ten Dollars and other good and valuable consideration all paid in cash, receipt of which in full is acknowledged by Grantor.

Estate Granted: Grantor GRANTS, BARGAINS, SELLS, AND CONVEYS TO UPPER TRINITY REGIONAL WATER DISTRICT, its successors and assigns, an easement on, over, in, across or under the following tracts of land for the purposes and upon the uses herein stated, hereby recognizing that Grantee holds a dominant right of use and easement as follows:

TRACT A: A permanent and perpetual water and sewer utility easement as above stated legally described in Exhibit A attached hereto and incorporated herein by reference. The easement shall be for the purpose (s) of surveying and engineering, installing, maintaining, testing, repairing, removing or replacing underground water, sanitary sewer and storm sewer lines and associated wiring and appurtenances, and augmenting by adding parallel line or lines (the "Facilities"). Grantee agrees that any above ground appurtenances will be constructed and maintained at or below grade of the surrounding land and that any vent pipes will be moved to the outer edge of Grantor's property line that lays adjacent to the Santa Fe Railroad right of way. Grantee further agrees to limit above ground appurtenances to no more than required by sound engineering practices. The Grantee shall have the right of ingress and egress over Grantor's adjacent lands to and from the easement and right of way in areas providing access to the Facilities across Grantor's adjacent lands designated from time to time for vehicular ingress, egress and circulation. However, no such services shall include overhead utilities. The minimum depth of all pipes within this easement shall be three (3) feet from the top of the pipe to the surface of the ground. Grantor shall have the right and privilege to use such land, subject to the dominant right of Grantee to prevent any use which would unreasonably interfere with the dominant estate. Specifically, Grantor shall have the right to put or place any non-permanent improvement on the surface including but not limited to fences, grasses, ground cover, non-commercial recreational facilities, paving (concrete and asphalt), playground equipment, roads and streets crossing at an angle of at least 45 degrees or more to the center line with intersecting utilities crossing at an intersecting point not less than 45 degrees. Provided, however, that none of the activities or uses by Grantor shall cause the continuing utility operations of Grantee, its successors or assigns, to be in violation of any state, federal, or municipal law, ordinance, or regulation. Grantee specially covenants that any desired or prospective use by Grantor may, with substantially correct and accurate information, be submitted to Grantee for a written response within 30 days as to whether such proposed use would unreasonably conflict with the dominant estate or cause Grantee's use to be in violation of any federal, state or municipal law, ordinance or regulation.

Grantee will not unreasonably withhold such consent. It is the intent and purpose of this easement to facilitate the maximum use by Grantor of Grantor's residual rights and uses, subject only to the rights of

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## Part D - #64 "Attachment B"

the dominant estate. Provided, further, that any improvements placed on the permanent easement by Grantor may be removed or destroyed by Grantee after reasonable notice to Grantor. Grantee may, for example, remove fencing placed on the easement by Grantor in order to use the easement and may place gates at easement boundary entry and exit points. Grantee specially covenants and agrees that Grantee will restore the surface of the permanent easement to a condition comparable to that which existed prior to the entry and construction, installation, maintenance, repair, removal or testing. All improvements existing on the data of this Water and Sewer Utility Easement shall be restored to their original condition by Grantee as found before construction, installation, maintenance, repair, removal or testing. However, on no occasion, circumstance or event shall Grantee be liable or responsible to Grantor to replace trees or any man-made improvements except paving, it being understood that all of such improvements shall be placed upon this tract at Grantor's sole risk. Except as noted herein, Grantee shall have no right of control or duty to supervise, evaluate, or maintain any of the acts or improvements of Grantor as the same pertains to this easement.

TRACT B: Tract B is legally described in Exhibit A attached to this easement. Tract B may be used by Grantee only for purposes of the initial phase of construction to be completed no later than the 31st day of December, 1997, after which such easement shall be forever abandoned. The general purpose for the temporary duration easement is to store construction supplies, equipment, appurtenances, facilities, pipe, and related construction activity. Grantee specifically covenants and agrees that Grantee will within 30 days after the termination of such temporary easement, remove all materials placed on or in the temporary easement and restore the surface of Tract B to the original condition as when received to a reasonable and practical extent including restoration and replacement of paving, grasses and sod with the same general quantity and quality as existed immediately prior to the entry and use of such land by Grantee. All existing fencing and gates shall be restored to their original condition as found before construction.

However, Grantee shall not be required to replace any landscaping, trees or shrubs other than grasses and sod. Grantee shall not be responsible for the maintenance or replacement of any paving, grasses, or sod once the original replacement has been made.

Grantee shall and does hereby agree to indemnify, defend and hold harmless Grantor, its successors, assigns, and grantees, for, from and against all costs, expenses, claims, causes of actions, damages, losses, penalties, fines, liabilities and obligations arising from or relating to: (i) Grantee's, its employee's, contractor's, agent's, invitee's and licensee's, use and occupancy of Tract A and Tract B; (ii) the existence of Facilities on Tract A and Tract B; (iii) the condition of the Facilities; and (iv) the Grantee's, its employee's, contractor's, agent's, invitee's and licensee's construction, installation, maintenance, testing, repair, removal and replacement of the Facilities.

In the event of any spill, discharge, release, leak, seepage or leaching of any substance or material from any of the Facilities or from Grantee's use of Tract A or Tract B (a "Release"), Grantee shall: (i) promptly repair the Facilities to halt the further Release; (ii) repair any damage to Tract A and Tract B and any adjacent land and all improvements thereon damaged by such Release; and (iii) comply with all federal, state and local laws, statutes, ordinances, orders, rules and regulations applicable to the clean up and remediation of the Release, including, without limitation, environmental laws, statutes, ordinances, orders, rules and regulations.

TO HAVE AND TO HOLD under the Grantee, its successors and assigns forever as to Tract A and until the 31st day of December, 1997, as to Tract B. Upon termination of the temporary easement on Tract B,

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Part D - #64 "Attachment B"

all right, title and interest of Grantee, its successor and assigns in and to Tract B shall terminate ipso facto and without further action revert to Grantor, or Grantor's successors and assigns.

The term "Grantor" used herein means all and singular and include Grantor's successors and assigns.

This easement is and shall be effective upon acceptance by Grantee and payment to Grantor of the agreed upon consideration.

SIGNED this 13<sup>th</sup> day of September, 19 95.

AFTER RECORDING, RETURN TO:

Upper Trinity Regional Water District  
396 W. Main Street, Suite 102  
Lewisville, Texas 75057

GRANTOR:

Steven S. Turoff  
Steven S. Turoff, Independent Trustee of the  
WHH Liquidating Trust  
2121 San Jacinto Street  
Suite 1010  
Dallas, Texas 75201

STATE OF TEXAS

COUNTY OF DALLAS

This instrument was acknowledged before me by STEVEN S. TUROFF  
on this the 13<sup>th</sup> day of SEPTEMBER, 19 95.



Chrissy L. Grant  
Notary Public, State of Texas

ACCEPTED THIS 13<sup>th</sup> day of September, 1995.

UPPER TRINITY REGIONAL WATER DISTRICT

**THOMAS E TAYLOR**  
**EXECUTIVE DIRECTOR**

By:

Thomas E. Taylor

STATE OF TEXAS

COUNTY OF DENTON



This instrument was acknowledged before me by Thomas E. Taylor  
of the Upper Trinity Regional Water District on this the 13<sup>th</sup> day of September  
19 95, and in the capacity therein stated.



Nancy Tam  
Notary Public, State of Texas

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not guaranteed

Part D - #64 "Attachment B"

**J. WAGNER SURVEY**  
 ABSTRACT 1300

SCALE: 1" = 200'



LINE	DIRECTION	DISTANCE
L5	S 00°05'34" E	706.87'

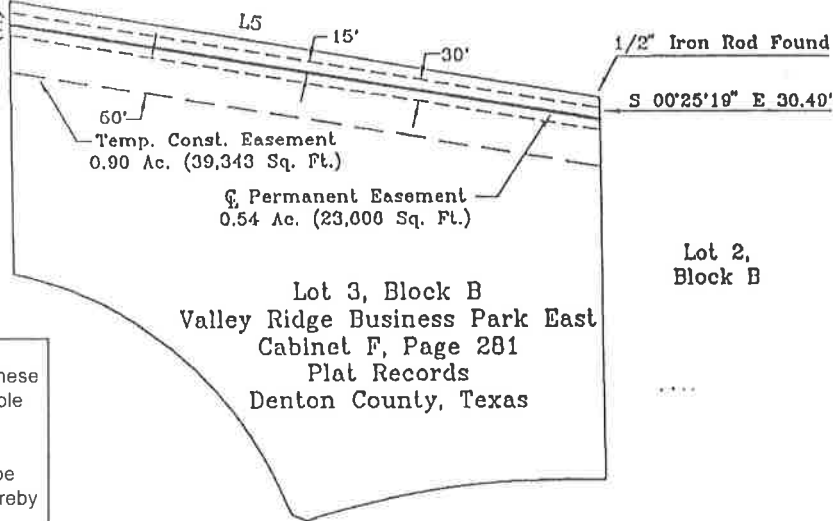
1/2" Iron Rod Found  
 Point of Commencing

S 00°26'10" E 30.40'

Point of Beginning

Lot 4,  
 Block B

Gulf, Colorado, &  
 Santa Fe Railroad



Temp. Const. Easement  
 0.90 Ac. (39,343 Sq. Ft.)

Per. Permanent Easement  
 0.54 Ac. (23,000 Sq. Ft.)

Lot 3, Block B  
 Valley Ridge Business Park East  
 Cabinet F, Page 281  
 Plat Records  
 Denton County, Texas

Lot 2,  
 Block B

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Steven S. Turoff, Independent Trustee  
 for the WHH Liquidating Trust  
 Denton County Clerk # 94-R0089745,  
 Deed Records Denton County, Texas

PARCEL - 146B  
 OCTOBER 26, 1994  
 DENTON CO., TEXAS

PROJECT: REGIONAL WATER SYSTEM - PHASE 1B

**WA** WALKER & ASSOCIATES SURVEYING, INC.  
 PHONE: 903-502-0515 FAX: 903-502-1254

DRAWN: R.W.P.  
 REVISED: 10/26/94  
 FB/PG: WA200/16  
 JOB NO.: J5281-E146B

UPPER TRINITY REGIONAL WATER DISTRICT  
 REGIONAL WATER SYSTEM

Part D - #64 "Attachment B"

Steven S. Turoff PHASE 1B, SECTION 3  
Independent Trustee for WHH Liquidating Trust  
PARCEL 146B  
AUGUST 23, 1994  
REVISED: OCTOBER 27, 1994

EXHIBIT "A"

TRACT A

A THIRTY (30) FOOT EASEMENT OF RIGHT-OF-WAY

BEING a strip of land for a water line easement thirty (30) feet in width. Being over, under and across a tract of land situated in the J. Wagner Survey, Abstract 1399, Denton County, Texas. Being part of a called 58.546 acre tract of land conveyed to Palomar Partners, Ltd. by Warranty Deed dated August 8, 1988 and recorded in Volume 2436, Page 591 of the Deed Records of Denton County, Texas. Being part of Lot 3, Block B, Valley Ridge Business Park East as recorded in Cabinet F, Page 281, Plat Records of Denton County, Texas. Said thirty (30) foot easement being fifteen (15) feet right and left of the following described centerline:

COMMENCING at a 1/2 inch iron rod found at the Northwest corner of said Lot 3, also at the Northeast corner of Lot 4, Block B, also in the South Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad;

THENCE South 00° 25' 19" East 30.49 feet along the West line of said Lot 3, also along the East line of said Lot 4, to the POINT OF BEGINNING;

THENCE South 80° 05' 34" East 786.87 feet, being at all times thirty (30) feet South of and parallel with the North line of said Lot 3, also being at all times thirty (30) feet South of and parallel with the South Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad, to a point of termination in the East line of said Lot 3, also in the West line of Lot 2, Block B, said point being South 00° 25' 19" East 30.49 feet from a 1/2 inch iron rod found at the Northeast corner of said Lot 3, also at the Northwest corner of said Lot 2, also in the South Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad and containing 23,606 square feet or 0.54 acres of land.

TRACT B

TEMPORARY CONSTRUCTION EASEMENT

Also a temporary construction easement fifty (50) feet in width Southwest and East of and immediately adjacent to the above described easement to be used during the construction of the proposed water line and containing 39,343 square feet or 0.90 acres of land.

RWP/pls  
5281(B)-146

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Part D - #64 "Attachment B"

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PROPERTY RECORDS SECTION  
COUNTY CLERK  
DENTON COUNTY, TEXAS  
1000 W. WASHINGTON ST.  
DENTON, TEXAS 76201  
TEL: 940-383-7300 FAX: 940-383-7301  
WWW.DENTONCOUNTYTX.GOV

SEP 25 1995

*L. Hodges*  
COUNTY CLERK  
DENTON COUNTY, TEXAS



Filed for Record in:  
DENTON COUNTY, TX  
HONORABLE TIM HODGES/COUNTY  
CLERK

On Sep 25 1995  
At 2:43pm

Doc/Num : 95-R0059835  
Doc/Type : EAS  
Recording : 13.00  
Doc/Mgmt : 6.00  
Receipt #: 26923  
Deputy - CASSY



Part D - #64 "Attachment B"

94-1762R2

P146C

ORIGINAL

STATE OF TEXAS

WATER AND SEWER UTILITY EASEMENT

COUNTY OF DENTON

Grantor: Steven S. Turoff, Independent Trustee of WHH Liquidating Trust

Grantee: UPPER TRINITY REGIONAL WATER DISTRICT

059836

Address: 396 W. Main Street, Lewisville, Texas 75067

Consideration: Ten Dollars and other good and valuable consideration all paid in cash, receipt of which in full is acknowledged by Grantor.

Estate Granted: Grantor GRANTS, BARGAINS, SELLS, AND CONVEYS TO UPPER TRINITY REGIONAL WATER DISTRICT, its successors and assigns, an easement on, over, in, across or under the following tracts of land for the purposes and upon the uses herein stated, hereby recognizing that Grantee holds a dominant right of use and easement as follows:

TRACT A: A permanent and perpetual water and sewer utility easement as above stated legally described in Exhibit A attached hereto and incorporated herein by reference. The easement shall be for the purpose (s) of surveying and engineering, installing, maintaining, testing, repairing, removing or replacing underground water, sanitary sewer and storm sewer lines and associated wiring and appurtenances, and augmenting by adding parallel line or lines (the "Facilities"). Grantee agrees that any above ground appurtenances will be constructed and maintained at or below grade of the surrounding land and that any vent pipes will be moved to the outer edge of Grantor's property line that lays adjacent to the Santa Fe Railroad right of way. Grantee further agrees to limit above ground appurtenances to no more than required by sound engineering practices. The Grantee shall have the right of ingress and egress over Grantor's adjacent lands to and from the easement and right of way in areas providing access to the Facilities across Grantor's adjacent lands designated from time to time for vehicular ingress, egress and circulation. However, no such services shall include overhead utilities. The minimum depth of all pipes within this easement shall be three (3) feet from the top of the pipe to the surface of the ground. Grantor shall have the right and privilege to use such land, subject to the dominant right of Grantee to prevent any use which would unreasonably interfere with the dominant estate. Specifically, Grantor shall have the right to put or place any non-permanent improvement on the surface including but not limited to fences, grasses, ground cover, non-commercial recreational facilities, paving (concrete and asphalt), playground equipment, roads and streets crossing at an angle of at least 45 degrees or more to the center line with intersecting utilities crossing at an intersecting point not less than 45 degrees. Provided, however, that none of the activities or uses by Grantor shall cause the continuing utility operations of Grantee, its successors or assigns, to be in violation of any state, federal, or municipal law, ordinance, or regulation. Grantee specially covenants that any desired or prospective use by Grantor may, with substantially correct and accurate information, be submitted to Grantee for a written response within 30 days as to whether such proposed use would unreasonably conflict with the dominant estate or cause Grantee's use to be in violation of any federal, state or municipal law, ordinance or regulation.

Grantee will not unreasonably withhold such consent. It is the intent and purpose of this easement to facilitate the maximum use by Grantor of Grantor's residual rights and uses, subject only to the rights of

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## Part D - #64 "Attachment B"

the dominant estate. Provided, further, that any improvements placed on the permanent easement by Grantor may be removed or destroyed by Grantee after reasonable notice to Grantor. Grantee may, for example, remove fencing placed on the easement by Grantor in order to use the easement and may place gates at easement boundary entry and exit points. Grantee specially covenants and agrees that Grantee will restore the surface of the permanent easement to a condition comparable to that which existed prior to the entry and construction, installation, maintenance, repair, removal or testing. All improvements existing on the data of this Water and Sewer Utility Easement shall be restored to their original condition by Grantee as found before construction, installation, maintenance, repair, removal or testing. However, on no occasion, circumstance or event shall Grantee be liable or responsible to Grantor to replace trees or any man-made improvements except paving, it being understood that all of such improvements shall be placed upon this tract at Grantor's sole risk. Except as noted herein, Grantee shall have no right of control or duty to supervise, evaluate, or maintain any of the acts or improvements of Grantor as the same pertains to this easement.

TRACT B: Tract B is legally described in Exhibit A attached to this easement. Tract B may be used by Grantee only for purposes of the initial phase of construction to be completed no later than the 31st day of December, 1997, after which such easement shall be forever abandoned. The general purpose for the temporary duration easement is to store construction supplies, equipment, appurtenances, facilities, pipe, and related construction activity. Grantee specifically covenants and agrees that Grantee will within 30 days after the termination of such temporary easement, remove all materials placed on or in the temporary easement and restore the surface of Tract B to the original condition as when received to a reasonable and practical extent including restoration and replacement of paving, grasses and sod with the same general quantity and quality as existed immediately prior to the entry and use of such land by Grantee. All existing fencing and gates shall be restored to their original condition as found before construction.

However, Grantee shall not be required to replace any landscaping, trees or shrubs other than grasses and sod. Grantee shall not be responsible for the maintenance or replacement of any paving, grasses, or sod once the original replacement has been made.

Grantee shall and does hereby agree to indemnify, defend and hold harmless Grantor, its successors, assigns, and grantees, for, from and against all costs, expenses, claims, causes of actions, damages, losses, penalties, fines, liabilities and obligations arising from or relating to: (i) Grantee's, its employee's, contractor's, agent's, invitee's and licensee's, use and occupancy of Tract A and Tract B; (ii) the existence of Facilities on Tract A and Tract B; (iii) the condition of the Facilities; and (iv) the Grantee's, its employee's, contractor's, agent's, invitee's and licensee's construction, installation, maintenance, testing, repair, removal and replacement of the Facilities.

In the event of any spill, discharge, release, leak, seepage or leaching of any substance or material from any of the Facilities or from Grantee's use of Tract A or Tract B (a "Release"), Grantee shall: (i) promptly repair the Facilities to halt the further Release; (ii) repair any damage to Tract A and Tract B and any adjacent land and all improvements thereon damaged by such Release; and (iii) comply with all federal, state and local laws, statutes, ordinances, orders, rules and regulations applicable to the clean up and remediation of the Release, including, without limitation, environmental laws, statutes, ordinances, orders, rules and regulations.

TO HAVE AND TO HOLD under the Grantee, its successors and assigns forever as to Tract A and until the 31st day of December, 1997, as to Tract B. Upon termination of the temporary easement on Tract B,

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Part D - #64 "Attachment B"

all right, title and interest of Grantee, its successor and assigns in and to Tract B shall terminate ipso facto and without further action revert to Grantor, or Grantor's successors and assigns.

The term "Grantor" used herein means all and singular and include Grantor's successors and assigns.

This easement is and shall be effective upon acceptance by Grantee and payment to Grantor of the agreed upon consideration.

SIGNED this 13<sup>th</sup> day of September, 19 95.

AFTER RECORDING, RETURN TO:  
  
Upper Trinity Regional Water District  
396 W. Main Street, Suite 102  
Lewisville, Texas 75057

GRANTOR:  
  
Steven S. Turoff  
Steven S. Turoff, Independent Trustee of the  
WHH Liquidating Trust  
2121 San Jacinto Street  
Suite 1010  
Dallas, Texas 75201

STATE OF TEXAS

COUNTY OF DALLAS

This instrument was acknowledged before me by STEVEN S. TUROFF  
on this the 13<sup>th</sup> day of SEPTEMBER, 19 95.



Chrissy L. Grant  
Notary Public, State of Texas

ACCEPTED THIS 13<sup>th</sup> day of September, 19 95.

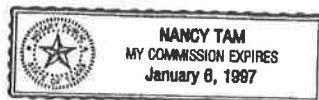
UPPER TRINITY REGIONAL WATER DISTRICT

By: Thomas E. Taylor  
**THOMAS E TAYLOR**  
**EXECUTIVE DIRECTOR**

STATE OF TEXAS

COUNTY OF DENTON

This instrument was acknowledged before me by Thomas E. Taylor  
of the Upper Trinity Regional Water District on this the 13<sup>th</sup> day of September  
19 95, and in the capacity therein stated.



Nancy Tam  
Notary Public, State of Texas

**Confidential:**  
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## Part D - #64 "Attachment B"

Steven S. Turoff      PHASE 1B, SECTION 3  
Independent Trustee for WHH Liquidating Trust  
PARCEL 146C  
AUGUST 23, 1994  
REVISED: OCTOBER 27, 1994

### EXHIBIT "A"

#### TRACT A

#### A THIRTY (30) FOOT EASEMENT OF RIGHT-OF-WAY

BEING a strip of land for a water line easement thirty (30) feet in width. Being over, under and across a tract of land situated in the J. Wagner Survey, Abstract 1399, Denton County, Texas. Being part of a called 50.546 acre tract of land conveyed to Palomar Partners, Ltd. by Warranty Deed dated August 8, 1988 and recorded in Volume 2436, Page 591 of the Deed Records of Denton County, Texas. Being part of Lot 2, Block B, Valley Ridge Business Park East as recorded in Cabinet F, Page 281, Plat Records of Denton County, Texas. Said thirty (30) foot easement being fifteen (15) feet right and left of the following described centerline:

COMMENCING at a 1/2 inch iron rod found at the Northwest corner of said Lot 2, also at the Northeast corner of Lot 3, Block B, also in the South Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad;

THENCE South 00° 25' 19" West 30.49 feet along the West line of said Lot 2, also along the East line of said Lot 3, to the POINT OF BEGINNING;

THENCE South 80° 05' 34" East 77.15 feet, being at all times thirty (30) feet South of and parallel with the North line of said Lot 2, also being at all times thirty (30) feet South of and parallel with the South Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad, to a point;

THENCE South 80° 57' 27" East 264.82 feet, being at all times thirty (30) feet South of and parallel with the North line of said Lot 2, also being at all times thirty (30) feet South of and parallel with the South Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad, to a point;

THENCE Southeasterly 292.71 feet along a curve to the left, delta = 02° 23' 14", radius = 7,025.55 feet, chord bears South 80° 48' 02" East 292.69 feet, being at all times thirty (30) feet South of and parallel with the North line of said Lot 2, also being at all times thirty (30) feet South of and parallel with the South Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad to a point of termination in the East line of said Lot 2, also in the West line of Lot 1, Block B, said point being South 00° 10' 42" East 30.31 feet from a 1/2 inch iron rod found at the Northeast corner of said Lot 2, also at the Northwest corner of said Lot 1, also in the South Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad and containing 19,040 square feet or 0.43 acres of land.

#### TRACT B

#### TEMPORARY CONSTRUCTION EASEMENT

Also a temporary construction easement fifty (50) feet in width Southwest and East of and immediately adjacent to the above described easement to be used during the construction of the proposed water line and containing 31,698 square feet or 0.72 acres of land.

