



P.O. Drawer 305 • Lewisville, TX 75067

(972) 219-1228 • Fax (972) 221-9896

May 22, 2015

Mr. Luis Faries, Manager of Regional Water Planning & Development – Team 3
State Water Implementation Fund for Texas (SWIFT)
Texas Water Development Board
P.O. Box 13231
Austin, Texas 78711-3231

Re: Upper Trinity Regional Water District (TWDB PIF #11068) SWIFT Application Submission

Dear Mr. Farias:

TWDB's invitation for UTRWD to submit a full application for financial assistance through the SWIFT Program is appreciated. The requested funding is needed for proposed Lake Relph Hall.

This letter serves as transmittal for the full application for this much needed project which will provide a critical water supply for one of the fastest growing regions of Texas. We received the official invitation on May 6, 2015. On May 7, the Board of Directors for UTRWD formally and unanimously authorized Staff to submit the application for the following amounts and types of funding assistance as offered by the Texas Water Development Board.

- \$15,565,000 Board Participation
- \$29,115,000 Deferred Loan
- Total amount of requested assistance: \$44,680,000

Lake Ralph Hall is the classic example of a high priority project that the SWIFT Program was created to assist. With the Lake Ralph Hall Project, Upper Trinity will have the opportunity to continue our enduring partnership with TWDB and create another "success story" - - by providing an adequate water supply for the people.

We have endeavored to respond fully to the requirements of the SWIFT financial assistance program. However, should you have any questions or need additional information, please contact me or our Project Manager, Larry N. Patterson, at (972) 219-1228 or at lpatterson@utrw.com.

Sincerely,


Thomas E. Taylor
Executive Director

TET/lh/bhs

Enclosures: (1) TWDB SWIFT Application for PIF #11068 (with Related Attachments)
(2) CD of TWDB SWIFT Application for PIF #11088 (with Related Attachments)

C: Todd Madison, President, UTRWD
Larry N. Patterson, Deputy Executive Director
William A. Greenleaf, Director of Business Services
David Medanich, First Southwest
Nick Bulaich, First Southwest



STATE WATER IMPLEMENTATION FUND FOR TEXAS (SWIFT)

FULL APPLICATION FOR FINANCIAL ASSISTANCE

FOR LAKE RALPH HALL - - TWDB PIF #11068

MAY 22, 2015

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Transmittal Letter and Application

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**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, 5th 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

Thank you.

TWDB Use Only

Name of Applicant: _____

Date application received: _____

Date administratively complete: _____

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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:

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

3. Brief description of the project:

Lake Ralph Hall is being proposed on the North Sulphur River in the Sulphur River Basin in Fannin County, Texas by Upper Trinity Regional Water District (the District) for the primary purpose of creating and developing a municipal water supply reservoir. Water from the project is to be used to meet future water demands within that portion of Fannin County that lies in the Sulphur River Basin and within the service area of the District in the Trinity River Basin. The proposed lake project boundary is approximately 12,000 acres and once developed would provide a firm yield of about 30 mgd.

4. Applicant's Officers and Members:

<u>Name</u>	<u>Office Held</u>
Todd Madison	President Board of Directors
Lance Vanzant	Vice President Board of Directors
Chris Boyd	Treasurer Board of Directors
Gary Calmes	Secretary Board of Directors

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

Name:	Larry N. Patterson, P.E.
Title:	Deputy Executive Director
Address:	900 N. Kealy Street, Lewisville, TX 75057
Phone:	972-219-1228
Fax:	N/A
Email:	lpatterson@utrwd.com

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

Firm Name:	CH2M Hill, Inc.
Contact:	Edwards M. Motley, BCEE, P.E.
Address:	12750 Merit, Suite 1100, Dallas, TX 75251
Phone:	972-663-2237
Fax:	972-385-0846
Email:	edward.motley@ch2m.com

b) Bond Counsel

Firm Name:	Bracewell & Giuliani L.L.P.
Contact:	Rob Collins
Address:	1445 Ross Avenue, Suite 3800, Dallas, Texas 75202-2711
Phone:	214-758-1012
Fax:	800-404-3970
Email:	Rob.collins@bgllp.com

c) Financial Advisor

Firm Name:	First Southwest Company
Contact:	David K. Medanich
Address:	777 Main Street, Suite 1200, Fort Worth, Texas 76102
Phone:	817-332-9710
Fax:	817-336-5572
Email:	David.Medanich@firstsw.com

d) Certified Public Accountant (or other appropriate rep)

Firm Name:	Deloitte & Touche LLP
Contact:	Terry Kile
Address:	Chase Tower, Suite 1600, 2200 Ross Avenue, Dallas, Texas 75201-6778
Phone:	214-840-7475
Fax:	214-880-5475
Email:	tkile@deloitte.com

e) Legal Counsel (if other than Bond Counsel)

Firm Name:	Boyle & Lowry L.L.P.
Contact:	John F. Boyle, Jr.
Address:	4201 Wingren, Suite 108, Irving, Texas 75062
Phone:	972-650-7100
Fax:	972-650-7105
Email:	jboyle@boyle-lowry.com

f) Any other consultant representing the Applicant before the Board

Firm Name:	CPY, Inc.
Contact:	Pete Patel, P.E.
Address:	1820 Regal Row, Dallas, Texas 75235
Phone:	214-638-0500
Fax:	214-638-3723
Email:	ppatel@cpyi.com

g) Any other consultant representing the Applicant before the Board

Firm Name:	Alan Plummer Associates, Inc.
Contact:	Alan Tucker, P.E.
Address:	1320 South University Drive, Suite 300, Fort Worth, TX 76107
Phone:	817-806-1700
Fax:	817-870-2536
Email:	atucker@apaienv.com

7. List the counties within the Applicant's service area. **Fannin, Collin, Cooke, Dallas, Denton, Grayson & Wise**

8. Identify the Applicant's total service area population: **202,939**

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)	\$ <u>\$44,680,000</u>
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
Attached	Attached	Attached	Attached	Attached
Total Funding from All Sources		\$		

Comments: **Attached**

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

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 71st Legislature of Texas, Regular Session, 1989, as amended by Chapter 494, Acts 1995, 74th 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). **PLEGGED REVENUES.**

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

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.
- 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 when and as needed, as determined by the District, to supply treated water to all Participating Members and other Customers.

Upper Trinity has a contract with the City of Ladonia which states “Ladonia hereby agrees to provide its full support for the proposed Lake and for associated improvements.”

Additionally, Upper Trinity has a contract with Fannin County which states “the District and Fannin County do hereby express their mutual desire to work in spirit and partnership to develop Lake Ralph Hall as a strategic water resource and as an important asset for Fannin County.”

For information regarding easements related to the construction of the required raw water transmission line from Lake Ralph Hall refer to Part D - #64 – Form ED-101.

No

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: **September 2012**
- 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

<http://www.twdb.state.tx.us/financial/instructions/doc/TWDB-1965.pdf>

N/A (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

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 (gal) '000s	Percent of Usage	Bankruptcy (Y/N)
Town of Flower Mound	2,843,334	34.91%	NO
City of Corinth	968,890	11.89%	NO
City of Highland Village	852,566	10.47%	NO
Denton County Fresh Water Supply District #7 (Lantana)	546,065	6.70%	NO
Denton County Fresh Water Supply District #1A (Castle Hills)	504,076	6.19%	NO
Lake Cities Municipal Utility Authority	490,724	6.02%	NO
Mustang Special Utility District	335,171	4.11%	NO
City of Celina	275,090	3.38%	NO
Denton County Fresh Water Supply District #10 (Savannah)	242,350	2.98%	NO
Providence Village	226,718	2.78%	NO

Comments: **As of September 30, 2014**

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)
Town of Flower Mound	13,900,785	40.25%	NO
City of Corinth	3,719,933	10.77%	NO
City of Highland Village	1,929,733	5.59%	NO
Denton County Fresh Water Supply District #7 (Lantana)	1,884,595	5.46%	NO
Denton County Fresh Water Supply District #1A (Castle Hills)	1,638,557	4.74%	NO
Lake Cities Municipal Utility Authority	1,598,667	4.63%	NO
Mustang Special Utility District	1,363,554	3.95%	NO
City of Celina	1,320,384	3.82%	NO
Denton County Fresh Water Supply District #10 (Savannah)	1,194,498	3.46%	NO
Providence Village	1,143,033	3.31%	NO

31. Provide a summary of the wholesale contracts with customers

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
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

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
- c) 20 attached
- d) 20 attached
- e) 20 attached

Not Applicable

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

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
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
University of North Texas (UNT)	7,762
Lewisville ISD	6,325
Walmart	3,900
Denton ISD	3,255
Centex Home equity	2,600
Frito Lay	2,500
American Airline	2,154
Peterbilt Motors	2,100
Northwest ISD	1,636
Denton State School	1,500

Comments (example, any anticipated changes to the tax base, employers etc.) **As of 09/30/2014**

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	03/19/2015	A3	03/30/2015	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.

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.):

The Lake Ralph Hall project will provide municipal water supply to the growing Upper Trinity service area.

Per the 2011 Region C Water Plan:

“The Upper Trinity Regional Water District (UTRWD) currently supplies treated water to users in Denton County and Collin County. The UTRWD also provides direct reuse for irrigation in Denton County. The currently available supplies for UTRWD include water purchased from Sulphur River Municipal Water District and Commerce out of Lake Chapman, purchased raw water from Denton and Dallas Water Utilities (DWU) and reuse. UTRWD’s currently available supplies range between 33,158 and 63,463 acre-feet per year from 2010-2060. (The changes in supply over time are due primarily to changes in water availability from DWU.) Considering losses associated with treatment and distribution, UTRWD needs to develop an additional 100,520 acre-feet per year by 2060.”

Lake Ralph Hall is one of the primary water management strategies identified in the Region C Water Plan needed to meet the projected 100,520 acre-feet per year water supply shortfall.

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

Lake Ralph Hall is a proposed new reservoir by the Upper Trinity Regional District (the District) in the Sulphur River Basin on the North Sulphur River in Fannin County, Texas. The primary purpose is for municipal water supply. Water from the project is to be used to meet water demands within that portion of Fannin County that lies in the Sulphur River Basin and within the service area of the District. The proposed lake will provide a firm yield of approximately 30 mgd; and, the project boundary encompasses approximately 12,000 acres.

The project elements include constructing:

- earthen dam**
- intake/pump station**
- state highway bridge over the lake**
- relocation of various state and county roads**
- utility relocations**
- raw water transmission pipeline**
- balancing reservoir**
- environmental and cultural resources mitigation**
- reservoir and administration/support facilities**

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

This report was an initial Feasibility Study. Significant work to further develop this project has been completed since this report. Refer to Part D - #61 (WRD-253d – Attachment A – Project Description) for more information.

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

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

Not Applicable

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

Attached

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

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

Attached

Not Applicable

c. DWSRF applicants must complete a Projected Draw Schedule

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

Not Applicable

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

a. *New supply: **N/A** (acre-feet/year)*

***N/A** capital cost*

- The **increase** in the total annual volume of water supply that will be made available to the recipient(s) by the proposed project.
- 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*

- Annual volume of anticipated water savings resulting from implementation of the proposed conservation project including water loss) and other conservation activities,
- 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*

- 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.
- 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*

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

56. Project Location:

Lake Ralph Hall is a proposed new reservoir by the Upper Trinity Regional Water District (The District) in the Sulphur River Basin on the North Sulphur River in Fannin County, Texas.

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://factfinder2.census.gov/faces/nav/jsf/pages/searchresults.xhtml?refresh=t>.

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 2015

b) Estimated date to submit environmental planning documents.

The following documents were included in Volume II of the WIF 10 Application submitted to the TWDB in December 2007:

- **“Draft Environmental Information Document”**
 - **Attachment 1 – Figures and Exhibits**
 - **Attachment 3 - Preliminary Jurisdictional Determination of Water of the US**
 - **Attachment 4 - Preliminary Habitat Assessment**
 - **Attachment 5 - Biological Assessment of the North Sulphur River**

Final planning documents are anticipated to be submitted by October 2016.

- c) Estimated date to submit engineering planning documents.

The following documents were included in Volume II of the WIF 10 Application submitted to the TWDB in December 2007:

- **“Preliminary Subsurface Exploration”**
- **“Draft Environmental Information Document”**
 - **Attachment 6 - Cultural Resources Survey Report**
 - **Attachment 7 - Economic Impact of Lake Ralph Hall**
 - **Attachment 8 - Fluvial Geomorphology Study Report**

Final planning documents are anticipated to be submitted by October 2016.

- d) Estimated date for completion of design.

Mid-2022

- e) Estimated Construction start date for first contract.

January 2019

- f) Estimated Construction end date for last contract.

Mid-2024

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

TCEQ Permit #5821 attached to form WRD-208A

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

Attached

Not Applicable

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.

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.
	Not Applicable			

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)
Section 404	USACE	NO

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)
	Form ED-101 Attached			Yes

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
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

An Environment Impact Statement is currently being prepared by the USACE for the Lake Ralph Hall project. The two scopes of work for that effort are attached.

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 checked="" type="checkbox"/> | Deferred | \$29,115,000 |
| <input type="checkbox"/> | Low Interest Loan | \$ N/A |
| <input checked="" type="checkbox"/> | Board Participation | \$15,565,000 |

69. For multi-year funding request or phased commitments, provide a schedule reflecting the closing dates for each loan requested.

Attached

Not Applicable

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

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**

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

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

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

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**

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

General Information

- No. 6 Draft or executed consulting contracts (engineering, financial advisor, bond counsel)
- No. 12 Existing security document for refinancing

Part B

Legal

- No. 17 Resolution (TWDB-0201A)
- No. 18 Application Affidavit (TWDB-0201)
- No. 19 Certificate of Secretary (TWDB-201B)
- No. 20 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 Resolution/ordinance authorizing the issuance of parity debt
- No. 22 Certificate of Convenience & Necessity
- No. 23 Enforcement Actions
- No. 24 Affidavit of No Objection
- No. 25 Two copies of the Water Conservation Plan (TWDB-1968 and TWDB-1965)
- No. 26 Water use surveys
 - <http://www.twdb.texas.gov/waterplanning/waterusesurvey/index.asp>
- No. 27 Water Loss Audit
 - <http://www.twdb.texas.gov/conservation/resources/waterloss-resources.asp>

Part C

Financial

- No. 39 Assessed Values by Classifications
- No. 40 Direct and Overlapping Tax Table
- No. 45 Proforma for each year of debt outstanding
- No. 46 Five year comparative system operating statement.
- No. 47 Annual audit and management letter
- No. 49 Outstanding debt schedule
- No. 52 Service provider contracts

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)

- No. 62 Water Project Information Form (WRD-253d)
- No. 63 Texas Pollution Discharge Elimination System Permit
 - 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)

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, RWAF 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)

Part A - #6

Consulting Contracts

ATTACHMENT A

Task Order No. 1

This Task Order is part of the AGREEMENT between Atkins North America, Inc. (the “ENGINEER”) and the Upper Trinity Regional Water District (UTRWD), (the “OWNER”), pertaining to a project (the “PROJECT”) generally described as:

Lake Ralph Hall, a proposed water supply reservoir in the Sulphur River Basin of Texas

The purpose of this Task Order No. 1 is to support the OWNER to secure the approval of the permits for the PROJECT by: (1) assisting in discovery and provide expert witness testimony during contested case hearings; (2) providing expert and technical assistance during remaining periods of the permitting review process by Texas Commission on Environmental Quality (TCEQ) and U.S. Army Corps of Engineers (USACE); and (3) continuing to assist the OWNER in mitigation plan development considering its impact upon lake operations.

ARTICLE I SCOPE OF SERVICES

Following is a listing and description of the various tasks that comprise the Basic Services to be provided by the ENGINEER to the OWNER under this Task Order No. 1.

Task 1.1 – Contested Case Hearing Support

This task includes providing technical support to the OWNER and its attorneys with discovery and preparations for TCEQ contested case hearings (to include providing expert witness testimony) on the issuance of the water rights permit for the PROJECT

Task 1.2 – Technical Support for Permit Review

This task includes providing technical support to the OWNER in coordinating with State and Federal Agencies relative to TCEQ and USACE permitting process for the PROJECT.

Task 1.3 – Technical Support for Mitigation Plan

This task includes providing technical support to the OWNER in the development of the mitigation plan for the PROJECT considering its impact upon lake operations.

Additional Services

A budget allowance of \$12,500 has been made for this item in order to provide Additional Services required to secure the permits or provide other services to further develop the Project. No

work will be undertaken on this item without specific written authorization from THE DISTRICT. Compensation for Additional Services, which may be required by THE DISTRICT, shall be based on the actual labor hours and expenses incurred in performing the work in accordance with Exhibit A.

ARTICLE II DELIVERABLES

There is no formal schedule for delivering specific information to the OWNER under this Task Order No. 1.

ARTICLE III COMPENSATION

ENGINEER will be compensated based on the actual labor hours and expenses incurred in performing the work in accordance with Exhibit A, Compensation. Partial payments for services outlined in this Task Order shall be made monthly based on billings submitted by the ENGINEER. In no event shall the ENGINEER's total fee exceed \$137,500.

The budget for the various tasks listed in the Scope of Work is listed below. ENGINEER's compensation for a particular task item may be less than or more than the budget amount, provided the sum of the ENGINEER's compensation for all task items does not exceed the maximum fee stated above.

Basic Services	\$125,000
Additional Services	\$ 12,500
Total	\$137,500

This Attachment A supersedes all prior written and oral understandings of the Scope of Services, and may only be changed by a written amendment executed by both parties.

**ARTICLE IV
AUTHORIZATION**

IN WITNESS WHEREOF, the parties execute below:

For the OWNER, Upper Trinity Regional Water District, dated this 1st day of March, 2012

By: Timothy S Fisher

Timothy S. Fisher

President

Name

Title

For the ENGINEER, Atkins North America, Inc., dated this 19 day of MARCH, 2012

By: [Signature]

Robert McCarty

Name

VP

Title

EXHIBIT A COMPENSATION

Atkins North America, Inc.
6504 Bridge Point Parkway, Suite 200
Austin, Texas 78730

March 2012

TERMS

Time and Materials Invoicing
Invoices Submitted Monthly

PROFESSIONAL SERVICES CHARGE RATES

Atkins Staff – Salary times 3.0 multiplier
Senior Consultant (Robert J. Brandes) - \$220/hour
Associate Consultant (Kirk Kennedy) - \$175/hour
Expert Witness Testimony – 2.0 times normal rates

DIRECT PROJECT EXPENSES

Auto Mileage - \$0.55/mile
All Other Direct Project Expenses – Cost plus 5%

**LONG RANGE WATER SUPPLY PLAN FOR
UPPER TRINITY REGIONAL WATER DISTRICT
TASK ORDER 9**

**CONTINUED TECHNICAL SUPPORT
FOR STATE AND FEDERAL PERMIT APPROVAL
FOR LAKE RALPH HALL**

March 1, 2012

This Task Order is part of the AGREEMENT between CP&Y, (the "ENGINEER"), and Upper Trinity Regional Water District (UTRWD), (the "THE DISTRICT"), for a project generally described as:

**LONG RANGE WATER SUPPLY PLAN
FOR UPPER TRINITY REGIONAL WATER DISTRICT**

Project Description

Lake Ralph Hall (the Project) is a planned future water supply reservoir on the North Sulphur River in southeast Fannin County. The Upper Trinity Regional Water District (THE DISTRICT) has submitted a Water Rights Permit Application for the project to the State of Texas and a Section 404 Permit Application for the project to the US Army Corps of Engineers.

This Task Order includes professional engineering and other support services necessary to complete Water Rights and Section 404 Applications technical review processes necessary to secure the permits for the Project.

Background

Task Order 9 is the ninth in a series of Task Orders that provides for professional engineering and other support services to support water supply planning and the development of the proposed Project. Previous task orders have achieved the following project milestones:

- Initial Feasibility Studies for The Project were completed in 2002
- The Water Rights Permit Application was submitted in September, 2003
- The Water Rights Permit Application was declared administratively complete in August 14, 2004
- The Water Rights Application public notice was published and public hearings conducted in March, 2006
- An Application for a Section 404 Permit was filed with the Fort Worth District U.S. Army Corps of Engineers (USACE) in October, 2006
- Public meetings were conducted by the USACE in April, 2008
- The USACE determined in July, 2008 that an Environmental Impact Statement (EIS) will be required for the Project
- Michael Baker Jr., Inc. was selected as the third party EIS contractor in September, 2008
- The Texas Commission on Environmental Quality (TCEQ) issued a draft Water Rights Permit in March, 2011 and later issued a revised draft Water Rights Permit in July, 2011

- The TCEQ Commissioners held a public meeting on February 22, 2012 to consider UTRWD's application to divert water from the proposed Lake Ralph Hall and to consider all timely filings for a hearing request. The Commissioners referred the application to the hearings examiner for consideration.