RWP/pls  
5281(C)-146

Part D - #64 "Attachment B"

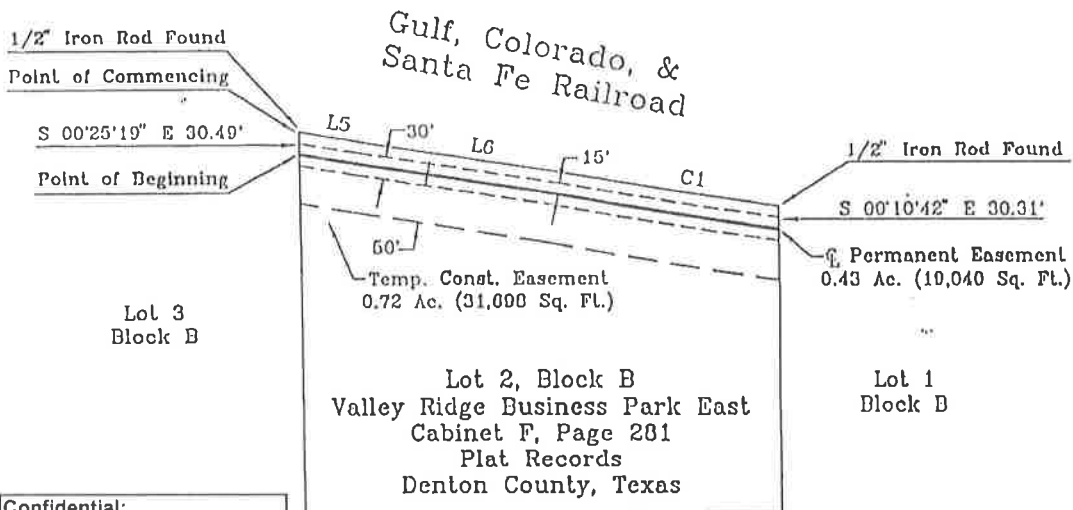
**J. WAGNER SURVEY**  
 ABSTRACT 1300

SCALE: 1" = 200'



LINE	DIRECTION	DISTANCE
L5	S 80°05'34" E	77.15'
L6	S 80°57'27" E	264.02'

CURVE	DELTA	RADIUS	LENGTH	BEARING	CHORD
C1	02°23'14"	7025.55'	292.71'	S 80°48'02" E	292.69'



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Steven S. Turoff, Independent Trustee  
 for the WHH Liquidating Trust  
 Denton County Clerk # 94-R0089745,  
 Deed Records Denton County, Texas

PARCEL - 146C  
 OCTOBER 26, 1994  
 DENTON CO., TEXAS

PROJECT: REGIONAL WATER SYSTEM - PHASE 1B

**WA** WALKER & ASSOCIATES SURVEYING, INC.  
 PHONE: 003-502-0515 FAX: 003-502-1254

DRAWN: R.W.P.  
 REVISED: 10/26/94  
 FD/PC: WA200/16  
 JOB NO.: J5201-E146C

UPPER TRINITY REGIONAL WATER DISTRICT  
 REGIONAL WATER SYSTEM

Part D - #64 "Attachment B"

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in these drawings are  
not guaranteed

FILED  
SEP 25 1995  
DENTON COUNTY, TEXAS

SEP 25 1995

*L. Hodges*  
DENTON COUNTY, TEXAS



Filed for Record in:  
DENTON COUNTY, TX  
HONORABLE TIM HODGES/COUNTY  
CLERK

On Sep 25 1995  
At 2:43pm

Doc/Num : 95-R0059836  
Doc/Type : EAS  
Recording: 13.00  
Doc/Mgmt : 6.00  
Receipt #: 26923  
Deputy - CASSY

## Part D - #64 "Attachment B"

P146D

STATE OF TEXAS

## WATER AND SEWER UTILITY EASEMENT

COUNTY OF DENTON

Grantor: Steven S. Turoff, Independent Trustee of WHH Liquidating Trust

Grantee: UPPER TRINITY REGIONAL WATER DISTRICT **059837**

Address: 396 W. Main Street, Lewisville, Texas 75067

Consideration: Ten Dollars and other good and valuable consideration all paid in cash, receipt of which in full is acknowledged by Grantor.

Estate Granted: Grantor GRANTS, BARGAINS, SELLS, AND CONVEYS TO UPPER TRINITY REGIONAL WATER DISTRICT, its successors and assigns, an easement on, over, in, across or under the following tracts of land for the purposes and upon the uses herein stated, hereby recognizing that Grantee holds a dominant right of use and easement as follows:

TRACT A: A permanent and perpetual water and sewer utility easement as above stated legally described in Exhibit A attached hereto and incorporated herein by reference. The easement shall be for the purpose (s) of surveying and engineering, installing, maintaining, testing, repairing, removing or replacing underground water, sanitary sewer and storm sewer lines and associated wiring and appurtenances, and augmenting by adding parallel line or lines (the "Facilities"). Grantee agrees that any above ground appurtenances will be constructed and maintained at or below grade of the surrounding land and that any vent pipes will be moved to the outer edge of Grantor's property line that lays adjacent to the Santa Fe Railroad right of way. Grantee further agrees to limit above ground appurtenances to no more than required by sound engineering practices. The Grantee shall have the right of ingress and egress over Grantor's adjacent lands to and from the easement and right of way in areas providing access to the Facilities across Grantor's adjacent lands designated from time to time for vehicular ingress, egress and circulation. However, no such services shall include overhead utilities. The minimum depth of all pipes within this easement shall be three (3) feet from the top of the pipe to the surface of the ground. Grantor shall have the right and privilege to use such land, subject to the dominant right of Grantee to prevent any use which would unreasonably interfere with the dominant estate. Specifically, Grantor shall have the right to put or place any non-permanent improvement on the surface including but not limited to fences, grasses, ground cover, non-commercial recreational facilities, paving (concrete and asphalt), playground equipment, roads and streets crossing at an angle of at least 45 degrees or more to the center line with intersecting utilities crossing at an intersecting point not less than 45 degrees. Provided, however, that none of the activities or uses by Grantor shall cause the continuing utility operations of Grantee, its successors or assigns, to be in violation of any state, federal, or municipal law, ordinance, or regulation. Grantee specially covenants that any desired or prospective use by Grantor may, with substantially correct and accurate information, be submitted to Grantee for a written response within 30 days as to whether such proposed use would unreasonably conflict with the dominant estate or cause Grantee's use to be in violation of any federal, state or municipal law, ordinance or regulation.

Grantee will not unreasonably withhold such consent. It is the intent and purpose of this easement to facilitate the maximum use by Grantor of Grantor's residual rights and uses, subject only to the rights of

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## Part D - #64 "Attachment B"

the dominant estate. Provided, further, that any improvements placed on the permanent easement by Grantor may be removed or destroyed by Grantee after reasonable notice to Grantor. Grantee may, for example, remove fencing placed on the easement by Grantor in order to use the easement and may place gates at easement boundary entry and exit points. Grantee specially covenants and agrees that Grantee will restore the surface of the permanent easement to a condition comparable to that which existed prior to the entry and construction, installation, maintenance, repair, removal or testing. All improvements existing on the data of this Water and Sewer Utility Easement shall be restored to their original condition by Grantee as found before construction, installation, maintenance, repair, removal or testing. However, on no occasion, circumstance or event shall Grantee be liable or responsible to Grantor to replace trees or any man-made improvements except paving, it being understood that all of such improvements shall be placed upon this tract at Grantor's sole risk. Except as noted herein, Grantee shall have no right of control or duty to supervise, evaluate, or maintain any of the acts or improvements of Grantor as the same pertains to this easement.

TRACT B: Tract B is legally described in Exhibit A attached to this easement. Tract B may be used by Grantee only for purposes of the initial phase of construction to be completed no later than the 31st day of December, 1997, after which such easement shall be forever abandoned. The general purpose for the temporary duration easement is to store construction supplies, equipment, appurtenances, facilities, pipe, and related construction activity. Grantee specifically covenants and agrees that Grantee will within 30 days after the termination of such temporary easement, remove all materials placed on or in the temporary easement and restore the surface of Tract B to the original condition as when received to a reasonable and practical extent including restoration and replacement of paving, grasses and sod with the same general quantity and quality as existed immediately prior to the entry and use of such land by Grantee. All existing fencing and gates shall be restored to their original condition as found before construction.

However, Grantee shall not be required to replace any landscaping, trees or shrubs other than grasses and sod. Grantee shall not be responsible for the maintenance or replacement of any paving, grasses, or sod once the original replacement has been made.

Grantee shall and does hereby agree to indemnify, defend and hold harmless Grantor, its successors, assigns, and grantees, for, from and against all costs, expenses, claims, causes of actions, damages, losses, penalties, fines, liabilities and obligations arising from or relating to: (i) Grantee's, its employee's, contractor's, agent's, invitee's and licensee's, use and occupancy of Tract A and Tract B; (ii) the existence of Facilities on Tract A and Tract B; (iii) the condition of the Facilities; and (iv) the Grantee's, its employee's, contractor's, agent's, invitee's and licensee's construction, installation, maintenance, testing, repair, removal and replacement of the Facilities.

In the event of any spill, discharge, release, leak, seepage or leaching of any substance or material from any of the Facilities or from Grantee's use of Tract A or Tract B (a "Release"), Grantee shall: (i) promptly repair the Facilities to halt the further Release; (ii) repair any damage to Tract A and Tract B and any adjacent land and all improvements thereon damaged by such Release; and (iii) comply with all federal, state and local laws, statutes, ordinances, orders, rules and regulations applicable to the clean up and remediation of the Release, including, without limitation, environmental laws, statutes, ordinances, orders, rules and regulations.

TO HAVE AND TO HOLD under the Grantee, its successors and assigns forever as to Tract A and until the 31st day of December, 1997, as to Tract B. Upon termination of the temporary easement on Tract B,

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Part D - #64 "Attachment B"

all right, title and interest of Grantee, its successor and assigns in and to Tract B shall terminate ipso facto and without further action revert to Grantor, or Grantor's successors and assigns.

The term "Grantor" used herein means all and singular and include Grantor's successors and assigns.

This easement is and shall be effective upon acceptance by Grantee and payment to Grantor of the agreed upon consideration.

SIGNED this 13<sup>th</sup> day of September, 19 95.

AFTER RECORDING, RETURN TO:  
  
Upper Trinity Regional Water District  
396 W. Main Street, Suite 102  
Lewisville, Texas 75057

GRANTOR:  
  
Steven S. Turoff  
Steven S. Turoff, Independent Trustee of the  
WHH Liquidating Trust  
2121 San Jacinto Street  
Suite 1010  
Dallas, Texas 75201

STATE OF TEXAS

COUNTY OF DALLAS

This instrument was acknowledged before me by STEVEN S. TUROFF  
on this the 13<sup>th</sup> day of SEPTEMBER, 19 95.



Chrissy L. Grant  
Notary Public, State of Texas

ACCEPTED THIS 13<sup>th</sup> day of September, 1995.

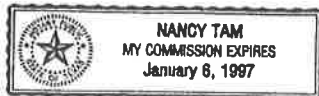
UPPER TRINITY REGIONAL WATER DISTRICT

By: Thomas E. Taylor  
**THOMAS E TAYLOR**  
**EXECUTIVE DIRECTOR**

STATE OF TEXAS

COUNTY OF DENTON

This instrument was acknowledged before me by Thomas E. Taylor  
of the Upper Trinity Regional Water District on this the 13<sup>th</sup> day of September  
1995, and in the capacity therein stated.



Nancy Tam  
Notary Public, State of Texas

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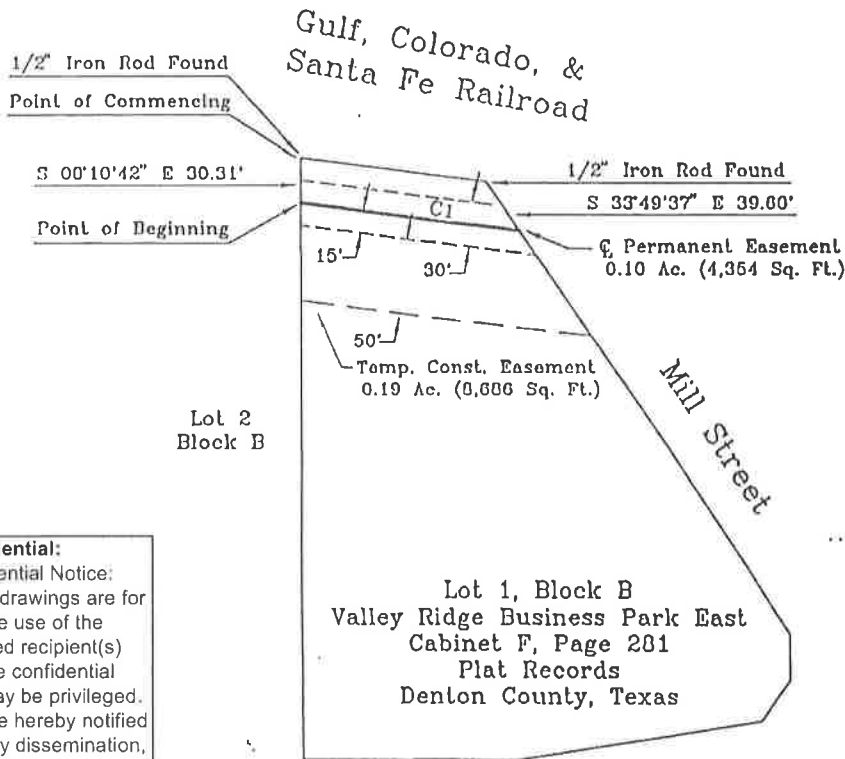
Part D - #64 "Attachment B"

**J. WAGNER SURVEY**  
ABSTRACT 1300

SCALE: 1" = 100'



CURVE	DELTA	RADIUS	LENGTH	BEARING	CHORD
C1	01°11'02"	7025.55'	145.16'	S 82°35'10" E	145.16'



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Steven S. Turoff, Independent Trustee  
for the WHH Liquidating Trust  
Denton County Clerk # 94-R0089745,  
Deed Records Denton County, Texas

PARCEL - 146D  
OCTOBER 26, 1994  
DENTON CO., TEXAS

PROJECT: REGIONAL WATER SYSTEM - PHASE 1B

**WA** WALKER & ASSOCIATES SURVEYING, INC.  
PHONE: 903-502-0515 FAX: 903-502-1254

DRAWN: R.W.P.  
REVISED: 10/26/94  
FB/PG: WA288/16  
JOB NO.: J5281-E146D

UPPER TRINITY REGIONAL WATER DISTRICT  
REGIONAL WATER SYSTEM

Part D - #64 "Attachment B"

Steven S. Turoff PHASE 1B, SECTION 3  
Independent Trustee for WHH Liquidating Trust  
PARCEL 146D  
AUGUST 23, 1994  
REVISED: OCTOBER 24, 1994

EXHIBIT "A"

TRACT A

A THIRTY (30) FOOT EASEMENT OF RIGHT-OF-WAY

BEING a strip of land for a water line easement thirty (30) feet in width. Being over, under and across a tract of land situated in the J. Wagner Survey, Abstract 1399, Denton County, Texas. Being part of a called 50.546 acre tract of land conveyed to Palomar Partners, Ltd. by Warranty Deed dated August 8, 1988 and recorded in Volume 2436, Page 591 of the Deed Records of Denton County, Texas. Being part of Lot 1, Block B, Valley Ridge Business Park East as recorded in Cabinet F, Page 281, Plat Records of Denton County, Texas. Said thirty (30) foot easement being fifteen (15) feet right and left of the following described centerline:

COMMENCING at a 1/2 inch iron rod found at the Northwest corner of said Lot 1, also at the Northeast corner of Lot 2, Block B, also in the South Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad;

THENCE South 00° 10' 42" West 30.31 feet along the West line of said Lot 1, also along the East line of said Lot 2, to the POINT OF BEGINNING;

THENCE Southeasterly 145.16 feet along a curve to the left, delta = 01° 11' 02", radius = 7,025.55 feet, chord bears South 82° 35' 10" East 145.16 feet, being at all times thirty (30) feet South of and parallel with the North line of said Lot 1, also being at all times thirty (30) feet South of and parallel with the South Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad to a point of termination in the East line of said Lot 1, also in the West Right-of-Way line of Mill Street, said point being South 33° 49' 37" East 39.60 feet from a 1/2 inch iron rod found at the Northeast corner of said Lot 1, also at the intersection of the South Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad and the West Right-of-Way line of Mill Street and containing 4,354 square feet or 0.10 acres of land.

TRACT B

TEMPORARY CONSTRUCTION EASEMENT

Also a temporary construction easement fifty (50) feet in width Southwest and East of and immediately adjacent to the above described easement to be used during the construction of the proposed water line and containing 8,686 square feet or 0.19 acres of land.

RWP/pls  
5281(D)-146

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Part D - #64 "Attachment B"

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ANY INFORMATION CONTAINED HEREIN IS UNCLASSIFIED EXCEPT WHERE SHOWN OTHERWISE  
DATE 08-14-2013 BY 60322 UCBAW/STP/STP

SEP 25 1995

*T. Hodges*  
TIM HODGES  
CLERK



Filed for Record in:  
DENTON COUNTY, TX  
HONORABLE TIM HODGES/COUNTY  
CLERK

On Sep 25 1995  
At 2:43pm

Doc/Num : 95-R0059837  
Doc/Type : EAS  
Recording: 13.00  
Doc/Mgmt : 6.00  
Receipt #: 26923  
Deputy - CASSY

ORIGINAL

STATE OF TEXAS § PERMANENT SUBTERRANEAN  
COUNTY OF DENTON § UTILITY EASEMENT

027379

Grantor: MRS. BETTY H. CROSSLEY, AS INDEPENDENT EXECUTRIX OF ESTATE OF B. A. CROSSLEY

Grantee: UPPER TRINITY REGIONAL WATER DISTRICT

Address: 396 W. Main Street, Lewisville, Texas 75057

Consideration: Ten Dollars and other good and valuable consideration all paid in cash, receipt of which in full is acknowledged by Grantor.

Estate Granted: Grantor GRANTS, BARGAINS, SELLS, AND CONVEYS to UPPER TRINITY REGIONAL WATER DISTRICT, ITS SUCCESSORS AND ASSIGNS, a subterranean utility easement across and under the following tract of land for the purposes and upon the uses herein stated, hereby recognizing that Grantee holds a dominant and superior right of use and easement as follows:

A permanent subterranean easement to install, maintain, test, repair, remove or replace water, sanitary sewer and storm sewer lines and encasements and associated wiring and appurtenances. Said easement is legally described in Exhibit "A" attached hereto and is made a part hereof.

All lines or structures installed within the easement shall be at or below an elevation of 503.00 feet above mean sea level, which is approximately 15 feet below the existing surface. Construction by Grantee or its agents of improvements in the easement shall be accomplished by the use of typical tunneling machinery, including but not limited to rotary tunnel boring machine, or other mechanical mining type excavators. Explosives shall not be used. Grantor shall have the right and privilege to use such land, subject to the dominant right of the Grantee to prevent any use which would unreasonably interfere with the dominant estate. Specifically, Grantor shall have the right to place any improvement on the surface including but not limited to buildings, fences, grasses, ground cover, recreational facilities, paving, playground equipment, roads and streets. The surface of the subterranean easement area will not be disturbed by tunnel construction, reconstruction, repair or operation and maintenance activities. Grantor reserves the right to utilize the surface and subsurface of the easement area above the elevation of 503.00 feet above mean sea level, and to construct buildings or other improvements in, upon, over, along and across the easement area, so long as excavations, drill shafts for walls, foundation structures, basements and the like do not extend to an elevation of less than 508.00 feet above mean sea level.

TO HAVE AND TO HOLD under the Grantee, its successors and assigns forever.

Warranty of Title: Grantor, its successors and assigns, specially covenants to warrant and defend unto Grantee, its successors and assigns, full and unencumbered fee title in and to the estate herein granted.

The term "Grantor" used herein means all and singular and include Grantor's successors and assigns.

This easement is and shall be effective upon acceptance by Grantee and payment to Grantor of the agreed upon consideration.

SIGNED this 27<sup>th</sup> day of MARCH, 19 95.

AFTER RECORDING, RETURN TO :

GRANTOR:

Upper Trinity Regional Water District  
P.O. Drawer 305  
Lewisville, Texas 75067

*Betty H. Crossley*

Confidential:  
Confidential Notice:  
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Part D - #64 "Attachment B"

STATE OF TEXAS §  
§  
COUNTY OF DENTON §

This instrument was acknowledged before me by Betty H. Crossley  
on this the 27<sup>th</sup> day of MARCH, 1995.



[Signature]  
Notary Public, State of Texas

STATE OF TEXAS §  
§  
COUNTY OF DENTON §

This instrument was acknowledged before me by \_\_\_\_\_ on this \_\_\_\_\_  
day of \_\_\_\_\_, 19\_\_\_\_.

\_\_\_\_\_  
Notary Public, State of Texas

ACCEPTED this 26<sup>th</sup> day of April, 1995.

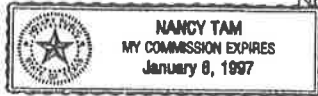
UPPER TRINITY REGIONAL WATER DISTRICT

By [Signature]  
Executive Director **THOMAS E TAYLOR**  
**EXECUTIVE DIRECTOR**

STATE OF TEXAS §  
§  
COUNTY OF DENTON §

This instrument was acknowledged before me by Thomas E. Taylor  
of the Upper Trinity Regional Water District on this the 26 day of April, 1995.

[Signature]  
Notary Public, State of Texas



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Part D - #64 "Attachment B"

PHASE 1B, SECTION 3  
B. A. CROSSLEY  
PARCEL 148  
NOVEMBER 16, 1994

EXHIBIT "A"

A THIRTY (30) FOOT EASEMENT OF RIGHT-OF-WAY

BEING a strip of land for a water line easement thirty (30) feet in width. Being over, under and across a tract of land situated in the J. Wagner Survey, Abstract 1399, Denton County, Texas. Being part of triangular piece of property conveyed to B. A. Crossley by Warranty Deed dated May 19, 1969 and recorded in Volume 585, Page 82 of the Deed Records of Denton County, Texas. Said thirty (30) foot easement being fifteen (15) feet right and left of the following described centerline:

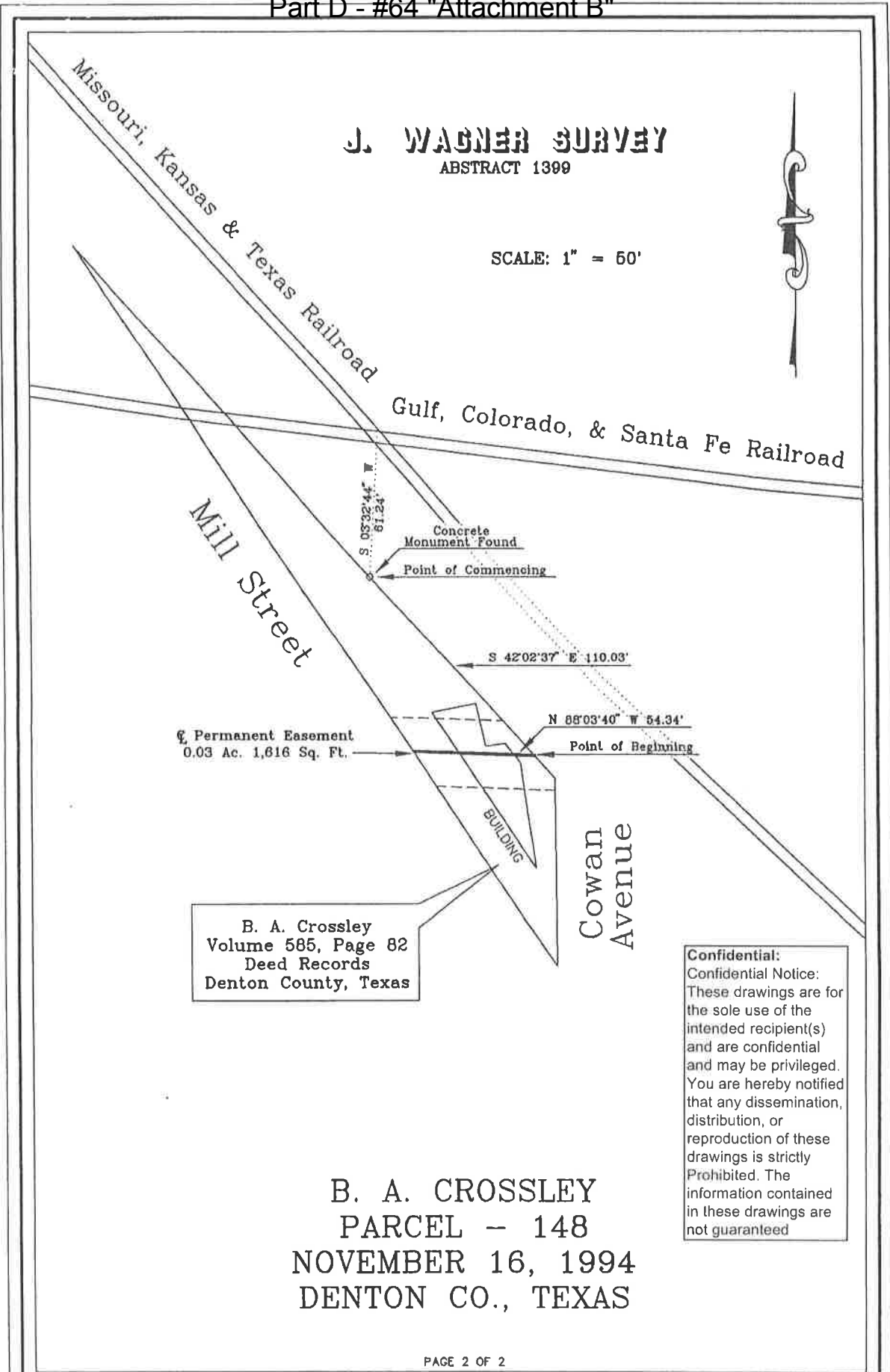
COMMENCING at a concrete monument found in the Northeast line of said triangular piece of property, also in the Southwest Right-of-Way line of the Missouri, Kansas and Texas Railroad, said monument being South 03° 32' 44" West 61.24 feet from the intersection of the Gulf, Colorado and Santa Fe Railroad, and the Missouri, Kansas and Texas Railroad;

THENCE South 42° 02' 37" East 110.03 feet along the Northeast line of said triangular piece of property, also along the Southwest Right-of-Way line of the Missouri, Kansas and Texas Railroad, to the POINT OF BEGINNING;

THENCE North 88° 03' 40" West 54.34 feet, to a point of termination in the Southwest line of said triangular piece of property, also in the Northeast Right-of-Way line of Mill Street and containing 1,616 square feet or 0.03 acre of land.