The objectives of this Task Order are:

- Provide expert testimony and technical assistance during the TCEQ contested case hearing process,
- Continue to provide technical assistance in reference to state/federal regulatory agencies on-going technical review / development of the Draft Environmental Impact Statement by the USACE,
- Continue to assist in negotiating strategies for accommodating the U.S. Forrest Service for certain parcels of National Grasslands within the Lake Ralph Hall project boundary,
- Continue to coordinate with TXDOT, Fannin County, local utilities, and pipeline companies to further quantify potential impacts to roadways and utility requiring relocation due to the project,
- Continue to provide technical assistance in development of operational and mitigation plans,

**ARTICLE I
SCOPE OF SERVICES**

The ENGINEER will complete the following scope of work (Basic Services) and coordinate with THE DISTRICT's legal counsel and other consultants.

TASK 1 - WATER RIGHTS SUPPORT

1.01 Assist THE DISTRICT in preparation for and participating in contested case hearings relating to the Water Rights Permit Application.

1.02 Prepare an update to the Economic Impact Study that was prepared in support of the application process.

TASK 2 - SECTION 404 PERMIT SUPPORT

2.01 Continue to assist THE DISTRICT in coordinating with the USACE and Michael Baker Jr., Inc. regarding the development of the Draft EIS and the on-going technical review of the Section 404 Permit Application.

2.02 Continue to support THE DISTRICT in coordinating with State & Federal Agencies relative to the review of the Draft EIS.

2.03 Assist THE DISTRICT in coordinating with the USACE and Michael Baker Jr., Inc. to develop a scope of work for the final EIS.

TASK 3 - U.S. FOREST SERVICE PROPERTY COMPENSATION

3.01 Continue to support THE DISTRICT in developing and negotiating a compensation/mitigation plan for impacts to the Caddo National Grasslands.

TASK 4 - RELOCATION SUPPORT

4.01 Continue to assist THE DISTRICT in developing agreements with TXDOT, Fannin County, utility companies and pipeline companies for relocations and coordination of infrastructure that may be impacted by the Project.

TASK 5 - TECHNICAL SUPPORT FOR OPERATIONAL AND MITIGATION PLANS

5.01 Prepare project implementation plan to provide a roadmap for THE DISTRICT's use in developing the project which includes the activities necessary to acquire right-of-way, secure permits and relocation agreements, complete engineering surveys and studies, develop designs, construct and commission the Project. Assist THE DISTRICT in developing a strategic plan for staffing and contracting needs to complete development of the project thru commissioning.

5.02 Assist THE DISTRICT in coordinating with the Region C Water Planning Group.

5.03 Attend regular coordination meetings and teleconferences with District staff to update them on the project status and to discuss project issues. Assist the staff in preparing and presenting briefings to the UTRWD Board and Board Committees.

5.04 Provide a Technical Advisory Committee to provide peer review and consultation relative to the planning and permit activities for The Project.

5.05 Develop mapping, exhibits and other visual aids such as a web site and brochures that demonstrate the social, economic and environmental benefits of the Project.

ADDITIONAL SERVICES

A budget allowance of \$75,000 has been made for this item in order to provide Additional Services required to secure the permits to include conducting supplemental studies, or providing other services to further develop the Project. No work will be undertaken on this item without specific written authorization from THE DISTRICT. Compensation for Additional Services, which may be required by THE DISTRICT, shall be based on the actual labor hours and expenses incurred in performing the work in accordance with Exhibit A.

Time for Completion

The estimated time for completion of the services outlined in this proposal is Seven Hundred Twenty (720) calendar days following notice to proceed.

**ARTICLE II
DELIVERABLES**

The Engineer shall provide a minimum of five (5) copies and one electronic file of the deliverables in conjunction with the completion of this Task Order.

**ARTICLE III
COMPENSATION**

The budget for the various tasks listed in the Scope of Work is listed below. ENGINEER will be compensated based on the actual labor hours and expenses incurred in performing the work in accordance with Exhibit A, Compensation. Partial payments for services outlined in this Task Order shall be made monthly based on billings submitted by the ENGINEER.

Basic Services	\$618,500
Additional Services	<u>\$ 75,000</u>
Total	\$693,500

ENGINEER's compensation for a particular task item may be less than or more than the budget amount, provided the sum of the ENGINEER's compensation for all task items does not exceed \$693,500.

**ARTICLE IV
AUTHORIZATION**

This Task Order No. 9 will become part of the referenced AGREEMENT when executed by both parties.

IN WITNESS WHEREOF, the parties execute below:

For the THE DISTRICT, Upper Trinity Regional Water District, dated this 1st day of March, 2012.

By: Timothy S Fisher

Timothy S. Fisher
Name

President
Title

For the ENGINEER, CP&Y, Inc., dated this 27th day of FEBRUARY, 2012.

By: [Signature]

Randel L. West
Name

Vice President
Title

**Exhibit A
Compensation**

**CP&Y, Inc.
Long Range Water Supply Plan**

Task Order No. 9

**Continued Technical Support
For State and Federal Permit Approval
For Lake Ralph Hall**

(Hourly Fee Schedule)

<u>Category</u>	<u>Billing Rate/Hour</u>
Project Manager	\$ 240.00
Project Engineer	\$ 180.00
Staff Engineer	\$ 140.00
Junior Engineer	\$ 110.00
Senior Technician	\$ 125.00
Technician	\$ 100.00
Admin	\$ 75.00

In no event shall the Engineer's total fee exceed \$693,500 (Basic Services \$618,500; Additional Services \$75,000).

Labor costs for individual staff assigned to the project shall be based on "Raw Salary" times a multiplier of 3.0. All direct non-labor expenses, including computers, communications, mileage, travel and lodging expenses, but excluding subcontract expenses, applied to the Special Services, shall be paid at invoice or internal office cost. Subcontract expenses shall be paid at direct cost plus a ten percent (10%) service charge, with the exception of CH2MHill which shall be paid at direct cost only.

**Task Order No. 2
Scope of Services and Compensation**

This Task Order is part of the AGREEMENT between Michael Baker Jr., Inc. (the "CONTRACTOR"), and Upper Trinity Regional Water District (the "OWNER"), for a PROJECT generally described as:

**Lake Ralph Hall, Thlrd Party Environmental Impact Statement Development, (Draft
Environmental Impact Statement Preparation)**

**Article I
Scope of Services**

I. Basic Service

A. Purpose

The purpose of Task Order No. 2 is to prepare a Draft Environmental Impact Statement (DEIS) that can be released to interested parties, the general public, and the various Federal, State, and local agencies. On November 24, 2008 the USACE submitted a final Lake Ralph Hall: Draft Environmental Impact Statement Scope of Work. This transmittal letter and scope of work (Pages 1-9) is attached to Task Order No. 2 as Attachment A.

Components of Attachment A include:

- Introduction and Purpose and Need
- Alternatives Including the Proposed Action
- Affected Environment and Environmental Consequences
- Consultation and Coordination
- Other DEIS Sections (Abstract, Summary and Acronyms and Abbreviations, Table of Contents, List of Preparers and Reviewers, References, Glossary, Index, and Appendices)
- Submission of the Draft Environmental Impact Statement Documents

II. Additional Services to be performed by the CONTRACTOR, if authorized by OWNER, which are not included in the above-described Basic Services must have prior written approval by OWNER.

**Article II
Compensation**

A. BASIC SERVICES:

Compensation by the OWNER to the CONTRACTOR for the Basic Services enumerated in Task Order No. 2 shall be billed based on the actual labor hours in accordance with the rate schedule listed in Exhibit A-1. Expenses and outside professional services shall be billed at cost plus a 10 percent administrative fee. The total fee shall not exceed \$ **1,053,072.00**.

B. ADDITIONAL SERVICES:

For all Additional Services enumerated in Task Order No. 2 CONTRACTOR's staff will be billed based on the actual labor hours in accordance with the rate schedule listed in Exhibit A-1. Expenses and outside professional services shall be billed at cost plus a 10 percent administrative fee. CONTRACTOR will submit a scope and estimated cost for such services. The total cost for all Additional Services shall not exceed \$ 100,000.00.

TOTAL COMPENSATION SUMMARY:

Basic Services:	\$ 1,053,072.00
Additional Service	<u>100,000.00</u>
Total Task Order No. 2:	\$ 1,153,072.00

OTHER PROVISIONS: The following provisions shall apply to this Task Order:

The CONTRACTOR's compensation is based on immediate authorization to proceed and timely completion of the PROJECT. If the PROJECT timing deviates from the assumed schedule for causes beyond the CONTRACTOR's control, the CONTRACTOR reserves the right to request renegotiation of those portions of the compensation affected by the time change.

This Task Order No. 2 will become part of the referenced AGREEMENT when executed by both parties.

IN WITNESS WHEREOF, the parties execute below:

For the OWNER, Upper Trinity Regional Water District, dated this 4th day of

December, 2008.

By: [Signature]
Name Kevin Mercer Title President

For the CONTRACTOR, Michael Baker Jr., Inc. dated this 4th day of

December, 2008.

By: [Signature]
Name Don M. Treude Title Vice President

Attachment A



DEPARTMENT OF THE ARMY
FORT WORTH DISTRICT, CORPS OF ENGINEERS
P. O. BOX 17300
FORT WORTH, TEXAS 76102-0300

NOV 25 2008

REPLY TO
ATTENTION OF:

November 24, 2008

Planning, Environmental, and Regulatory Division
Regulatory Branch

SUBJECT: Project Number SWF-2003-00336, Proposed Lake Ralph Hall

Mr. Larry Patterson, P.E.
Director of Operations and Water Resources
Upper Trinity Regional Water District
900 N. Kealy Street
P.O. Drawer 305
Lewisville, Texas 75067

Dear Mr. Patterson:

As you know, the U.S. Army Corps of Engineers (USACE) has worked with you and Michael Baker, Jr., Inc., in developing a scope of work for a Draft Environmental Impact Statement (DEIS) for the proposed Lake Ralph Hall project in Fannin County, Texas. The USACE is hereby submitting the final scope of work for the DEIS (see enclosed).

We look forward to working with you and Michael Baker Jr., Inc., on the preparation of the DEIS. If you have any questions concerning this matter, please contact Ms. Mary Flores at the address above of telephone (817) 886-1739

Sincerely,

A handwritten signature in black ink that reads "Stephen L. Brooks".

for
Stephen L Brooks
Chief, Regulatory Branch

Enclosure

Copy Furnished with Enclosure:

Mr. Edward M. Motley
CH2MHill
12377 Merit Drive, Suite 100
Dallas, Texas 75251

Mr. Timothy Smith
Senior Project Manager
Michael Baker Jr., Inc.
7700 Chevy Chase Drive
Austin, Texas 78752

**U.S. ARMY CORPS OF ENGINEERS – FORT WORTH DISTRICT
PLANNING, ENVIRONMENTAL AND REGULATORY DIVISION - REGULATORY BRANCH
PROJECT NO.: 200300336
LADONIA, FANNIN COUNTY, TEXAS
LAKE RALPH HALL: DRAFT ENVIRONMENTAL IMPACT STATEMENT
SCOPE OF WORK**

GENERAL DESCRIPTION:

The project consists of environmental and engineering studies to be used in the production of a Draft Environmental Impact Statement (DEIS) that can be released to interested parties, the general public, and various Federal, State, and local agencies. The studies will include those deemed necessary by USACE – Fort Worth to develop a technically, scientifically and legally defensible DEIS document as described under the *Tasks Descriptions* below. All studies presented in the DEIS will be conducted with technically-sound and unbiased methods using the best science and summarized in a clear, logical, and understandable manner. The DEIS will be concise, clear, and to the point and will be supported by evidence that USACE – Fort Worth has made the necessary environmental analyses [40 CFR §1500.2(b)]. Similarly, the DEIS will be analytic rather than encyclopedic discussing only briefly issues other than significant ones [40 CFR §1500.4(b-c)]. Finally the DEIS will provide full and fair disclosure of significant environmental impacts and will inform USACE – Fort Worth and the public of the reasonable alternatives which would avoid, or minimize adverse impacts or enhance the quality of the human environment [40 CFR §1502.1].

Michael Baker Jr., Inc. herein referred to as the "Contractor" will be responsible for providing labor, equipment, facilities, and other resources required for Environmental and Engineering Studies and third-party regulatory DEIS production as described in the *Task Descriptions* section of the Scope of Work. Unless noted in the *Task Descriptions* section, the Contractor assumes that all data, analyses, technical information, etc. required to prepare the DEIS shall be provided by UTRWD and/or USACE – Fort Worth. The collection of new data or the completion of technical analyses beyond those specifically identified in the *Task Descriptions* section of this Scope of Work would be considered out of scope and would require a contract modification.

The Contractor will ensure that qualified professionals with the proper experience in performing such services are used throughout the duration of the project. The Contractor will prepare the DEIS using an interdisciplinary approach which will insure the integrated use of the natural and social sciences, and the environmental arts. The Contractor will perform the following Tasks and submit the Deliverables as a part of this Statement of Work.

TASK DESCRIPTIONS:

Task 1. Introduction and Purpose and Need:

- A) The Contractor will prepare an Introduction that describes Upper Trinity Regional Water District's (UTRWD) proposed Lake Ralph Hall (LRH) project. The Introduction will illustrate the location of the proposed project, identify the permits required for the proposed LRH project, and will provide an overview of the contents of the DEIS.
- B) The Contractor will provide an overview of the project setting including the project location and existing reservoirs in Fannin County near Ladonia in the North Sulphur River Basin.
- C) The Contractor will clearly document the Purpose and Need for the proposed LRH project based primarily on information provided by UTRWD and/or USACE – Fort Worth. The Contractor will describe the basis for UTRWD's water demand and demographic projections by individual water user group. The Contractor will summarize historic, present and projected future water demand and demographics as they relate to the proposed LRH project. The Contractor will evaluate the techniques and assumptions utilized in developing the demographic and water demand projections and reach conclusions as to their reasonableness and suitability for application in the

LRH Purpose and Need Determination. The Contractor will document and assess the reasonableness, for the purposes of this EIS, of the process used to develop the 2006 Region C Water Plan which recommends LRH as a Major Water Management Strategy for UTRWD. The Contractor will gather sufficient information to prepare the Purpose and Need chapter of the EIS, generally following the outline below:

- i) Applicant's Statement of Need for the Project.
 - (1) UTRWD
 - (2) LRH Background.
 - ii) Overview of Water Supplies and Demand.
 - (1) Sources and yields of current water supply; and
 - (2) Service areas and current water use.
 - iii) Water Demand.
 - (1) Historical and Current Population growth;
 - (2) Historical water requirements; and
 - (3) Conservation in place.
 - iv) Future Water Requirements.
 - (1) Population projections and reasonableness
 - (2) Water Demand Projections and reasonableness
 - (3) Demand projection safety factor.
 - v) Comparison of Future Demand with Current Supply and Determination of Project Need
 - (1) Participant Water Supply and Demands.

Argyle WSC, City of Argyle, City of Aubrey, Bartonville WSC, City of Celina, Town of Copper Canyon, City of Corinth, Town of Crossroads, Denton County FWSD #1A(Castle Hills), Denton County FWSD # 7 (Lantana), Denton County FWSD #8A & #11 (Paloma Creek), Denton County FWSD #9 (Providence), Denton County FWSD #10 (Savannah), Town of Double Oak, Town of Flower Mound, Town of Hickory Creek, City of Highland Village, City of Justin, City of Krum, Lake Cities MUA, City of Lake Dallas, City of Lincoln Park, Mustang SUD, City of Oak Point, Town of Prosper, City of Sanger, Town of Shady Shores. UTRWD will confirm the list of participants.
 - (2) Overall comparison of Demand and supply
 - vi) Need for UTRWD to develop future water supply to meet Future Demand.
 - (1) Relationship to other water supply projects.
- D) As part of the Introduction the Contractor will summarize relevant Authorizing Actions including a brief discussion about the submittal of UTRWD's 404 permit application, 401 water quality certification, USACE's 404(b)(1) alternatives evaluation, other environmental permits, and other requirements and approvals required for the proposed LRH to proceed.
- E) The Contractor will describe the organization of the DEIS indicating compliance with 40 CFR 1500-1508 and USACE's requirements 33 CFR 325 Appendix B.

Task 2. Alternatives including the Proposed Action:

- A) The Contractor will rigorously explore and objectively evaluate all reasonable alternatives, and for those alternatives eliminated from detailed study briefly discuss the reasons for their elimination. The Contractor will conduct a workshop with USACE – Fort Worth and UTRWD to better define each of the following alternatives:
- i) **Alternatives Available to the USACE.** The DEIS will discuss the three actions available to USACE – Fort Worth:
 - (1) Issue the individual Section 404 permit;
 - (2) Issue the individual Section 404 permit with special conditions; or
 - (3) Deny the individual Section 404 permit.
 - ii) **No Action Alternative.** Satisfies 40 CFR §1502.14(d) requirements and provides an important baseline and context for comparison to other action alternatives. The Contractor will assess environmental impacts of this alternative as detailed in Task 3.
 - (1) The Contractor will clearly describe the implications of USACE – Fort Worth's denial of the individual Section 404 permit and the anticipated effects of the denial on UTRWD and its customers;

- (2) The Contractor will conduct a workshop with UTRWD and USACE to accurately define the No Action alternative;
 - (3) The Contractor will identify the environmental, social, and economic consequences of taking No Action; and
 - iii) **Alternatives Available to UTRWD.** The DEIS will document UTRWD's consideration of water management strategies, including:
 - (1) Constructing LRH as proposed by UTRWD. The Contractor will assess environmental impacts of this alternative as detailed in Task 3.
 - (2) Constructing LRH as proposed by UTRWD with modifications. UTRWD will provide the required engineering studies, feasibility analyses (including costs), environmental impacts considerations and analyses, etc. as deemed necessary by USACE – Fort Worth for all reasonable alternatives required for consideration by USACE – Fort Worth. The UTRWD will provide studies for these alternatives and will include a comparable level of detail to that of UTRWD's Preferred Alternative (i.e. LRH as proposed). The Contractor will use the provided data to assess environmental impacts of these alternatives compared to the Proposed Action and No Action alternatives. The Contractor will assess environmental impacts of these alternatives as detailed in Task 3.
 - (3) Developing or Acquiring Other Water Supply Sources. The Contractor will provide a generalized discussion of the environmental impacts of this alternative. Please note, that based on information received to date it is unlikely that this alternative will be carried forward for detailed study as outlined in Task 3.
 - iv) **Description of UTRWD's Preferred Alternative (Proposed Action).** The DEIS will describe UTRWD's proposed LRH project. The Contractor will assess environmental impacts of this alternative as detailed in Task 3.
 - (1) Include discussion on construction and operation, including borrow sites. UTRWD will identify borrow site locations as part of this alternative;
 - (2) Discuss the impoundment, transfer pipeline, intake facility, and required road relocations that are included in UTRWD's proposed LRH project.
 - v) **Summary of Committed Environmental Protection Measures.** The DEIS will document UTRWD's proposed environmental protection measures to reduce environmental impacts of the proposed LRH project.
- B) Past, Present, and Reasonably Foreseeable Future Actions. The Contractor will follow the principles described in CEQ's Considering Cumulative Effects Under the National Environmental Policy Act¹ and CEQ's Memorandum Guidance on the Consideration of Past Actions in Cumulative Effects Analysis². Cumulative impact is the impact on the environment which results from the incremental impact of the proposed action when added to other past, present, and reasonably foreseeable future actions regardless of what agency (federal or non-federal) or person undertakes such other actions [40 CFR §1508.7].
- i) The Contractor will identify relevant past actions that have affected resources that would be affected by the proposed LRH project;
 - ii) The Contractor will identify relevant present actions affecting resources that would be affected by the proposed LRH project;
 - iii) The Contractor will identify relevant, reasonably foreseeable (i.e. not speculative) future actions that could affect resources that would be affected by the proposed LRH project. It is important to note that CEQ guidance³ indicates that future actions can be excluded from cumulative effects analysis if the action: 1) is outside the geographic or temporal boundaries established for the cumulative effects analysis; 2) will not affect resources that are the subject

¹ CEQ. January 1997. Considering Cumulative Effects Under the National Environmental Policy Act (NEPA). Executive Office of the President, Washington, D.C.

² CEQ 2005. Memorandum: Guidance on the Consideration of Past Actions in Cumulative Effects Analysis. Executive Office of the President, Washington, D.C.

³ CEQ. January 1997. Considering Cumulative Effects Under the National Environmental Policy Act (NEPA). Executive Office of the President, Washington, D.C.

of the cumulative effects analysis; or 3) including the action would be arbitrary. Reasonably foreseeable future actions include Lake Marvin Nichols, Bois d'Arc Reservoir, Parkhouse I and Parkhouse II, and other reasonably foreseeable actions planned within the Sulphur River Basin. The Contractor will develop a list of other future actions. The Contractor will coordinate with each of the respective projects proponents to collect data regarding the size, scope, and timing of the actions as well as any anticipated environmental impacts associated with the actions to resources identified below in Task 3.