RWP/pls  
5281-148

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--



B. A. Crossley  
Volume 585, Page 82  
Deed Records  
Denton County, Texas

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Confidential Notice:  
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**B. A. CROSSLEY**  
**PARCEL - 148**  
**NOVEMBER 16, 1994**  
**DENTON CO., TEXAS**

**PROJECT: REGIONAL WATER SYSTEM - PHASE 1B**

<p><b>WALKER &amp; ASSOCIATES SURVEYING, INC.</b> PHONE: 903-592-8515 FAX: 903-592-1254</p>	DRAWN: R.W.P.	<p><b>UPPER TRINITY REGIONAL WATER DISTRICT</b> <b>REGIONAL WATER SYSTEM</b></p>
	DATE: 11/16/94	
	FB/PG: WA288/16	
	JOB NO.: J5281-E148	



Part D - #64 "Attachment B"

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and may be privileged.  
You are hereby notified  
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reproduction of these  
drawings is strictly  
Prohibited. The  
information contained  
in these drawings are  
not guaranteed

After Filing please return to:  
UPPER TRINITY REGIONAL WATER DIST.  
396 WEST MAIN STREET  
LEWISVILLE TX 75057

ANY INSTRUMENT FILED IN THIS OFFICE IS SUBJECT TO THE PUBLIC INFORMATION ACT  
OR THE OPEN PUBLIC INFORMATION ACT. INSTRUMENTS FILED IN THIS OFFICE ARE NOT  
INVALID AND UNDER NO CIRCUMSTANCES UNDER FEDERAL LAW,  
THE STATE OF TEXAS,  
COUNTY OF DENTON,  
I hereby certify that the instrument was FILED in the File Number Sequence on  
the date and the time stamped hereon by me, and was duly RECORDED, in the  
Official Public Records of said County, Texas on

MAY 09 1995

*T. Hodges*  
COUNTY CLERK  
DENTON COUNTY, TEXAS



Filed for Record in:  
DENTON COUNTY, TX  
HONORABLE TIM HODGES/COUNTY  
CLERK

On May 09 1995  
At 3:55pm

Doc/Num : 95-R0027379  
Doc/Type : EAS  
Recording: 11.00  
Doc/Mgmt : 6.00  
Receipt #: 12686  
Deputy - SHELLEY



Part D - #64 "Attachment B"

SPECIAL CONDITIONS: Exhibit "B", "Special Conditions" is hereby made a part of this easement.

TO HAVE AND TO HOLD under the Grantee, its successors and assigns forever as to Tract A and until the 31st. day of December, 1997, as to Tract B. Upon termination of the temporary easement on Tract B, all right, title and interest of Grantee, its successors and assigns in and to Tract B shall terminate ipso facto and without further action revert to Grantor, or Grantor's successors and assigns.

Warranty of Title: Grantor, it successors and assigns, specially covenants to warrant and defend unto Grantee, its successors and assigns, full and unencumbered fee title in and to the estate herein granted.

The term "Grantor" used herein means all and singular and include Grantor's successors and assigns.

This easement is and shall be effective upon acceptance by Grantee and payment to Grantor of the agreed upon consideration.

SIGNED this 12th day of January, 1996.

AFTER RECORDING, RETURN TO:

Upper Trinity Regional Water District
396 W. Main Street, Suite 102
Lewisville, Texas 75057

GRANTOR:

Mills Kealy Land Company, A Partnership,
By: Neils T. Sorensen, General Partner
NIELS

STATE OF CALIFORNIA

§
§
§



COUNTY OF RIVERSIDE

Before me, the undersigned authority, on this day personally appeared Neils T. Sorensen known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he/she executed the same as General Partner for Mills Kealy Land Company, A Partnership on behalf of said Partnership in the capacity stated.

Given under my hand and seal of office this the 12th day of January, 1996.

Karel Lansford
Notary Public, State of California

ACCEPTED this 19th day of March, 1996.

UPPER TRINITY REGIONAL WATER DISTRICT

By:

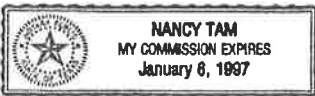
Thomas E. Taylor
THOMAS E TAYLOR
EXECUTIVE DIRECTOR

STATE OF TEXAS

§
§
§

COUNTY OF DENTON

This instrument was acknowledged before me by Thomas E. Taylor of the Upper Trinity Regional Water District on this the 19th day of March, 1996. and in the capacity therein stated.



Nancy Tam
Notary Public, State of Texas

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**Part D - #64 "Attachment B"**

PHASE 1B, SECTION 3  
MILLS KEALY LAND COMPANY  
PARCEL 151  
OCTOBER 21, 1994  
REVISED: NOVEMBER 3, 1995

EXHIBIT "A"

TRACT A

A THIRTY (30) FOOT EASEMENT OF RIGHT-OF-WAY

BEING a strip of land for a water line easement thirty (30) feet in width. . Being over, under and across a tract of land situated in the J. Wagner Survey, Abstract 1399, Denton County, Texas. Being part of a called 37.081 acre tract of land conveyed to Mills Kealy Land Company by Warranty Deed and recorded in Volume 1459, Page 133 of the Deed Records of Denton County, Texas. Said thirty (30) foot easement being fifteen (15) feet right and left of the following described centerline;

COMMENCING at a 1/2 inch iron rod set at the Northwest corner of said 37.081 acre tract, also at the intersection of the North Right-of-Way line of the Missouri, Kansas and Texas Railroad, and the South Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad;

THENCE South 47° 59' 33" East 22.41 feet to the POINT OF BEGINNING, said point being on the North Right-of-Way line of Missouri, Kansas and Texas Railroad;

THENCE North 89° 59' 25" East 1,560.90 feet, being at all times fifteen (15) feet South of and parallel with the North line of the said 37.081 acre tract, also being at all times fifteen (15) feet South of and parallel with the South Right-of-Way line of the Gulf, Colorado and Santa Fe Railroad, to a point;

THENCE South 53° 56' 53" East 1,210.52 feet, being at all times fifteen (15) feet South of and parallel with the South Right-of-Way line of the Texas Power and Light Company 70 foot easement, to a point of termination in the East line of said 37.081 acre tract, also in the West Right-of-Way line of Kealy Road, said point being South 01° 34' 45" West 60.63 feet from a 1/2 inch iron rod set at the most Easterly Northeast corner of said 37.081 acre tract, and containing 82,209 square feet or 1.89 acres of land.

TRACT B

TEMPORARY CONSTRUCTION EASEMENT

Also a temporary construction easement fifty (50) feet in width South of and immediately adjacent to the Easterly line of the above described easement, and a temporary construction easement thirty five (35) feet in width North of and immediately adjacent to the Southeasterly line of the above described easement to be used during the construction of the proposed water line and containing 117,786 square feet or 2.70 acres of land.

5281 (R) -151

Part D - #64 "Attachment B"

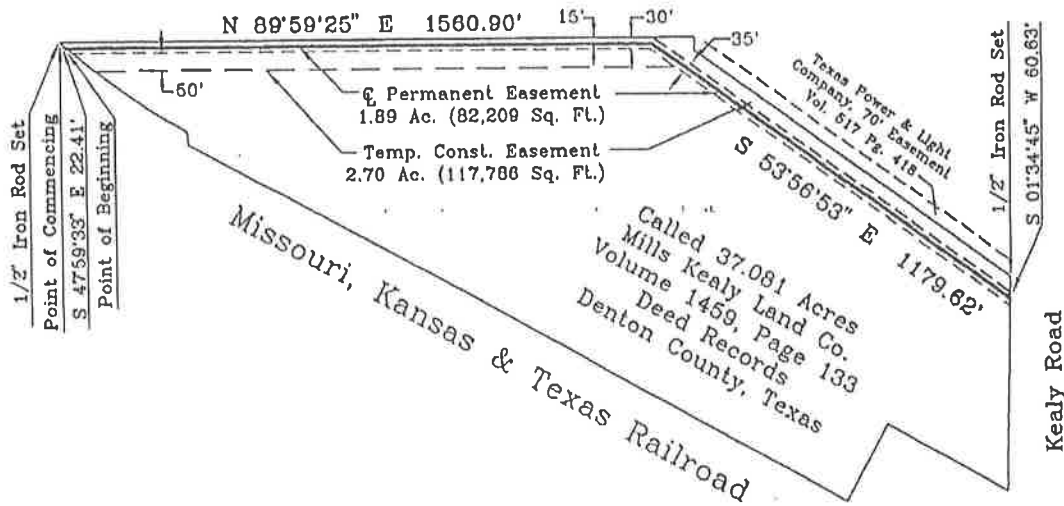
SCALE: 1" = 400'

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**J. WAGNER SURVEY**  
 ABSTRACT 1399



Gulf, Colorado, & Santa Fe Railroad



Called 37.081 Acres  
 Mills Kealy Land Co.  
 Volume 1459, Page 133  
 Deed Records  
 Denton County, Texas

MILLS KEALY LAND CO.  
 PARCEL - 151  
 OCTOBER 20, 1994  
 DENTON CO., TEXAS

Rev. 11/03/95

PAGE 2 OF 2

PROJECT: REGIONAL WATER SYSTEM - PHASE 1B

**WA WALKER & ASSOCIATES SURVEYING, INC.**  
 PHONE: 903-592-8515 FAX: 903-592-1254

DRAWN: R.W.P.  
 REVISED: 10/20/94  
 FB/PG: WA288/16  
 JOB NO.: J5281-E151

UPPER TRINITY REGIONAL WATER DISTRICT  
 REGIONAL WATER SYSTEM

# Part D - #64 "Attachment B"

## EXHIBIT "B" SPECIAL CONDITIONS

These Special Conditions shall apply to both Tract "A" and Tract "B". In the event that a conflict exists regarding the railroad track spur (only) between any of these special provisions and any other provision of this document, the Special Conditions shall take precedence.

Grantor, its successors and assigns may, consistent with sound, standard, and accepted railroad engineering practices, plan, install and maintain, at Grantor's expense, one railroad spur line which enters upon and exits the Grantee's permanent easement at no less than the maximum approach and exit intersecting angle which is consistent with sound engineering practices.

Reference is here made to Exhibit C attached hereto which shows the location of the North boundary line of the 1.89 acre permanent easement which has a bearing of North 89°, 59 minutes, 25 seconds East and a distance from the west boundary line of the 37.081 acres owned by Grantor of approximately 1535.42 feet to the point at which the easement changes directions on a bearing of South 53°, 56 minutes, 53 seconds East. The Bartush tract to the northeast of the 37.081 acres is burdened by an easement in favor of the Mills Kealy tract which is described in a deed from Bill R. Weaver and T.J. Turner to Darrell Shattuck, et al., filed for record November 16th, 1977 and recorded in Volume 863, Page 584, Deed Records, Denton County, Texas, which is further referred to as a "perpetual, non-exclusive easement on, over and across the north line of said property to construct and maintain a railroad spur track." Such easement is referred to as the "railroad easement."

The railroad easement on the Bartush tract adjoins Grantee's easement at the most northerly northeast corner of Grantor's 37.081 acre tract out of which this easement is taken. The railroad spur line contemplated by this easement must connect with any existing or to-be-constructed railroad spur line coming west along and across such railroad easement. The point of connection of the railroad tracks shall be at the joinder of Grantee's right-of-way with the western boundary line of the railroad easement. The railroad line shall exit Grantee's easement to the southwest as soon as possible under sound engineering practices by an ess curve in the line and shall remain off of Grantee's permanent easement after exit.

If Grantor's construction of a spur line interferes with Upper Trinity Regional Water District's access to and from and across the permanent easement, Upper Trinity Regional Water District, its successors and assigns, shall have access over and across the adjacent land of Grantor as shown in Exhibit C attached hereto for ingress and egress to and from the permanent easement, under such circumstances so as to allow Upper Trinity Regional Water District to maintain, repair, replace, and install line or lines. Grantor shall have the right to designate such ingress and egress route which will provide reasonable access.

If Grantor desires to install or build such railroad spur line, Grantor shall first notify Upper Trinity Regional Water District in writing with complete plans and specifications in sufficient time for the District to analyze the proposed project and engineer and construct any casing or support for the District's pipe or pipes so as to prevent damage or destruction of such pipe or pipes. The expense of such engineering and construction to protect the District's line or lines which may be reasonably necessary to protect such facilities shall be borne entirely by Upper Trinity Regional Water District. Grantor shall provide Upper Trinity Regional Water District with proposed plans and specifications specifically directed to where the project will cross or impact the District's easement and pipelines. Grantor may not construct such improvements sooner than 60 days after giving such written notice in order to give the District reasonable time to analyze and remedy the potential adverse impact of the proposed construction of the railroad spur line by Grantor. If the District receives such plans and specifications, the District shall immediately have such potential impact analyzed and shall give a written response as soon as practical not later than in any event than 15 working days after the District has received the final approval by the applicable railroad company of such proposed plans. Any revisions of the plans shall likewise be given to the District for purposes of analysis and potential remedial protection of its line or lines.

It shall be the sole responsibility of the District upon initial installation of the contemplated water line to bury such water line at sufficient depth or case the water line so as to allow for the overlay of the railroad spur line such that it will not be necessary for the District to go back and expose the pipe for additional reinforcement or casing, it being contemplated that the original pipeline as installed will be engineered and installed in such a manner as to bear the load of normally anticipated railroad spur line activities. The District agrees that it will be solely responsible for any damage done to its initial water line if the same is damaged by the normal and ordinary function of the proposed railroad spur line. However, if Grantor, its successors and assigns or contractors removes the coverage for the pipe or otherwise undertake (s) any activity which is not normally within the scope of installing a spur line and which creates an actual damage or harm to the pipe, the District does not assume responsibility to pay

**Confidential:**

Confidential Notice: These drawings are for the sole use of the intended recipient(s) and are confidential and may be privileged. You are hereby notified that any dissemination, distribution, or reproduction of these drawings is strictly Prohibited. The information contained in these drawings are not guaranteed

## Part D - #64 "Attachment B"

for any repairs to such pipe. It is contemplated by this agreement that the District will, in the initial installation phase, engineer such installation so as to handle normal railroad spur construction and operation but not any extraordinary matters. It is anticipated that once the District is furnished with the proposed construction plans and specifications for any railroad spur line, the District will immediately examine such proposed plans and specifications and determine whether or not there is any risk to its pipe in place. If the District determines that there is such a risk, and such risk is incident to the normal construction and operation of the spur line, the District shall be solely responsible to protect its pipeline at its sole expense after having been given adequate notice and opportunity to take such protective measures. However, if the activities of Grantor, its successors and assigns or contractors are such as to create an extraordinary risk, the District shall have the right to require the Grantor, its successors and assigns and contractors, assume such risk which may be over and above the normally anticipated burden assumed by the District herein.

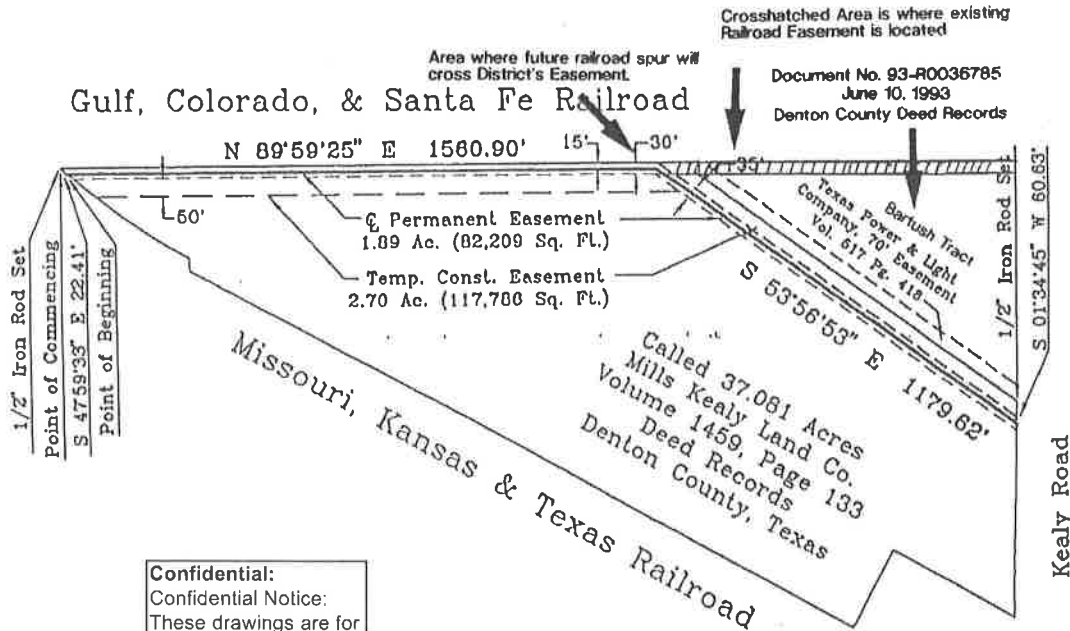
Initialed: \_\_\_\_\_

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**J. WAGNER SURVEY**  
ABSTRACT 1399



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MILLS KEALY LAND CO.  
PARCEL - 151  
OCTOBER 20, 1994  
DENTON CO., TEXAS

**PROJECT: REGIONAL WATER SYSTEM - PHASE 1B**



**WALKER & ASSOCIATES SURVEYING, INC.**  
PHONE: 903-592-0515 FAX: 903-592-1254

DRAWN: R.W.P.  
REVISED: 10/20/94  
FB/PG: WA288/16  
JOB NO.: J5281-E151

**UPPER TRINITY REGIONAL WATER DISTRICT**  
REGIONAL WATER SYSTEM



Part D - #64 "Attachment B"

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Confidential Notice:  
These drawings are for the sole use of the intended recipient(s) and are confidential and may be privileged. You are hereby notified that any dissemination, distribution, or reproduction of these drawings is strictly Prohibited. The information contained in these drawings are not guaranteed

ANY PROVISION HEREIN WHICH purports to make, partial, or use OF THE PUBLIC RECORDS ACT, OR ANY OTHER LAW, IN FORCE IN THE STATE OF TEXAS, IS HEREBY REPEALED. THIS INSTRUMENT IS THE PROPERTY OF THE COUNTY OF DENTON, TEXAS. If any copy of this instrument is filed in the Public Records on the date and to the extent stated herein and was duly RECORDED, in the Official Public Records.

APR 08 1996

*P. Hodges*  
COUNTY CLERK  
DENTON COUNTY, TEXAS



Filed for Record in:  
DENTON COUNTY, TX  
HONORABLE TIM HODGES/COUNTY CLERK

On Apr 08 1996  
At 3:28pm

Doc/Num : 96-R0023474  
Doc/Type : EAS  
Recording: 17.00  
Doc/Mgmt : 6.00  
Receipt #: 10802  
Deputy - BRANDIE



**SPECIAL WARRANTY DEED**

**017288**

STATE OF TEXAS       )  
                                  )  
COUNTY OF DENTON    )

**KNOW ALL MEN BY THESE PRESENTS**

**THAT THE TOWN OF FLOWER MOUND**, a duly incorporated subdivision of the State of Texas, whose address is 2121 Cross Timbers Road, Flower Mound, Texas 75028 ("Grantor"), for and in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration to Grantor in hand paid by the Upper Trinity Regional Water District ("Grantee"), a conservation and reclamation district created pursuant to Article XVI, Section 59 of the Constitution of the State of Texas, whose address is 396 W. Main Street, Suite 102, Lewisville, Texas 75057, **SOLD AND CONVEYED**, and by these presents does **GRANT, SELL AND CONVEY**, unto Grantee a fifty percent (50%) undivided fee simple interest ("undivided half interest") in the real property situated in **FLOWER MOUND**, Denton County, Texas (the "Property"), described as follows:

Being a tract of land situated in the Elisha Smith Survey, Abstract No. 1150 in the Town of Flower Mound, Denton County, Texas said abstract also being part of a tract of land as described by Trustee's Deed and Bill of Sale to ABQ Bank, dated September 5, 1989, and recorded in Volume 2642, Page 868 of the Real Property Records of Denton County, Texas and being more particularly described by Special Warranty Deed, to **THE TOWN OF FLOWER MOUND, TEXAS**, dated October 13, 1995 and recorded as DOC/NUM: 95-R0067191 and DOC/TYPE: WD of the Real Property Records of Denton County, Texas.

TOWN SECRETARY'S OFFICE  
OFFICIAL FILE COPY

TO HAVE AND TO HOLD, unto said Grantee, its successors and assigns forever, subject to all valid and existing encumbrances, conditions, covenants, restrictions, reservations and exceptions affecting the Property, and, Grantor does hereby bind itself and its successors and assigns, to WARRANT AND FOREVER DEFEND all and singular the above described undivided half interest unto Grantee, its successor and assigns, against every person or entity whom-so-ever lawfully claiming or to claim the same or any part thereof, except as to any reservations from and exceptions to this conveyance and warranty specifically stated herein.

TOWN SECRETARY'S OFFICE  
OFFICIAL FILE COPY

IN WITNESS WHEREOF, this Special Warranty Deed is executed by Grantor as of the 19<sup>th</sup>  
day of February, 1996.

**GRANTOR:**

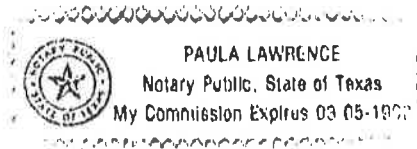
By: [Signature]  
Title: Mayor

STATE OF TEXAS       )  
                                  )  
COUNTY OF DENTON    )

This instrument was acknowledged before me by Larry W. Lipscomb  
authorized officer of THE TOWN OF FLOWER MOUND, and in the capacity therein stated, on  
this 19<sup>th</sup> day of February, 1996.

Paula Lawrence  
Notary Public In and For the State of Texas

AFTER RECORDING RETURN TO:  
Upper Trinity Regional Water District  
P.O. Box 305  
Lewisville, TX 75067



TOWN SECRETARY'S OFFICE  
OFFICIAL FILE COPY

Part D - #64 "Attachment B"

Doc/Num : 96-R0017208  
Doc/Type : MD  
Recording : 9.00  
Doc/Mgmt : 6.00  
Receipt #: 8025  
Deputy -- CASSY

On Mar 14 1996  
At 2:36pm

Filed for Record in:  
DENTON COUNTY, TX  
HONORABLE TIM HODGES/COUNTY  
CLERK

**Tab 20**  
**Part E - #69**  
**Multi-year Funding**

**UPPER TRINITY REGIONAL WATER DISTRICT**  
**TWDB SWIFT Application**  
**Part E, Number 69**

<u>TIMEPERIOD</u>	<u>CONSTRUCTION EXPENDITURES</u>	<u>COST OF ISSUANCE</u>	<u>ANNUAL COSTS</u>
OCTOBER 2018	\$ 7,500,000.00	\$ 90,000.00	\$ 7,590,000.00
OCTOBER 2019	\$ 18,500,000.00	\$ 140,000.00	\$ 18,640,000.00
OCTOBER 2020	\$ 15,710,000.00	\$ 130,000.00	\$ 15,840,000.00
<b>TOTAL</b>	<b>\$ 41,710,000.00</b>	<b>\$ 360,000.00</b>	<b>\$ 42,070,000.00</b>

**Tab 21**

**Part E - #71a**

**Proposed Bond Ordinance**



BOND RESOLUTION AUTHORIZING THE ISSUANCE  
OF UPPER TRINITY REGIONAL WATER DISTRICT  
REGIONAL TREATED WATER SUPPLY SYSTEM  
REVENUE BONDS, SERIES 2018

Adopted: \_\_\_\_\_, 2018

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Part E - #71a

BOND RESOLUTION AUTHORIZING THE ISSUANCE OF UPPER TRINITY REGIONAL WATER DISTRICT REGIONAL TREATED WATER SUPPLY SYSTEM REVENUE BONDS, SERIES 2018; PROVIDING FOR THE SECURITY AND PAYMENT THEREOF; AWARDING THE SALE THEREOF; AUTHORIZING THE EXECUTION AND DELIVERY OF A PAYING AGENT/REGISTRAR AGREEMENT, AND AN ESCROW AGREEMENT; APPROVING THE OFFICIAL STATEMENT WITH RESPECT TO THE BONDS; AND ENACTING OTHER PROVISIONS RELATING THERETO

WHEREAS, Upper Trinity Regional Water District (the "District") was duly created and is lawfully operating as a conservation and reclamation district created pursuant to Chapter 1053, Acts of the 71st Legislature of Texas, Regular Session, 1989, as amended (the "Act"), pursuant to Article XVI, Section 59 of the Constitution of the State of Texas; and the District operates as a subdivision of the State of Texas and a body politic and corporate. Capitalized terms used in the preambles of this Resolution shall have the meanings assigned thereto in Article I unless otherwise indicated; and

WHEREAS, pursuant to the Act, the District is authorized to plan, purchase, construct, acquire, own, operate, maintain, repair, and improve, inside or outside of its boundaries, any works, improvements, facilities, plants, equipment and appliances, that are necessary, helpful or incidental for supplying water for municipal, domestic and industrial uses, and is authorized to issue its revenue bonds for such purposes; and

WHEREAS, the District has entered into Treated Water Supply Contracts (as hereinafter defined) and has therein agreed to acquire and develop its regional treated water supply system (the "System"); and

WHEREAS, the District previously issued its Outstanding Parity Bonds and its Commercial Paper Notes; and

WHEREAS, the District has reserved the right and option to issue, under certain conditions, "Additional Bonds," payable from the "Pledged Revenues" and on a parity as to lien and right with any Outstanding Parity Bonds; and

WHEREAS, the conditions precedent to the issuance of Additional Bonds have occurred and are existing; and

WHEREAS, the District has requested financial assistance from the Texas Water Development Board ("TWDB") through the TWDB's State Water Implementation Fund for Texas ("SWIFT") to assist in the planning, permitting, design and land acquisition for approximately 3.3 miles of treated water transmission system pipeline from the District's Taylor Water Treatment Plant to the Stone Hill Pump Station for the System;

WHEREAS, the TWDB has agreed to additionally purchase the District's \$\_\_\_\_\_ Regional Treated Water Supply System Revenue Bonds, Series 2018 pursuant to TWDB Resolution 18-\_\_\_; and

## Part E - #71a

WHEREAS, the Board hereby finds and determines that the bonds hereinafter authorized shall be secured by a lien on and pledge of the Pledged Revenues, equally and ratably with the Outstanding Parity Bonds and with any Additional Bonds; and

WHEREAS, the meeting at which this Resolution is considered is open to the public as required by law, and the public notice of the time, place and purpose of said meeting was given as required by Section 551.041, Texas Government Code, as amended.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF UPPER TRINITY REGIONAL WATER DISTRICT, THAT:

### ARTICLE I

#### DEFINITIONS, FINDINGS AND INTERPRETATION

##### Section 1.01. Definitions.

Unless otherwise expressly provided or unless the context clearly requires otherwise, in this Resolution, the following terms shall have the meanings specified below:

“Act” means Chapter 1053, Acts of the 71st Legislature of Texas, Regular Session, 1989, as amended.

“Additional Bonds” means additional parity revenue bonds permitted to be issued by Sections 9.02 and 9.03.

“Application” means the Application filed by the District with the TWDB requesting financial assistance in the planning, permitting, design and land acquisition for approximately 3.3 miles of treated water transmission system pipeline from the District’s Taylor Water Treatment Plant to the Stone Hill Pump Station for the System, as more fully described in such Application.

“Board” means the Board of Directors of the District, being the duly authorized and governing body of the District, and it is further resolved that the declarations and covenants of the District contained in this Resolution are made by, and for and on behalf of the Board and the District in accordance with and as authorized by the Act, and are binding upon the Board and the District for all purposes.

“Bond” means any of the Bonds.

“Bonds” means the District’s bonds authorized to be issued by Section 3.01 of this Resolution.

“Closing Date” means the date of the initial delivery of and payment for the Bonds.

“Code” means the Internal Revenue Code of 1986, as amended, and, with respect to a specific section thereof, such reference shall be deemed to include (a) the Regulations promulgated under such section, (b) any successor provision of similar import hereafter enacted,



Part E - #71a

(c) any corresponding provision of any subsequent Internal Revenue Code and (d) the regulations promulgated under the provisions described in (b) and (c).

“Commercial Paper Notes” means the District’s Regional Treated Water Supply System Revenue Commercial Paper Notes, Series A.

“Commercial Paper Notes Resolution” means the Amended and Restated Resolution of the Board of Directors of the District, dated February 2, 2006, authorizing the issuance of the District’s Regional Treated Water Supply System Revenue Commercial Paper Notes, Series A.”

“Credit Facility” means (i) a policy of insurance or a surety bond, issued by an issuer of policies of insurance insuring the timely payment of debt service on governmental obligations, provided that a rating agency having an outstanding rating on such obligations would rate such obligations which are fully insured by a standard policy issued by the issuer in its two highest generic rating categories for such obligations; and (ii) a letter or line of credit issued by any financial institution, provided that a rating agency having an outstanding rating on the Bonds would rate the Bonds in its two highest generic rating categories for such obligations if the letter or line of credit proposed to be issued by such financial institution secured the timely payment of the entire principal amount of the Bonds and the interest thereon.

“Dated Date” means date of the Bonds as set forth in Section 3.02(a).

“Designated Payment/Transfer Office” means (i) with respect to the initial Paying Agent/Registrar named in this Resolution, the Designated Payment/Transfer Office as designated in the Paying Agent/Registrar Agreement, or at such other location designated by the Paying Agent/Registrar and (ii) with respect to any successor Paying Agent/Registrar, the office of such successor designated and located as may be agreed upon by the District and such successor.

“District” means the Upper Trinity Regional Water District.

“DTC” means The Depository Trust Company of New York, New York, or any successor securities depository.

“DTC Participant” means any broker, dealer, bank, trust company, clearing corporation or certain other organizations with Bonds credited to an account maintained on its behalf by DTC.

“Escrow Agent” means \_\_\_\_\_.

“Escrow Agreement” means the escrow agreement, dated as \_\_\_\_\_, 2018, between the District and the Escrow Agent, pertaining to the deposit of proceeds of the Bonds.

“Gross Revenues of the System” means all revenues and income, including specifically all payments and amounts received under the Treated Water Supply Contracts, of every nature derived or received by the District from the operation and ownership of the System, including the interest income from the investment or deposit of money in any special fund created by the resolution or resolutions authorizing the issuance of the Parity Bonds.

## Part E - #71a

“Initial Bond” means the Initial Bond authorized by Section 3.04(d) and described in Section 6.02(e).

“Interest and Sinking Fund” means the fund by that name established pursuant to Section 7.02.

“Interest Payment Date” means the date or dates upon which interest on the Bonds is scheduled to be paid until their respective dates of maturity or prior redemption, such dates being February 1 and August 1 of each year, commencing on the February 1, 2019.

“Master Agreement” means master agreements between the District and the TWDB, including the Master Agreement Regarding Board Participation in Lake Ralph Hall Reservoir Project No. 51001, dated October 1, 2015.

“Net Revenues of the System” means the Gross Revenues of the System less the Operation and Maintenance Expenses of the System.

“Operation and Maintenance Expenses of the System” means all reasonable and necessary costs of operation and maintenance of the System including, but not limited to, repairs and replacements, operating personnel, the cost of utilities, supervision, engineering, accounting, auditing, legal services, insurance premiums, paying agent’s and registrar’s fees, and any other supplies, services, administrative costs, and equipment necessary for proper operation and maintenance of the System, payments to any public or private entity made for the purchase of water, storage rights, or other interests in water, or for the use or operation of any property or facilities, payments to the United States of America with respect to the operation, maintenance, and use of any reservoirs or facilities in connection with the District’s sources of water for the System, and payments made by the District in satisfaction of judgments or other liabilities resulting from claims not covered by District’s insurance. Depreciation shall not be considered an item of Operation and Maintenance Expense.

“Outstanding Parity Bonds” means the series of outstanding and unpaid bonds designated, respectively:

(a) “Upper Trinity Regional Water District Regional Treated Water Supply System Revenue Bonds, Series 2008,” dated June 1, 2008, issued in the original principal amount of \$10,400,000;

(b) “Upper Trinity Regional Water District Regional Treated Water Supply System Revenue Refunding Bonds, Series 2010,” dated August 1, 2010, issued in the original principal amount of \$8,520,000;

(c) “Upper Trinity Regional Water District Regional Treated Water Supply System Revenue Bonds, Series 2010A,” dated October 27, 2010, issued in the original principal amount of \$28,840,000;

(d) “Upper Trinity Regional Water District Regional Treated Water Supply System Revenue Refunding Bonds, Series 2012” dated January 1, 2012, issued in the original principal amount of \$13,795,000;

Part E - #71a

(e) “Upper Trinity Regional Water District Regional Treated Water Supply System Revenue Refunding and Improvement Bonds, Series 2012A,” dated August 1, 2012, issued in the original principal amount of \$36,970,000;

(f) “Upper Trinity Regional Water District Regional Treated Water Supply System Revenue Refunding Bonds, Series 2013,” dated November 21, 2013, issued in the original principal amount of \$16,550,000;

(g) “Upper Trinity Regional Water District Regional Treated Water Supply System Revenue Refunding Bonds, Series 2015,” dated March 15, 2015, issued in the original principal amount of \$48,355,000;

(h) “Upper Trinity Regional Water District Regional Treated Water Supply System Revenue Bonds, Series 2015A,” dated December 1, 2015, issued in the original principal amount of \$29,115,000;

(i) “Upper Trinity Regional Water District Regional Treated Water Supply System Revenue Refunding Bonds, Series 2016,” dated April 1, 2016, issued in the original principal amount of \$33,585,000;

(j) “Upper Trinity Regional Water District Regional Treated Water Supply System Revenue Refunding Bonds, Series 2017,” dated June 1, 2017, issued in the original principal amount of \$18,050,000.

“Owner” means the person who is the registered owner of a Bond or Bonds, as shown in the Register.

“Parity Bonds” means the Outstanding Parity Bonds, the Bonds and any Additional Bonds as the same may be from time to time outstanding.

“Paying Agent/Registrar” means initially BOKF, NA.

“Paying Agent/Registrar Office” means (i) with respect to the initial Paying Agent/Registrar named herein, its corporate trust office or at such other location designated by the Paying Agent/Registrar, and (ii) with respect to any successor Paying Agent/Registrar, the office of such successor designated and located as may be agreed upon by the District and such successor.

“Pledged Revenues” means (i) the Net Revenues of the System and (ii) any additional revenues, income, receipts, or other resources, including without limitations, any grants, donations, or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which in the future may, at the option of the District, be pledged to the payment of the Parity Bonds.

“Project” means the **planning, permitting, design and land acquisition for approximately 3.3 miles of treated water transmission system pipeline from the District’s Taylor Water Treatment Plant to the Stone Hill Pump Station for the System**, as more fully described in the Application.

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“Project Fund” means the fund by that name established in Section 7.04.

“Purchaser” means the TWDB.

“Record Date” means the fifteenth day of the month next preceding an Interest Payment Date.

“Register” means the Register specified in Section 3.06(a).

“Regulations” means the applicable proposed, temporary or final Treasury Regulations promulgated under the Code or, to the extent applicable to the Code, under the Internal Revenue Code of 1954, as such regulations may be amended or supplemented from time to time.

“Representation Letter” means the Blanket Letter of Representations between the District and DTC.

“Reserve Fund” means the fund by that name established with respect to the Parity Bonds and confirmed pursuant to Section 7.03.

“Revenue Fund” means the fund by that name established with respect to the Parity Bonds and confirmed pursuant to Section 7.01.

“Special Payment Date” means the Special Payment Date as prescribed in Section 3.03(b).

“Special Record Date” means the Special Record Date as prescribed in Section 3.03(b).

“Subordinate Lien Obligations” shall mean Subordinate Lien Obligations as defined in the Commercial Paper Notes Resolution.

“System” means the District’s existing regional treated water supply system, together with all future improvements, enlargements, extensions, and additions thereto, which are deemed necessary and feasible by the District to provide treated water service to the District’s customers, including those that have executed the Treated Water Supply Contracts and all future new facilities and/or water rights, which are acquired or constructed with the proceeds from the sale of any bonds or revenues from the System, and any water supply or treatment facilities which are deliberately and specifically, at the option of the District, made a part of the System by resolution of the District’s Board of Directors, and all repairs to or replacements of the System. Said term does not include any District facilities which provide wastewater treatment or disposal services, or solid waste disposal services, of any kind. Said term does not include any facilities acquired or constructed by the District with the proceeds from the issuance of “Special Facilities Bonds,” which are hereby defined as being revenue obligations of the District which are not secured by or payable from payments made under the Treated Water Supply Contracts and similar contracts, and which are payable solely from sources other than revenues of the System.

“Treated Water Supply Contracts” means collectively (i) the contracts, as amended, set out in Exhibit A attached hereto; and (ii) such other similar contracts that the District may enter into from time to time with other entities with respect to the System.

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“TWDB” means the Texas Water Development Board, a state agency, or its successors and assigns.

“Unclaimed Payments” means money deposited with the Paying Agent/Registrar for the payment of principal of or interest on the Bonds as the same come due and payable and remaining unclaimed by the Owners of such Bonds for 90 days after the applicable payment or redemption date.

### Section 1.02. Findings.

The declarations, determinations and findings declared, made and found in the preambles to this Resolution are hereby adopted, restated and made a part of the operative provisions hereof.

### Section 1.03. Table of Contents, Titles and Headings.

The table of contents, titles and headings of the Articles and Sections of this Resolution have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof and shall never be considered or given any effect in construing this Resolution or any provision hereof or in ascertaining intent, if any question of intent should arise.

### Section 1.04. Interpretation.

Unless the context requires otherwise, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa.

(a) This Resolution and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein to sustain the validity of this Resolution.

(b) Unless designated otherwise, references to Articles and Sections shall mean Articles and Sections of this Resolution.

### Section 1.05. Other Definitions.

The capitalized terms defined in the preamble to this Resolution shall have the meanings assigned to them in the preamble of this Resolution.

## ARTICLE II

### SECURITY FOR THE BONDS

#### Section 2.01. Pledge.

Payment of the principal, premium, if any, and interest on the Parity Bonds shall be secured by and payable from a first lien on and pledge of the Pledged Revenues, such lien on and

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pledge being superior to the lien on and pledge of the Pledged Revenues made for the security, and payment of the Subordinate Lien Obligations and the Pledged Revenues are further pledged to the establishment and maintenance of the funds created by this Resolution, and any funds created by any resolution authorizing the issuance of Parity Bonds. The Parity Bonds are not and will not be secured by or payable from a mortgage or deed of trust on any real, personal, or mixed properties constituting the System.

### Section 2.02. Bonds as Special Obligations.

The Bonds are special obligations of the District payable solely from the Pledged Revenues, and the Owners thereof shall never have the right to demand payment thereof out of any funds raised or to be raised by taxation by the District.

### Section 2.03. Security Interest.

The District represents that, under Chapter 1208.002, Texas Government Code, a security interest in property, other than real property, that is created by the District is valid and effective according to the terms of the security agreement and is perfected from the time the security agreement is entered into or adopted continuously through the termination of the security interest, without physical delivery or transfer of control of the property, filing of a document, or another act. The District covenants that if Chapter 1208.002 is amended at any time while the Bonds are outstanding and unpaid, the District shall take all actions required in order to preserve for the Owners of the Bonds a perfected security interest in the property in which such security interest is granted pursuant to Section 2.01 hereof.

## ARTICLE III

### AUTHORIZATION; GENERAL TERMS AND PROVISIONS REGARDING THE BONDS

#### Section 3.01. Authorization.

The District's bonds to be designated the "Upper Trinity Regional Water District Regional Treated Water Supply System Revenue Bonds, Series 2018," are hereby authorized to be issued and delivered in accordance with the laws of the State of Texas, including particularly the Act, in the aggregate principal amount of \$\_\_\_\_\_, for the purposes of (a) paying the costs of the Project, (b) making a deposit of capitalized interest to the Interest and Sinking Fund, (c) making a deposit to the Reserve Fund, and (d) paying the costs and expenses of issuing the Bonds.

#### Section 3.02. Date, Denomination, Maturities and Interest.

(a) The Bonds shall be dated \_\_\_\_\_, 2018 (the "Dated Date"). The Bonds shall be in fully registered form, without coupons, in the denomination of \$5,000 or any integral multiple thereof and shall be numbered separately from one upward or such other designation acceptable to the District and the Paying Agent/Registrar, except the Initial Bond, which shall be numbered T-1.

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(b) The Bonds shall mature on August 1 in the years and in the principal amounts following table:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
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(c) Interest shall accrue and be paid on each Bond respectively until its maturity or prior redemption, from the later of the Closing Date or the most recent Interest Payment Date to which interest has been paid or provided for at the rates per annum for each respective maturity specified in the schedule contained in subsection (b) above. Such interest shall be payable semiannually on each Interest Payment Date, commencing February 1, 2019. Interest on the Bonds shall be calculated on the basis of a three hundred sixty (360) day year composed of twelve (12) months of thirty (30) days each.

Section 3.03. Medium, Method and Place of Payment.

(a) The principal of, redemption premium, if any, and interest on the Bonds shall be paid in lawful money of the United States of America.

(b) Interest on the Bonds shall be payable to the Owners as shown in the Register on the Record Date. However, in the event that interest on the Bonds is not paid on a scheduled Interest Payment Date and remains unpaid for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") shall be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date," which shall be at least 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each Owner of a Bond appearing on the Register at the close of business on the last business day next preceding the date of mailing of such notice.

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(c) Interest shall be paid by check, dated as of the Interest Payment Date, and mailed on or before such Interest Payment Date, by first class United States mail, postage prepaid, by the Paying Agent/Registrar to each Owner at the address of each Owner as such appears in the Register, or by such other customary banking arrangement acceptable to the Paying Agent/Registrar and the person to whom interest is to be paid; provided, however, that such person shall bear all risk and expenses of such customary banking arrangement.

(d) The principal of each Bond shall be paid to the Owner thereof on the due date, whether at the maturity date or the date of prior redemption thereof, upon presentation and surrender of such Bond at the Paying Agent/Registrar Office.

(e) So long as TWDB is the owner of the Bonds, payments of interest and principal shall be made in wire transfer form at no cost to TWDB.

(f) If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, legal holiday or day on which banking institutions in the city where the Paying Agent/Registrar Office is located are required or authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or day on which banking institutions are required or authorized to close, and payment on such date shall for all purposes be deemed to have been made on the due date thereof as specified in this Section.

(g) Unclaimed Payments shall be segregated in a special account and held in trust, uninvested by the Paying Agent/Registrar, for the account of the Owner of the Bonds to which the Unclaimed Payments pertain. Subject to Title 6 of the Texas Property Code, as amended, Unclaimed Payments remaining unclaimed by the Owners entitled thereto for three years after the applicable payment or redemption date shall be applied to the next payment or payments on the Bonds thereafter coming due and, to the extent any such money remains after the retirement of all outstanding Bonds, shall be paid to the District to be used for any lawful purpose. Thereafter, neither the District, the Paying Agent/Registrar nor any other person shall be liable or responsible to any holders of such Bonds for any further payment of such unclaimed moneys or on account of any such Bonds, subject to any applicable escheat law or similar law.

### Section 3.04. Execution and Registration of Bonds.

(a) The Bonds shall be executed on behalf of the District by the President and Secretary of the Board of Directors, by their manual or facsimile signatures, and the official seal of the District shall be impressed or placed in facsimile thereon. Such facsimile signatures on the Bonds shall have the same effect as if each of the Bonds had been signed manually and in person by each of said officers, and such facsimile seal on the Bonds shall have the same effect as if the official seal of the District had been manually impressed upon each of the Bonds.

(b) In the event that any officer of the District whose manual or facsimile signature appears on the Bonds ceases to be such officer before the authentication of such Bonds or before the delivery thereof, such facsimile signature nevertheless shall be valid and sufficient for all purposes as if such officer had remained in such office.



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(c) Except as provided below, no Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit of this Resolution unless and until there appears thereon the Certificate of Paying Agent/Registrar substantially in the form provided herein, duly authenticated by manual execution by an officer or duly authorized signatory of the Paying Agent/Registrar. It shall not be required that the same officer or authorized signatory of the Paying Agent/Registrar sign the Certificate of Paying Agent/Registrar on all of the Bonds. In lieu of the executed Certificate of Paying Agent/Registrar described above, the Initial Bond delivered on the Closing Date shall have attached thereto the Comptroller's Registration Certificate substantially in the form provided herein, manually executed by the Comptroller of Public Accounts of the State of Texas, or by his duly authorized agent, which certificate shall be evidence that the Initial Bond has been duly approved by the Attorney General of the State of Texas and that it is a valid and binding obligation of the District, and has been registered by the Comptroller of Public Accounts of the State of Texas.

(d) On the Closing Date, one Initial Bond representing the entire principal amount of all Bonds, payable in stated installments to the purchasers of the Bonds, or their designee, executed by the President and Secretary by their manual or facsimile signature, approved by the Attorney General, and registered and manually signed by the Comptroller of Public Accounts, will be delivered to the Purchaser or their designee.