Task 3. Affected Environment and Environmental Consequences:

- A) The Contractor will succinctly describe in the DEIS the environment of the area to be affected by the alternatives under consideration. UTRWD will provide any data deemed necessary by USACE – Fort Worth to describe the baseline environmental conditions and affected environment unless specifically stated otherwise in i-xix below. The description will be no longer than is necessary to understand the effects of the alternatives. Consistent with CEQ regulations 40 CFR 1500, data and analyses in the DEIS will be commensurate with the importance of the impact, with less important material summarized, consolidated or simply referenced. The Contractor will describe the environment that would be affected by implementing alternatives identified under Task 2, A, ii and Task 2, A, iii, 1 and 2 and discuss the direct, indirect, and cumulative effects attributed to these alternatives for each resource. The Contractor will also document monitoring and mitigation measures and residual effects (i.e. those effects remaining after avoidance, minimization, and compensation are implemented). The Contractor will analyze impacts to the following resources in the DEIS:
- i) **Geology and Mineral Resources.** Discuss topography, provide an overview of the area's geology, and discuss the potential for mineral resources with emphasis on oil and gas resources since scoping comments mention oil and gas specifically. The Contractor will identify and map existing oil and gas infrastructure within the proposed LRH project area. The Contractor will describe the proposed LRH project area geology specifically as it relates for the potential for oil and gas resources. The Contractor will review a report prepared by Seewald Energy Company for EDCON-PRJ, a Houston-based energy company and discuss the report in the DEIS as appropriate. The Contractor will review lease applications and other pertinent information received by the United States Forest Service (USFS) related to natural gas/oil resources within or adjacent to the proposed LRH project (i.e. Caddo National Grasslands Ladonia Unit).
 - ii) **Water Resources.** Summarize the hydrologic setting, water resource-related regulations, private wells, water rights permits, groundwater, surface water (including floodplains), Waters of the U.S. including wetlands, and Waters of the State. Include evidence of USACE – Fort Worth's Jurisdictional Determination to address documented concerns related to wetland impacts. UTRWD will provide the Contractor and USACE – Fort Worth additional information regarding wetlands and Waters of the U.S. that could occur within the proposed transfer pipeline alignments. The information will be sufficient for USACE – Fort Worth to make a Jurisdictional Determination for wetlands and Waters of the U.S. within or adjacent to the transfer pipeline alignments. UTRWD will also provide the Contractor and USACE – Fort Worth information regarding jurisdictional wetlands, Waters of the U.S., and Waters of State potentially affected by each alternative evaluated in detail. The Contractor will obtain and review data available from Texas Council on Environmental Quality (TCEQ) relating to water quality within the project area. The Contractor will discuss the implications of the North Sulphur River's inclusion on the Texas 2008 303d List and coordinate with TCEQ as necessary. The Contractor will coordinate with USACE – Fort Worth to identify additional aquatic macroinvertebrate sampling locations within aquatic environments potentially affected by the alternatives and potential mitigation areas. UTRWD will collect samples and assess the results of sampling activities per USACE – Fort Worth and Contractor direction. The Contractor will use the information provided by UTRWD to document baseline aquatic conditions.
 - iii) **Soils.** The Contractor will identify native soils, prime, unique, and statewide and locally important farmlands, and soil productivity. The Contractor will rate the alternatives through

coordination with the local Natural Resources Conservation Service field office using U.S. Department of Agriculture's Farmland Conversion Impact Rating form AD-1006 (03/02). UTRWD will provide the Contractor with all relevant soils information for Fannin County

- iv) **Vegetation.** Vegetation types, attributes, special status species and species of special concern, and weeds and invasive species will be discussed. Vegetative cover types will be evaluated and discussed using the TPWD's Wildlife Habitat Appraisal Procedure (WHAP). The Contractor will coordinate with USACE – Fort Worth to determine the number and locations of additional sampling locations needed to document baseline environmental conditions. The Contractor will attend an on-site Sampling Protocol Review Meeting with USACE – Fort Worth, UTRWD and Resource agency staff. The Contractor will provide meeting attendees a map of proposed sampling locations. Attendees will provide input on sampling methods and data collection and reporting. Based on the results of the Sampling Protocol Review Meeting, UTRWD will conduct sampling and will provide the results of the additional sampling. UTRWD will conduct additional WHAP analysis using the data gained from the new points. UTRWD will provide a comprehensive WHAP analysis of areas potentially affected by the alternatives and areas proposed for mitigation. The principal issues and therefore areas which will receive emphasis associated with vegetation resources include bottomland hardwood forest species, riparian species, and native grass species. UTRWD will provide the vegetative sampling locations for all of the WHAP assessments. In addition to information provided in the December 2005 Preliminary Habitat Assessment, UTRWD will provide location, acreages, species occurrence lists, photographs, and a wildlife habitat evaluation for native grasslands, riparian areas, and remnant bottomland hardwood forests for each alternative evaluated in detail.
- v) **Fish and Wildlife.** Discuss habitat, terrestrial game species, terrestrial non-game species, aquatic species, special status species and species of special concern, and nuisance species. Wildlife habitat will be evaluated based on the WHAP assessments. The DEIS will emphasize aquatic species currently residing within the North Sulphur River above and below the proposed dam site and will base this discussion on information provided in the UTRWD's October 2006 Biological Assessment of North Sulphur River report as well as new information collected by UTRWD during future biological sampling events.
- vi) **Paleontological Resources.** The LRH project area includes the Pete Patterson Fossil Park and extensive paleontological resources.
- (1) The Contractor will assist USACE - Fort Worth with a workshop to be held with the Dallas Paleontological Society. The intent of the workshop is to solicit input from the Dallas Paleontological Society in terms of the proposed project's impacts and potential mitigation that could be considered to reduce impacts.
- vii) **Cultural Resources.** The Contractor will provide a summary of the prehistoric background, historic background, cultural resources identified within the permit area, and ethnography and ethnohistory based solely on UTRWD's Cultural Resources Survey Report. In addition to the archeological surveys that have been previously conducted, the UTRWD will provide results of Pedestrian-level archeological surveys of the proposed construction borrow areas. The Contractor will complete a Reconnaissance Level Survey for Historic Resources within the proposed LRH project's area of potential effect (APE) as determined through coordination with the Texas Historical Commission (THC) and include a summary of the findings in the DEIS. The survey will include the following:
- (1) Through consultation with the State Historic Preservation Office (SHPO), determine an APE and study area for the proposed LRH project;
- (2) Develop a Research Design that provides a summary of literature review results, including known historic resources and the results of public involvement as it relates to cultural resources;
- (3) Conduct a reconnaissance level survey conforming to the methods contained in the research design;
- (4) Document according to 36 CFR 60 each resource that is 50 years old at the time of the construction contract letting.

- (5) Photo document each resource and inventory all resources using the unique ID number, location, property type, stylistic influences, construction date, and comments on integrity and National Register (NR) eligibility.
- (6) Prepare maps showing the individual resource's location and identify each resource with a unique number that is keyed to the inventory.
- (7) Prepare a report detailing the results of the historic structures survey. The report will have sufficient information to provide the SHPO with a basis for making determinations of eligibility.
- (8) Send the report to the SHPO and address any SHPO comments on the report.
- viii) **Air Quality**. The Contractor will provide a qualitative discussion of the general climatic setting, regional air quality, construction effects and operation effects.
- ix) **Land Use and Recreation**. The Contractor will identify current land uses within and around the proposed LRH project site. The Contractor will identify lost recreational resources resulting from inundation, and describe the nature and quality and visitor-days of lost recreational resources if any. The Contractor will discuss water-related recreational opportunities in Fannin County and the surrounding area, and the recreational amenities proposed by UTRWD for each alternative evaluated in detail. The Contractor will obtain and consider lake level fluctuations in these discussions. The Contractor will assess the market for lake amenities by type of recreational activity, and project the quality of new recreational resources, number of day visitors and second homes.
- x) **Public Lands**. The Contractor will discuss potential impacts to public lands resulting from each of the alternatives evaluated in detail. The discussion will include an assessment of recreational values associated with the Caddo National Grasslands. UTRWD will provide specific vegetative species information and a habitat evaluation (e.g. WHAP analysis) for Caddo National Grassland property in or adjacent to the project area. The Sampling Protocol Review Meeting (see Task 3, A, iv) will be used to confirm sampling protocols and data collection and analysis methods for additional data points related to Public Lands. UTRWD will also conduct a WHAP analysis for any potential compensatory lands that could be acquired to replace the loss of Caddo National Grassland property should an action alternative be implemented.
- xi) **Social and Economic Values**. The Contractor will define socioeconomic impact area. Describe population, employment, income, public finance, public education, housing, real estate values, and other public services and changes to each for each alternative evaluated in detail. Effects of alternatives will focus on: a) loss of property in and around lake – agricultural losses, fiscal impacts of tax losses, b) construction effects – employment, population and housing, economic stimulus of wages and project expenditures, impact on public facilities and services, fiscal effects, i.e. increased local tax revenue compared with public service and facility costs if any, c) economic effects from residential and commercial development around lake - # of new houses, population, change in demand for facilities and services, fiscal impacts, d) economic effects of recreational use of lake – number of visitor-days by season, expenditure per visitor day, employment effects, fiscal effects, e) rate and tap fee impacts – impact on UTRWD's charges to its customers, impact on rates and tap fees of end users f) real estate values. The Contractor will attend a workshop with USACE – Fort Worth and USACE – Tulsa District. The purpose of the workshop is to insure consistency in terms of analytical methods and data used in the socio-economic analyses, particularly cumulative impacts assessment. Cumulative impacts evaluated on same socioeconomic criteria as identified above.
- xii) **Transportation**. The Contractor will discuss road realignments, abandonments, and access provisions. Discuss proposed water transport infrastructure.
- xiii) **Noise and Visual Resources**. The Contractor will conduct a noise analysis focusing on construction and operations of the proposed LRH project, No Action, and LRH with modifications. The Contractor will record ambient noise levels at a maximum of 10 different locations. The Contractor will identify sensitive noise receptors within 300 feet of the conservation pool elevation, impoundment, and water intake structures. The Contractor will use the Highway Construction Noise Model (HICOM) to develop noise contours which will be overlaid on mapping and used to document potential construction noise impacts to sensitive

receptors. Operational noise will be discussed qualitatively and will include potential recreational noise. The Contractor will conduct a visual resource analysis that includes photos and discussion of up to 10 current views. The Contractor will prepare renderings and discussion of future views for each of the view locations for each alternative evaluated in detail.

- xiv) **Hazardous Materials.** The Contractor will identify and discuss hazardous materials and/or wastes potentially present within the proposed LRH project area. The Contractor will conduct an environmental records review per ASTM E 1527-05, and map locations with identified concerns, if any.
- xv) **Environmental Justice.** CEQ guidelines⁴ for evaluating potential adverse environmental effects of projects require specific identification of minority populations when either: 1) a minority population exceeds 50 percent of the population of the affected area; or 2) a minority population represents a meaningfully greater increment of the affected population than of the population of some other appropriate geographic unit, as a whole. The LRH project area will be evaluated accordingly by the Contractor.
- xvi) **Global Climate Change.** The Contractor will qualitatively evaluate the potential effects of each of the alternatives in terms of greenhouse gas emissions and global climate change.
- xvii) **Energy Requirements and Conservation Potential.** The Contractor will discuss the energy requirements and conservation potential of the alternatives and mitigation measures.
- xviii) **Relationship between Short-term Uses of the Human Environment and the Maintenance and Enhancement of Long Term Productivity.** The Contractor will identify tradeoffs between short-term impacts to environmental resources during LRH operation versus long-term impacts to resource productivity that extend beyond the life of the proposed reservoir. This assessment will be conducted on resources deemed relevant for this topic and will not address all resources listed under Task 3.
- xix) **Irreversible and Irrecoverable Commitment of Resources.** The Contractor will disclose the natural or depletable resource requirements and conservation potential of alternatives and mitigation measures.

Task 4. Consultation and Coordination:

- A) The Contractor will summarize public participation and scoping efforts and will also include a list of Federal, State, and local agencies contacted regarding the DEIS and the proposed LRH project. The DEIS will also include a list of agencies, organizations, and companies that will receive the DEIS. That list includes:
 - i) Tribes;
 - ii) Federal Agencies;
 - iii) State Agencies;
 - iv) County and Local Agencies;
 - v) Newspaper, Libraries, and Local Repositories;
 - vi) Other Organizations;
 - vii) Industry/Business; and
 - viii) Elected Officials.
- B) The Contractor will attend a public information meeting and a public hearing in Ladonia, TX upon release of the DEIS. The Contractor will assist USACE – Fort Worth with the preparation of hand out materials, illustrations, maps and/or boards for use at the public information meeting and the public hearing. The Contractor will assist USACE – Fort Worth with meeting/hearing logistics planning, publishing notices in newspapers, etc. The Contractor will prepare a summary of the meeting and hearing that includes the public notices, agendas, lists of attendees, and comments received.

Task 5. Other DEIS Sections:

- A) Abstract. The Contractor will prepare a brief (1 page or less abstract for the DEIS document.
- B) Summary and Acronyms and Abbreviations. The Contractor will provide an executive summary of the DEIS in its entirety along with a list of commonly used acronyms and abbreviations.

⁴ CEQ. December 10, 1997 (released July 1998). *Environmental Justice: Guidance under the National Environmental Policy Act*. Executive Office of the President, Washington, D.C.

- C) Table of Contents. The Contractor will include in the DEIS a table of contents down to third-order headings. The TOC will also include a list of tables, figures, and appendices contained in the DEIS.
- D) List of Preparers and Reviewers. Per 40 CFR §1502.17, the DEIS will list the names, together with qualifications (expertise, experience, professional disciplines), of the persons who were primarily responsible for preparing the DEIS or significant background papers, including basic components of the statement. Where possible the persons who are responsible for a particular analysis, including analyses in background papers will be identified. The list will not exceed two pages.
- E) References. A complete list of the references for technical reports, papers, etc. cited in the DEIS will be included. References will be cited and recorded according to American Psychological Association (APA) reference standards. The Contractor will secure copies of each report, technical paper, etc. referenced in the DEIS for inclusion in the Administrative Record.
- F) Glossary. The DEIS will include a glossary of technical terms used in the document. Terms included in the glossary will be those of a technical nature that a layman may not be familiar with or understand.
- G) Index. The DEIS will include an index of technical terms to expedite the location of specific terms within the document.
- H) Appendices. Appropriate technical reports and papers and a Draft Section 404(b)(1) Alternatives Analysis will be appended as directed by USACE – Fort Worth.

Task 6. DEIS:

- A) The Contractor will assemble the Final version of the deliverables from tasks 1 through 5 into a Draft Environmental Impact Statement document.
- B) The Contractor will produce figures, tables, illustrations, text, etc. needed to produce a legally sufficient, technically defensible, clearly written, understandable DEIS document. The Contractor will develop and maintain a project specific GIS to use for various analyses and to aid in the development of illustrations, maps, etc.
- C) The Contractor will develop proposed responses to comments, scope of work, schedule and an estimated cost and level of effort to complete the FEIS.
- D) The Contractor will create and maintain a project website for use by USACE – Fort Worth, the Contractor, and Resource Agency staff. Users will be assigned user names and passwords and provided access rights according to USACE – Fort Worth's direction. The Contractor will maintain the website for the duration of the project.

DELIVERABLES:

The maximum number of deliverables is identified below and will be prepared and submitted to USACE – Fort Worth and UTRWD by the Contractor. The total number of copies of each deliverable is also indicated below.

Deliverable 1 - Alternatives Workshop Summary

- Draft – One (1) electronic copy delivered via e-mail in .doc format
- Final – One (1) electronic copy in .pdf format

Deliverable 2 - Lower Bois d' Arc Creek Reservoir Workshop Summary

- Draft – One (1) electronic copy delivered via e-mail in .doc format
- Final – One (1) electronic copy delivered via e-mail in .pdf format

Deliverable 3 - Historic Structures Survey Report

- Preliminary Draft – 10 paper copies and one electronic copy delivered on a CD in .pdf format
- Draft – 30 paper copies and one electronic copy delivered on a CD in .pdf format
- Final – 30 paper copies and one electronic copy delivered on a CD in .pdf format

Deliverable 4 – DEIS

- Preliminary Draft – 15 paper copies and 10 electronic copies delivered on CD in .pdf format
- Draft - 15 paper copies and 10 electronic copies delivered on CD in .pdf format
- Final Draft – 50 paper copies and 250 electronic copies delivered on CD in .pdf format

Deliverable 5 - Public Meeting and Hearing Summary Report

- Draft – 10 paper copies and one electronic copy delivered on a CD in .pdf format
- Final - 10 paper copies and one electronic copy delivered on a CD in .pdf format

Deliverable 6 - FEIS Scope of Work and Schedule.

- Draft – One (1) electronic copy delivered via e-mail in .doc format
- Final – One (1) electronic copy in .pdf format

GOVERNMENT FURNISHED MATERIALS (GFM):

The Contractor assumes that the UTRWD and/or USACE – Fort Worth will provide all documents and data (electronic and hard copies) necessary to prepare the EIS, unless otherwise noted in specific tasks. All documents, data, and other material furnished by USACE – Fort Worth and/or UTRWD under this contract will remain the property of USACE – Fort Worth and/or UTRWD and will be returned to the USACE – Fort Worth and/or UTRWD at their request for inclusion in USACE – Fort Worth's Administrative Record.

SPECIAL CONSIDERATIONS:

Neither the Contractor, nor their representative will release or publish any sketch, photograph, report or other material of any nature derived or prepared under this delivery order without specific written permission of the USACE – Fort Worth and UTRWD except as is specifically provided in the scope of work.

Copyright will not be claimed by the Contractor for any materials produced under this delivery order. All such materials are to remain within the public domain.

The Contractor and those in their employ may, during the term of the agreement, present reports of research from this project to various professional societies and publications. Abstracts and copies of these reports, presentations or articles utilizing work sponsored by this delivery order will be provided to the Point of Contact (POC) for approval prior to publication or presentation.

In the event the Contractor encounters problems in fulfilling performance requirements, or when difficulties are anticipated in complying with the delivery order schedule or dates, or whenever the Contractor has knowledge a potential situation is delaying or threatening to delay timely performance of tasks, the Contractor will immediately notify the POC by phone and in writing noting all relevant details. However, this material will be informational in character and this provision will not be construed as a waiver by USACE – Fort Worth of any delivery schedule or date rights or remedies provided by law or under this delivery order.

STANDARDS AND CERTIFICATIONS:

Will they be required, professional engineering services and designs will comply with governing State of Texas laws with regard to professional licensure, design codes and standards.

PERFORMANCE PERIOD:

This task order has a period of performance beginning from the delivery date of the signed Task Order and ending _____.

Exhibit A-1

**Michael Baker Jr. Inc.
Lake Ralph Hall Third Party EIS
Task Order No. 2 – DEIS Preparation
(Hourly Fee Schedule)**

<u>Category</u>	<u>Billing Rate/Hour</u>
Principal	\$ 255.00
Technical Advisor	\$ 210.00
Project Manager	\$ 195.00
HH Engineer	\$ 150.00
Senior Environmental Specialist	\$ 150.00
Geologist / Geomorphologist	\$ 120.00
Environmental Specialist	\$ 105.00
Senior GIS Analyst	\$ 105.00
GIS Analyst	\$ 75.00
Technical Editor / Document Manager	\$ 90.00

In no event shall the Contractor's total fee exceed \$1,153,072.00 (Basic Services \$1,053,072.00; Additional Services \$100,000.00).

Labor costs for individual staff assigned to the project shall be based on "Raw Salary" times a multiplier of 3.0. All direct non-labor expenses, including computers, communications, mileage, travel and lodging expenses, but excluding subcontract expenses, applied to the Special Services, shall be paid at invoice or internal office cost. Subcontract expenses shall be paid at direct cost plus a ten percent (10%) service charge.

**Task Order No. 3
Scope of Services and Compensation**

This Task Order is part of the AGREEMENT between **Michael Baker Jr., Inc.** (the "CONTRACTOR"), and Upper Trinity Regional Water District (the "OWNER"), for a PROJECT generally described as:

**Lake Ralph Hall, Third Party Environmental Impact Statement Development, (Draft
Environmental Impact Statement Preparation)**

**Article 1
Scope of Services**

I. Basic Service

A. Purpose

The purpose of Task Order No. 3 is to prepare a Draft Environmental Impact Statement (DEIS) that can be released to interested parties, the general public, and the various Federal, State, and local agencies. On September 26, 2014 the USACE submitted a final Lake Ralph Hall: Draft Environmental Impact Statement Task Order #3 Scope of Work. This transmittal letter and scope of work is attached to Task Order No. 3 as Attachment A.

Components of Attachment A include:

- Affected Environment
- Environmental Consequences
- Mitigation
- Consultation and Coordination
- Other DEIS Sections (Abstract, Summary and Acronyms and Abbreviations, Table of Contents, List of Preparers and Reviewers, References, Glossary, Index, and Appendices)
- Submission of the Draft Environmental Impact Statement Documents

II. Additional Services to be performed by the CONTRACTOR, if authorized by OWNER, which are not included in the above-described Basic Services must have prior written approval by OWNER.

**Article II
Compensation**

A. BASIC SERVICES:

Compensation by the OWNER to the CONTRACTOR for the Basic Services enumerated in Task Order No. 3 shall be billed based on the actual labor hours in accordance with the rate schedule listed in Exhibit A-1. Expenses and outside professional services shall be billed at cost plus a 10 percent administrative fee. The total fee shall not exceed **\$ 469,118.10**.

B. ADDITIONAL SERVICES:

Provide Additional Services which may include meetings and coordination, collection of new data, completion of technical analyses and any associated technical memorandums and/or reports beyond those identified in the scope of work.

For all Additional Services enumerated in Task Order No. 3 CONTRACTOR's staff will be billed based on the actual labor hours in accordance with the rate schedule listed in Exhibit A-1. Expenses and outside professional services shall be billed at cost plus a 10 percent administrative fee. CONTRACTOR will submit a scope and estimated cost for such services. The total cost for all Additional Services shall not exceed \$ 100,000.00.

TOTAL COMPENSATION SUMMARY:

Basic Services:	\$ 469,118.10
Additional Service	<u>100,000.00</u>
Total Task Order No. 3:	\$ 569,118.10

OTHER PROVISIONS: The following provisions shall apply to this Task Order:

The CONTRACTOR's compensation is based on immediate authorization to proceed and timely completion of the PROJECT. If the PROJECT timing deviates from the assumed schedule for causes beyond the CONTRACTOR's control, the CONTRACTOR reserves the right to request renegotiation of those portions of the compensation affected by the time change.

This Task Order No. 3 will become part of the referenced AGREEMENT when executed by both parties.

IN WITNESS WHEREOF, the parties execute below:

For the OWNER, Upper Trinity Regional Water District, dated this 2 day of

October, 2014.

By: Todd Madison

Todd Madison, President

Name

Title

For the CONTRACTOR, Michael Baker Jr., Inc. dated this 29 day of

SEPTEMBER, 2014.

By: Juan Contreras

JUAN CONTRERAS VICE PRESIDENT

Name

Title

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

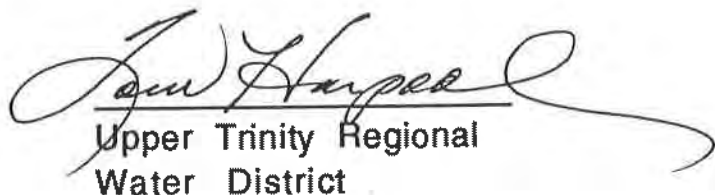
the District's Board of Directors in carrying out the District's legislative mandate.

Very truly yours,



John F. Boyle, Jr.

Accepted this 2nd day of February 1995.



Upper Trinity Regional
Water District

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 2, 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;

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 2, 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 2, 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: Timothy S. Fisher
Title: President, Board of Directors

Date: _____

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 LLP
2200 Ross Ave.
Ste. 1600
Dallas, TX 75201-6778
USA

Tel: +1 214 840 7000
Fax: +1 214 840 7050
www.deloitte.com

August 1, 2014

Mr. Todd Madison
President
Board of Directors of Upper Trinity Regional Water District
PO Box 305
Lewisville, Texas 75067

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

Dear Mr. Madison 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”). Mr. Terry Kile 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 Mr. Kile 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, 2014, 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 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 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 \$117,510. Based on the anticipated timing of the work, our fees will be billed approximately as follows:

Invoice Date	Amount
October, 2014	\$30,000
November, 2014	\$30,000
December, 2014	\$30,000
January, 2015	\$27,510

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

Board of Directors of Upper Trinity Regional Water District:

By: 

Title: President

Date: August 7, 2014

Accepted and agreed to by Upper Trinity Regional Water District:

By: 

Title: Executive Director

Date: August 7, 2014

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 July 1, 2014, 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.

MANAGEMENT'S RESPONSIBILITIES

This Appendix B is part of the engagement letter dated July 1, 2014, 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 requirements as set forth by the Governmental Accounting Standards Board in the United States of America (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 or, if such information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of such information no later than the date of issuance by the District of the supplementary information and our report thereon.

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.

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 Mr. Kile.

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 Mr. Kile 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 section entitled "Independence Matters" 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 AND AUDIT COMMITTEE

This Appendix C is part of the engagement letter dated July 1, 2014, 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 Audit Committee of the Board of Directors (“Audit Committee”) 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 Audit Committee and 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 Audit Committee and 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 Audit Committee and the Board of Directors, unless otherwise directed by the Board of Directors.

We will also communicate to the Audit Committee and 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 Audit Committee 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 Audit Committee and the Board of Directors matters required by AICPA AU-C 260, *The Auditor’s Communication with Those Charged with Governance*.

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 July 1, 2014, 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. 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.

DISPUTE RESOLUTION PROVISION

This Appendix E is part of the engagement letter dated July 1, 2014, 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.

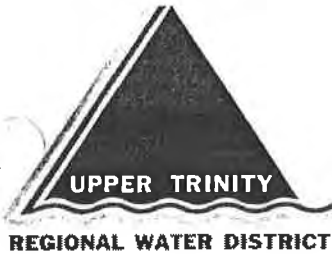
Mediation: All Disputes shall be first submitted to nonbinding confidential mediation by written notice to the parties, and shall be treated as compromise and settlement negotiations under the standards set forth in the Federal Rules of Evidence and all applicable state counterparts, together with any 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.

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.

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.

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.

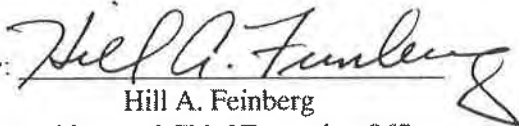
F. This Agreement shall become effective at the date of acceptance by the District set out herein below and shall remain in effect thereafter for a period of five (5) years from the date of acceptance. This Agreement will be automatically renewed for successive one (1) year periods on each anniversary 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:

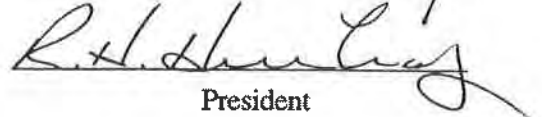

David K. Medanich

Director

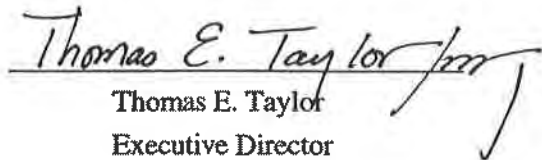
ACCEPTANCE CLAUSE

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.

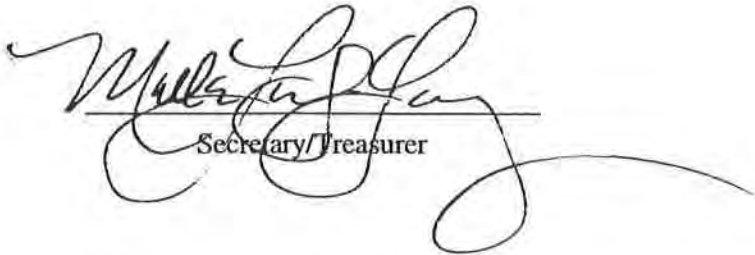
By RICHARD H. HUCKABY


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

LLOYD, GOSSELINK, BLEVINS, ROCHELLE,
BALDWIN & TOWNSEND, P. C.
ATTORNEYS AT LAW

111 CONGRESS AVENUE, SUITE 1800
AUSTIN, TEXAS 78701
TELEPHONE (512) 322-5800
TELECOPIER (512) 472-0532

Mr. Rochelle's Direct Line:
(512) 322-5810

mrochelle@lglawfirm.com

807 SOUTH AUSTIN AVENUE*
GEORGETOWN, TEXAS 78626
TELEPHONE (512) 930-1317
*BY APPOINTMENT ONLY

March 25, 1999

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

Re: Professional Legal Services Agreement (160100:Billing File)

Dear Mr. Taylor:

Pursuant to your request, this letter will affirm our agreement that the firm of Lloyd, Gosselink, Blevins, Rochelle, Baldwin & Townsend, P.C. ("Lloyd, Gosselink") will provide professional legal services to the Upper Trinity Regional Water District ("District") in connection with proposed water reuse authorizations for waters diverted by the District from Lake Chapman and transferred to the District's water treatment facilities in the Trinity River Basin. At the present time we will work under your direction. Lloyd, Gosselink will also provide counsel to the District regarding any other environmental and regulatory matter with which the District may be confronted.

We have previously discussed the scope of our representation of the District in these matters, and our fee structure. However, to ensure that you and the District's Board of Directors fully understand the services we intend to provide, they are detailed below. These services will be provided the District in concert with the engineering services afforded the District by the firms of Donald G. Rauschuber & Associates, Inc. and Alen Plummer & Associates, Inc. and in connection with their Phase I Scope of Work associated with the Lake Chapman water reuse project. We have discussed the protocol for the Phase I work to be performed by these consultants. First, we have identified a number of water reuse strategies to be investigated. Pursuant to this investigation, the District will identify "preferred" water reuse strategies and will thereafter identify a "selected" water reuse strategy to pursue in the second phase of this project (Phase II), which will involve preparation of final engineering and application reports and reuse application documents for submission to TNRCC and pursuit of permits and

authorizations from that agency for the District's reuse of its Lake Chapman waters. The Phase I legal services we will provide will include:

- Evaluation of the authorities required under the Texas Water Code for the District to reuse its Lake Chapman water;
- Evaluation of the District's existing water sales contracts with its members to determine limitations on the District's ability to reuse its Lake Chapman water;
- Drafting of appropriate documents, if any, the District may need to amend its existing water sales contracts to allow for the District's reuse of its Lake Chapman water;
- Assessment of the implications of TNRCC rules that may impact the District's preferred water reuse strategies; and
- Identification of key elements of any TNRCC water rights application associated with the District's selected water reuse strategy.

With regard to the second and third items above, we have discussed my firm's role in these matters. I understand that we are not employed by the District at this time to negotiate with any of your water supply customers concerning revisions, if any, to your existing water supply contracts that may be necessary in order for the District to pursue this reuse project. However, the District may request us to provide such assistance at a later date, and we will consider any conflicts we may have with such request at that time.

As we have discussed, some aspects of the above-described representation are difficult to define, in terms of my firm's time expenditures (and therefore in terms of the costs of such work). However, based on my understanding of the above-referenced tasks, I believe this Phase I legal work can be accomplished for about \$13,000-\$15,000. If I come to expect during the course of this representation that our costs will exceed \$15,000 for the Phase I legal work I will secure your approval before conducting work that exceeds such fee amount.

Our firm utilizes a fee structure based on the cost per chargeable hour for attorneys' services, depending on the individual involved and his or her level of experience and expertise. I will be the account representative and the attorney in charge of our representation. My time is currently billed at the rate of \$195 per

Mr. Thomas Taylor

March 25, 1999

Page 3

hour. Judith Robinson will be working with me and her time will be billed at the rate of \$125 per hour. From time to time other attorneys with the firm may be assigned to some aspect of our representation, as appropriate. It is the policy of our firm to review our fee structure annually. We will notify you in writing prior to implementation of any change in our fee structure.

Additionally, we utilize briefing clerks, paralegals and other support personnel to perform those tasks not requiring the time of an attorney. Briefing clerk and paralegal time is billed at an amount not to exceed \$75.00 per hour. We will submit all out-of-pocket expenses incurred for reimbursement, with a fifteen percent (15%) overhead charge added. Usually we ask the client to pay directly all filing fees, charges for consultants, etc. due to the size of such fees and to avoid the client incurring our overhead charge. We endeavor to have a statement of services rendered and expenses incurred by the 15th of each month. Full payment is due on receipt of the statement. Interest will be charged at the rate of 10% per annum on any balance not paid 60 days after the statement date.

This agreement shall become effective upon our receipt of a countersigned original of this letter. This agreement may be terminated by you at any time by written notice to us, provided, when applicable, that permission for withdrawal from employment is granted by the court. This agreement may be terminated by this firm on fifteen (15) days written notice that we are no longer in a position to continue representing you in a particular matter for any reason, including nonpayment of fees and expenses within 30 days of receipt of a statement.

If this agreement is acceptable to you, please have the appropriate persons execute the duplicate original provided herein, and return it to us for our records. We look forward to working with you and the District in pursuing this important project.

Sincerely,




Martin C. Rochelle

MCR/ldp
1601\00\ltr990312mcr9
ENCLOSURES

Mr. Thomas Taylor
March 25, 1999
Page 4

UPPER TRINITY REGIONAL WATER DISTRICT


By: Johnny D. Harris, President

May 6, 1999
Date

ATTEST:


By: Steven L. Bacchus, Secretary

May 6, 1999
Date

Mr. Rochelle's Direct Line: (512) 322-5810
mrochelle@lglawfirm.com

April 25, 2011

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

VIA ELECTRONIC TRANSMISSION

Re: Supplement to Engagement Letter - Upper Trinity Regional Water District;
Billing File Number: 1601-11

Dear Tom:

We appreciate the confidence you have shown in us by recently requesting additional legal services from our firm. For various reasons it is necessary for our firm to specifically enumerate those matters on which we are working. The purpose of this letter is to set forth our understanding of the legal services to be performed by us and is a Supplement to the original Engagement Letter. This letter confirms that Lloyd Gosselink Rochelle & Townsend, P.C. ("Lloyd Gosselink") will represent the Upper Trinity Regional Water District with respect to litigation, including administrative litigation, related to the Authority's application to the Texas Commission on Environmental Quality for a water right permit for the proposed Lake Ralph Hall, in Fannin County, Texas (the "Matter"). Furthermore, this letter is our notice to you regarding our acceptance of this representation (the "Representation").

Terms of Engagement

Our original Engagement Letter and the *Additional Terms of Engagement* attached thereto set out the terms of our engagement in the Representation. This letter is expressly incorporated into that document. It is understood and agreed that our engagement is limited to the Representation, and our acceptance of this engagement does not imply any undertaking to provide legal services other than those set forth in the original Engagement Letter and all Supplements thereof.

Personnel Who Will Be Working on the Matter

Lambeth Townsend will be the attorney in charge of the Representation, and he will be working on the Matter. You may call, write, or e-mail Lambeth or me whenever you have any questions about the Representation. Other firm personnel, including firm lawyers and paralegals, will participate in the Representation if, in our judgment, their participation is necessary or appropriate.

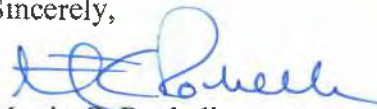
Conflicts of Interest

Before accepting this Representation, we have undertaken reasonable and customary efforts to determine whether there are any potential conflicts of interest that would bar our firm from representing you in the Matter. Additionally, in order that we comply with the requirements of Chapter 176 of the Texas Local Government Code, we have performed an internal conflicts of interest inquiry. Based on the information obtained from this inquiry, we will file a completed conflict of interest questionnaire with the individual deemed as the records administrator for your entity. Based on the information available to us, we are not aware of any potential disqualification. We reviewed the issue of potential conflicts in accordance with the rules of professional responsibility adopted in Texas.

Conclusion

This letter is appended to, and made a part of, our original Engagement Letter and the *Additional Terms of Engagement* attached thereto, and together with all other Supplements constitute the entire terms of the engagement of Lloyd Gosselink Rochelle & Townsend, P.C. in the Representation. These written terms of engagement are not subject to any oral agreements or understandings, and they can be modified only by further written Supplement. Unless expressly stated in these terms of engagement, no obligation or undertaking shall be implied on the part of either you or Lloyd Gosselink Rochelle & Townsend, P.C. If there are any questions about these terms of engagement, or if these terms are inaccurate in any way, please let me know immediately.

Sincerely,



Martin C. Rochelle

Additional Terms of Engagement

This supplement to our engagement letter sets out additional terms of our agreement to provide the representation described in our engagement. Because these additional terms of engagement are a part of our agreement to provide legal services, you should review them carefully and should promptly communicate to us any questions concerning this document. We suggest that you retain this statement of additional terms along with our engagement letter and any related documents.

The Scope of the Representation

As lawyers, we undertake to provide representation and advice on the legal matters for which we are engaged. It is important for our clients to have a clear understanding of the legal services that we have agreed to provide. Thus, if there are any questions about the scope of the Representation that we are to provide in the Matter, please raise those questions promptly, so that we may resolve them at the outset of the Representation.

Any expressions on our part concerning the outcome of the Representation, or any other legal matters, are based on our professional judgment and are not guarantees. Such expressions, even when described as opinions, are necessarily limited by our knowledge of the facts and are based on our views of the state of the law at the time they are expressed.

Upon accepting this engagement on your behalf, Lloyd Gosselink Rochelle & Townsend, P.C. agrees to do the following: (1) provide legal counsel in accordance with these terms of engagement and the related engagement letter, and in reliance upon information and guidance provided by you; and (2) keep you reasonably informed about the status and progress of the Representation.

To enable us to provide effective representation, you agree to do the following: (1) disclose to us, fully and accurately and on a timely basis, all facts and documents that are or might be material or that we may request, (2) keep us apprised on a timely basis of all developments relating to the Representation that are or might be material, (3) attend meetings, conferences, and other proceedings when it is reasonable to do so, and (4) otherwise cooperate fully with us.

Our firm has been engaged to provide legal services in connection with the Representation in the Matter, as specifically defined in our engagement letter. After completion of the Representation in the Matter, changes may occur in the applicable laws or regulations that could affect your future rights and liabilities in regard to the Matter. Unless we are actually engaged after the completion of the Representation to provide additional advice on such issues, the firm has no continuing obligation to give advice with respect to any future legal developments that may pertain to the Matter.

It is our policy and your agreement that the person or entity that we represent is the one identified in our engagement letter, and that our attorney-client relationship does not include any related persons, employees of the client, or related entities.

Who Will Provide the Legal Services

As our engagement letter confirms, Lloyd Gosselink Rochelle & Townsend, P.C. will represent you in the Matter. Lloyd Gosselink Rochelle & Townsend, P.C. is a Texas professional corporation.

Although our firm will be providing legal services, each client of the firm customarily has a relationship principally with one attorney, or perhaps a few attorneys. At the same time, however, the work required in the Representation, or parts of it, may be performed by other firm personnel, including lawyers and paralegals. Such delegation may be for the purpose of involving other firm personnel with experience in a given area or for the purpose of providing services on an efficient and timely basis.

Communication and Confidentiality

In keeping with technological advancements and the corresponding demands of clients, it is the practice of the firm to use electronic (email) correspondence from time to time to communicate and to transmit documents. As such, the possibility exists that electronic transmissions could be intercepted or otherwise received by third parties and lose their privileged nature if the method of communication is ruled to lack sufficient confidentiality. As with any correspondence regarding legal representation, regardless of the manner of transmission, we urge you to use caution in its dissemination in order to protect its confidentiality. By signing below, you agree that we may use email in the scope of the Representation.

We recognize our obligation to preserve the confidentiality of attorney-client communications as well as the client confidences, as required by the governing rules of professional responsibility. If the Matter involves transactions, litigation or administrative proceedings or like proceedings in which our firm appears as counsel of record for you in publicly available records, we reserve the right to inform others of the fact of our representation of you in the Matter and (if likewise reflected or record in publicly available records) the results obtained unless you specifically direct otherwise.

Periodically, the firm is asked to provide a Representative Client List to prospective clients and in various legal directories (e.g., Martindale-Hubbell and the Texas Legal Directory). Unless you advise us to the contrary, we may disclose to third parties the fact that our firm represents you. Lloyd Gosselink is not requesting authorization to disclose any privileged information obtained during its representation.

Disclaimer

Lloyd Gosselink Rochelle & Townsend, P.C. has made no promises or guarantees to you about the outcome of the Representation of the Matter, and nothing in our engagement letter or these terms of engagement shall be construed as such a promise or guarantee.

Termination

At any time, you may, with or without cause, terminate the Representation by notifying us in writing of your intention to do so. Any such termination of services will not affect the obligation to pay for legal services rendered and expenses and charges incurred before termination, as well as additional services and charges incurred in connection with an orderly transition of the Matter.

We are subject to the codes or rules of professional responsibility for the jurisdictions in which we practice. There are several types of conduct or circumstances that could result in our withdrawing from representing a client, including, for example, the following: non-payment of fees or charges; misrepresentation or failure to disclose material facts; fraudulent or criminal conduct; action contrary to our advice; and conflict of interest with another client. We try to identify in advance and discuss with our clients any situation that may lead to our withdrawal.

A failure by you to meet any obligations under these terms of engagement shall entitle Lloyd Gosselink Rochelle & Townsend, P.C. to terminate the Representation. In that event, you will take all steps necessary to release Lloyd Gosselink Rochelle & Townsend, P.C. of any further obligations in the Representation or the Matter, including without limitation the execution of any documents necessary to effectuate our withdrawal from the Representation or the Matter. The right of Lloyd Gosselink Rochelle & Townsend, P.C. to withdraw in such circumstances is in addition to any rights created by statute or recognized by the governing rules of professional conduct.

Our engagement letter specifically explains our fees for services in the Matter. We will bill on a regular basis, normally each month, for fees and expenses and charges. It is agreed that you will make full payment within thirty (30) days of receiving our statement. We may give notice if an account becomes delinquent, and it is further agreed that any delinquent account must be paid upon the giving of such notice. If the delinquency continues and

you do not arrange satisfactory payment terms, we may withdraw from the Representation. However, any termination by either party may be subject to, or controlled by, orders of a court.

Document Retention

Upon completion of our work on this matter, it is our firm's policy that your original documents (e.g., permits, licenses, deeds, wills, etc.) and other client property be returned within a reasonable period of time. As to any documents so returned, we may elect to keep a copy of the documents in our stored files. Our own files, including lawyer work product pertaining to the matter, will be retained by the firm. These firm files include firm administrative records, time and expense reports, billing and accounting records, and internal work product. Internal work product includes drafts, notes, internal communications (in both paper and electronic mediums), and legal and factual research prepared for the internal use of our firm's lawyers. All documents retained by the firm will be transferred to the person responsible for administering our records retention program. For various reasons, including the minimization of unnecessary storage expenses, we reserve the right to destroy or otherwise dispose of any such documents or other materials retained by us after the completion of our work without additional notice.