### Section 3.05. Ownership.

(a) The District, the Paying Agent/Registrar and any other person may treat the person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of making and receiving payment of the principal thereof and redemption premium, if any, thereon, for the further purpose of making and receiving payment of the interest thereon (subject to the provisions herein that interest is to be paid to the person in whose name the Bond is registered on the Record Date), and for all other purposes, whether or not such Bond is overdue, and neither the District nor the Paying Agent/Registrar shall be bound by any notice or knowledge to the contrary.

(b) All payments made to the Owner of a Bond shall be valid and effectual and shall discharge the liability of the District and the Paying Agent/Registrar upon such Bond to the extent of the sums paid.

### Section 3.06. Registration, Transfer and Exchange.

(a) So long as any Bond remains outstanding, the District shall cause the Paying Agent/Registrar to keep at the Designated Payment/Transfer Office a register (the "Register") in which, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with this Resolution.

(b) The ownership of a Bond may be transferred only upon the presentation and surrender of the Bond at the Designated Payment/Transfer Office with such endorsement or other evidence of transfer as is acceptable to the Paying Agent/Registrar. No transfer of any Bond shall be effective until entered in the Register.

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(c) The Bonds shall be exchangeable upon the presentation and surrender thereof at the Designated/Payment Transfer Office of the Paying Agent/Registrar Office for a Bond or Bonds of the same maturity and interest rate and in any denomination or denominations of any integral multiple of \$5,000 and in an aggregate principal amount equal to the unpaid principal amount of the Bonds presented for exchange. The Paying Agent/Registrar is hereby authorized to authenticate and deliver Bonds exchanged for other Bonds in accordance with this Section.

(d) Each exchange Bond delivered by the Paying Agent/Registrar in accordance with this Section shall constitute an original contractual obligation of the District and shall be entitled to the benefits and security of this Resolution to the same extent as the Bond or Bonds in lieu of which such exchange Bond is delivered.

(e) No service charge shall be made to the Owner for the initial registration and any subsequent transfer or exchange for a different denomination of any of the Bonds. The Paying Agent/Registrar, however, may require the Owner to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection with the registration, transfer or exchange of a Bond.

(f) Neither the District nor the Paying Agent/Registrar shall be required to issue, transfer or exchange any Bond called for redemption, in whole or in part, where such redemption is scheduled to occur within 45 calendar days after the transfer or exchange date; provided, however, such limitation of transfer shall not be applicable to an exchange by the Owner of the uncalled principal balance of a Bond.

### Section 3.07. Cancellation.

All Bonds paid or redeemed before scheduled maturity in accordance with this Resolution and all Bonds in lieu of which exchange Bonds or replacement Bonds are authenticated and delivered in accordance with this Resolution shall be canceled and destroyed upon the making of proper records regarding such payment, redemption, exchange or replacement. The Paying Agent/Registrar shall then return such canceled Bonds to the District or may, in accordance with law, destroy such canceled Bonds and periodically furnish the District with certificates of destruction of such Bonds.

### Section 3.08. Temporary Bonds.

(a) Following the delivery and registration of the Initial Bond and pending the preparation of definitive Bonds, the proper officers of the District may execute and, upon the District's request, the Paying Agent/Registrar shall authenticate and deliver, one or more temporary Bonds that are printed, lithographed, typewritten, mimeographed or otherwise produced, in any denomination, substantially of the tenor of the definitive Bonds in lieu of which they are delivered, without coupons, and with such appropriate insertions, omissions, substitutions and other variations as the officers of the District executing such temporary Bonds may determine, as evidenced by their signing of such temporary Bonds.

(b) Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the benefit and security of this Resolution.

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(c) The District, without unreasonable delay, shall prepare, execute and deliver to the Paying Agent/Registrar, the Bonds in definitive form; thereupon, upon the presentation and surrender of the Bond or Bonds in temporary form to the Paying Agent/Registrar, the Paying Agent/Registrar shall cancel the Bonds in temporary form and authenticate and deliver in exchange therefor a Bond or Bonds of the same maturity and series, in definitive form, in the authorized denomination, and in the same aggregate principal amount, as the Bond or Bonds in temporary form surrendered. Such exchange shall be made without the making of any charge therefor to any Owner.

### Section 3.09. Replacement Bonds.

(a) Upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding. The District or the Paying Agent/Registrar may require the Owner of such Bond to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection therewith and any other expenses connected therewith.

(b) In the event that any Bond is lost, apparently destroyed or wrongfully taken, the Paying Agent/Registrar, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall authenticate and deliver a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding, provided that the Owner first complies with the following requirements:

(i) furnishes to the Paying Agent/Registrar satisfactory evidence of his or her ownership of and the circumstances of the loss, destruction or theft of such Bond;

(ii) furnishes such security or indemnity as may be required by the Paying Agent/Registrar to save it and the District harmless;

(iii) pays all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees of the Paying Agent/Registrar and any tax or other governmental charge that is authorized to be imposed; and

(iv) satisfies any other reasonable requirements imposed by the District and the Paying Agent/Registrar.

(c) After the delivery of such replacement Bond, if a bona fide purchaser of the original Bond in lieu of which such replacement Bond was issued presents for payment such original Bond, the District and the Paying Agent/Registrar shall be entitled to recover such replacement Bond from the person to whom it was delivered or any person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the District or the Paying Agent/Registrar in connection therewith.

(d) In the event that any such mutilated, lost, apparently destroyed or wrongfully taken Bond has become or is about to become due and payable, the Paying Agent/Registrar, in its

discretion, instead of issuing a replacement Bond, may pay such Bond if it has become due and payable, or may pay such Bond when it becomes due and payable.

(e) Each replacement Bond delivered in accordance with this Section shall constitute an original additional contractual obligation of the District and shall be entitled to the benefits and security of this Resolution to the same extent as the Bond or Bonds in lieu of which such replacement Bond is delivered.

Section 3.10. Book-Entry-Only System.

(a) The definitive Bonds shall be initially issued in the form of a separate single fully registered Bond for each of the maturities thereof. Upon initial issuance, the ownership of each such Bond shall be registered in the name of Cede & Co., as nominee of DTC, and, except as provided in Section 3.11 hereof, all of the outstanding Bonds shall be registered in the name of Cede & Co., as nominee of DTC.

(b) With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the District and the Paying Agent/Registrar shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such a DTC Participant holds an interest in the Bonds, except as provided in this Resolution. Without limiting the immediately preceding sentence, the District and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than an Owner, as shown on the Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than an Owner, as shown in the Register, of any amount with respect to principal of, premium, if any, or interest on the Bonds. Notwithstanding any other provision of this Resolution to the contrary, the District and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Register as the absolute Owner of such Bond for the purpose of payment of principal of, premium, if any, and interest on the Bonds, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfer with respect to such Bond, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective Owners, as shown in the Register, as provided in this Resolution, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Register, shall receive a Bond certificate evidencing the obligation of the District to make payments of amounts due pursuant to this Resolution. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Resolution with respect to interest checks or drafts being mailed to the registered Owner at the close of business on the Record Date, the word "Cede & Co." in this Resolution shall refer to such new nominee of DTC. For so long as the TWDB is the Owner of the Bonds, the District will not discontinue the use of the book-entry only system without the prior written approval from the TWDB.

Section 3.11. Successor Securities Depository; Transfer Outside Book-Entry Only System.

In the event that the District or the Paying Agent/Registrar determines that DTC is incapable of discharging its responsibilities described herein and in the Representation Letter, and that it is in the best interest of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, or in the event DTC discontinues the services described herein, the District or the Paying Agent/Registrar shall (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants, as identified by DTC, of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository or (ii) notify DTC and DTC Participants, as identified by DTC, of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their DTC Accounts, as identified by DTC. In such event, the Bonds shall no longer be restricted to being registered in the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Resolution.

Section 3.12. Payments to Cede & Co.

Notwithstanding any other provision of this Resolution to the contrary, so long as any Bonds are registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bonds, and all notices with respect to such Bonds, shall be made and given, respectively, in accordance with the agreement between the District and DTC.

ARTICLE IV

REDEMPTION OF BONDS BEFORE MATURITY

Section 4.01. Limitation on Redemption.

The Bonds shall be subject to redemption before scheduled maturity only as provided in this Article IV.

Section 4.02. Optional Redemption.

(a) The District has reserved the option to redeem the Bonds maturing on or after August 1, 20\_\_, in whole or in part in inverse order of maturity, before their respective scheduled maturity dates, on August 1, 20\_\_, or on any date thereafter, at a price equal to the principal amount of the Bonds so called for redemption plus accrued interest to the date fixed for redemption. If less than all of the Bonds are to be redeemed, the District shall determine the amounts and maturities thereof to be redeemed and, if less than all of the Bonds of a stated maturity are to be redeemed, the District shall direct the Paying Agent/Registrar to call by lot Bonds, or portions thereof within such maturity and in such amounts, for redemption.

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(b) The District, at least 45 days before the redemption date, unless a shorter period shall be satisfactory to the Paying Agent/Registrar, shall notify the Paying Agent/Registrar of such redemption date and of the principal amount of the Bonds to be redeemed.

### Section 4.03. [Reserved].

### Section 4.04. Partial Redemption.

(a) If less than all of the Bonds are to be redeemed pursuant to Section 4.02, the District shall determine the amounts and maturities thereof to be redeemed and, if less than all of the Bonds of a stated maturity are to be redeemed, the District shall direct the Paying Agent/Registrar to call by lot Bonds, or portions thereof within such maturity and in such principal amounts, for redemption.

(b) A portion of a single Bond of a denomination greater than \$5,000 may be redeemed, but only in a principal amount equal to \$5,000 or any integral multiple thereof. If such a Bond is to be partially redeemed, the Paying Agent/Registrar shall treat each \$5,000 portion of a Bond as though it were a single bond for purposes of selection for redemption.

(c) Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar, in accordance with Section 3.06 of this Resolution, shall authenticate and deliver an exchange Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

(d) The Paying Agent/Registrar shall promptly notify the District in writing of the principal amount to be redeemed of any Bond as to which only a portion thereof is to be redeemed.

### Section 4.05. Notice of Redemption to Owners.

(a) The Paying Agent/Registrar shall give notice of any redemption of Bonds by sending notice by first class United States mail, postage prepaid, not less than 30 days before the date fixed for redemption, to the Owner of each Bond (or part thereof) to be redeemed, at the address shown in the Register.

(b) The notice shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment, and, if less than all the Bonds outstanding are to be redeemed, an identification of the Bonds or portions thereof to be redeemed.

(c) Any notice given as provided in this Section shall be conclusively presumed to have been duly given, whether or not the Owner receives such notice.

### Section 4.06. Payment Upon Redemption.

(a) Before or on each redemption date, the District shall deposit with the Paying Agent/Registrar money sufficient to pay all amounts due on the redemption date and the Paying Agent/Registrar shall make provision for the payment of the Bonds to be redeemed on such date by setting aside and holding in trust an amount from the Interest and Sinking Fund or otherwise

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received by the Paying Agent/Registrar from the District and shall use such funds solely for the purpose of paying the principal of, redemption premium, if any, and accrued interest on the Bonds being redeemed.

(b) Upon presentation and surrender of any Bond called for redemption at the Designated Payment/Transfer Office on or after the date fixed for redemption, the Paying Agent/Registrar shall pay the principal of, redemption premium, if any, and accrued interest on such Bond to the date of redemption from the money set aside for such purpose.

### Section 4.07. Effect of Redemption.

(a) Notice of redemption having been given as provided in Section 4.05 of this Resolution, and subject, in the case of optional redemption under Section 4.02, to any conditions or rights reserved by the District under Section 4.08, the Bonds or portions thereof called for redemption shall become due and payable on the date fixed for redemption and, unless the District defaults in the payment of the principal thereof, redemption premium, if any, or accrued interest thereon, such Bonds or portions thereof shall cease to bear interest from and after the date fixed for redemption, whether or not such Bonds are presented and surrendered for payment on such date.

(b) If the District shall fail to make provision for payment of all sums due on a redemption date, then any Bond or portion thereof shall continue to bear interest at the rate stated on the Bond until due provision is made for the payment of same.

### Section 4.08. Conditional Notice of Redemption.

The District reserves the right, in the case of an optional redemption pursuant to Section 4.02 herein, to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the District retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the District delivers a certificate of the District to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption and such redemption has been rescinded shall remain Outstanding and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the District to make moneys and or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

ARTICLE V

PAYING AGENT/REGISTRAR

Section 5.01. Appointment of Initial Paying Agent/Registrar.

\_\_\_\_\_, or its successor, is hereby appointed as the initial Paying Agent/Registrar for the Bonds.

Section 5.02. Qualifications.

Each Paying Agent/Registrar shall be a commercial bank, a trust company organized under the laws of the State of Texas, or any other entity duly qualified and legally authorized to serve as and perform the duties and services of paying agent and registrar for the Bonds.

Section 5.03. Maintaining Paying Agent/Registrar.

(a) At all times while any Bonds are outstanding, the District will maintain a Paying Agent/Registrar that is qualified under Section 5.02 of this Resolution. The Executive Director or the President is hereby authorized and directed to execute an agreement with the Paying Agent/Registrar specifying the duties and responsibilities of the District and the Paying Agent/Registrar, in substantially the form presented to and hereby approved by the Board.

(b) If the Paying Agent/Registrar resigns or otherwise ceases to serve as such, the District will promptly appoint a replacement.

Section 5.04. Termination.

The District, upon not less than 60 days' notice, reserves the right to terminate the appointment of any Paying Agent/Registrar by delivering to the entity whose appointment is to be terminated written notice of such termination; provided, that no such termination shall be effective until a successor Paying Agent/Registrar has been appointed and has accepted the duties of Paying Agent/Registrar for the Bonds.

Section 5.05. Notice of Change to Owners.

Promptly upon each change in the entity serving as Paying Agent/Registrar, the District will cause notice of the change to be sent to each Owner by first class United States mail, postage prepaid, at the address in the Register, stating the effective date of the change and the name and mailing address of the replacement Paying Agent/Registrar.

Section 5.06. Agreement to Perform Duties and Functions.

By accepting the appointment as Paying Agent/Registrar, and executing the Paying Agent/Registrar Agreement, the Paying Agent/Registrar is deemed to have agreed to the provisions of this Resolution and that it will perform the duties and functions of Paying Agent/Registrar prescribed thereby.



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### Section 5.07. Delivery of Records to Successor.

If a Paying Agent/Registrar is replaced, such Paying Agent, promptly upon the appointment of the successor, will deliver the Register (or a copy thereof) and all other pertinent books and records relating to the Bonds to the successor Paying Agent/Registrar.

## ARTICLE VI

### FORM OF THE BONDS

#### Section 6.01. Form Generally.

(a) The Bonds, including the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the Certificate of the Paying Agent/Registrar and the Assignment form to appear on each of the Bonds, (i) shall be substantially in the preliminary form set forth in this Article with such appropriate insertions, omissions, substitutions and other variations as are permitted or required by this Resolution, and (ii) may have such letters, numbers or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and such legends and endorsements (including any reproduction of an opinion of counsel) thereon as, consistently herewith, may be determined by the District or by the officers executing such Bonds, as evidenced by their execution thereof.

(b) Any portion of the text of any Bonds may be set forth on the reverse side thereof, with an appropriate reference thereto on the face of the Bonds.

(c) The definitive Bonds, if any, shall be typewritten, printed, lithographed or engraved, and may be produced by any combination of these methods or produced in any other similar manner, all as determined by the officers executing such Bonds, as evidenced by their execution thereof.

(d) The Initial Bond submitted to the Attorney General of the State of Texas may be typewritten and photocopied or otherwise reproduced.

#### Section 6.02. Form of the Bonds.

The form of the Bonds, including the form of the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the form of Certificate of the Paying Agent/Registrar and the form of Assignment appearing on the Bonds, shall be substantially as follows:

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(a) Form of Bonds.

REGISTERED  
No. \_\_\_\_\_

REGISTERED  
\$ \_\_\_\_\_

United States of America  
State of Texas  
COUNTY OF DENTON  
UPPER TRINITY REGIONAL WATER DISTRICT  
REGIONAL TREATED WATER SUPPLY SYSTEM  
REVENUE BOND  
SERIES 2018

INTEREST RATE:      MATURITY DATE:      CLOSING DATE:      CUSIP NUMBER:  
\_\_\_\_\_ %                      August 1, \_\_\_\_\_                      \_\_\_\_\_, 2018                      \_\_\_\_\_

The Upper Trinity Regional Water District (the "District"), in the County of Denton, State of Texas, for value received, hereby promises to pay to

\_\_\_\_\_

or registered assigns, but solely from the sources and in the manner hereinafter provided, on the Maturity Date specified above, the sum of

\_\_\_\_\_ DOLLARS

unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provided for, and to pay interest on such principal amount from the later of the Closing Date stated above or the most recent interest payment date to which interest has been paid or provided for until maturity or prior redemption, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually on February 1 and August 1 of each year, commencing February 1, 2019.

The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the corporate trust office in Dallas, Texas (the "Designated Payment/Transfer Office") of \_\_\_\_\_, as Paying Agent/Registrar, or the designated payment/transfer office of any successor Paying Agent/Registrar. Interest on this Bond is payable by check dated as of the interest payment date, mailed on or before such interest payment date, by first class United States mail, postage prepaid, by the Paying Agent/Registrar to the registered owner at the address shown on the registration books kept by the Paying Agent/Registrar, or by such other customary banking arrangement acceptable to the Paying Agent/Registrar and the person to whom interest is to be paid; provided, however, that such person shall bear all risk and expenses of such customary banking arrangement. For the purpose of the payment of interest on this Bond, the registered owner shall be the person in whose name this Bond is registered at the close of

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business on the "Record Date," which shall be the fifteenth day of the month next preceding such interest payment date. However, in the event that interest is not paid on a scheduled payment date and remains unpaid for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date," which date shall be at least 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each registered owner of a Bond appearing on the books of the Paying Agent/Registrar at the close of business on the last business day preceding the date of mailing of such notice.

So long as the Texas Water Development Board is the owner of the Bonds, payments of interest and principal shall be made in wire transfer form at no cost to the Texas Water Development Board.

If the date for the payment of the principal of or interest on this Bond shall be a Saturday, Sunday, legal holiday or day on which banking institutions in the city in which the Paying Agent/Registrar is located are required or authorized by law or executive order to close, the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or day on which such banking institutions are required or authorized to close and payment on such date shall for all purposes be deemed to have been made on the original date payment was due.

This Bond, dated \_\_\_\_\_, 2018, is one of the series of fully registered bonds specified in its title issued in the aggregate principal amount of \$\_\_\_\_\_ (herein referred to as the "Bonds") issued pursuant to a resolution adopted by the governing body of the District (the "Resolution"). Capitalized terms used herein and not otherwise defined shall have the meaning assigned thereto in the Resolution. The Bonds are being issued for the purposes of (i) paying the costs of the Project, (ii) making a deposit of capitalized interest to the Interest and Sinking Fund, (iii) making a deposit to the Reserve Fund, and (iv) paying the costs of issuing the Bonds.

The Bonds constitute special obligations of the District and, together with any of the outstanding Parity Bonds (as defined in the Resolution), are payable solely from and equally secured by a first lien on and pledge of Pledged Revenues, such lien and pledge being superior to the lien on and pledge of the Pledged Revenues made for the payment of Subordinate Lien Obligations (as defined in the Resolution). The Bonds do not constitute a legal or equitable pledge, charge, lien or encumbrance upon any property of the District or the System, except with respect to the Pledged Revenues.

The District expressly reserves the right to issue Additional Bonds in all things on a parity with the Bonds and the outstanding Parity Bonds, payable solely from and equally secured by a lien on and pledge of the Pledged Revenues; provided, however, that any and all such additional obligations may be so issued only in accordance with and subject to the covenants, conditions, limitations and restrictions relating thereto which are set out and contained in the Resolution to which reference is hereby made for more complete and full particulars.

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The District has reserved the option to redeem the Bonds maturing on or after August 1, 20\_\_, in whole or in part in inverse order of maturity, before their respective scheduled maturity dates, on \_\_\_\_\_ 1, 20\_\_, or on any date thereafter, at a price equal to the principal amount of the Bonds so called for redemption plus accrued interest to the date fixed for redemption. If less than all of the Bonds are to be redeemed, the District shall determine the amounts and maturities thereof to be redeemed and, if less than all of the Bonds of a stated maturity are to be redeemed, the District shall direct the Paying Agent/Registrar to call by lot Bonds, or portions thereof within such maturity and in such amounts, for redemption.

Notice of such redemption or redemptions shall be given by first class mail, postage prepaid, not less than 30 days before the date fixed for redemption, to the registered owner of each of the Bonds to be redeemed in whole or in part. Notice having been so given, the Bonds or portions thereof designated for redemption shall become due and payable on the redemption date specified in such notice; and, from and after such date, notwithstanding that any of the Bonds or portions thereof so called for redemption shall not have been surrendered for payment, interest on such Bonds or portions thereof shall cease to accrue.

The District reserves the right, in the case of an optional redemption pursuant to the Resolution, to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the District retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the District delivers a certificate of the District to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption and such redemption has been rescinded shall remain Outstanding and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the District to make moneys and or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

As provided in the Resolution, and subject to certain limitations therein set forth, this Bond is transferable upon surrender of this Bond for transfer at the Designated Payment/Transfer Office with such endorsement or other evidence of transfer as is acceptable to the Paying Agent/Registrar; thereupon, one or more new fully registered Bonds of the same stated maturity, of authorized denominations, bearing the same rate of interest, and for the same aggregate principal amount will be issued to the designated transferee or transferees.

The District, the Paying Agent/Registrar and any other person may treat the person in whose name this Bond is registered as the owner hereof for the purpose of receiving payment as herein provided (except interest shall be paid to the person in whose name this Bond is registered on the "Record Date" or "Special Record Date," as applicable) and for all other purposes, whether or not this Bond be overdue, and neither the District, the Paying Agent/Registrar nor any other person shall be affected by notice to the contrary.

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Neither the District nor the Paying Agent/Registrar shall be required to issue, transfer or exchange any Bond called for redemption where such redemption is scheduled to occur within 45 calendar days of the transfer or exchange date; provided, however, such limitation shall not be applicable to an exchange by the registered owner of the uncalled principal balance of a Bond.

IT IS HEREBY CERTIFIED AND RECITED that the issuance of this Bond and the series of which it is a part is duly authorized by law; that all acts, conditions and things required to be done precedent to and in the issuance of the Bonds to render the same lawful and valid have been properly done and have happened in regular and due time, form and manner as required by law; that the Bonds do not exceed any constitutional or statutory limitation; and that provision has been made for the payment of the principal of and interest on the Bonds by irrevocably pledging the Pledged Revenues, as hereinabove recited.

The owner hereof shall never have the right to demand payment of this Bond out of any funds raised or to be raised by taxation by the District, other than certain amounts payable under certain of the Treated Water Supply Contracts.

IN WITNESS WHEREOF, the District has caused this Bond to be executed in its name by the manual or facsimile signature of the President of the District and countersigned by the manual or facsimile signature of the Secretary, and the official seal of the District has been duly impressed or placed in facsimile on this Bond.

\_\_\_\_\_  
President, Board of Directors,  
Upper Trinity Regional Water District

ATTEST:

\_\_\_\_\_  
Secretary, Board of Directors,  
Upper Trinity Regional Water District

[SEAL]

(b) Form of Comptroller's Registration Certificate.

The following Comptroller's Registration Certificate may be deleted from the definitive Bonds if such Certificate on the Initial Bond is fully executed.

OFFICE OF THE COMPTROLLER           §  
OF PUBLIC ACCOUNTS                   §     REGISTER NO. \_\_\_\_\_  
OF THE STATE OF TEXAS               §

I hereby certify that there is on file and of record in my office a certificate of the Attorney General of the State of Texas to the effect that this Bond has been examined by him as required by law, that he finds that it has been issued in conformity with the Constitution and laws of the State of Texas, has this day been registered by me.

Witness my hand and seal of office at Austin, Texas, \_\_\_\_\_.