Charges for Expenses and Services

Our invoices will include amounts for legal services rendered and for other expenses and services. Examples of other expenses and services include charges for photocopying, facsimile transmissions, long-distance telephone calls, travel and conference expenses, messenger deliveries, computerized research, and other electronic transmissions. In addition, we reserve the right to send to you for direct payment any invoices delivered to us by others, including experts and any vendors.

Rates for our legal services, expenses and charges are subject to change from time to time and will be noted on your bill. In some situations, we can arrange for such services and expenses to be provided by third parties billed through our billings or by direct billing to the client.

Standards of Professionalism and Attorney Complaint Information

Pursuant to rules promulgated by the Texas Supreme Court and the State Bar of Texas, we are to advise our clients to the contents of the Texas Lawyer's Creed, a copy of which is attached. In addition, we are to advise clients that the State Bar of Texas investigates and prosecutes complaints of professional misconduct against attorneys licensed in Texas. A brochure entitled *Attorney Complaint Information* is available in our office in Austin and is likewise available upon request. A client that has any questions about the State Bar's disciplinary process should call the Office of the General Counsel of the State Bar of Texas at 1-800-932-1900 toll free.

Additional Terms of Engagement 1.7 .doc

Part A - #10

Total Funding from All Sources

TWDB SWIFT Application
Part A, Number 10
UPPER TRINITY REGIONAL WATER DISTRICT
Other Funding Sources

Funding Source	Type of Funds (Loan/Grant)	Amount (\$)	Date Applied for Funding	Anticipated or Funding Secured Date
Donated Assets	Grant	\$ 11,230	N/A	September, 2010
Commercial Paper	Loan	\$ 38,952,185	March, 2005	April, 2005
WIF-10 Fund	Loan	\$ 10,484,003	December, 2007	July, 2008
SWIFT - Deferred	Loan	\$ 29,115,000	June, 2015	October, 2015
SWIFT - Board Participation	Loan	\$ 15,565,000	June, 2015	October, 2015
SWIFT - Board Participation	Loan	\$ 275,446,472	FY2019 - FY2022	FY2019 - FY2022
Total Funding from All Sources		<u>\$ 369,573,890</u>		

Part B - #16

Description of 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.

Part B - #17

UTRWD Board of Directors
Resolution Requesting
Financial Assistance



RESOLUTION

RESOLUTION # 2015 - 09

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 25 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 proposed Lake Ralph Hall, to be located on the North Sulphur River in Fannin County, Texas; and

WHEREAS, the planning, design, land acquisition and permitting activities for proposed Lake Ralph Hall are ongoing and require additional funding; and

WHEREAS, on January 28, 2015, 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 development of proposed Lake Ralph Hall, for which the District has received water rights Permit No. 5821; and

WHEREAS, the TWDB has given notice that the District has met the qualifications to submit a complete application for such financial assistance for Lake Ralph Hall; and

WHEREAS, the TWDB has determined that the District has qualified for and is eligible to receive up to \$44,884,529 in financial assistance for the Lake Ralph Hall project in this current phase of the SWIFT program; and

WHEREAS, the District may participate in subsequent phases of the SWIFT program for additional financial assistance needed for completion of the project; 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 \$ 44,684,529 to provide for the costs of Planning, Permitting, Design and continued Land Acquisition for proposed Lake Ralph Hall.

SECTION 2. That Thomas E. Taylor, 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	(Larry N. Patterson, P.E.) Deputy Executive Director
Financial Advisor:	First Southwest Company 777 Main Street, Suite 1200 Fort Worth, Texas 76102 817-332-9710	(David K. Medanich)
Co-Bond Counsel:	Bracewell & Giuliani L.L.P. 1445 Ross Avenue Suite 3800 Dallas, Texas 75202-2711 214-758-1012	(Rob Collins)
Co-Bond Counsel:	Boyle & Lowry L.L.P. 4201 Wingren, Suite 108 Irving, Texas 75062 972-650-7100	(John F. Boyle, Jr.)
Engineer:	CPY, Inc. 1820 Regal Row, Suite 200 Dallas, Texas 75235 972-263-3960	(Pete Patel)




Engineer: Alan Plummer Associates, Inc. (Alan Tucker)
1320 S. University, Suite 300
Fort Worth, Texas 76107
817-589-2226


Engineer: CH2M-HILL (Edward Motley)
12377 Merit Drive, 10th Floor
Dallas, TX 75251
972-980-2170

DULY PASSED AND APPROVED THIS 7th DAY OF MAY 2015.

Recommended: 
Thomas E. Taylor, Executive Director

Executed: 
Todd Madison, President

Confirm: 
Gary Calmes, Secretary

Attest: Nancy T. Tam
Assistant Board Secretary
By: 

(Seal)



Part B - #18

Application Affidavit

Application Affidavit (WRD-201)

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 Thomas E. Taylor, P.E. as the Authorized Representative of the Upper Trinity Regional Water 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 ("Board") 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.

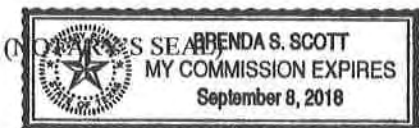
4. the District (authority, city, county, corporation, district) warrants compliance with the representations made in the application in the event that the Board provides the financial assistance; and

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 Board.

Thomas E. Taylor
Official Representative

Title: Executive Director, UTRWD

SWORN TO AND SUBSCRIBED BEFORE ME, by THOMAS E. TAYLOR,
this 20th day of MAY, 2015.



Brenda S. Scott
Notary Public, State of Texas

Part B - #19

Certificate of Secretary

Application Resolution -Certificate of Secretary (WRD-201b)

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 7th day of May, 20 15, a regular/special meeting of the
Upper Trinity Regional Water District was held at a meeting place within the City of
Lewisville, Texas; the duly constituted members of the Board of Directors
being as follows: Troy Norton, Kenneth Faulkner, Del Knowler, Lance Vanzant, Dr. Janet Aune (non-voting member),
Justin Brown, Timothy Fisher, Johnny D. Harris, Jean Campbell, Jerry Benetato, Kevin Mercer, Dick Cook, Kenneth Parr,
Richard A. Lubke, Ramiro Lopez, Virginia L. Blevins, Gary Calmes, Mike Fairfield, Lathan Watts, Todd Madison, Chris Boyd,
Leslie Maynard, Scott Ingalls, Richard H. Huckaby, George E. Dupont, Mike Brice.

and all of said persons were present at said meeting, except the following: Jean Campbell, Jerry Benetato, Kevin Mercer,
Kenneth Parr, Richard A. Huckaby

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

"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 financial assistance; and making certain findings in connection therewith."

was introduced and submitted to the Board of Directors for passage and adoption. After
presentation and due consideration of the resolution, and upon a motion made by Richard A. Lubke
and seconded by Mike Fairfield, the resolution was duly passed and adopted by the
Board of Directors by the following vote:

20 voted "For" 0 voted "Against" abstained

all as shown in the official Minutes of the Board of Directors for the meeting held on the aforesaid date.

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 duly qualified and acting members of the Board of Directors
on the date of the aforesaid meeting are those persons shown above and, according to the records of my office,
advance notice of the time, place and purpose of said meeting was given to each member of the
Board of Directors; and that said meeting, and deliberation of the aforesaid public business, was open to the
public and written notice of said meeting, including the subject of the above entitled resolution, was posted and
given in advance thereof in compliance with the provisions of Chapter 551 of the Texas Government Code.

IN WITNESS WHEREOF, I have hereunto signed my name officially and affixed the seal of said Upper
Trinity Regional Water District, this the 20th of May, 20 15.

(SEAL)

Wendy T...
~~Secretary~~ Assistant Secretary
Board of Directors

Part B - #21

Resolution Authorizing
Any 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 March 5, 2015, 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*

Todd Madison, President, Lincoln Park (1)
Lance Vanzant, Vice President, Celina (1)
Chris Boyd, Treasurer, Mustang SUD (2)
Gary Calmes, Secretary, Krum (1)
Kenneth Faulkner, Aubrey (1)
Jerry Benetato, DCFWSD #1A (2)
Richard Lubke, Highland Village (2)
Timothy S. Fisher, City of Denton (2)
Lathan Watts, Lewisville (2)
Leslie Maynard, Oak Point (1)
Mike Brice, Sanger (1)
Del Knowler, Bartonville (1)
Justin Brown, Corinth (3)
Kenneth Parr, Flower Mound (9)
Virginia Blevins, Justin (1)
Mike Fairfield, Lake Cities MUA (2)
George Dupont, Prosper (1)
Ramiro Lopez, Irving (2)
Dick Cook, Double Oak (1)
Kevin Mercer, DCFWSD#7 (1)
Scott Ingalls, Pilot Point (1)
Richard Huckaby, 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)

*Weighted Capital Votes (Number Noted)

and all of said persons were present at said meeting and upon passage of the Resolution hereinafter mentioned, except for the following voting members: Kenneth Faulkner, Timothy S. Fisher, Ramiro Lopez, Virginia Blevins 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 IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$55,000,000; PROVIDING FOR THE SECURITY AND PAYMENT THEREOF; PROVIDING FOR THE AWARD OF THE SALE THEREOF IN ACCORDANCE WITH SPECIFIED PARAMETERS; AUTHORIZING THE EXECUTION AND DELIVERY OF A PURCHASE CONTRACT, A PAYING AGENT/REGISTRAR AGREEMENT, AND AN ESCROW AGREEMENT; APPROVING THE PREPARATION OF AN 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 weighted vote:

AYES: 34 NOES: 0 ABSTENTIONS: 0

2. A true, full and correct copy of the Resolution passed 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 March 10, 2015

Ray A. Col
Secretary, Board of Directors,
Upper Trinity Regional Water District

[SEAL]

Certification of Resolution

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

Adopted: March 5, 2015

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BOND RESOLUTION AUTHORIZING THE ISSUANCE OF UPPER TRINITY REGIONAL WATER DISTRICT REGIONAL TREATED WATER SUPPLY SYSTEM REVENUE REFUNDING BONDS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$55,000,000; PROVIDING FOR THE SECURITY AND PAYMENT THEREOF; PROVIDING FOR THE AWARD OF THE SALE THEREOF IN ACCORDANCE WITH SPECIFIED PARAMETERS; AUTHORIZING THE EXECUTION AND DELIVERY OF A PURCHASE CONTRACT, A PAYING AGENT/REGISTRAR AGREEMENT, AND AN ESCROW AGREEMENT; APPROVING THE PREPARATION OF AN 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 desires to refund all or a portion of the currently Outstanding Parity Bonds described on Schedule I attached hereto and incorporated herein by reference for all purposes (collectively, the "Refunded Bond Candidates");

WHEREAS, the District further desires that all or a portion of the outstanding Commercial Paper Notes (the "Refunded Commercial Paper Note Candidates") described on Schedule I attached hereto shall be designated as Refunded Commercial Paper Notes (and together with the Refunded Bonds, the "Refunded Obligations") in the Pricing Certificate

executed under this Resolution and shall be refunded pursuant to this Resolution and the Pricing Certificate; 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 Obligations, and to accomplish such refunding or defeasance by depositing directly with a paying agent for the Refunded Bonds (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 Obligations, 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 Obligations; and

WHEREAS, upon the issuance of the refunding bonds herein authorized and the deposit of funds referred to above, the Refunded Obligations 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 Obligations shall be, with respect to the Refunded Obligations, 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 all or a portion of the Refunded Commercial Paper Notes and/or Refunded Bonds; (ii) making deposits to the Reserve Fund or to other funds with respect to the revenue bonds to the extent provided in the Pricing Certificate; and (iii) paying the costs and expense of issuing said revenue bonds; and

WHEREAS, the Board hereby finds and determines that the issuance and delivery of the refunding bonds hereinafter authorized is in the public interest and the use of the proceeds in the manner herein specified constitutes a valid public purpose; and

WHEREAS, the Board hereby finds and determines that the refunding of the Refunded Bonds contemplated in this Resolution will benefit the District by providing a present value savings of debt service payable by the District in an amount to be certified in the Pricing Certificate, and that such benefit is sufficient consideration for the refunding of the Refunded Bonds;

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 District has a principal amount of at least \$100,000,000 in a combination of outstanding long-term indebtedness and long-term indebtedness proposed to be issued, and some amount of such long-term indebtedness is rated in one of the four highest rating categories for long-term debt instruments by a nationally recognized rating agency for municipal securities without regard to the effect of any credit agreement or other form of credit enhancement entered into in connection with the obligation, and therefore qualifies as an "Issuer" under Chapter 1371 of the Texas Government Code, as amended ("Chapter 1371"); and

WHEREAS, pursuant to Chapters 1207 and 1371 (if necessary), the District desires to delegate the authority to effect the sale of the Bonds from time to time to the Pricing Committee; 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.

"Chapter 1371" means Chapter 1371, 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, including applicable regulations, published rulings and court decisions relating thereto.

“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 the initial date from which interest on the Bonds will accrue and which is designated as the date of the Bonds by 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 the Escrow Agent named in the Pricing Certificate.

“Escrow Agreement” means the escrow agreement, dated as of the date set forth in the Pricing Certificate, between the District and the Escrow Agent.

“Escrow Fund” means the fund by that name established in the Escrow Agreement.
“Fiscal Year” or “Year” means the fiscal year used by the District in connection with the operation of the System.

"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 or August 1 designated in the Pricing Certificate.

"Master Agreement" means master agreements between the District and the Texas Water Development Board.

"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 2004," dated November 1, 2004, issued in the original principal amount of \$22,990,000;

(b) "Upper Trinity Regional Water District Regional Treated Water Supply System Revenue Refunding Bonds, Series 2005," dated November 1, 2005, issued in the original principal amount of \$43,835,000;

(c) "Upper Trinity Regional Water District Regional Treated Water Supply System Revenue Refunding Bonds, Series 2006," dated August 1, 2006, issued in the original principal amount of \$25,690,000;

(d) "Upper Trinity Regional Water District Regional Treated Water Supply System Revenue Refunding and Improvement Bonds, Series 2007," dated March 1, 2007, issued in the original principal amount of \$36,110,000;

(e) "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;

(f) "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;

(g) "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;

(h) "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;

(i) "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; and

(j) "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.

"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 the Paying Agent/Registrar named in the Pricing Certificate.

"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.

"Pricing Certificate" means a certificate or certificates to be signed by the Pricing Committee, upon recommendation of the Financial Advisor.

"Pricing Committee" means the Executive Director of the District (or his absence, the Director of Business Services) and the Treasurer of the Board (or in his absence, any other officer of the Board).

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

"Refunded Bond Candidates" means the obligations of the District described in Schedule I attached hereto which are authorized to be designated as Refunded Bonds in the Pricing Certificate.

"Refunded Bonds" means those obligations of the District to be designated in the Pricing Certificate from the universe of Refunded Bond Candidates described in Schedule I attached hereto.

"Refunded Commercial Paper Note Candidates" means the Commercial Paper Notes of the District described in Schedule I attached hereto which are authorized to be designated as Refunded Commercial Paper Notes in the Pricing Certificate.

"Refunded Commercial Paper Notes" means those Commercial Paper Notes of the District to be designated in the Pricing Certificate from the universe of Refunded Commercial Paper Note Candidates described in Schedule I attached hereto.

"Refunded Obligations" means collectively the Refunded Bonds and the Refunded Commercial Paper Notes.

"Register" means the Register specified in Section 3.06(a).

"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.

“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.

“Underwriters” mean collectively, the underwriters or purchasers of the Bonds named in the Pricing Certificate.

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 2015," or such other designation as provided in the Pricing Certificate, are hereby authorized to be issued and delivered in accordance with the laws of the State of Texas, including particularly the Act and Chapters 1207 and 1371, Texas Government Code, as amended, in the aggregate principal amount not to exceed \$55,000,000, for the purposes of (i) refunding all or a portion of the Refunded Commercial Paper Note Candidates and/or the Refunded Bond Candidates; (ii) making deposits to the Reserve Fund to the extent provided in the Pricing Certificate; 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 the date set forth in the Pricing Certificate (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 the dates and in the principal amounts set forth in the Pricing Certificate.

(c) Interest shall accrue and be paid on each Bond respectively until its maturity or prior redemption, from the later of the date set forth in the Pricing Certificate 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 Pricing Certificate as provided in Section 8.01 below. Such interest shall be payable semiannually on each Interest Payment Date. 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 purchasers 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 and the Pricing Certificate.

Section 4.02. Optional Redemption.

(a) The District reserves the option to redeem Bonds in the manner provided in the Form of Bond set forth in Section 6.02 of this Resolution with such changes as are required by the Pricing Certificate.

(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.

Section 4.03. Mandatory Sinking Fund Redemption.

(a) Bonds designated as "Term Bonds" in the Pricing Certificate, if any, 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 Pricing Certificate.

(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.

The Paying Agent/Registrar named in the Pricing Certificate 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 the Pricing Certificate, 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 preliminary 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 set forth herein; provided, however, that the final form of the Bonds shall be set forth in the Pricing Certificate and shall incorporate the final terms and provisions of the Bonds:

(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 2015¹

INTEREST RATE: MATURITY DATE: DATED DATE: CUSIP NUMBER:
_____ % August 1, _____, 2015² _____

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 Dated 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 _____.³

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 _____⁴ (the "Designated Payment/Transfer Office") of _____⁵, 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 _____

¹ Complete title to be designated in Pricing Certificate.

² Insert based upon the Pricing Certificate.

³ Insert based upon the Pricing Certificate.

⁴ Insert based upon the Pricing Certificate.

⁵ Insert based upon the Pricing Certificate.

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 is one of the series of fully registered bonds specified in its title issued in the aggregate principal amount of \$ _____⁶ (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 and the Refunded Bonds, (ii) making a deposit to the Reserve Fund in the amount, if any, provided in the Pricing Certificate, and (iii) paying the costs of issuing the Bonds.⁷

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,

⁶ Insert based upon the Pricing Certificate.

⁷ Insert purposes and revise as necessary to conform to the Pricing Certificate.

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, _____, in whole or in part before their respective scheduled maturity dates on August 1, _____, 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.]⁸

[The Bonds stated to mature on August 1, 20____ (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:

Term Bonds Maturing August 1, _____

<u>Redemption Date</u>	<u>Principal Amount</u>
August 1, 20____	\$ _____
August 1, 20____*	_____

*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.]⁹

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

⁸ Insert optional redemption provisions and revise as necessary to conform to the Pricing Certificate.

⁹ Insert mandatory sinking fund redemption provisions for the Bonds, if any, and revise as necessary to conform to the Pricing Certificate.

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, and that it is a valid and binding special obligation of the Upper Trinity Regional Water District payable from the revenues pledged to its payment by and in the resolution authorizing same and that said Bond has this day been registered by me.

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

Comptroller of Public Accounts
of the State of Texas

[SEAL]

(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.

_____ 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 Pricing Certificate)

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 & Giuliani 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 2015 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, 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, as set forth in the Pricing Certificate.

(c) At such time as 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, the provisions of this subparagraph (c) and of subparagraph (d), (e) and (f) of this Section 7.10 shall apply. 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 shall be sold to the Underwriters in one or more series from time to time in accordance with the terms of this Resolution, including this Section 8.01(a). As authorized by the Act and Chapters 1207 and 1371, Texas Government Code, as amended, the Pricing Committee is authorized to act on behalf of the District upon determining that the conditions set forth below can be satisfied, in selling and delivering the Bonds and carrying out the other procedures specified in this Resolution, including determining the price at which each of the Bonds will be sold, the number and designation of the Bonds to be issued, the form in which the Bonds shall be issued, the years and dates on which the Bonds will mature, the principal amount to mature in each of such years, the aggregate principal amount of the Refunded Commercial Paper Notes, the aggregate principal amount of Refunded Bonds and the aggregate principal amount of the Bonds, the rate of interest to be borne by each maturity of the Bonds, the first interest payment date, the dates, prices and terms upon and at which the Bonds shall be subject to redemption prior to maturity at the option of the District and shall be subject to mandatory sinking fund redemption, and all other matters relating to the issuance, sale and delivery of the Bonds, including the refunding of the Refunded Obligations, the acquisition of a bond insurance policy if beneficial, and any insurance agreements required pursuant to an insurance commitment, all of which shall be specified in the Pricing Certificate; provided that the following conditions can be satisfied:

(i) the true interest cost on the Bonds shall not exceed the maximum amount permitted by State law; and

(ii) the aggregate principal amount of the Bonds authorized to be issued for the purposes described in Section 3.01 shall not exceed the limits described in that Section; and

(iii) the refunding of the Refunded Bonds shall produce a total net present value debt service savings of at least 7.00% of the principal amount of the Refunded Bonds; and

(iv) no Bond shall mature later than August 1, 2044; and

(v) prior to delivery of the Bonds to the Underwriters, but only to the extent the District enters into a credit agreement pursuant to Chapter 1371, the Bonds must have been rated by a national recognized rating agency for municipal securities in one of the four highest rating categories for long-term obligations; and

(vi) all such terms and determinations pertaining to the pricing of the Bonds shall be based on bond market conditions and available interest rates for the Bonds on the date of the sale of the Bonds and taking into account any bond insurance policy, net of the costs of said bond insurance policy, all as set forth in the Pricing Certificate.

Any member of the Pricing Committee is hereby authorized and directed to execute and deliver on behalf of the District a bond purchase contract (the "Purchase Contract"), providing for the sale of the Bonds to the Underwriters, in such form as determined by the Pricing Committee. The Pricing Committee is hereby authorized and directed to approve the final terms and provisions of the Purchase Contract in accordance with the terms of the Pricing Certificate and this Resolution, which final terms shall be determined to be the most advantageous reasonably attainable by the District, such approval and determination being evidenced by its execution thereof by any member of the Pricing Committee. With regard to such terms and provisions of said Purchase Contract, the Pricing Committee is hereby authorized to come to an agreement with the Underwriters on the following, among other matters:

1. The details of the purchase and sale of the Bonds;
2. The details of the public offering of the Bonds by the Underwriters;
3. The details of an Official Statement (and, if appropriate, any Preliminary Official Statement) relating to the Bonds and the District's Rule 15c2-12 compliance;
4. A security deposit for the Bonds;
5. The representations and warranties of the District to the Underwriters;
6. The details of the delivery of, and payment for, the Bonds;
7. The Underwriters' obligations under the Purchase Contract;
8. The certain conditions to the obligations of the District under the Purchase Contract;
9. Termination of the Purchase Contract;
10. Particular covenants of the District;
11. The survival of representations made in the Purchase Contract;
12. The payment of any expenses relating to the Purchase Contract;
13. Notices; and
14. Any and all such other details that are found by the Pricing Committee to be necessary and advisable for the purchase and sale of the Bonds.

The authority granted to the Pricing Committee under this Section 8.01(a) shall expire on a date 180 days from the date of this Resolution, unless otherwise extended by the Board by separate action.

(b) The Executive Director, Director of Business Services, President, Vice-President, Secretary and Treasurer of the Board are hereby authorized to prepare and complete a Preliminary Official Statement and any addenda, supplement or amendment thereto. Such Preliminary Official Statement as prepared by such parties is hereby approved. The District's Executive Director, Director of Business Services, President, Vice-President, Secretary and Treasurer of the Board, are each authorized to complete the Preliminary Official Statement with such modifications, completions, changes and supplements, as those persons shall approve or authorize for the purpose of preparing and determining and to certify or otherwise represent that the revised Preliminary Official Statement is a "deemed final" official statement 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 use and distribution of the revised Preliminary Official Statement in the public offering of the Bonds by the Underwriters is hereby authorized. Each of the Executive Director, Director of Business Services, the President, Vice-President, Secretary and Treasurer of the Board, are each of them hereby authorized and directed to use and distribute or authorize the use and distribution of the final Official Statement and any addenda, supplement or amendment thereto (the "Official Statement") and to execute the same and deliver appropriate numbers of executed copies thereof to the Underwriters of the Bonds. 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, Vice-President, Secretary and Treasurer of the Board, and the Underwriters, may be used by the Underwriters in the public offering and sale thereof. The Executive Director, Director of Business Services, President, Vice-President, Secretary and Treasurer of the Board are hereby authorized and directed to use and distribute or authorize the use and distribution of the final Official Statement and any addenda, supplement or amendment thereto (the "Official Statement") and to execute the same and deliver appropriate numbers of executed copies thereof to the Underwriters of the Bonds. 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, Vice-President, Secretary or Treasurer of the Board, and each of them, and the Underwriters, may be used by the Underwriters in the public offering and sale thereof.

(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 Underwriters to accept delivery of the Bonds is subject to the Underwriters being furnished with the final, approving opinion of Bracewell & Giuliani 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) Accrued interest on the Bonds, if any, shall be deposited to the Interest and Sinking Fund;

(b) A portion of the proceeds from the sale of the Bonds, together with other funds of the District, if any, as set forth in the Pricing Certificate shall be applied to establish an escrow fund to refund the Refunded Bonds and, to the extent not otherwise provided for, to pay all expenses arising in connection with the establishment of such escrow fund and the refunding of the Refunded Bonds;

(c) An amount, if any, as set forth in the Pricing Certificate shall be deposited to the Reserve Fund; and

(d) An amount sufficient to pay issuance costs with respect to the Bonds, shall be deposited to the Issuance Costs Fund.

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 of the Code, and the applicable Treasury Regulations (the "Regulations"). 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 of the Code and the Regulations that are applicable to the Bonds. 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 set forth in this Article X will satisfy the applicable requirements of the Code and the Regulations, in which case compliance with such other requirement specified in such Counsel's Opinion shall constitute compliance with the corresponding requirement specified in this 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 and the Regulations promulgated thereunder. 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 Obligations 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 and the applicable Regulations.

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 and the applicable Regulations thereunder, except as permitted by section 149(b)(3) of the Code and such Regulations.

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 and the applicable Regulations thereunder. 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 Obligations have not been used in a manner that would cause the Refunded Obligations or the Bonds to be "hedge bonds" within the meaning of section 149(g) of the Code and the applicable Regulations.

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 the Refunded Obligations 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 and the applicable Regulations.

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 the 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(c) of the Code and the applicable Regulations.

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 Obligations 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) Unless provided otherwise in the Pricing Certificate, 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 the Pricing Certificate, 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 the Pricing Certificate, (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.

(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

SUBSCRIPTION FOR SECURITIES; APPROVAL OF ESCROW AGREEMENT; PAYMENT OF REFUNDED OBLIGATIONS

Section 15.01. Payment of Paying Agency Fees.

Prior to the Closing Date, the District shall ascertain from the paying agent for the Refunded Obligations the amount of all future fees and expenses for its paying agency services with respect to the Refunded Obligations. Concurrently with the sale and delivery of the Bonds, the District shall cause an amount sufficient to pay such future fees and expenses to be paid to each such paying agent or to otherwise provide for payment thereof as permitted by applicable law.

Section 15.02. Escrow Agreement for Refunded Bonds.

The discharge and defeasance of the Refunded Bonds shall be effectuated pursuant to the terms and provisions of an Escrow Agreement (the "Escrow Agreement") to be entered into by and between the District and the Escrow Agent, the terms and provisions of which, as completed and delivered by the any member of the Pricing Committee pursuant to the Pricing Certificate, are hereby approved, subject to such insertions, additions and modifications as shall be necessary to (i) carry out the program designed for the District and which shall be certified as to mathematical accuracy and sufficiency, (ii) minimize the District's costs of refunding, (iii) comply with all applicable laws and regulations relating to the refunding of the Refunded Bonds, (iv) carry out the other intents and purposes of this Resolution and (v) comply with the terms set forth in the Pricing Certificate, and any member of the Pricing Committee is hereby authorized to execute and deliver such Escrow Agreement on behalf of the District in multiple counterparts and the Secretary of the Board is hereby authorized to attest thereto.

Section 15.03. Redemption of Refunded Bonds.

The District hereby calls the Refunded Bonds for redemption prior to maturity on the dates and at the prices set forth in the Pricing Certificate. Any member of the Pricing Committee is hereby directed to give notice to the paying agent for the Refunded Bonds of such redemption by delivering to such paying agent a certified copy of this Resolution and an executed copy of the Pricing Certificate and the delivery of such Resolution and Pricing Certificate shall constitute the giving of notice to such paying agent of the redemption of the Refunded Bonds. The paying agent for the Refunded Bonds is hereby authorized and directed to give notice of such redemption to the owners thereof pursuant to such resolutions authorizing the issuance thereof.

Section 15.04. Purchase of Escrow Securities.

To assure the purchase of the Escrow Securities, if any, to be identified in the Escrow Agreement, any member of the Pricing Committee is hereby authorized to subscribe for, agree to purchase, and purchase such Escrow Securities in such amounts and maturities and bearing interest at such rates as may be provided for in the Escrow Agreement, and to execute any and all subscriptions, purchase agreements, commitments, letters of authorization and other documents

necessary to effectuate the foregoing, and any actions heretofore taken for such purpose are hereby ratified and approved.

Section 15.05. Payment of Refunded Commercial Paper Notes.

The principal of and interest on the Refunded Commercial Paper Notes shall be paid on the date therefor described in the Pricing Certificate. Each member of the Pricing Committee is hereby authorized and directed to cause proper notices of such payment to be given to the appropriate persons as required under the documents authorizing the issuance of the Commercial Paper Notes from the amounts deposited with the Refunded Commercial Paper Notes Issuing and Paying Agent for such purpose.

ARTICLE XVI

MISCELLANEOUS

Section 16.01. Changes to Resolution.

Any member of the Pricing Committee, 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.

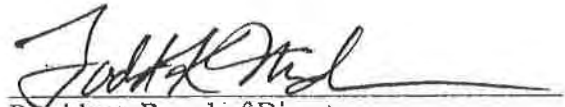
Section 16.02. Partial Invalidity.

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.

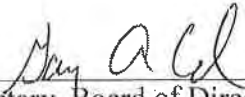
No recourse shall be had for payment of the principal of or interest on any Bonds or for any claim based thereon, or on this Resolution, against any official or employee of the District or any person executing any Bonds.

FINALLY ADOPTED, APPROVED AND EFFECTIVE this 5th day of March, 2015.



President, Board of Directors,
Upper Trinity Regional Water District

ATTEST:



Secretary, Board of Directors,
Upper Trinity Regional Water District

Resolution of Authorization

SCHEDULE I

SCHEDULE OF REFUNDED OBLIGATION CANDIDATES

Refunded Bond Candidates

Regional Treated Water Supply System Revenue Bonds, Series 2004

Regional Treated Water Supply System Revenue Refunding Bonds, Series 2005

Refunded Commercial Paper Note Candidates

Regional Treated Water Supply System Revenue Commercial Paper Notes,
Series A in a principal amount not to exceed \$18,000,000

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 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 District 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 rescinds)
- 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 (Highland Village)

- Addendum, dated March 5, 1998 (Highland Village)
- Amendment, dated February 4, 1999 (Highland Village)
- Amendment, dated March 22, 2005 (Highland Village)

Amendments Pertaining to Corinth

- Second Amendment, dated February 4, 1999 (Corinth)
- Third Amendment, dated September 2, 1999 (Corinth)

Amendments Pertaining to Lake Cities

- (Second) Amendment, dated October 1, 1997 (Lake Cities)
- Third Amendment, dated August 6, 1998 (Lake Cities)
- (Fourth) Amendment, dated February 4, 1999 (Lake Cities)
- Fifth Amendment, dated September 2, 1999 (Lake Cities)

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, and replaced with Regional Treated Water Supply Contract, dated February 10, 2003, establishing UTRWD additional participating membership for Mustang Special Utility District:

- 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

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, and assigned all rights to such contract, including amendments to Denton County Fresh Water Supply District No. 7, dated November 15, 2001

- Contract, dated November 15, 2001, establishing UTRWD additional participating membership for DCFWSD No. 7

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 1, 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

PROVIDENCE VILLAGE WATER CONTROL AND IMPROVEMENT DISTRICT OF DENTON COUNTY (FORMERLY DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 9)

Regional Treated Water Supply Service Contract with Participating Customer 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 with Participating Customer 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 with Participating Customer 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 Additional Participating Customer Contract with Town of Northlake, dated as of December 2, 2010

Part C - #31

Summary of Wholesale
Contracts with Customers

UPPER TRINITY REGIONAL WATER DISTRICT
TWDB SWIFT Application
Part C, Number 31

5/21/2015 16:46

Entity	Minimum annual amount (1)	Usage fee per 1,000 gallons	Annual Operations and Maintenance (2)	Annual Capital Costs (3)	Annual Debt Service (4)	Other
ARGYLE WSC	98,550,000	\$0.95	\$ 174,959.60	\$ 227,898.61	\$ 428,064.39	N/A
CROSS TIMBERS	164,250,000	\$0.95	\$ 181,989.60	\$ 325,569.44	\$ 611,520.56	N/A
CELINA	164,250,000	\$0.95	\$ 261,335.50	\$ 325,569.44	\$ 611,520.56	N/A
CORINTH	492,750,000	\$0.95	\$ 920,445.50	\$ 976,708.32	\$ 1,834,561.69	N/A
DENTON COUNTY FRESH WATER SUPPLY DISTRICT #1A	197,100,000	\$0.95	\$ 478,872.20	\$ 390,683.33	\$ 733,824.68	N/A
FLOWER MOUND	1,708,200,000	\$0.95	\$ 2,702,834.55	\$ 3,906,833.29	\$ 7,338,246.77	N/A
HIGHLAND VILLAGE	197,100,000	\$0.95	\$ 809,937.89	\$ 390,683.33	\$ 733,824.68	N/A
JUSTIN	36,500,000	\$0.95	\$ 58,724.25	\$ 97,670.83	\$ 183,456.17	N/A
KRUM	29,200,000	\$0.95	\$ 126,530.25	\$ 52,091.11	\$ 97,843.29	N/A
LAKE CITIES MUNICIPAL UTILITIES AUTHORITY	249,660,000	\$0.95	\$ 466,187.80	\$ 494,865.55	\$ 929,511.26	N/A
LINCOLN PARK	6,570,000	\$0.95	\$ 13,154.77	\$ 13,022.78	\$ 24,460.82	N/A
MUSTANG WSC	8,760,000	\$0.95	\$ 318,412.11	\$ 364,637.77	\$ 684,903.03	N/A
SANGER	32,850,000	\$0.95	\$ 53,242.75	\$ 65,113.89	\$ 122,304.11	N/A
DENTON COUNTY FRESH WATER SUPPLY DISTRICT #7	203,670,000	\$1.02	\$ 518,761.75	\$ 403,706.11	\$ 758,285.50	N/A
DENTON COUNTY FRESH WATER SUPPLY DISTRICT #8	0	\$1.02	\$ 104,174.43	\$ 282,594.27	\$ 530,799.85	N/A
PROVIDENCE VILLAGE	0	\$1.02	\$ 231,252.36	\$ 312,546.66	\$ 587,059.74	N/A
DENTON COUNTY FRESH WATER SUPPLY DISTRICT #10	0	\$1.02	\$ 247,197.15	\$ 312,546.66	\$ 587,059.74	N/A
DENTON COUNTY FRESH WATER SUPPLY DISTRICT #11A	0	\$1.02	\$ 200,589.31	\$ 390,683.33	\$ 733,824.68	N/A
TOWN OF NORTHLAKE	19,710,000	\$1.02	\$ 68,730.20	\$ 39,068.33	\$ 73,382.47	N/A
TOTAL	3,609,120,000	N/A	\$ 7,937,331.97	\$ 9,372,493.06	\$ 17,604,454.00	N/A

Notes:

- (1) - Minimum annual amount in gallons
- (2) - Annual Operations & Maintenance for FY2014
- (3) - Annual Capital Costs for FY2014
- (4) - Annual Debt Service for FY2014

Part C - #45

Proforma of System Revenues
And Expenses

TWDB SWIFT Application
Part C, Number 45
UPPER TRINITY REGIONAL WATER DISTRICT
Net Revenue Pro Forma

Fiscal Year Ended 9/30	Operating Revenues	Operating Expenses	Available For Debt Service	Debt Service**	Coverage	Coverage Ratio
2015	\$ 35,847,827	\$ 13,441,843	\$ 22,405,984	\$ 18,021,689	4,384,295	1.24
2016	36,923,262	13,845,098	23,078,164	\$ 18,277,984	4,800,180	1.26
2017	38,030,960	14,260,451	23,770,509	\$ 18,291,826	5,478,683	1.30
2018	39,171,889	14,688,265	24,483,624	\$ 19,494,830	4,988,794	1.26
2019	40,347,046	15,128,913	25,218,133	\$ 19,281,176	5,936,957	1.31
2020	41,557,457	15,582,780	25,974,677	\$ 17,800,245	8,174,432	1.46
2021	41,973,032	15,738,608	26,234,424	\$ 17,368,052	8,866,372	1.51
2022	42,392,762	15,895,994	26,496,768	\$ 16,019,474	10,477,294	1.65
2023	42,816,690	16,054,954	26,761,736	\$ 16,153,782	10,607,953	1.66
2024	43,244,856	16,215,503	27,029,353	\$ 18,350,006	8,679,347	1.47
2025	43,677,305	16,377,658	27,299,646	\$ 18,457,951	8,841,696	1.48
2026	44,114,078	16,541,435	27,572,643	\$ 16,006,945	11,565,698	1.72
2027	44,555,219	16,706,849	27,848,369	\$ 13,545,284	14,303,086	2.06
2028	45,000,771	16,873,918	28,126,853	\$ 12,872,724	15,254,129	2.18
2029	45,450,779	17,042,657	28,408,122	\$ 11,948,844	16,459,277	2.38
2030	45,905,286	17,213,084	28,692,203	\$ 9,092,887	19,599,316	3.16
2031	46,364,339	17,385,214	28,979,125	\$ 7,661,353	21,317,772	3.78
2032	46,827,983	17,559,067	29,268,916	\$ 7,653,454	21,615,462	3.82
2033	47,296,263	17,734,657	29,561,605	\$ 6,854,654	22,706,951	4.31
2034	47,769,225	17,912,004	29,857,221	\$ 6,851,688	23,005,533	4.36
2035	48,246,917	18,091,124	30,155,794	\$ 5,552,123	24,603,671	5.43
2036	48,729,387	18,272,035	30,457,351	\$ 5,547,148	24,910,203	5.49
2037	49,216,681	18,454,756	30,761,925	\$ 5,549,977	25,211,948	5.54
2038	49,708,847	18,639,303	31,069,544	\$ 4,612,804	26,456,740	6.74
2039	50,205,936	18,825,696	31,380,240	\$ 4,616,368	26,763,872	6.80
2040	50,707,995	19,013,953	31,694,042	\$ 3,807,782	27,886,261	8.32
2041	51,215,075	19,204,093	32,010,982	\$ 3,814,323	28,196,660	8.39
2042	51,727,226	19,396,134	32,331,092	\$ 3,814,455	28,516,638	8.48
2043	52,244,498	19,590,095	32,654,403	\$ 3,813,130	28,841,274	8.56
2044	52,766,943	19,785,996	32,980,947	\$ 3,815,355	29,165,593	8.64
2045	53,294,613	19,983,856	33,310,757	\$ 3,545,339	29,765,418	9.40
2046	53,827,559	20,183,694	33,643,864	\$ 1,462,919	32,180,946	23.00
2047	54,365,834	20,385,531	33,980,303	\$ 1,465,814	32,514,489	23.18
2048	54,909,493	20,589,387	34,320,106	\$ 1,465,506	32,854,600	23.42
2049	55,458,587	20,795,280	34,663,307	\$ 1,461,960	33,201,347	23.71

**Derived from Current and Projected Debt Service Schedule on the following page.

TWDB SWIFT Application
Part C, Number 45
UPPER TRINITY REGIONAL WATER DISTRICT
Current and Projected Debt Service Schedule