\_\_\_\_\_  
Comptroller of Public Accounts  
of the State of Texas

[SEAL]

(c) Form of Certificate of Paying Agent/Registrar.

The following Certificate of Paying Agent/Registrar may be deleted from the Initial Bond if the executed Comptroller's Registration Certificate appears thereon.

CERTIFICATE OF PAYING AGENT/REGISTRAR

The records of the Paying Agent/Registrar show that the Initial Bond of this series of bonds was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas, and that this is one of the Bonds referred to in the within mentioned Ordinance.

BOKF, NA  
as Paying Agent/Registrar

Dated: \_\_\_\_\_

By: \_\_\_\_\_  
Authorized Signatory

(d) Form of Assignment.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto (print or typewrite name, address and Zip Code of transferee): \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
(Social Security or other identifying number: \_\_\_\_\_) the within Bond and all rights hereunder and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the within Bond on the books kept for registration hereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed By:  
\_\_\_\_\_

NOTICE: The signature on this Assignment must correspond with the name of the registered owner as it appears on the face of the within Bond in every particular and must

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Authorized Signatory

be guaranteed in a manner acceptable to the  
Paying Agent/Registrar.

(e) The Initial Bond shall be in the form set forth in paragraphs (a) through (d) of this Section, except for the following alterations:

(i) immediately under the name of the Bond, the headings “INTEREST RATE” and “MATURITY DATE” shall both be completed with the words “As shown below” and the heading “CUSIP NUMBER” shall be deleted; and

(ii) in the first paragraph of the Bond, the words “on the Maturity Date specified above” shall be deleted and the following will be inserted: “on August 1 in each of the years, in principal installments, and bearing interest at the per annum rates in accordance with the following schedule:

Years

Principal Installments

Interest Rates

(Information to be inserted from  
the Section 3.01)

Section 6.03. CUSIP Registration.

The District may secure identification numbers through the CUSIP Service Bureau Division of Standard & Poor’s Corporation, New York, New York, and may authorize the printing of such numbers on the face of the Bonds. It is expressly provided, however, that the presence or absence of CUSIP numbers on the Bonds shall be of no significance or effect as regards the legality thereof and neither the District nor Co-Bond counsel to the District are to be held responsible for CUSIP numbers incorrectly printed on the Bonds.

Section 6.04. Legal Opinion.

The approving legal opinions of Bracewell LLP and Boyle & Lowry, L.L.P., Co-Bond Counsel, respectively, may be printed on the reverse side of each Bond over the certification of the Secretary of the District, which may be executed in facsimile.

Section 6.05. Statement of Insurance.

A statement relating to a municipal bond insurance policy, if any, to be issued for the Bonds may be printed on or attached to each Bond.

ARTICLE VII

FUNDS AND ACCOUNTS

Section 7.01. Revenue Fund.

The District hereby confirms the creation and establishment of the “Upper Trinity Regional Water District Regional Treated Water Supply System Revenue Fund” (the “Revenue Fund”) to be maintained on the books of the District, and accounted for separate and apart from all other funds of the District so long as any of the Parity Bonds are outstanding. All Gross Revenues of the System (excepting investment interest and income from the Interest and Sinking Fund and Reserve Fund) shall be credited to the Revenue Fund immediately upon receipt. All Operation and Maintenance Expenses of the System shall be paid from such amounts credited to the Revenue Fund as a first charge against same.

Section 7.02. Interest and Sinking Fund.

For the sole purpose of paying the principal of and interest on the Parity Bonds, the District hereby confirms the creation and establishment on the books of the District, and there shall be maintained so long as any of the Parity Bonds remain outstanding, accounted for separate and apart from all other funds of the District, a separate fund entitled the “Upper Trinity Regional Water District Regional Treated Water Supply System Revenue Refunding Bonds Interest and Sinking Fund” (the “Interest and Sinking Fund”).

Section 7.03. Reserve Fund.

The District hereby confirms the creation and establishment on the books of the District, to be maintained so long as any Parity Bonds remain outstanding, a separate fund to be entitled the “Upper Trinity Regional Water District Regional Treated Water Supply System Revenue Bonds Reserve Fund” (the “Reserve Fund”). The Reserve Fund shall be used solely to pay the principal of and interest on any Parity Bonds when and to the extent the amounts in the Interest and Sinking Fund available for such payment are insufficient for such purpose, and may be used for the purpose of finally retiring the last of any Parity Bonds.

Section 7.04. Issuance Costs Fund.

(a) There is hereby established a separate fund entitled “Upper Trinity Regional Water District Regional Treated Water Supply System Revenue Bonds, Series 2018 Issuance Costs Fund” (the “Issuance Costs Fund”). Amounts on deposit in the Issuance Costs Fund shall be applied by the District to pay the costs of issuing the Bonds.

(b) All amounts remaining in the Issuance Costs Fund after the payment of costs of issuance and in any event no later than six months after the Closing Date, including investment earnings of the Issuance Costs Fund, shall be deposited to the Interest and Sinking Fund and shall be used to pay debt service on or redeem Bonds.



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### Section 7.05. Deposits of Pledged Revenues.

Pledged Revenues shall be credited to or deposited in the Interest and Sinking Fund, the Reserve Fund and other funds when and as required by this Resolution and any resolution authorizing the issuance of any Parity Bonds.

### Section 7.06. Investments.

To the extent authorized by the Public Funds Investment Act, Chapter 2256, Texas Government Code, and the Public Funds Collateral Act, Chapter 2257, Texas Government Code, each as amended, money in any Fund established pursuant to this Resolution or any resolution authorizing the issuance of any Parity Bonds, may, at the option of the District, be placed in time deposits or certificates of deposit secured by obligations of the type hereinafter described, or be invested in direct obligations of the United States of America or obligations guaranteed or insured by the United States of America, which, in the opinion of the Attorney General of the United States, are backed by its full faith and credit or represent its general obligations, or invested in obligations of instrumentalities of the United States of America, including, but not limited to, evidences of indebtedness issued, insured, or guaranteed by such governmental agencies as the Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Home Loan Banks, Government National Mortgage Association, United States Postal Service, Farmers Home Administration, Federal Home Loan Mortgage Association, Small Business Administration, Federal Housing Association, or Participation Certificates in the Federal Assets Financing Trust; provided that all such deposits and investments shall be made in such manner as will, in the opinion of the District, permit the money required to be expended from any Fund to be available at the proper time or times as expected to be needed. Such investments (except United States Treasury Obligations--State and Local Government Series investments held in book entry form, which shall at all times be valued at cost) shall be valued in terms of current market value as of the last day of each fiscal year. Unless otherwise set forth herein, all interest and income derived from such deposits and investments immediately shall be credited to, and any losses debited to, the Fund from which the deposit or investment was made, and surpluses in any Fund shall or may be disposed of as hereinafter provided. Such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds and any Additional Bonds consistent with the respective resolutions authorizing their issuance.

### Section 7.07. Funds Secured.

Money in all Funds created or confirmed by this Resolution, to the extent not invested, shall be secured in the manner prescribed by law.

### Section 7.08. Priority of Deposits and Payments from Revenue Fund.

The District shall make all deposits and payments from the Pledged Revenues in the Revenue Fund when and as required by this Resolution or resolutions authorizing Parity Bonds and such deposits shall be made in the following manner and with the following irrevocable priorities, respectively:

First            to the Interest and Sinking Fund, when and in the amounts required by this

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Resolution, and any resolution authorizing the Parity Bonds;

Second to the Reserve Fund, when and in the amounts required by this Resolution and any resolution authorizing the Parity Bonds; and

Third to the Note Payment Fund in accordance with the terms and conditions of the Commercial Paper Notes Resolution and any fund established by a resolution authorizing the issuance of additional Subordinate Lien Obligations.

### Section 7.09. Interest and Sinking Fund Requirements.

(a) Promptly after the delivery of the Bonds the District shall cause to be deposited to the credit of the Interest and Sinking Fund any accrued interest received from the sale and delivery of the Bonds, and premium to the extent not deposited to the Escrow Fund, if any, and any such deposit shall be used to pay a portion of the interest next coming due on the Bonds.

(b) In addition to the amounts required by the resolutions authorizing the Parity Bonds, the District shall transfer from the Pledged Revenues and deposit to the credit of the Interest and Sinking Fund the amounts, at the times, as follows:

(i) such amounts, deposited in approximately equal monthly installments on or before the 25th day of each month hereafter, commencing with the month during which the Bonds are delivered, or the month thereafter if delivery is made after the 25th day thereof, as will be sufficient, together with other amounts, if any, then on hand in the Interest and Sinking Fund and available for such purpose, to pay interest scheduled to accrue and come due on the Bonds on the next succeeding Interest Payment Date; and

(ii) such amounts, deposited in approximately equal monthly installments on or before the 25th day of each month hereafter, commencing with the month during which the Bonds are delivered, or the month thereafter if delivery is made after the 25th day thereof, as will be sufficient, together with other amounts, if any, then on hand in the Interest and Sinking Fund and available for such purpose, to pay principal scheduled to mature and come due on the Bonds on the next succeeding principal payment date.

### Section 7.10. Reserve Fund Requirements.

(a) The District shall maintain in the Reserve Fund an amount of money and investments equal to the average annual principal and interest requirements of the Parity Bonds (the "Required Reserve Amount"). After the delivery of any Additional Bonds, the District shall cause the Reserve Fund to be increased, if and to the extent necessary, so that such Fund will contain an amount of money and investments equal to the Required Reserve Amount. Any increase in the Required Reserve Amount may be funded from Pledged Revenues or from proceeds from the sale of any Additional Bonds, or any other available source or combination of sources. All or any part of the Required Reserve Amount not funded initially and immediately after the delivery of any installment or issue of Additional Bonds shall be funded, within not more than five years from the date of such delivery, by deposits of Pledged Revenues in approximately equal monthly installments on or before the 25th day of each month. Principal

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amounts of any Additional Bonds which must be redeemed pursuant to any applicable mandatory redemption requirements shall be deemed to be maturing amounts of principal for the purpose of calculating principal and interest requirements on such bonds. When and so long as the amount in the Reserve Fund is not less than the Required Reserve Amount no deposits shall be made to the credit of the Reserve Fund; but when and if the Reserve Fund at any time contains less than the Required Reserve Amount, then the District shall transfer from Pledged Revenues in the Revenue Fund, and deposit to the credit of the Reserve Fund, monthly on or before the 25th day of each month, a sum equal to 1/60th of the Required Reserve Amount, until the Reserve Fund is restored to the Required Reserve Amount. The District specifically covenants that when and so long as the Reserve Fund contains the Required Reserve Amount, the District shall cause all interest and income derived from the deposit or investment of the Reserve Fund to be deposited to the credit of the Revenue Fund.

(b) The District shall determine the amount required to be on deposit in the Reserve Fund after the issuance of the Bonds, which sum shall be not less than the average annual principal and interest requirements for the payment of the Bonds and any Outstanding Parity Bonds. The District shall deposit to the Reserve Fund out of the proceeds of the Bonds, or from Pledged Revenues in accordance with the provisions hereof until the Reserve Fund contains the Reserve Fund Requirement.

(c) The District's Regional Treated Water Supply System Revenue Bonds, Series 1999, Series 2000A, Series 2000B, Series 2001, Series 2002 and Series 2004 are no longer outstanding and payment thereof has been made or provided for; therefore, the provisions of this subparagraph (c) and of subparagraph (d), (e) and (f) of this Section 7.10 are effective. To the extent permitted by, and in accordance with applicable law and upon approval of the Attorney General of the State of Texas, the District may substitute a Credit Facility for cash or investment securities on deposit in the Reserve Fund or in substitution or replacement of any existing Credit Facility. Upon such replacement or substitution, cash or investment securities of any of the types permitted by Section 7.06 hereof, on deposit in the Reserve Fund which, taken together with the face amount of any existing Credit Facilities, are in excess of the Required Reserve Amount may be withdrawn by the District, at its option, and transferred to the Revenue Fund; provided, however, that the face amount of any Credit Facility may be reduced at the option of the District in lieu of such transfer. However, to the extent such surplus monies constitute bond proceeds, including interest and income derived therefrom, such amounts shall not be deposited to the Revenue Fund and shall only be used for the purposes for which bond proceeds may be used, including any interest due on any reimbursement obligation under the Credit Facility shall not exceed the highest lawful rate of interest which may be paid by the District.

(d) If the District is required to make a withdrawal from the Reserve Fund for any of the purposes described in this Section 7.10, the District shall promptly notify the issuer of such Credit Facility of the necessity for a withdrawal from the Reserve Fund for any such purposes, and shall make such withdrawal first from available moneys or investment securities then on deposit in the Reserve Fund, and next from a drawing under any Credit Facility to the extent of such deficiency. In the event that on the date of termination or expiration of any Credit Facility there is not on deposit in the Reserve Fund an amount, in cash or investment securities, equal to the Required Reserve Amount, then, after making required deposits to the Interest and Sinking Fund, the District shall deposit to the Reserve Fund from the first available Pledged Revenues

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amounts necessary to satisfy the Required Reserve Amount; provided, however, the District shall cause any such deficiency to be cured by making monthly installments of at least 1/60th of the Required Reserve Amount on or before the 25th day of each month following such deficiency.

(e) In the event there is a draw upon the Credit Facility, the District shall reimburse the issuer of such Credit Facility for such draw in accordance with the terms of any agreement pursuant to which the Credit Facility is issued from Pledged Revenues; however, such reimbursement from Pledged Revenues shall be subject to the provisions of subparagraph (f) hereof, and shall be subordinate and junior in right of payment to the payment of principal of and premium, if any, and interest on the Parity Bonds.

(f) In the event of the payment, redemption or defeasance of any Parity Bonds, cash and investment obligations on deposit in the Reserve Fund in excess of the Required Reserve Amount may be withdrawn and transferred, at the option of the District, to the Revenue Fund, as a result of such payment, redemption, defeasance or discharge of such Parity Bonds. However, to the extent such excess cash and investments consist of bond proceeds, including earnings thereon, such amounts shall not be deposited to the Revenue Fund and shall be used only for the purposes for which bond proceeds may be used.

### Section 7.11. Deficiencies; Excess Pledged Revenues.

(a) If on any occasion there shall not be sufficient Pledged Revenues to make the required deposits into the Interest and Sinking Fund or the Reserve Fund, such deficiency shall be made up as soon as possible from the next available Pledged Revenues.

(b) Subject to making the required deposits to the credit of the various Funds when and as required by this Resolution, any resolution authorizing the issuance of any Additional Bonds, the Commercial Paper Notes Resolution, and any resolution authorizing the issuance of additional Subordinate Lien Obligations, any surplus Pledged Revenues may be used by the District for any lawful purpose.

## ARTICLE VIII

### SALE AND DELIVERY OF BONDS; DEPOSIT OF PROCEEDS

#### Section 8.01. Sale of Bonds; Official Statement.

(a) All officers of the District are authorized to execute such documents, certificates and receipts as they may deem appropriate in order to consummate the delivery of the Bonds in accordance with the terms of sale therefor. The appropriate officer of the District is hereby authorized and directed to issue a check of the District payable to the Attorney General of the State of Texas as a nonrefundable examination fee in the amount required by Chapter 1202, Texas Government Code (such amount to be the lesser of (i) 1/10th of 1% of the principal amount of the Bonds or (ii) \$9,500).

(b) The obligation of the Purchaser to accept delivery of the Bonds is subject to the Purchaser being furnished with the final, approving opinion of Bracewell LLP and Boyle &

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Lowry, L.L.P., Co-Bond Counsel, which opinion shall be dated and delivered on the Closing Date.

### Section 8.02. Control and Delivery of Bonds.

(a) The Bonds are hereby officially sold and awarded to the Texas Water Development Board (the "Purchaser") at a price equal to the principal amount thereof pursuant to the terms of the commitment issued by the Purchaser. It is hereby officially found, determined and declared that the terms of this sale are the most advantageous reasonably available. The Bonds shall initially be registered in the name of such Purchaser, or its designee.

(b) The form and substance of the Private Placement Memorandum for the Bonds dated \_\_\_\_\_, 2018, and any addenda, supplement or amendment thereto (the "Private Placement Memorandum"), presented to and considered at this meeting, are hereby in all respects approved and adopted. The proper officials of the District are hereby authorized to execute such Private Placement Memorandum as prescribed therein.

(c) The President of the Board, the Executive Director and all other officers of the District are authorized to take such actions, to obtain such consents or approvals and to execute such documents, certificates and receipts, and to make such elections pertaining to the tax-exempt status of the Bonds as they may deem necessary and appropriate in order to consummate the delivery of the Bonds, to pay the costs of issuance of the Bonds, and to effectuate the terms and provisions of this Resolution.

(d) After registration by the Comptroller of Public Accounts of the State of Texas, delivery of the Bonds shall be made to the Underwriters under and subject to the general supervision and direction of the President of the Board, against receipt by the District of all amounts due to the District under the terms of sale.

### Section 8.03. Deposit of Proceeds.

The proceeds of the Bonds received on the Closing Date, together with other available funds of the District, if any, shall be applied as follows:

(a) Pursuant to written instructions from Hilltop Securities Inc., the District's Financial Advisor, on the Closing Date the Paying Agent/Registrar shall pay, from the proceeds of the Bonds received on the Closing Date, to Hilltop Securities Inc. an amount sufficient to pay the costs and expenses pertaining to the issuance of the Bonds. To the extent such amount is not required or used for such purpose, such excess shall be deposited to the Escrow Fund.

(b) \$\_\_\_\_\_ shall be deposited to the Interest and Sinking Fund as capitalized interest to be used to pay interest on the Bonds during construction of the Project and for not more than one year thereafter.

(c) \$\_\_\_\_\_ shall be deposited to the Reserve Fund. Upon such deposit, the Reserve Fund will contain the Required Reserve Amount for the Parity Bonds.

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(d) After giving effect to the payment required in Section 8.03(a), the remaining proceeds of the Bonds shall be deposited to the “Escrow Fund” (as defined in the Escrow Agreement), and, to the extent directed in writing by TWDB, to the Project Fund. Moneys deposited to the Escrow Fund shall be applied as provided in the Escrow Agreement.

### ARTICLE IX

#### PARTICULAR REPRESENTATIONS AND COVENANTS; ADDITIONAL BONDS

##### Section 9.01. Payment of Parity Bonds.

Semiannually, on or before each February 1 and August 1 while any of the Bonds are outstanding and unpaid, the District shall make available to the Paying Agent/Registrar therefor, out of the Interest and Sinking Fund, or if necessary, out of the Reserve Fund, money sufficient to pay, on each of such dates, the principal of and interest on the Bonds as the same mature and come due, or to redeem the Bonds prior to maturity, either upon mandatory redemption or at the option of the District. At the direction of the District, the Paying Agent/Registrar shall either deliver canceled paid Bonds to the District or furnish the District with an appropriate certificate of cancellation.

##### Section 9.02. Additional Bonds.

(a) The District shall have the right and power at any time and from time to time, and in one or more series or issues, to authorize, issue, and deliver additional parity revenue bonds (herein called “Additional Bonds”), in accordance with law, in any amounts, for any lawful purpose, including the refunding of any Bonds, Additional Bonds, or other obligations. Such Additional Bonds, if and when authorized, issued, and delivered in accordance with this Resolution, shall be payable from and secured by a lien on and pledge of the Pledged Revenues, equally and ratably on a parity in all respects with the Bonds and the Outstanding Parity Bonds.

(b) The principal of all Additional Bonds must be scheduled to be paid or mature on February 1 or August 1 (or both) of the years in which such principal is scheduled to be paid or mature.

##### Section 9.03. Further Requirements for Additional Bonds.

Additional Bonds shall be issued only in accordance with this Resolution and no installment, series, or issue of Additional Bonds shall be issued or delivered unless:

(a) The President of the District and the Secretary of the District sign a written certificate to the effect that the District is not in default as to any covenant, condition, or obligation in connection with any Parity Bonds, and the resolutions authorizing same, and that the Interest and Sinking Fund and the Reserve Fund contain the amounts then required to be therein.

(b) I. An independent certified public accountant, or independent firm of certified public accountants, acting by and through a certified public accountant, signs a written certificate to the effect that, in his or her or its opinion, during either the next preceding fiscal

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year, or any twelve consecutive calendar month period out of the 18-month period immediately preceding the month in which the resolution authorizing the issuance of the then proposed Additional Bonds is passed, the Pledged Revenues were at least 1.00 times an amount equal to the average annual principal and interest requirements of the Parity Bonds and any Additional Bonds which are scheduled to be outstanding after the delivery of the then proposed Additional Bonds. It is specifically provided, however, that in calculating the amount of Pledged Revenues for the purposes of this subsection (b), if there has been any increase in the rates or charges for services of the System which is then in effect, but which was not in effect during all or any part of the entire period for which the Pledged Revenues are being calculated (hereinafter referred to as the "entire period") then the certified public accountant, or in lieu of the certified public accountant, a firm of consulting engineers, shall determine and certify the amount of Pledged Revenues as being the total of (i) the actual Pledged Revenues for the entire period, plus (ii) a sum equal to the aggregate amount by which the actual billings to customers of the System during the entire period would have been increased if such increased rates or charges had been in effect during the entire period.

II. As an alternative to the requirements of paragraph I of this subsection (b), Additional Bonds may be issued if, based upon an opinion of legal counsel to the District, there are Treated Water Supply Contracts then in effect pursuant to which the parties to such Treated Water Supply Contracts are obligated to make minimum payments to the District at such times and in such amounts as shall be necessary to result in Pledged Revenues being sufficient to pay when due all principal of and interest on the Parity Bonds and the Additional Bonds proposed to be issued.

(c) Provision shall be made in the resolution authorizing the issuance of such Additional Bonds for increasing the Reserve Fund to the Required Reserve Amount as required by Section 7.10 hereof with proceeds of the Additional Bonds, or other available source or combination of sources including Pledged Revenues, or both.

(d) All calculations of average annual principal and interest requirements of any bonds or obligations made in connection with the issuance of any then proposed Additional Bonds shall be made as of the date of such Additional Bonds; and also in making calculations for such purpose, and for any other purpose under this Resolution, principal amounts of any bonds or obligations which must be redeemed prior to maturity pursuant to any applicable mandatory redemption requirements shall be deemed to be maturing amounts of principal of such bonds or obligations.

### Section 9.04. General Covenants.

The District further covenants and agrees that in accordance with and to the extent required or permitted by law:

(a) Performance. It will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Resolution, and each resolution authorizing the issuance of the Parity Bonds, and in each and every Parity Bond; that it will promptly pay or cause to be paid the principal of and interest on every Parity Bond, on the dates and in the places and manner prescribed in such resolutions, and Parity Bonds; and that it will, at

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the times and in the manner prescribed, deposit or cause to be deposited the amounts required to be deposited into the Interest and Sinking Fund and the Reserve Fund; and any holder of the Parity Bonds may require the District, its officials, and employees, to carry out, respect, or enforce the covenants and obligations of this Resolution, or any resolution authorizing the issuance of the Parity Bonds, by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings, in any court of competent jurisdiction, against the District, its officials, and employees.

(b) Legal Authority. The District is a duly created and existing political subdivision of the State of Texas, and is duly authorized under the laws of the State of Texas to create and issue the Parity Bonds; that all action on its part for the creation and issuance of the said obligations has been or will be duly and effectively taken; and said obligations in the hands of the holders and owners thereof are and will be valid and enforceable special obligations of the District in accordance with their terms.

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

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

(e) Operation of System; No Free Service. While any of the Parity Bonds are outstanding and unpaid, the District shall continuously and efficiently operate the System, and shall maintain the System, or cause the System to be operated and maintained in good condition, repair, and working order, all at reasonable cost. No free service of the System shall be allowed, and should the District or any of its agencies, instrumentalities, or customers make use of the services and facilities of the System, payment monthly of the standard price of the services provided shall be made out of funds from sources other than the revenues of the System, unless made from surplus Pledged Revenues as permitted by Section 7.11(b) hereof.

(f) Further Encumbrance. While any Parity Bonds are outstanding and unpaid, the District shall not additionally encumber the Pledged Revenues in any manner, except as expressly permitted in this Resolution in connection with Additional Bonds, unless said



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encumbrance is made junior and subordinate in all respects to the liens, pledges, covenants, and agreements of any Resolution authorizing the issuance of Parity Bonds; but the right of the District to issue revenue bonds payable from a subordinate lien on surplus Pledged Revenues is specifically recognized and retained.

(g) Sale or Disposal of Property. Except with respect to the rights of the Texas Water Development Board ("TWDB") to purchase up to fifty percent (50%) of certain portions of the System pursuant to the TWDB's State Participation Program (or programs of the TWDB or the State to accomplish similar purposes), while any Parity Bonds are outstanding and unpaid, the District shall not sell, convey, mortgage, encumber, lease (except to the extent such lease payments shall be at the fair market value thereof and shall constitute Gross Revenues of the System, and except to the extent that leases may require the prior approval of the TWDB), or in any manner transfer title to, or dedicate to other use, or otherwise dispose of, the System (except as permitted in paragraph (f) hereof) or any significant or substantial part thereof; provided that whenever the District deems it necessary to dispose of any property, machinery, fixtures, or equipment, or dedicate such property to other use, it may do so either when it has made arrangements to replace the same or provide substitutes therefor, or it is determined by resolution of the Board that no such replacement or substitute is necessary.

(h) Annual Budget. The District shall prepare, prior to the beginning of each Fiscal Year, an annual budget, in accordance with law, reflecting an estimate of cash receipts and disbursements for the ensuing Fiscal Year in sufficient detail to indicate the probable Gross Revenues and Pledged Revenues for such fiscal year.

(i) Insurance.

(i) The District covenants and agrees that it will cause to be insured such parts of the System as would usually be insured by corporations or companies, against risks, accidents, or casualties against which and to the extent insurance is usually carried by corporations operating like properties, including fire and extended coverage insurance. Public liability and property damage insurance shall also be carried unless the general counsel for the District, or the Attorney General of Texas, gives a written opinion to the effect that the District, Board of Directors, and its officers and employees, are not liable for claims which would be protected by such insurance. At any time while any contractor engaged in construction work shall be fully responsible therefor, the District shall not be required to carry insurance on the works being constructed, but the contractor shall be required to carry appropriate insurance. All such policies shall be open to the inspection of the owners of the Parity Bonds and their representatives at all reasonable times.

(ii) Upon the happening of any loss or damage covered by insurance from one or more of said causes, the District shall make due proof of loss and shall do all things necessary or desirable to cause the insuring companies to make payment in full directly to the District. The proceeds of insurance covering such property, together with any other funds necessary and available for such purpose, shall be used forthwith by the District for repairing the property damaged or replacing the property destroyed; provided, however, that if said insurance proceeds and other funds are insufficient for such purpose, then said insurance proceeds pertaining to the System shall be used promptly as follows:

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

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

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

(iii) The annual audit hereinafter required shall contain a list of all such insurance policies carried, together with a statement as to whether or not all insurance premiums upon such policies have been paid.

(j) Rate Covenant. The District covenants and agrees that it will fix, establish, maintain, and collect such rentals, rates, charges, and fees for the use and availability of the System as are necessary to produce Gross Revenues of the System sufficient (a) to pay all Operation and Maintenance Expenses of the System, (b) to make all payments and deposits required for the Parity Bonds in amounts sufficient to provide at least 1.0 times debt service coverage of all Parity Bonds and required to be made into the Interest and Sinking Fund and to maintain the Reserve Fund when and as required by this Resolution, (c) to comply with any provision contained in the Letter of Credit and Reimbursement Agreement for the Commercial Paper Notes, and to pay to the extent the same are reasonably anticipated to be paid with Pledged Revenues, the interest on and principal of the Commercial Paper Notes or the repayment of borrowings or other amounts due the Bank under the Letter of Credit and Reimbursement Agreements, as and when the same shall become due and any additional Subordinate Lien Obligations, and (d) to pay all other legal obligations of the District, including those required under any Master Agreement.

(k) Treated Water Supply Contracts. The District covenants and agrees that it will comply with the terms and conditions of the Treated Water Supply Contracts and any amendments thereto, and will, by all lawful means, enforce the same and cause the parties to comply with all of their obligations thereunder. The District will not rescind, modify or amend the Treated Water Supply Contracts in any way which would materially adversely affect the operation of the System or the rights of the owners of the Parity Bonds.

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(l) Records. The District shall keep proper books of record and account in which full, true, proper, and correct entries will be made of all dealings, activities, and transactions relating to the System, the Pledged Revenues, and the Funds created pursuant to this Resolution, and all books, documents, and vouchers relating thereto shall at all reasonable times be made available for inspection upon request of any Bondholder or citizen of the District. To the extent consistent with the provisions of this Resolution, the District shall keep its books and records in a manner conforming to standard accounting practices as usually would be followed by private corporations owning and operating a similar System, with appropriate recognition being given to essential differences between municipal and corporate accounting practices.

(m) Audits. After the close of each fiscal year while any of the Bonds or Additional Bonds are outstanding, an audit will be made of the books and accounts relating to the System and the Pledged Revenues by an independent certified public accountant or an independent firm of certified public accountants. As soon as practicable after the close of each such year, and when said audit has been completed and made available to the District, a copy of such audit for the preceding year shall be mailed to the Municipal Advisory Council of Texas, to each paying agent for any bonds payable from Pledged Revenues, to any registered owner of the Bonds who shall so request in writing, and to First Southwest Company. The annual audit reports shall be open to the inspection of the registered owners of Parity Bonds, and their agents and representatives at all reasonable times.

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

(o) No Competition. The District will not operate, or grant any franchise or, to the extent it legally may, permit the acquisition, construction, or operation of, any facilities which would be in competition with the System, and to the extent that it legally may, the District will prohibit any such competing facilities.

## ARTICLE X

### TAX MATTERS

#### Section 10.01. Provisions Concerning Federal Income Tax Exclusion.

The District intends that the interest on the Bonds be excludable from gross income for federal income tax purposes pursuant to sections 103 and 141 through 150, inclusive of the Code. The District covenants and agrees not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, would (i) cause the interest on the Bonds to be includable in gross income, as defined in section 61 of the Code, for federal income tax purposes or (ii) result in the violation of or failure to satisfy any provision of sections 103 and 141 through 150 inclusive of the Code. In particular, the District covenants and agrees to comply with each requirement of this Article X; provided, however, that the District shall not be required to

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comply with any particular requirement of this Article X if the District has received an opinion of nationally recognized bond counsel (“Counsel’s Opinion”) that (i) such noncompliance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or (ii) compliance with some other requirement will satisfy the applicable requirements of the Code, in which case compliance with such other requirement specified in such Counsel’s Opinion shall constitute compliance with the corresponding requirement specified in this Article X.

### Section 10.02. No Private Use or Payment and No Private Loan Financing.

The District covenants and agrees that it will make such use of the proceeds of the Bonds, including interest or other investment income derived from Bond proceeds, regulate the use of property financed, directly or indirectly, with such proceeds, and take such other and further action as may be required so that the bonds will not be “private activity bonds” within the meaning of section 141 of the Code. Moreover, the District will certify, through an authorized officer, employee or agent, based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, that the proceeds of the Refunded Commercial Paper Notes have not been and the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be “private activity bonds” within the meaning of section 141 of the Code.

### Section 10.03. No Federal Guaranty.

The District covenants and agrees not to take any action, or knowingly omit to take action within its control, that if taken or omitted, respectively, would cause the Bonds to be “federally guaranteed” within the meaning of section 149(b) of the Code, except as permitted by section 149(b)(3) of the Code.

### Section 10.04. No Hedge Bonds.

The District covenants and agrees that it has not and will not take any action, or has not knowingly omitted and will not knowingly omit to take any action, within its control, that, if taken or omitted, respectively, would cause the Bonds to be “hedge bonds” within the meaning of section 149(g) of the Code. Moreover, the District will certify, through an authorized officer, employee or agent, based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, that the proceeds of the Refunded Commercial Paper Notes have not been used in a manner that would cause the Refunded Commercial Paper Notes or the Bonds to be “hedge bonds” within the meaning of section 149(g) of the Code.

### Section 10.05. No Arbitrage.

The District covenants and agrees that it will make such use of the proceeds of the Bonds, including interest or other investment income derived from Bond proceeds, regulate investments of proceeds of the Bonds, and take such other and further action as may be required so that the Bonds will not be “arbitrage bonds” within the meaning of section 148(a) of the Code and the applicable Regulations promulgated thereunder. Moreover, the District will certify, through an authorized officer, employee or agent, that, based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, that the proceeds of

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the Bonds will not be used in a manner that would cause the Bonds to be “arbitrage bonds” within the meaning of section 148(a) of the Code and the applicable Regulations, including, specifically, that no portion of the proceeds of the Bonds will be used to acquire or to replace funds which were used, directly or indirectly, to acquire Nonpurpose Investments (as defined in the Code and Regulations) which produce a yield materially higher than the yield on the TWDB’s bonds that are issued to provide financing for the loan (“Source Series Bonds”), other than Nonpurpose Investments acquired with:

(a) proceeds of the TWDB’s Source Series Bonds invested for a reasonable temporary period of up to three (3) years after the issue date of the Source Series Bonds until such proceeds are needed for the facilities to be financed;

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

(c) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed the least of maximum annual debt service on the Bonds, 125% of average annual debt service on the Bonds, or 10% of the stated principal amount (or, in the case of a discount, the issue price) of the Bonds.

### Section 10.06. Arbitrage Rebate.

If the District does not qualify for an exception to the requirements of section 148(f) of the Code relating to the required rebate to the United States, the District will take all necessary steps to comply with the requirement that certain amounts earned by the District on the investment of the “gross proceeds” of the Bonds (within the meaning of section 148(f)(6)(B) of the Code), be rebated to the federal government. Specifically, the District will (i) maintain records regarding the investment of the gross proceeds of the Bonds as may be required to calculate the amount earned on the investment of the gross proceeds of the Bonds separately from records of amounts on deposit in the funds and accounts of the District allocable to other bond issues of the District or moneys which do not represent gross proceeds of any bonds of the District, (ii) determine at such times as are required by the applicable Regulations, the amount earned from the investment of the gross proceeds of the Bonds which is required to be rebated to the federal government, and (iii) pay, not less often than every fifth anniversary date of the delivery of the Bonds, or on such other dates as may be permitted under applicable Regulations, all amounts required to be rebated to the federal government. Further, the District will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Bonds that might result in a reduction in the amount required to be paid to the federal government because such arrangement results in a smaller profit or a larger loss than would have resulted if the arrangement had been at arm’s length and had the yield on the issue not been relevant to either party.

### Section 10.07. Information Reporting.

The District covenants and agrees to file or cause to be filed with the Secretary of the Treasury, not later than the 15th day of the second calendar month after the close of the calendar

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quarter in which the Bonds are issued, an information statement concerning the Bonds, all under and in accordance with section 149(e) of the Code.

### Section 10.08. Record Retention.

The District will retain all pertinent and material records relating to the use and expenditure of the proceeds of the Refunded Commercial Paper Notes and the Bonds until three years after the last Bond is redeemed, or such shorter period as authorized by subsequent guidance issued by the Department of Treasury, if applicable. All records will be kept in a manner that ensures their complete access throughout the retention period. For this purpose, it is acceptable that such records are kept either as hardcopy books and records or in an electronic storage and retrieval system, provided that such electronic system includes reasonable controls and quality assurance programs that assure the ability of the District to retrieve and reproduce such books and records in the event of an examination of the Bonds by the Internal Revenue Service.

### Section 10.09. Registration.

The Bonds will be issued in registered form.

Section 10.10. Deliberate Actions. The District will not take a deliberate action (as defined in section 1.141-2(d)(3) of the Regulations) that causes the Bonds to fail to meet any requirement of section 141 of the Code after the issue date of the Bonds unless an appropriate remedial action is permitted by section 1.141-12 of the Regulations, such remedial action is taken, and a Counsel's Opinion is obtained that such remedial action cures any failure to meet the requirements of section 141 of the Code.

### Section 10.11. Continuing Obligation.

Notwithstanding any other provision of this Resolution, the District's obligations under the covenants and provisions of this Article X shall survive the defeasance and discharge of the Bonds for as long as such matters are relevant to the exclusion from gross income of interest on the Bonds for federal income tax purposes.

## ARTICLE XI

### DISCHARGE

#### Section 11.01. Discharge.

The District reserves the right to defease, refund or discharge the Bonds in any manner permitted by law.

#### Section 11.02. Bonds as Negotiable Instruments.

Each of the Bonds shall be deemed and construed to be an "Investment Security" and, as such, a negotiable instrument, within the meaning of Article 8 of the Texas Uniform Commercial Code.

ARTICLE XII

MODIFICATIONS AND AMENDMENTS

Section 12.01. Amendments and Modifications of Resolution.

(a) The owners of 51% in principal amount of the Parity Bonds then outstanding shall have the right from time to time to approve any amendment to any resolution authorizing the issuance of any Parity Bonds, which may be deemed necessary or desirable by the District, provided, however, that nothing herein contained shall permit or be construed to permit the amendment of the terms and conditions in said resolutions or in the Parity Bonds so as to:

1. Make any change in the maturity of the outstanding Parity Bonds;
2. Reduce the rate of interest borne by any of the outstanding Parity Bonds;
3. Reduce the amount of the principal payable on the outstanding Parity Bonds;
4. Modify the terms of payment of principal of or interest on the outstanding Parity Bonds, or impose any conditions with respect to such payment;
5. Affect the rights of the owners of less than all of the Parity Bonds then outstanding;
6. Change the minimum percentage of the principal amount of Parity Bonds necessary for consent to such amendment.

(b) If at any time the District shall desire to amend a resolution under this Section, the District shall cause notice of the proposed amendment to be published in a financial newspaper or journal published in The City of New York, New York once during each calendar week for at least two successive calendar weeks. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of each paying agent for any of the Parity Bonds, for inspection by all owners of Parity Bonds. Such publication is not required, however, if notice in writing is given to each owner of Parity Bonds.

(c) Whenever at any time not less than thirty days, and within one year, from the date of the first publication of said notice or other service of written notice the District shall receive an instrument or instruments executed by the owners of at least 51% in aggregate principal amount of all Parity Bonds then outstanding, which instrument or instruments shall refer to the proposed amendment described in said notice and which specifically consent to and approve such amendment in substantially the form of the copy thereof on file as aforesaid, the District may adopt the amendatory resolution in substantially the same form.

(d) Upon the adoption of any amendatory resolution pursuant to the provisions of this Section, the resolution being amended shall be deemed to be amended in accordance with the amendatory resolution, and the respective rights, duties, and obligations of the District and all the owners of then outstanding Parity Bonds and all future Additional Bonds shall thereafter be determined, exercised, and enforced hereunder, subject in all respects to such amendment.

(e) Any consent given by the owner of a Parity Bond pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the first publication

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

(f) For the purpose of this Section, the ownership of and other matters relating to the Bonds shall be determined from the registration books kept by the registrar therefor.

### ARTICLE XIII

#### CONTINUING DISCLOSURE UNDERTAKING

##### Section 13.01. Definitions of Continuing Disclosure Terms.

As used in this Article, the following terms have the meanings assigned to such terms below:

“EMMA” means the Electronic Municipal Market Access System.

“MSRB” means the Municipal Securities Rulemaking Board.

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

“SEC” means the United States Securities and Exchange Commission.

##### Section 13.02. Annual Reports.

(a) The District shall provide or cause to be provided annually to the MSRB, (1) within six (6) months after the end of each fiscal year, financial information and operating data with respect to the District and each “obligated person,” within the meaning of the Rule (referred to sometimes as “Obligated Person” and sometimes as “Significant Obligated Person” herein), of the general type to be included in the final Official Statement, being the information described in Exhibit B hereto, including financial statements of the District or the Obligated Persons if audited financial statements are then available, and (2) if not provided as part of such financial information and operating data, audited financial statements of the District and the Obligated Persons, when and if available. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles described in Exhibit B hereto, (ii) audited, if the District or Obligated Person respectively commissions an audit of such statements and the audit is completed within the period during which they must be provided, and (iii) submitted through EMMA in an electronic format with accompanying identifying information, as prescribed by the MSRB. If the audit of such financial statements is not available within 12 months after any such fiscal year end of the District or Obligated Persons, then the District shall provide or cause the Obligated Persons to provide notice that audited financial statements are not available and shall provide or cause the Obligated Persons to provide unaudited financial statements for the applicable fiscal year to the MSRB. Thereafter, when and if audited financial statements become



## Part E - #71a

available, the District shall provide or cause the Obligated Persons to provide such audited financial statements as required to the MSRB. All such information and operating data shall be provided to the MSRB, in an electronic format, accompanied by identifying information, as prescribed by the MSRB, and will be available via the Electronic Municipal Market Access (“EMMA”) System at [www.emma.msrb.org](http://www.emma.msrb.org).

(b) If the District changes its fiscal year, or if any Obligated Person changes its fiscal year, the District will notify or cause to be notified the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the District otherwise would be required to provide or cause to be provided financial information and operating data pursuant to this Section.

(c) 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 included by specific reference to any document available to the public (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to the MSRB or filed with the SEC.

### Section 13.03. Material Event Notices.

(a) The District shall notify the MSRB, in a timely manner not in excess of ten (10) Business Days after the occurrence of the event, of any of the following events with respect to the Bonds:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) Modifications to rights of holders of the Bonds, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;

## Part E - #71a

- (x) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the District or an Obligated Person;
- (xiii) The consummation of a merger, consolidation, or acquisition involving the District or an Obligated Person or the sale of all or substantially all of the assets of the District or an Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) Appointment of a successor Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material.

(b) As used in clause (xii) above, the phrase “bankruptcy, insolvency, receivership or similar event” means the appointment of a receiver, fiscal agent or similar officer for the District or an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court of governmental authority has assumed jurisdiction over substantially all of the assets or business of the District or an Obligated Person, or if jurisdiction has been assumed by leaving the governing body and officials or officers of the District or an Obligated Person in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District or Obligated Person.

(c) The District shall notify the MSRB, in a timely manner, of any failure by the District to provide financial information or operating data in accordance with Section 13.02 of this Resolution by the time required by such Section.

### Section 13.04. Limitations, Disclaimers and Amendments.

(a) The District shall be obligated to observe and perform the covenants specified in this Article for so long as, but only for so long as, the District remains an Obligated Person with respect to the Bonds within the meaning of the Rule, except that the District in any event will give notice of any deposit made in accordance with Article XI that causes Bonds no longer to be Outstanding.

(b) The provisions of this Article are for the sole benefit of the Owners and beneficial owners of the Bonds, 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. The District undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Article and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the District’s financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Article or otherwise, except as expressly provided herein. The

## Part E - #71a

District does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE DISTRICT OR AN OBLIGATED PERSON 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 THE DISTRICT, 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.

(c) No default by the District in observing or performing its obligations under this Article shall comprise a breach of or default under the Resolution for purposes of any other provisions of this Resolution.

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

(e) The provisions of this Article may be amended by the District from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District or an Obligated Person, but only if (i) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the Owners of a majority in aggregate principal amount (or any greater amount required by any other provisions of this Resolution that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Owners and beneficial owners of the Bonds. If the District so amends the provisions of this Article, it shall include with any amended financial information or operating data next provided in accordance with Section 13.02 an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

## ARTICLE XIV

### DEFAULT AND REMEDIES

#### Section 14.01. Events of Default.

Each of the following occurrences or events for the purpose of this Resolution is hereby declared to be an "Event of Default," to-wit:

(a) the failure to make payment of the principal of, redemption premium, if any, or interest on any of the Bonds when the same becomes due and payable; or

## Part E - #71a

(b) default in the performance or observance of any other covenant, agreement or obligation of the District, the failure to perform which materially, adversely affects the rights of the Owners, including but not limited to, their prospect or ability to be repaid in accordance with this Resolution, and the continuation thereof for a period of 60 days after notice of such default is given by any Owner to the District.

### Section 14.02. Remedies for Default.

(a) Upon the happening of any Event of Default, then and in every case any Owner or an authorized representative thereof, including but not limited to, a trustee or trustees therefor, may proceed against the District for the purpose of protecting and enforcing the rights of the Owners under this Resolution, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or agreement contained herein, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Owners hereunder or any combination of such remedies.

(b) It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all Owners of Bonds then outstanding.

### Section 14.03. Remedies Not Exclusive.

(a) No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Bonds or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of this Resolution, the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under this Resolution.

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

## ARTICLE XV

### SPECIAL PROVISIONS RELATING TO THE TEXAS WATER DEVELOPMENT BOARD

#### Section 15.01. Application of Article XIV.

The provisions of this Article shall apply so long as the Bonds, or any of them, are owned by the TWDB.

#### Section 15.02. Covenant to Abide with Rules.

The District will abide with all applicable laws of the State of Texas and Rules of the TWDB relating to the loan of funds evidenced by the Bonds and the Project.

## Part E - #71a

### Section 15.03. Tax Covenant.

(a) The District will not take, or omit to take, any action which action or omission would adversely affect the excludability for federal income tax purposes of interest payable on the Bonds or on any series of bonds issued by the TWDB or the Texas Water Resources Finance Authority.

(b) Neither the District nor a related party thereto will acquire any of the TWDB's Source Series Bonds in an amount related to the amount of the Bonds to be acquired from the District by the TWDB.

### Section 15.04. Final Accounting.

(a) Upon completion of the Project, the District shall render a final accounting of the cost of the Project to the TWDB.

(b) In accordance with the rules and regulations of the TWDB, any surplus moneys remaining after completion of the Project may be used for the following purposes as approved by the Executive Administrator: (i) to redeem, in inverse order of maturity, the Bonds owned by the TWDB; (ii) deposited into the Interest and Sinking Fund for payment of interest or principal on the Bonds owned by the TWDB or (iii) for eligible project costs as authorized by the Executive Administrator.

### Section 15.05. Environmental Indemnification.

The District shall not use proceeds from the sale of the Bonds for sampling, testing, removing or disposing of contaminated soils and/or media at the Project site. To the extent permitted by law, the District agrees to indemnify, hold harmless and protect the TWDB from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport, storage, treatment, recycling and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the District, its contractors, consultants, agents, officials and employees as a result of activities relating to the Project.

### Section 15.06. Annual Audit.

The District will furnish a copy of each annual audit, prepared in accordance with generally accepted accounting principles (GAAP), to the Texas Water Development Board, Attention: Executive Administrator, not later than 180 days following the close of the Fiscal Year.

### Section 15.07. Remedies.

Notwithstanding any other provisions of this Resolution, the TWDB may exercise all remedies available to it in law or equity, and any provision of the Bonds or Resolution that restricts or limits the TWDB's full exercise of these remedies shall be of no force and effect.

## Part E - #71a

### Section 15.08. Insurance Covenant.

The District will maintain adequate insurance coverage customarily maintained by municipal corporations on the projects financed with the proceeds of the Bonds in amounts adequate to protect the TWDB's interest.

### Section 15.09. Conveyance of Bonds.

Prior to any action by the District to convey its Bonds held by the TWDB to another entity, the conveyance and assumption of the Bonds must be approved by the TWDB.

## ARTICLE XVI

### MISCELLANEOUS

### Section 16.01. Changes to Resolution.

The Executive Director, Director of Business Services, President, Vice-President, or Treasurer of the Board, in consultation with Co-Bond Counsel, is hereby authorized to make changes to the terms of this Resolution if necessary or desirable to carry out the purposes hereof or in connection with the approval of the issuance of the Bonds by the Attorney General of Texas.

### Section 16.02. Partial Invalidity.

If any section, paragraph, clause or provision of this Order shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution.

### Section 16.03. No Personal Liability.

No recourse shall be had for payment of the principal of or interest on any Bonds or for any claim based thereon, or on this Resolution, against any official or employee of the District or any person executing any Bonds.

Part E - #71a

FINALLY ADOPTED, APPROVED AND EFFECTIVE this \_\_\_\_\_ day of \_\_\_\_\_, 2018.