Fiscal Year Ended	The Bonds									Total Outstanding Parity Debt	% of Principal Retired
	System Outstanding Debt			Series 2015 30 Year Deferred Interest			Series 2015 State Participation				
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total		
9/30											
2015	\$ 11,550,000	\$ 6,471,689	\$ 18,021,689	\$ -	\$ -	\$ -	-	-	-	\$ 18,021,689	
2016	11,445,000	6,832,984	18,277,984	-	-	-	-	-	-	18,277,984	
2017	11,830,000	6,461,826	18,291,826	-	-	-	-	-	-	18,291,826	
2018	13,340,000	6,013,046	19,353,046	-	-	-	-	141,784	141,784	19,494,830	
2019	13,405,000	5,734,392	19,139,392	-	-	-	-	141,784	141,784	19,281,176	25.64%
2020	12,385,000	5,202,568	17,587,568	-	-	-	-	212,677	212,677	17,800,245	
2021	12,335,000	4,749,483	17,084,483	-	-	-	-	283,569	283,569	17,368,052	
2022	11,360,000	4,269,567	15,629,567	-	-	-	-	389,907	389,907	16,019,474	
2023	11,815,000	3,842,537	15,657,537	-	-	-	-	496,245	496,245	16,153,782	
2024	12,300,000	3,367,513	15,667,513	875,000.00	1,204,909.50	2,079,910	-	602,584	602,584	18,350,006	51.06%
2025	12,810,000	2,858,444	15,668,444	900,000.00	1,180,584.50	2,080,585	-	708,922	708,922	18,457,951	
2026	10,885,000	2,333,448	13,218,448	925,000.00	1,154,574.50	2,079,575	-	708,922	708,922	16,006,945	
2027	8,820,000	1,936,017	10,756,017	955,000.00	1,125,344.50	2,080,345	-	708,922	708,922	13,545,284	
2028	7,905,000	1,617,506	9,522,506	990,000.00	1,093,161.00	2,083,161	-	1,267,057	1,267,057	12,872,724	
2029	7,280,000	1,318,771	8,598,771	1,025,000.00	1,058,016.00	2,083,016	-	1,267,057	1,267,057	11,948,844	72.92%
2030	4,700,000	1,045,636	5,745,636	1,060,000.00	1,020,193.50	2,080,194	-	1,267,057	1,267,057	9,092,887	
2031	3,440,000	874,594	4,314,594	1,100,000.00	979,701.50	2,079,702	-	1,267,057	1,267,057	7,661,353	
2032	3,570,000	734,925	4,304,925	1,145,000.00	936,471.50	2,081,472	-	1,267,057	1,267,057	7,653,454	
2033	2,920,000	587,269	3,507,269	1,190,000.00	890,328.00	2,080,328	-	1,267,057	1,267,057	6,854,654	
2034	3,035,000	468,331	3,503,331	1,240,000.00	841,300.00	2,081,300	-	1,267,057	1,267,057	6,851,688	82.66%
2035	1,665,000	338,981	2,003,981	1,295,000.00	789,220.00	2,084,220	755,000	708,922	1,463,922	5,552,123	
2036	1,740,000	264,081	2,004,081	1,345,000.00	735,477.50	2,080,478	785,000	677,590	1,462,590	5,547,148	
2037	1,815,000	185,731	2,000,731	1,405,000.00	679,391.00	2,084,391	820,000	644,855	1,464,855	5,549,977	
2038	950,000	116,563	1,066,563	1,460,000.00	620,662.00	2,080,662	855,000	610,579	1,465,579	4,612,804	
2039	990,000	82,125	1,072,125	1,520,000.00	559,488.00	2,079,488	890,000	574,755	1,464,755	4,616,368	90.28%
2040	220,000	45,000	265,000	1,585,000.00	495,496.00	2,080,496	925,000	537,286	1,462,286	3,807,782	
2041	230,000	36,750	266,750	1,660,000.00	422,744.50	2,082,745	970,000	494,828	1,464,828	3,814,323	
2042	240,000	28,125	268,125	1,735,000.00	346,218.50	2,081,219	1,015,000	450,111	1,465,111	3,814,455	
2043	250,000	19,125	269,125	1,815,000.00	265,888.00	2,080,888	1,060,000	403,117	1,463,117	3,813,130	
2044	260,000	9,750	269,750	1,900,000.00	181,672.00	2,081,672	1,110,000	353,933	1,463,933	3,815,355	
2045	-	-	-	1,990,000.00	93,132.00	2,083,132	1,160,000	302,207	1,462,207	3,545,339	97.83%
2046							1,215,000	247,919	1,462,919	1,462,919	
2047							1,275,000	190,814	1,465,814	1,465,814	
2048							1,335,000	130,506	1,465,506	1,465,506	
2049							1,395,000	66,960	1,461,960	1,461,960	100.00%
2050											
2051											
2052											
2053											
2054											
	<u>\$ 195,490,000</u>	<u>\$ 67,846,777</u>	<u>\$ 263,336,777</u>	<u>\$ 29,115,000</u>	<u>\$ 16,673,974</u>	<u>\$ 45,788,974</u>	<u>\$ 15,565,000</u>	<u>\$ 19,659,096</u>	<u>\$ 35,224,096</u>	<u>\$ 344,349,847</u>	

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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	Six Months Ending <u>March 31*</u>
OPERATING REVENUES						
Charges for services	\$ 29,526,583	\$ 32,165,111	\$ 32,424,268	\$ 33,296,713	\$ 34,421,728	\$ 16,841,252
Miscellaneous Income	42,583	46,542	54,700	103,266	111,313	198,840
Total operating revenues	29,569,166	32,211,653	32,478,968	33,399,979	34,533,041	17,040,092
OPERATING EXPENSES						
Operating and maintenance						
Salaries and benefits	1,647,884	1,658,576	1,734,155	1,589,856	1,987,364	1,448,678
Water treatment	4,446,819	5,418,588	5,295,005	5,500,197	5,714,429	2,172,606
Lab chemicals and supplies	913,458	1,089,935	890,834	946,147	917,440	408,706
Maintenance	361,106	238,206	451,731	322,306	478,412	219,044
Utilities	1,605,924	1,903,519	1,853,217	1,883,749	1,723,488	594,059
Equipment and tools	11,970	10,359	18,076	20,604	14,925	8,715
Miscellaneous	85,014	82,074	145,617	122,520	114,590	100,495
Depreciation and amortization	7,574,103	7,666,606	7,306,354	7,165,185	6,407,284	3,352,142
Overhead expenses	1,818,641	1,797,011	1,769,712	1,912,552	1,862,542	1,108,206
General office expenses	212,980	199,577	264,990	264,846	237,143	254,200
Total expenses	18,677,899	20,064,451	19,729,691	19,727,962	19,457,617	9,666,851
OPERATING INCOME (LOSS)	10,891,267	12,147,202	12,749,277	13,672,017	15,075,424	7,373,241

*UNAUDITED

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, 2014

About the Cover

UTRWD, Headquarters Entrance
Celebrating 25 years of service

Upper Trinity Regional Water District
900 North Kealy
P.O. Drawer 305
Lewisville, Texas 75067

(972) 219-1228

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, 2014

PREPARED BY THE BUSINESS DEPARTMENT

OF THE

UPPER TRINITY REGIONAL WATER DISTRICT

**UPPER TRINITY REGIONAL WATER DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2014**

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March 5, 2015
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, 2014 – 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 25 public entities (Members) – including 20 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.

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 State Participation program and other programs from the Texas Water Development Board. Under the State Participation program, 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 FY 2008, 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 2009, 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 December 2011, the Texas Water Development Board approved the updated final Plan and submitted it to the Texas Legislature. The approved Plan became the 2012 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 2012 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 11th, 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 12 to 15 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 is now underway to serve the cities of Prosper and Celina, Mustang SUD and FWSD No. 10, with completion expected early 2016.

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

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				
Denton County FWSD #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	**			
Lincoln Park				
Mustang SUD				
Northlake				
Oak Point*				
Pilot Point				
Ponder				
Prosper				
Sanger				
Shady Shores*				

*Indirect Customer: Receives retail water service 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 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, 2013. This was the District's fourteenth 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 2014 budget year. This was the District's fifth 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.

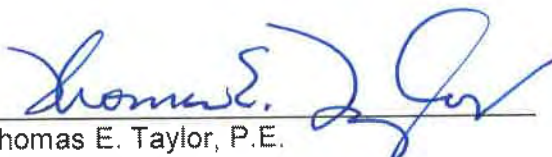
The Distinguished Budget Presentation Award is given on annual basis. We believe that the budget submitted for the FY 2015 budget year continues to satisfy the requirements to receive the Award. Therefore, the FY 2015 budget was submitted in November 2014 for consideration.

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,


Thomas E. Taylor, P.E.
Executive Director


William A. Greenleaf
Director of Business Services

UPPER TRINITY REGIONAL WATER DISTRICT

BOARD OF DIRECTORS As of September 30, 2014

<u>Name</u>	<u>Term</u>	<u>Appointing Entity</u>
Todd Madison, President	A	Town of Lincoln Park
Lance Vanzant, Vice President	B	City of Celina
Chris Boyd, Treasurer	A	Mustang Special Utility District
Gary Calmes, Secretary	B	City of Krum
Charles West	B	Town of Argyle
Kenneth Faulkner	A	City of Aubrey
Del Knowler	B	Town of Bartonville
Janet Aune	B	Town of Copper Canyon
Justin Brown	B	City of Corinth
Timothy Fisher	B	City of Denton
Johnny D. Harris	A	Denton County
Jean Campbell	B	Denton County At-Large
Jerry Benetato	A	Denton County FWSD No. 1-A
Kevin Mercer	A	Denton County FWSD No. 7
Dick Cook	B	Town of Double Oak
Kenneth Parr	A	Town of Flower Mound
Richard A. Lubke	A	City of Highland Village
Ramiro Lopez	B	City of Irving
Virginia L. Blevins	B	City of Justin
Mike Fairfield	A	Lake Cities Municipal Utility Authority
Lathan Watts	B	City of Lewisville
Leslie Maynard	A	City of Oak Point
Scott Ingalls	A	City of Pilot Point
Richard Huckaby	B	Town of Ponder
George Dupont	A	Town of Prosper
Mike Brice	A	City of Sanger

A -- Term expires May 31, 2015 and each four years thereafter

B -- Term expires May 31, 2017 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 22 Years	22 Years
Larry N. Patterson, P.E.	Deputy Executive Director 2 Year	12 Years
William A. Greenleaf	Director of Business Services 9 Years	16 Years
Thomas W. Snyder, P.E.	Asst. Director / Engineering & Construction 21 Years	21 Years
D. Jody Zabolio, P.E.	Asst. Director / Operations 6 Years	9 Years

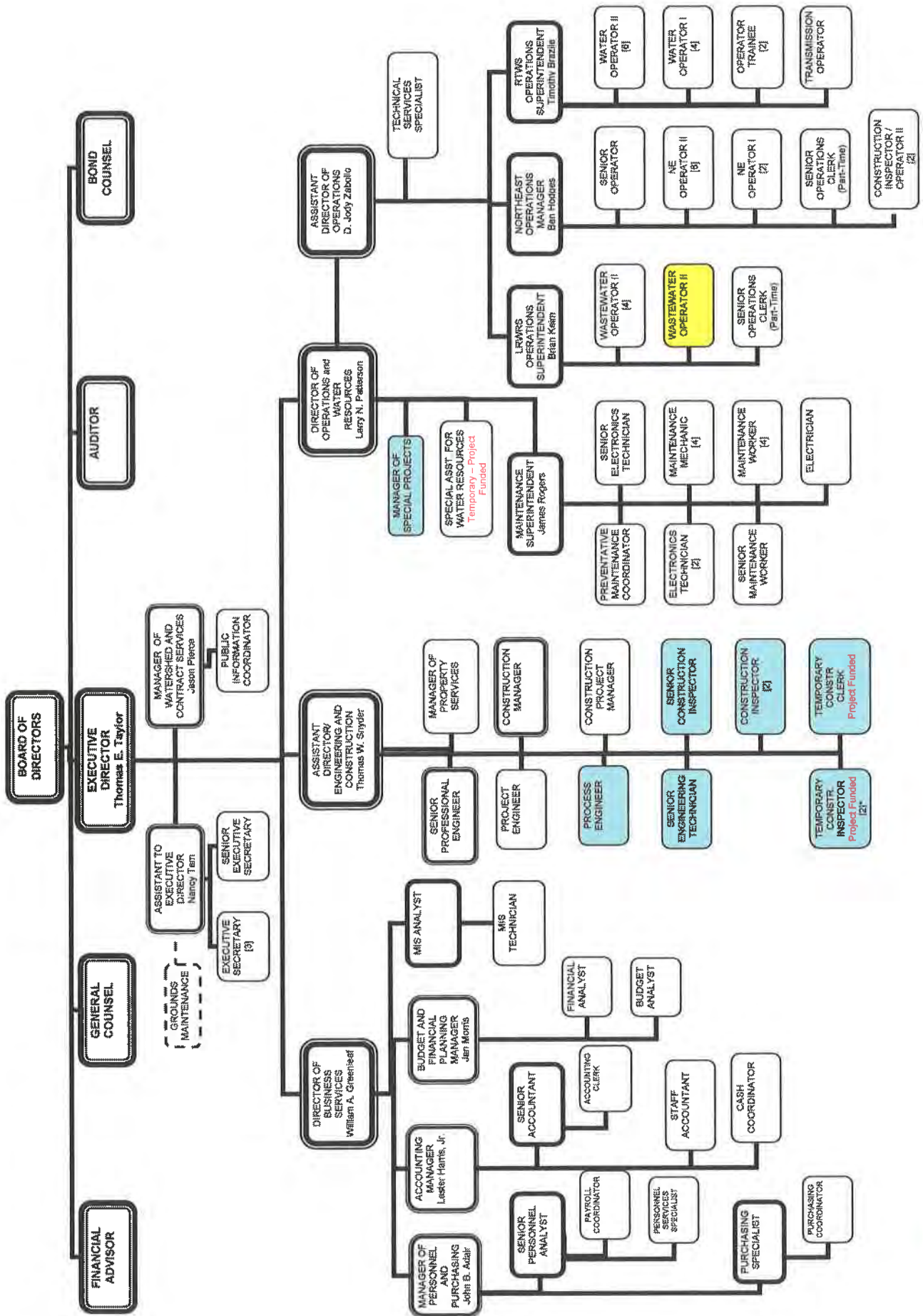
INDEPENDENT AUDITORS
Deloitte & Touche LLP
Dallas, Texas

GENERAL COUNSEL and CO-BOND COUNSEL
Boyle and Lowry LLP
Irving, Texas

CO-BOND COUNSEL
Bracewell & Giuliani LLP
Dallas, Texas

FINANCIAL ADVISOR
First Southwest Company
Dallas, Texas

FY 2014 ADOPTED ORGANIZATIONAL CHART



Unfunded for FY 2014, but still authorized If positions are 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 2014
 New Position
 * 2 Positions were eliminated



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, 2013

Executive Director/CEO

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, 2014, 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 discretely presented component unit of the Upper Trinity Regional Water District as of September 30, 2014, 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.

Emphasis of Matter

As discussed in Note 1(I.) to the basic financial statements, the District implemented GASB Statement 65, *Items Previously Reported as Assets and Liabilities*, during the year ended September 30, 2014 and restated beginning net position accordingly. Our opinion is not modified with respect to this matter.

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 District's basic financial statements. The accompanying 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 accompanying 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 accompanying 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

February 19, 2015

UPPER TRINITY REGIONAL WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FISCAL YEAR ENDED SEPTEMBER 30, 2014 (UNAUDITED)

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, 2014.

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 2014 was \$60,431,361, an increase of approximately 40% for the year. The increase was largely due to:
 - The significant contributions made by the participants in the Doe Branch Plant of the Northeast Regional Water Reclamation System.
 - Vigilance of the Board and Staff in controlling costs.
 - Taking advantage of available low-cost capital financing during the economic downturn.
 - A steady commitment to funding reserve accounts.
- A favorable interest-rate climate continued into FY 2014. Use of Commercial Paper for capital improvements in the Regional Treated Water System saved money. Interest rates for Commercial Paper remained at historically low levels. Interest rates on Commercial Paper ranged from a low of 0.07% to a high 0.12% -- a lower range than for FY 2013.
- Total capital asset additions were approximately \$13 million, of which approximately \$9 million was for the Regional Treated Water System and \$3 million was for the Northeast Regional Water Reclamation 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. Beginning in FY 2013, GASB No. 63 required changing the term “Net Assets” to “Net Position”.

During the year ended September 30, 2014 the District adopted GASB Statements: No. 65, *Items Previously Reported as Assets and Liabilities*, as of October 1, 2013, which established the accounting and reporting standards that reclassified as deferred outflows or inflows certain items that were previously reported as assets and liabilities and required the recognition of, as outflows or inflows, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 requires debt issuance cost to be expensed in the period incurred instead of deferring and amortizing the cost over the life of the debt. As a result of implementing GASB No. 65, the District’s net position as of October 1, 2013 was restated by \$7,196,488 to reflect the recognition of debt issuance cost previously reported as assets that are now required to be reported as outflows in accordance with the standard.

The *Statement of Net Position* presents information on all of the District’s assets and liabilities, with the difference between the two 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 *Statement 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 exceeded liabilities by \$60,431,361— an increase of approximately 40% in net position over fiscal year 2013.

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 the cost 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.

In addition, the flexibility of the State Participation Program 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 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 financing, Commercial Paper financing, 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 \$14,843,645 is *Restricted for Debt Service*, and \$14,074,925 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, 2014
(With Comparative Totals for Year Ended September 30, 2013)

	FY 2014	FY 2013
ASSETS:		
Current and other assets	\$ 76,360,264	\$ 55,209,848
Capital assets	<u>280,939,807</u>	<u>275,566,042</u>
Total assets	<u>357,300,071</u>	<u>330,775,890</u>
Deferred outflow of resources:		
Loss on debt refunding	<u>2,463,971</u>	
Total deferred outflows of resources	<u>2,463,971</u>	
LIABILITIES:		
Current and other liabilities	21,942,365	21,091,758
Long-term liabilities outstanding	<u>277,390,316</u>	<u>266,577,341</u>
Total liabilities	<u>299,332,681</u>	<u>287,669,099</u>
NET POSITION:		
Net investment in capital assets	19,179,156	18,553,606
Restricted:		
For debt service	14,843,645	14,237,237
Contributions for capital improvements	14,074,925	
Unrestricted	<u>12,333,635</u>	<u>10,315,948</u>
Total net position	<u>\$ 60,431,361</u>	<u>\$ 43,106,791</u>

**Upper Trinity Regional Water District's Condensed Schedule of Revenues,
Expenses and Changes in Net Position
For the Year Ended September 30, 2014
(With Comparative Totals for Year Ended September 30, 2013)**

	FY 2014	FY 2013
OPERATING REVENUES		
Charges for Service	\$ 43,626,393	\$ 41,789,296
Miscellaneous Income	<u>125,263</u>	<u>118,061</u>
Total Operating Revenue	<u>43,751,656</u>	<u>41,907,357</u>
OPERATING EXPENSES:		
Operation and maintenance	14,064,706	13,359,224
Depreciation and amortization	8,982,059	9,225,989
Administrative expenses	<u>2,934,975</u>	<u>2,996,562</u>
Total operating expenses	<u>25,981,740</u>	<u>25,581,775</u>
OPERATING INCOME	<u>17,769,916</u>	<u>16,325,582</u>
NON-OPERATING REVENUES/(EXPENSES)		
Equity Fee Income	20,000	
Investment (loss)/income	46,954	(153,335)
Interest income	357,332	349,145
Interest and fiscal charges	(9,888,248)	(9,495,377)
Loss on disposal of capital assets	<u>(83,794)</u>	<u>(378,861)</u>
Total non-operating revenues (expenses)	<u>(9,547,756)</u>	<u>(9,678,428)</u>
INCOME BEFORE CONTRIBUTIONS	8,222,160	6,647,154
CONTRIBUTIONS	<u>16,298,898</u>	<u>547,136</u>
CHANGE IN NET POSITION	<u>24,521,058</u>	<u>7,194,290</u>
TOTAL NET POSITION—beginning of year	43,106,791	35,912,501
Restatement of beginning net position due to implementation of GASB 65	<u>(7,196,488)</u>	
NET POSITION - beginning of year as restated	<u>35,910,303</u>	<u>35,912,501</u>
TOTAL NET POSITION—end of year	<u>\$ 60,431,361</u>	<u>\$ 43,106,791</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

The District's total capital assets as of September 30, 2014, were \$280,939,807 (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 2014, the most significant additions to capital assets were for the Regional Treated Water System, which increased by approximately \$9 million. The investments in capital assets were largely comprised of on-going planning, regulatory permitting and land purchases for the Lake Ralph Hall Water Supply Project, the third phase of the Southwest Water Pipeline and other various improvement projects of the Regional Treated Water System.

(With Comparative Totals As Of September 30, 2013)

	FY 2014	FY 2013
Land - General purpose	\$ 12,573,422	\$ 12,230,493
Furniture and Equipment	1,073,183	744,035
Plant/Pipeline Facilities	212,597,420	219,754,936
Leased Assets	3,324	4,920
Water Rights	6,866,843	7,042,916
Reservoirs	1,307,392	1,338,520
Construction in progress:		
Land - General purpose	1,815,201	1,798,653
Reservoir land	11,301,884	9,970,293
Other construction costs	<u>33,401,138</u>	<u>22,681,276</u>
 Total	 <u>\$ 280,939,807</u>	 <u>\$ 275,566,042</u>

Debt Administration

As mentioned earlier, over a period of years, the District received significant funding from the Texas State Participation Program for equity participation in construction of extra capacity in regional systems to meet future growth needs, approaching a peak of \$55.521 million. Taking advantage of low-interest opportunities, the District, over time, 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, plus noncurrent accrued interest remaining to be reimbursed when timely, was approximately \$2.89 million at fiscal year-end. Further, the total outstanding debt (including State Participation) and other long-term liabilities is approximately \$288 million. Of this total, 78% is for the Regional Treated Water System; 11% is for the Lakeview Water Reclamation System; and, the remaining 11% is for the Northeast Regional Water Reclamation System (Riverbend, Doe Branch and Peninsula Plants) and the Non-Potable Water System.

During FY 2008, the District received project funding for its Lake Ralph Hall Project from the Texas Water Development Board (TWDB) – from the *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. The *WIF-10* funds are classified as “Revenue Bonds” for reporting purposes.

**Upper Trinity Regional Water District's Outstanding Debt
As of September 30, 2014
(With Comparative Totals As Of September 30, 2013)**

	FY 2014	FY 2013
Revenue Bonds	\$ 229,605,000	\$ 228,785,000
State Participation (TWDB Equity Interest)	2,100,000	2,100,000
Commercial Paper	37,050,000	31,550,000
Water Supply Obligations	5,353,500	5,438,881
Long-Term Contractual Commitments	12,710,647	10,663,725
Non-current Accrued Interest (State Participation Interest)	<u>793,204</u>	<u>793,204</u>
 Total	 <u>\$ 287,612,351</u>	 <u>\$ 279,330,810</u>

As of September 30, 2014, the District's revenue bonds were rated as follows:

	Moody's Investors	Standard & Poor's
Regional Treated Water System	A3	A-
Lakeview Regional Water Reclamation System	A2	A+
Northeast Regional Water Reclamation System	Baa1	BBB+

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 2014, 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 2014 represented the tenth consecutive year that the District has achieved an increase in total Net Position, with an above average increase of 40% for this fiscal year.