\_\_\_\_\_  
President, Board of Directors,  
Upper Trinity Regional Water District

ATTEST:

\_\_\_\_\_  
Secretary, Board of Directors,  
Upper Trinity Regional Water District

**EXHIBIT A**

**TREATED WATER SUPPLY CONTRACTS**

**[TO BE UPDATED]**

ARGYLE WATER SUPPLY CORPORATION AND BARTONVILLE WATER SUPPLY CORPORATION

Treated Water Supply Contract between the District and Argyle Water Supply Corporation, Bartonville Water Supply Corporation (now Cross Timbers Water Supply Corporation) and Mustang Water Supply Corporation, dated November 2, 1990, as amended by:

Amendments Pertaining to all Parties

- First Amendment, dated May 7, 1992
- Second Amendment, dated May 7, 1992 (Mustang rescinds)
- Revised Exhibit B, dated June 1, 1992
- Third Amendment, dated March 4, 1993

Amendments Pertaining to Argyle

- Fourth Amendment, dated January 8, 1999 (Argyle)
- (Fifth) Amendment, dated February 4, 1999 (Argyle)
- (Sixth) Amendment, dated January 20, 2011 (Argyle)

Amendments Pertaining to Bartonville

- (Fourth) Amendment, dated February 4, 1999 (Bartonville)

TOWN OF CORINTH; CITY OF HIGHLAND VILLAGE; LAKE CITIES MUNICIPAL UTILITY AUTHORITY; AND CITY OF SANGER

Treated Water Supply Contract between Upper Trinity Regional Water District (the "District") and Town of Corinth, City of Highland Village, Lake Cities Municipal Utility Authority, Town of Northlake, City of Pilot Point and City of Sanger, dated November 13, 1990, as amended by:

Amendments Pertaining to all Parties

- First Amendment, dated May 7, 1992
- Agreement to Rescind Upper Trinity Regional Water District Regional Treated Water Supply Participating Member Contract, dated March 4, 1993 (Town of Northlake)
- Pilot Point's contract is superceded by its Growth Member Contract, dated July 1, 1999

Amendments Pertaining to Highland Village



## Part E - #71a

- Option to Revise Water Supply Requirement, dated March 4, 1993
- Addendum, dated March 5, 1998
- Amendment, dated February 4, 1999
- Amendment, dated March 22, 2005

### Amendments Pertaining to Corinth

- Second Amendment, dated February 4, 1999
- Third Amendment, dated September 2, 1999

### Amendments Pertaining to Lake Cities

- (Second) Amendment, dated October 1, 1997
- Third Amendment, dated August 6, 1998
- (Fourth) Amendment, dated February 4, 1999
- Fifth Amendment, dated September 2, 1999

### DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 1-A

Treated Water Supply Contract between the District and Denton County Fresh Water Supply District No. 1, dated May 7, 1992, as amended by:

- Assignment and Assumption Contract between Denton County Fresh Water Supply District No. 1, Denton County Fresh Water Supply District No. 1-A, and Denton County Fresh Water Supply District No. 1-B, as approved by Upper Trinity Regional Water District, dated July 13, 1995
- Assignment and Assumption Contract by and between the District and Denton County Fresh Water Supply District No. 1-A, dated August 13, 1997
- Assignment and Assumption Contract by and between the District and Denton County Fresh Water Supply District No. 1-A, dated May 5, 1999
- Amendment, dated May 26, 1999

### MUSTANG SPECIAL UTILITY DISTRICT

Terminated Regional Treated Water Supply Contract for Additional Participating Utility between the District and Mustang Water Supply Corporation, dated as of November 19, 1998, as amended. Replaced with Regional Treated Water Supply Contract for Additional Participating Member with Mustang Special Utility District, dated February 10, 2003:

- Amendment, dated June 1, 2006

### TOWN OF FLOWER MOUND

Regional Treated Water Supply Service Contract for Additional Participating Member with Town of Flower Mound, dated May 7, 1992, as amended by:

- Amendment, dated June 3, 1999

### TOWN OF LINCOLN PARK

Upper Trinity Regional Water District Treated Water Supply Contract for Additional Participating Member with Town of Lincoln Park, dated May 6, 1999. All rights to said contract were assigned to Mustang Special Utility District in July 2015.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 7

Terminated Upper Trinity Regional Water District Treated Water Supply Contract for Additional Participating Member with Denton County Development District No. 4, dated September 2, 1999. Assigned all rights to such contract, including amendments thereto, to Denton County Fresh Water Supply District No. 7, dated November 15, 2001, establishing DCFWSD No. 7 as an Additional Participating Membership.

CITY OF AUBREY

Regional Treated Water Supply Service Contract for Additional Participating Member with City of Aubrey, dated March 18, 1999.

CITY OF CELINA

Regional Treated Water Supply Service Contract for Additional Participating Member with City of Celina, dated February 14, 2000

- Amendment, dated September 22, 2003.

CITY OF JUSTIN

Regional Treated Water Supply Service Contract for Additional Participating Member with City of Justin, dated July 6, 2000.

CITY OF KRUM

Regional Treated Water Supply Service Contract for Additional Participating Member with City of Krum, dated September 18, 2003.

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 8A

Regional Treated Water Supply Service Contract with Participating Customer Denton County Fresh Water Supply District No. 8a, dated August 29, 2001 as amended by:

- Amendment, dated September 6, 2001
- Second Amendment to Participating Customer Contract, dated May 2, 2002
- Amendment to Participating Customer Contract, dated February 24, 2004
- Agreement Regarding Alternative Project Payment, dated March 30, 2004
- Agreement to Participating Customer Contract, dated October 23, 2008

TOWN OF PROVIDENCE VILLAGE (FORMERLY PROVIDENCE VILLAGE WATER CONTROL AND IMPROVEMENT DISTRICT OF DENTON COUNTY/DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 9)

Regional Treated Water Supply Service Contract for Additional Participating Customer with Denton County Fresh Water Supply District No. 9, dated August 29, 2001 as amended by:

- Amendment, dated September 6, 2001
- Amended to Participating Customer Contract, dated March 18, 2004
- Second Amendment to Participating Customer Contract, dated March 2, 2006
- Third Amendment to Participating Customer Contract, dated May 4, 2006

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DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 10

Regional Treated Water Supply Service Contract for Additional Participating Customer with Denton County Fresh Water Supply District No. 10, dated August 29, 2001 as amended by:

- Amendment, dated September 6, 2001
- Agreement Regarding Alternative Project Payment, dated March 18, 2004
- Amendment to Participating Customer Contract, dated April 1, 2004
- Third Amendment to Participating Customer Contract, dated May 4, 2006
- Amendment Regarding Alternative Project Payment, dated October 16, 2008
- Fourth Amendment to Participating Customer Contract, dated September 3, 2009

DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 11-A

Regional Treated Water Supply Service Contract for Additional Participating Customer with Denton County Fresh Water Supply District No. 11, dated August 29, 2001 as amended by:

- Amendment, dated September 6, 2001
- Amendment to Participating Contract with Denton County Fresh Water Supply District No. 11-A, dated February 24, 2004
- Agreement Regarding Alternative Project Payment, dated March 30, 2004
- Amendment Regarding Alternative Project Payment, dated October 23, 2008

TOWN OF NORTHLAKE

Regional Treated Water System for Additional Participating Customer Contract with Town of Northlake, dated as of December 2, 2010.

EXHIBIT B

**DESCRIPTION OF ANNUAL DISCLOSURE OF FINANCIAL INFORMATION**

The following information is referred to in Article XIII of the Resolution.

**Annual Financial Statements and Operating Data**

The financial information and operating data with respect to the District to be provided annually in accordance with such Article are as specified below:

1. Financial statements of the District for the most recently concluded fiscal year.
2. Financial information and operating data set forth in Tables 1 through 4 of the Official Statement and in Appendix A thereto.
3. Financial information and operating data with respect to Significant Obligated Persons (as defined in the Official Statement) to be provided in accordance with Article XIII and which is included in Appendix B to the Official Statement and financial statements of the Significant Obligated Persons.

**Accounting Principles**

The accounting principles referred to in such Article are the accounting principles described in the notes to the financial statements referred to in Paragraphs 1 and 3 above.

**Tab 22**  
**Part E - #71b**  
**Private Placement**  
**Memorandum**

Part E - #71b

PRIVATE PLACEMENT MEMORANDUM DATED [REDACTED]

NEW ISSUE BOOK-ENTRY-ONLY

On the date of initial delivery of the Obligations (defined below), Issuer Co-Bond Counsel (defined on page 2) will render its opinion substantially in the form attached in APPENDIX C - FORM OF OPINION OF CO-BOND COUNSEL.

**\$7,590,000\***

**UPPER TRINITY REGIONAL WATER DISTRICT  
REGIONAL TREATED WATER SYSTEM REVENUE BONDS  
SERIES 2018 (the "Obligations")**

**Dated: October 15, 2018**

**Due: August 1**

Interest Date: Interest on the Obligations will be payable on February 1 and August 1 each year, commencing February 1, 2019 (each an "Interest Payment Date"). The Obligations will bear interest at the rates per annum set forth in "APPENDIX A - MATURITY SCHEDULE."

Record Date: The close of business on the fifteenth business day of the calendar month immediately preceding the applicable Maturity Date, commencing February 1, 2019.

Date Interest Accrues: Each Bond shall bear interest from the Delivery Date thereof or the most recent Interest Payment Date to which interest has been paid or provided for at the rate set forth, such interest payable semiannually on February 1 and August 1 of each year until the earliest of maturity or prior redemption, commencing on February 1, 2019, immediately following the Delivery Date.

Redemption: The Obligations are subject to redemption prior to maturity as provided herein. See "THE OBLIGATIONS - Redemption Provisions" herein.

Authorized Denominations: The Obligations are being issued as fully registered bonds in denominations of **\$5,000**, or any integral multiple thereof.

Paying Agent/Registrar/Registrar: The paying agent ("Paying Agent/Registrar/Registrar") for the Obligations is BOKF, NA Dallas, Texas

Book-Entry-Only System Upon initial issuance, the ownership of the Obligations will be registered in the registration books of the Issuer kept by the Paying Agent/Registrar, in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") to which principal, redemption premium, if any, and interest payments on the Obligations will be made. The purchasers of the Obligations will not receive physical delivery of bond certificates. Principal of, interest, and premium if any, on the Obligations will be payable at the designated office of the Paying Agent/Registrar in Dallas, Texas as the same become due and payable.

Issuer: UPPER TRINITY REGIONAL WATER DISTRICT

Official Action: RESOLUTION dated [REDACTED].

Purpose: See "APPENDIX B - OFFICIAL ACTION."

Security for the Obligations: See APPENDIX B - OFFICIAL ACTION."

Ratings: See "OTHER INFORMATION - Ratings"

Delivery Date: [REDACTED].

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See "APPENDIX A - MATURITY SCHEDULE" for Principal Amounts, Maturities, Interest Rates, Prices or Yields, and Initial CUSIP Numbers

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Part E - #71b

**UPPER TRINITY REGIONAL WATER DISTRICT  
BOARD OF DIRECTORS**

<u>Name</u>	<u>Position</u>	<u>Term Expiration</u>	<u>Appointing Entity</u>
Kevin Mercer	President	May 31, 2019	Denton County Fresh Water Supply District No. 7
Richard A. Lubke	Vice President	May 31, 2019	City of Highland Village
Ramiro Lopez	Treasurer	May 31, 2021	City of Irving
Mike Fairfield	Secretary	May 31, 2021	Lake Cities Municipal Utility Authority
Troy Norton	Director	May 31, 2021	Town of Argyle
Brian Roberson	Director	May 31, 2019	City of Aubrey
Del Knowler	Director	May 31, 2021	Town of Bartonville
Lance Vanzant	Director	May 31, 2021	City of Celina
Janet Aune	Director	May 31, 2021	Town of Copper Canyon
Cody Collier	Director	May 31, 2021	City of Corinth
Timothy S. Fisher	Director	May 31, 2021	City of Denton
Johnny D. Harris	Director	May 31, 2019	Denton County
Jean Campbell	Director	May 31, 2021	Denton County At-Large
Kristina Clark	Director	May 31, 2019	Denton County Fresh Water Supply District No. 1-A
Dick Cook	Director	May 31, 2021	Town of Double Oak
Kenneth Parr	Director	May 31, 2019	Town of Flower Mound
Vignia L. Blevins	Director	May 31, 2021	City of Justin
Gary Calmes	Director	May 31, 2021	City of Krum
Eric Ferris	Director	May 31, 2021	City of Lewisville
Chris Boyd	Director	May 31, 2019	Mustang Special Utility District
Alan Guard	Director	May 31, 2019	City of Pilot Point
Mike Anderson	Director	May 31, 2019	Town of Ponder
Frank Jaromin	Director	May 31, 2019	Town of Prosper
Mike Brice	Director	May 31, 2019	City of Sanger

**MANAGEMENT OFFICERS**

<u>Name</u>	<u>Position</u>
Larry N. Patterson, P.E.	Executive Director
[REDACTED]	Deputy Executive Director
William A. Greenleaf	Director of Business Services
Kurt Staller	Acting Director of Engineering

**INDEPENDENT AUDITORS, CONSULTANTS AND ADVISORS**

Independent Auditors.....	Deloitte & Touche LLP Dallas, Texas
General Counsel and Co-Co-Bond Counsel.....	John F. Boyle, Jr. Boyle & Lowry, L.L.P. Irving, Texas
Co-Co-Bond Counsel.....	Bracewell LLP Dallas, Texas
Financial Advisors.....	Hilltop Securities Inc. Fort Worth, Texas
Paying Agent/Registrar.....	BOKF, NA Dallas, Texas

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**Private Placement Memorandum  
relating to**

**\$7,590,000\***

**UPPER TRINITY REGIONAL WATER DISTRICT  
WATER SYSTEM REVENUE BONDS,  
SERIES 2018 (the "Obligations")**

**INTRODUCTION**

This Private Placement Memorandum, including the cover page and appendices, contains brief descriptions of the Issuer, provides certain information with respect to the issuance by the Issuer, and summaries of certain provisions of the "Obligations" pursuant to the Official Action. Except as otherwise set forth herein, capitalized terms used but not defined in this Private Placement Memorandum have the meanings assigned to them in the Official Action. See "APPENDIX B – "FORM OF OFFICIAL ACTION" attached hereto.

APPENDIX A contains the maturity schedule for the Obligations. APPENDIX B contains the Official Action and a description of the purpose for the proceeds of the Obligations. APPENDIX C contains a copy of the proposed opinion of Co-Bond Counsel with respect to the Obligations. The summaries of the documents contained in the forepart of this Private Placement Memorandum are not complete or definitive, and every statement made in this Private Placement Memorandum concerning any provision of any document is qualified by reference to such document in its entirety.

**THE OBLIGATIONS**

**General Description**

The Obligations are being issued in the aggregate principal amount set forth in APPENDIX A of this Private Placement Memorandum and will mature and be subject to redemption prior to maturity as described therein. The Obligations are being issued as fully registered bonds in denominations of **\$5,000**, or any integral multiple thereof. The Obligations will be dated as of the stated date of issue and will mature on the dates referenced thereon, and will bear interest at the rates per annum set forth in "APPENDIX A - MATURITY SCHEDULE."

Interest on the Obligations is payable semiannually on each Interest Payment Date, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Principal of and the redemption price with respect to the Obligations will be payable to the Owners upon presentation and surrender at the principal office of the Paying Agent/Registrar.

**Purpose**

See "APPENDIX B - FORM OF OFFICIAL ACTION."

**Authority for Issuance**

The Obligations are issued pursuant to the general laws of the State of Texas, particularly the Act, Article XVI, Chapter 59 of the Texas Constitution, Chapter 54, Texas Water Code, as amended, pursuant to the provisions of the District Act, and pursuant to the Official Action.

**Security for the Obligations**

See "APPENDIX B - FORM OF OFFICIAL ACTION."

**Redemption Provisions**

On February 1, 2029, or on any date thereafter, the Obligations maturing on and after August 1, 2029 may be redeemed prior to their scheduled maturities, upon the written direction of the Issuer, with funds provided by the Issuer, at par plus accrued interest to the date fixed for redemption as a whole, or in part, and if less than all of a

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maturity is to be redeemed the Paying Agent/Registrar will determine by lot the Obligations, or portions thereof within such maturity to be redeemed (provided that a portion of a Bond may be redeemed only in Authorized Denominations).

### **Notice of Redemption; Selection of Obligations to Be Redeemed**

See "APPENDIX B - FORM OF OFFICIAL ACTION."

The Paying Agent/Registrar, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption of the Bonds, notice of proposed amendment to the Order or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the Issuer will reduce the outstanding principal amount of such Bonds held by DTC.

### **Book-Entry-Only System**

*The information in this caption concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book entry system has been obtained from DTC and the Issuer makes no representation or warranty nor takes any responsibility for the accuracy or completeness of such information.*

DTC will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Obligations and deposited with DTC. See APPENDIX B - "FORM OF OFFICIAL ACTION."

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

## **TAX MATTERS**

### **Opinion**

-Co-Bond Counsel will deliver its opinion on the date of delivery of the Obligations substantially in the form as attached in "APPENDIX C - FORM OF OPINION OF CO-BOND COUNSEL."

## **OTHER INFORMATION**

### **Settlement of Purchase of Obligations**

The Board and the Issuer intend for the delivery of the Obligations to be facilitated through the book-entry only system of DTC. See "THE OBLIGATIONS - Book-Entry-Only System". In connection with the delivery of the Obligations, a settlement agent may be used to effect the delivery of the Obligations. If such a settlement agent is used, such

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settlement agent (i) is being used solely to facilitate book-entry delivery of the Obligations, (ii) will be acting solely as a "Clearing DTC Participant" and not as an "underwriter" (each as defined in Section 2(a)(1) of the U.S. Securities Act of 1933, as amended, (iii) is not acting as a fiduciary or municipal advisor to the Board or the Issuer with regard to the Obligations and, accordingly, has no fiduciary duty to either the Board or the Issuer under Federal or state securities laws, and therefore is not required by federal or state law to act in the best interests of the Board or the Issuer, (iv) in providing information to either the Board or the Issuer, is not providing "advice" with the meaning of Section 15B of the Securities Exchange Act of 1934, as amended, and that the information provided has not been relied on by either the Board or the Issuer in the issuance of the Obligations and (v) has not provided any legal, accounting, regulatory or tax advice to the Issuer.

### **Forward Looking Statements**

The statements contained in this Private Placement Memorandum, including the cover page, appendices, and any other information or documents provided by the Issuer, that are not purely historical, are forward-looking statements, including statements regarding the Issuer's expectations, hopes, intentions, or strategies regarding the future. Holders and beneficial owners of the Obligations have placed reliance on forward-looking statements. All forward looking statements included in this Private Placement Memorandum are based on information available to the Issuer on the date hereof. It is important to note that the Issuer's actual results could differ materially from those in such forward-looking statements.

### **Ratings**

**No application has been made to any ratings agency or municipal bond insurance company for qualification of the Obligations for ratings or municipal bond insurance, respectively, nor is it anticipated the Issuer would have received an investment grade rating had one been applied for.**

## LITIGATION

### **General**

On the date of delivery of the Obligations to the initial purchasers thereof, the Issuer will execute and deliver a certificate to the effect that, except as disclosed herein, no litigation of any nature has been filed or is pending, as of that date, to restrain or enjoin the issuance or delivery of the Obligations or which would affect the provisions made for their payment or security or in any manner questioning the validity of the Obligations.

### **The Issuer**

There is no litigation, proceeding, inquiry, or investigation pending by or before any court or other governmental authority or entity (or, to the best knowledge of the Issuer, threatened) that adversely affects the power, authority or obligation of the Issuer to deliver the Obligations, the security for, or the validity of, the Obligations or the financial condition of the Issuer.

## CONTINUING DISCLOSURE OF INFORMATION

In the Official Action, the Issuer has made the following agreement for the benefit of the holders and beneficial owners of the Obligations. The Issuer is required to observe the agreement for so long as it remains obligated to advance funds to pay the Obligations. Under the agreement, the Issuer will be obligated to provide certain updated financial information and operating data, and timely notice of specified material events, to the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access System. SEE APPENDIX B - "FORM OF OFFICIAL ACTION."

### **Compliance with Prior Undertakings**

In connection with the District's outstanding bond debt for the District's treated water system, non-potable water system and separate wastewater treatment systems, the District entered into continuing disclosure undertakings to provide certain updated financial information and operating data of the District and certain significant obligated persons (generally, a contracting party for the respective system whose payments to the District for use of or service

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from such system in the Fiscal Year preceding such determination exceeded 10% of the gross revenues of such system) along with audited financial statements of the District and respective significant obligated persons within six months of the end of the District's fiscal year. Certain official statements of the District also indicated that the information for the respective significant obligated persons would be filed within six months of the fiscal year end of the respective significant obligated persons. During the last five years, the District has filed the required financial information and operating data and financial statements within six months of the District's September 30 fiscal year end. Certain significant obligated persons have different fiscal year ends from the District. Specifically, Lake Cities Municipal Utility Authority ("LCMUA"), a significant obligated person with respect to the District's outstanding Lakeview Regional Water Reclamation System debt, has an August 31 fiscal year end and Denton County Fresh Water Supply District No. 8-A ("District 8-A"), Denton County Fresh Water Supply District No. 10 ("District No. 10") and Denton County Fresh Water Supply District No. 11-A ("District 11-A"), each significant obligated persons with respect to the District's outstanding Northeast Regional Water Reclamation System debt, have February 28, July 31 and February 28 fiscal year ends, respectively. District 8-A, District 10 and District 11-A each have outstanding debt pursuant to which they have filed their annual financial statements on EMMA or Disclosure USA, as appropriate, within six months of their respective year ends. The District caused LCMUA's annual financial statements to be filed on EMMA or Disclosure USA, as applicable, within six months of the end of the District's fiscal year, but such filings were more than six months, but less than seven months, after LCMUA's fiscal year end.

### MISCELLANEOUS

Any statements made in this Private Placement Memorandum involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Private Placement Memorandum nor any statement that may have been made verbally or in writing is to be construed as a contract with the owners of the Obligations.

The information contained above is neither guaranteed as to accuracy or completeness nor to be construed as a representation by the Issuer. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Private Placement Memorandum nor any sale made hereunder is to create, under any circumstances, any implication that there has been no change in the affairs of the Issuer or the Issuer from the date hereof.

The Private Placement Memorandum is submitted in connection with the sale of the securities referred to herein to the Texas Water Development Board on the Delivery Date and may not be reproduced or used, as a whole or in part, for any other purpose.

### ADDITIONAL INFORMATION

The Private Placement Memorandum speaks only as of its date and the information contained herein is subject to change. Descriptions of the Obligations and the Official Action and any other agreements and documents contained herein constitute summaries of certain provisions thereof and do not purport to be complete. This Private Placement Memorandum was approved by the Issuer.

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APPENDIX A

MATURITY SCHEDULE

<u>Principal Amount</u>	<u>Maturity 1-Aug</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Suffix <sup>(1)</sup></u>	<u>Principal Amount</u>	<u>Maturity 1-Aug</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Suffix <sup>(1)</sup></u>
\$ 260,000	2019				\$ 305,000	2032			
215,000	2020				315,000	2033			
220,000	2021				320,000	2034			
225,000	2022				330,000	2035			
235,000	2023				340,000	2036			
240,000	2024				350,000	2037			
245,000	2025				360,000	2038			
255,000	2026				375,000	2039			
260,000	2027				385,000	2040			
270,000	2028				395,000	2041			
280,000	2029				410,000	2042			
285,000	2030				420,000	2043			
295,000	2031								

- (1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the Issuer nor the Financial Advisor take any responsibility for the accuracy of the CUSIP numbers set forth herein.

**APPENDIX B**  
**FORM OF OFFICIAL ACTION**

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**APPENDIX C**

**FORM OF OPINION OF CO-BOND COUNSEL**