During FY 2014, the slow national economy was improving, but continued to have a moderating affect 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 2014, capital planning continued apace, and the District proceeded with key capital projects: (1) acquisition of land and permitting for an 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) beginning first phase of construction of the Doe Branch Water Reclamation Plant in the Northeast Regional Water Reclamation System; and (4) on-going expansion, process improvements and new construction in the Lakeview Regional Water Reclamation and the Riverbend Plant of the Northeast Regional Water Reclamation Systems.

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 2014, the Board of Directors approved new rates and charges for Fiscal Year 2015:

- Lakeview Regional Water Reclamation System. Various fees and charges were increased by an average of 3.0%.
- Northeast Regional Reclamation System. The average increase for various fees and charges was 3.0% for services provided by the Riverbend Plant and 5.0% for the Peninsula Plant.
- Regional Treated Water System. Combined, the blended rate increase for the fixed "Demand" components and the variable "Volume" components averaged 2.75%.

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. Exemplifying such vigilance, during FY 2014, the District took advantage of low interest rates to refinance approximately \$18.8 million in existing debt, achieving approximately \$2.6 million in savings for the District and its customers.

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

STATEMENT OF NET POSITION

September 30, 2014

	UTRWD Enterprise	Component Unit
ASSETS:		
Current Assets:		
Cash and cash equivalents	\$ 19,781,767	\$ 67,827
Accounts receivable from customers	4,925,116	
Interest receivable	25,921	
Other current assets	21,846	
Restricted assets:		
Cash and cash equivalents	1,508,548	
Total current assets	<u>26,262,998</u>	<u>67,827</u>
Non-current assets:		
Accounts Receivable - Equity Fees	4,581	
Restricted assets:		
Cash and cash equivalents	40,779,241	
Investments	5,903,001	
Contractual agreements receivable	3,410,443	
Non-depreciable capital assets	59,091,645	
Depreciable capital assets - net	221,848,162	
Total non-current assets	<u>331,037,073</u>	
TOTAL ASSETS	<u>357,300,071</u>	<u>67,827</u>
DEFERRED OUTFLOW OF RESOURCES:		
Loss on debt refunding	2,463,971	
TOTAL DEFERRED OUTFLOW OF RESOURCES	<u>2,463,971</u>	
LIABILITIES:		
Current liabilities:		
Accounts payable	4,621,333	3,958
Unearned revenue	881,710	
Accrued wages and benefits	644,952	
Other current liabilities	19,756	
Payable from restricted assets:		
Accrued interest payable	1,533,714	
Construction retainage payable	420,426	
Current portion of long-term bonds	13,550,000	
Current portion of water supply obligation	88,159	
Current portion of long-term accrued interest	113,315	
Unpaid self-insurance claims	69,000	
Total current liabilities	<u>21,942,365</u>	<u>3,958</u>
Non-current liabilities:		
Long-term bonds	218,843,449	
Long-term state participation debt	2,100,000	
Commercial paper payable	37,050,000	
Long-term water supply obligation	5,265,341	
Long-term accrued compensated absences	740,990	
Notes payable	12,710,647	
Long-term accrued interest	679,889	
Total non-current liabilities	<u>277,390,316</u>	
TOTAL LIABILITIES	<u>299,332,681</u>	<u>3,958</u>
NET POSITION		
Net investment in capital assets	19,179,156	
Restricted:		
For debt service	14,843,645	
Contributions for capital improvements	14,074,925	
Unrestricted	12,333,635	63,869
Total net position	<u>\$ 60,431,361</u>	<u>\$ 63,869</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, 2014

	UTRWD Enterprise	Component Unit
OPERATING REVENUES:		
Charges for services	\$ 43,626,393	\$ 3,875
Miscellaneous income	125,263	
Total operating revenues	43,751,656	3,875
OPERATING EXPENSES:		
Operation and maintenance:		
Salaries and benefits	3,046,912	8,745
Water and wastewater treatment	6,183,927	
Lab chemicals and supplies	1,046,790	
Maintenance materials service	886,875	
Utilities	2,371,989	
Equipment and tools	54,194	
Sludge removal	295,864	
Disposal service	12,524	
Miscellaneous	165,631	
Depreciation and amortization	8,982,059	
Overhead expenses	2,608,461	
Administrative/other	326,514	2,281
Total operating expenses	25,981,740	11,026
OPERATING INCOME (LOSS)	17,769,916	(7,151)
Non-operating revenues (expenses):		
Equity fee	20,000	
Operating contribution from UTRWD		25,000
Investment income	46,954	
Interest income	357,332	31
Interest and fiscal charges	(9,888,248)	
Loss on disposal of capital assets	(83,794)	
Net non-operating revenues (expense)	(9,547,756)	25,031
INCOME BEFORE CONTRIBUTIONS	8,222,160	17,880
CONTRIBUTIONS	16,298,898	
CHANGE IN NET POSITION	24,521,058	17,880
TOTAL NET POSITION - beginning of year	43,106,791	45,989
Restatement of beginning net position due to implementation of GASB 65	(7,196,488)	
NET POSITION - beginning of year as restated	35,910,303	45,989
TOTAL NET POSITION - end of year	<u>\$ 60,431,361</u>	<u>\$ 63,869</u>

See notes to financial statements

UPPER TRINITY REGIONAL WATER DISTRICT

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED SEPTEMBER 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 43,672,785
Cash paid to vendors	(12,011,575)
Cash paid to employees	(5,036,565)
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Net cash provided by operating activities	26,624,645
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital asset additions	(13,646,290)
Contributions received	16,298,898
Bond proceeds	32,610,879
Bond principal payments	(13,145,000)
Bond payments for refunded bonds (deposited into an escrow fund)	(18,765,000)
Water supply obligation	(85,381)
Commercial paper proceeds (accumulated gross see note #6)	202,300,000
Commercial paper payments (accumulated gross see note #6)	(196,800,000)
Notes payable proceeds	2,355,622
Notes payable payments	(308,700)
Payment of interest and related fees	(11,007,204)
Equity fees and other	33,208
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Net cash (used in) capital and related financing activities	(158,969)
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CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	356,486
Purchase of investments	249,967
Maturity of investments	(249,967)
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Net cash provided by investing activities	356,486
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Increase in cash and cash equivalents	26,822,163
Cash and cash equivalents, beginning of year	35,247,393
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Cash and cash equivalents, end of year	\$ 62,069,556
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UPPER TRINITY REGIONAL WATER DISTRICT

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED SEPTEMBER 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:

Operating income	\$ 17,769,916
Adjustments to reconcile operating income to net cash flows from operating activities:	
Depreciation and amortization	8,982,059
Change in accounts receivable	(78,869)
Change in accounts payable	(44,695)
Change in unearned revenue	(151,398)
Change in accrued wages and benefits	140,039
Change in other current assets	7,593
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Total adjustments	8,854,729
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NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 26,624,645
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NON-CASH ITEM:

Change in fair value of investments	\$ 46,954
Capitalized interest	524,220
Amortization of bond discount	(28,105)
Amortization of bond refunding loss	(366,428)
Amortization of bond premium	414,912
Accounts payable relating to construction	416,208

See notes to financial statements.

(Concluded)

UPPER TRINITY REGIONAL WATER DISTRICT

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2014

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 71.56 million gallons per day (mgd). Flower Mound is the system'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), which is composed of the Riverbend and the Peninsula plants and is located in Northeast Denton County, became operational in 2003. Riverbend currently provides wastewater treatment service to Lincoln Park, Mustang SUD,

Providence Village, and DCFWSD's #8A, #10, and #11, while Peninsula serves Mustang SUD and Oak Point. The combined contracted capacities for the two systems are 2.94 mgd. In addition, the planning for pipelines and treatment facilities for the Doe Branch Wastewater Treatment Plant was initiated in 2004, placed on hold in 2008, then resumed in 2012. Construction is now underway for the Doe Branch Plant, with completion expected early 2016.

The other systems 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 created in June 2010. The purpose of the UTCT is to receive, acquire, invest and maintain money assets, 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 an Enterprise Fund, as it charges fees for services to users. The UTCT does not issue a 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 and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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 non-current 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 non-current 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. 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>Current Restricted Cash and Cash Equivalents</u>	
Self Insurance Reserve	\$ 1,508,548
Total Current Restricted Cash and Cash Equivalents	<u>1,508,548</u>
<u>Non-current Restricted Cash and Cash Equivalents</u>	
Interest and Sinking Reserve	2,058,743
Debt Service Reserve	9,455,046
Construction Funds	<u>29,265,452</u>
Total Non-current Restricted Cash and Cash Equivalents	<u>40,779,241</u>
Total Restricted Cash and Cash Equivalents	<u>\$ 42,287,789</u>

- F. **Capital Assets** — Capital assets are recorded at historical cost. In the case of gifts or contributions, such assets are recorded at their estimated fair 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 \$346,356 is included in accrued wages and benefits.

As of September 30, 2014, liabilities relating to accrued vacation and sick leave have been recorded as shown:

	Sick Leave	Vacation
Beginning of fiscal year	\$ 547,831	\$ 429,915
Decrease	(95,896)	(211,735)
Increase	159,697	257,534
End of fiscal year	<u>\$ 611,632</u>	<u>\$ 475,714</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 Statement 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 consolidated 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 entity as a whole. This is exemplified in the loan made between the Regional Treated Water System and the Northeast Water Reclamation System.

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 provided by various entities for capital improvements only.

Unrestricted – the difference between the assets and liabilities that is not reported in Net Investment in Capital Assets and Restricted for Debt Service.

I. **Adoption of GASB Statements**

During the year ended September 30, 2014 the District adopted GASB Statements: No. 65, *Items Previously Reported as Assets and Liabilities*, as of October 1, 2013, which established the accounting and reporting standards that reclassified as deferred outflows or inflows certain items that were previously reported as assets and liabilities and required the recognition of, as outflows or inflows, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 requires debt issuance cost to be expensed in the period incurred instead of deferring and amortizing

the cost over the life of the debt. As a result of implementing GASB No. 65, the District's net position as of October 1, 2013 was restated by \$7,196,488 to reflect the recognition of debt issuance cost previously reported as assets that are now required to be reported as outflows in accordance with the standard.

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, 2014, the District's carrying amount of deposits were \$56,278,822 for the District and \$67,827 for the UTCT. The bank balance as of September 30, 2014 was \$56,683,830 for the District and \$67,827 for the UTCT. Both bank balances at September 30, 2014, 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, 2014, the District had the following cash and investments:

Cash/Investment Type	Fair Value	Weighted Average Maturity (Years)
Federal Home Loan Mortgage Corporation Security	\$ 5,903,000	0.3113
Public funds investment pools	5,790,735	0.0002
Bank deposits/Money Market (Carrying Value)	56,278,822	0.0023
Total fair value and weighted maturity	<u>\$ 67,972,557</u>	<u>0.3138</u>

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.

Interest Rate Risk — In accordance with the District's investment policy, 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 — The District's investments in public funds investment pools include investments with TexPool. TexPool is rated as an AAA money market fund 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, 2014, the District's investment in TexPool was \$5,790,735 with a fair value of \$5,790,735. The fair value of the District's position in the pool is the same as the value of the pool shares.

Investments in Federal National Mortgage Association Security have AAA senior debt rating by Standard & Poor's and Moody's.

Custodial Credit Risk – Deposits — In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District follows the Public Funds Collateral Act and has a policy of maintaining contact with the trust department of its depository agency to eliminate all custodial risk. As of September 30, 2014, the District's bank balance of \$56,278,822 held in the depository bank, Wells Fargo, N.A., were fully collateralized.

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.

On August 5, 2011, Standard and Poor's, one of three nationally recognized raters of US debt and securities, downgraded the rating of long-term US sovereign debt from AAA to AA+ for the first time since 1941 with a negative outlook. The two other national raters, Moody's and Fitch, continue to have the highest ratings, but have the debt on their watch lists. While the District has no investments in US debt and securities, the District does invest in Texpool, which does have US debt and securities as underlying investments guaranteeing the District's deposits.

As required by GASB Statement No. 31, the District recognizes the net unrealized gain/loss on investments as investment income/loss.

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 WSC. The amount of \$3,808,218 represents the principal and interest to be paid by these entities, of which \$397,775 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, 2014:

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Capital assets not being depreciated:				
Land	\$ 12,230,493	\$ 453,829	\$ (110,900)	\$ 12,573,422
Construction in progress:				
Land - General purpose	1,798,653	16,548		1,815,201
Reservoir land	9,970,293	1,331,591		11,301,884
Other construction costs	22,681,276	11,437,378	(717,516)	33,401,138
	<u>46,680,715</u>	<u>13,239,346</u>	<u>(828,416)</u>	<u>59,091,645</u>
Total capital assets not being depreciated				
Capital assets that are being depreciated:				
Plant/pipeline facilities	312,230,914	834,203	462,669	313,527,786
Leased assets	49,208		(15,970)	33,238
Water rights	8,801,511			8,801,511
Reservoirs	1,556,416			1,556,416
Furniture and equipment	2,510,960	556,946	(105,007)	2,962,899
	<u>325,149,009</u>	<u>1,391,149</u>	<u>341,692</u>	<u>326,881,850</u>
Total depreciable capital assets — net				
Less accumulated depreciation for:				
Plant/pipeline facilities	92,475,978	8,567,579	(113,191)	100,930,366
Leased assets	44,288		(14,374)	29,914
Water rights	1,758,595	176,073		1,934,668
Reservoirs	217,896	31,128		249,024
Furniture and equipment	1,766,925	208,350	(85,559)	1,889,716
	<u>96,263,682</u>	<u>8,983,130</u>	<u>(213,124)</u>	<u>105,033,688</u>
Total depreciable capital assets — net	<u>228,885,327</u>	<u>(7,591,981)</u>	<u>554,816</u>	<u>221,848,162</u>
Capital assets — net	<u>\$ 275,566,042</u>	<u>\$ 5,647,365</u>	<u>\$ (273,600)</u>	<u>\$ 280,939,807</u>

For the year ended September 30, 2014, capitalized interest of approximately \$524,220 was added to construction in progress.

6. NOTES PAYABLE, LONG-TERM DEBT, AND OTHER LIABILITIES

Long-term debt of the District at September 30, 2014 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 on February 20, 2002 related to the Northeast Water Reclamation System and received \$2,325,000 of State Participation funding. The funding is for improvements to pump stations and transmission and distribution pipelines.

Under the master agreement regarding State 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 \$793,204 in long-term accrued interest as of September 30, 2014.

Because the interest rate market remained favorable in FY 2014, the District refunded principal of \$18,765,000 in outstanding revenue bonds with \$16,550,000 in revenue refunding bonds in the Regional Treated Water System and \$3,230,000 in revenue refunding bonds in the Lakeview Regional Water Reclamation System. With these refundings, the District recognized a refunding loss of approximately \$400,000. In addition, the District realized a total debt service savings of approximately \$2.6 million and a total present value cash savings of approximately \$2.0 million.

When the District issues revenue refunding bonds, the proceeds are often 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, 2014, \$3,095,000 bonds are still outstanding.

During fiscal year 2008, the District received \$10,400,000 in Water Infrastructure Funding (WIF-10) from the Texas Water Development Board. The funding is 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.

During fiscal year 2014, 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. The outstanding principal balance of the Commercial Paper program as of September 30, 2014 was \$37,050,000.

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 June 9, 2017 (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 2014, the annual interest rate for Commercial Paper ranged from .07% to .12%.

During the year ended September 30, 2014, 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 system. As of year-end there was no balance owed by the District on the LOC.

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 \$5,353,500. See note 7 for further explanation of this obligation.

The District had a remaining balance of \$12,710,647 of Notes Payable as of September 30, 2014. 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.

Total activity for notes payable, long-term debt and other liabilities for the year ended September 30, 2014 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	\$ 228,785,000	\$ 32,730,000	\$ (31,910,000)	\$ 229,605,000	\$ 13,550,000
State participation debt	2,100,000			2,100,000	
Discount	(282,803)	(19,212)	39,238	(262,777)	
Premium	3,577,184	8,801	(534,759)	3,051,226	
	<u>234,179,381</u>	<u>32,719,589</u>	<u>(32,405,521)</u>	<u>234,493,449</u>	<u>13,550,000</u>
Revenue bonds and state participation debt					
Commercial paper	31,550,000	202,300,000	(196,800,000)	37,050,000	
Water supply obligation	5,438,881		(85,381)	5,353,500	88,159
Notes payable	10,663,725	2,355,622	(308,700)	12,710,647	
Non-current accrued interest	793,204	-	-	793,204	113,315
	<u>48,445,810</u>	<u>204,655,622</u>	<u>(197,194,081)</u>	<u>55,907,351</u>	<u>201,474</u>
Other long-term liabilities					
Total notes payable, long-term debt and other liabilities	<u>\$ 282,625,191</u>	<u>\$ 237,375,211</u>	<u>\$ (229,599,602)</u>	<u>\$ 290,400,800</u>	<u>\$ 13,751,474</u>

The following is a detailed listing of the long-term debt of the District:

Series	Amount	Maturity	Rates
Regional treated water system:			
Revenue bonds:			
Series 2004	\$ 1,540,000	2016	2.00-5.25%
Series 2005 (refunding)	36,310,000	2028	4.00-5.25%
Series 2006 (refunding)	13,785,000	2021	4.00-5.00%
Series 2007 (refunding)	29,465,000	2032	4.00-4.38%
Series 2008 (WIF-10)	10,400,000	2027	2.01-2.83%
Series 2010 (refunding)	4,210,000	2026	2.00-4.35%
Series 2010A	22,270,000	2025	2.00-4.00%
Series 2012 (refunding)	12,480,000	2029	2.00-3.75%
Series 2012A (refunding)	34,710,000	2037	2.00-5.00%
Series 2013 (refunding)	16,290,000	2030	3.11%
Lakeview water reclamation system:			
Revenue bonds:			
Series 2006 (refunding)	3,480,000	2027	4.00-4.25%
Series 2011	4,180,000	2030	3.00-5.00%
Series 2012 (refunding)	5,205,000	2028	2.00-4.00%
Series 2012A (refunding)	15,150,000	2028	2.00-5.00%
Series 2014 (refunding)	3,230,000	2030	2.00-3.50%
Northeast water reclamation system:			
Revenue bonds:			
Series 2007	3,460,000	2032	3.70-4.38%
Series 2014	12,950,000	2035	3.00-4.38%
Non-potable water system:			
Revenue bonds:			
Series 1996	490,000	2016	4.70-5.25%
Total revenue bonds	<u>\$ 229,605,000</u>		
Northeast water reclamation system:			
State participation — Series 2003	\$ 2,100,000	2036	5.58-5.78%
Total state participation	<u>\$ 2,100,000</u>		
Regional treated water system:			
Water rights:			
Initial water	\$ 1,219,829	2040	3.25%
Future water	4,133,671	2050	3.25%
Total water rights	<u>\$ 5,353,500</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		State Participation		Water Supply Obligation		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2015	\$ 13,550,000	\$ 8,710,641		\$ 233,435	\$ 88,159	\$ 174,149	\$ 22,756,384
2016	14,140,000	8,193,412		233,435	91,027	171,282	22,829,156
2017	13,630,000	7,672,448		233,435	93,988	168,320	21,798,191
2018	15,570,000	7,151,145		233,435	97,045	165,263	23,216,888
2019	15,760,000	6,798,041		233,435	100,202	162,106	23,053,784
2020-2024	72,905,000	25,324,039	\$ 325,000	809,876	552,076	759,464	100,675,455
2025-2029	59,130,000	11,104,458	675,000	436,867	647,907	663,634	72,657,866
2030-2034	18,935,000	3,270,530	890,000	219,992	760,372	551,169	24,627,063
2035-2039	5,985,000	588,819	210,000	12,138	892,358	419,182	8,107,497
2040-2044					834,771	271,049	1,105,820
2045-2049					826,245	142,428	968,673
2050-2054					369,351	18,119	387,470
Total	\$ 229,605,000	\$ 78,813,533	\$ 2,100,000	\$ 2,646,048	\$5,353,501	\$3,666,165	\$ 322,184,247

Debt of the District's water, wastewater and non-potable systems includes revenue refunding and revenue bonds, State 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, 2014 were \$21,753,380 and actual annual debt service was \$18,405,836. For the Lakeview Regional Water Reclamation System, net pledged revenues were \$4,104,709 and actual annual debt service was \$3,757,024. For the Riverbend and Doe Branch Plants of the Northeast Regional Water Reclamation System, net pledged revenues were \$862,081 and actual annual debt service was \$578,061. For the Non-Potable System, net pledged revenues were \$278,811 and actual annual debt service was \$267,685.

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, 2014, the District had paid \$889,042 for principal, leaving a remaining liability of \$5,353,500. 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 \$6,866,843 at September 30, 2014. 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 2014, 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 \$501,555 and \$310,964 respectively, based on a covered payroll of \$5,015,545. Total payroll for the District was \$5,207,539.

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 \$79,873 to the 401(a) plan as a result of employee contributions into the deferred compensation plan.

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, 2014.

9. CONTRIBUTIONS

The District recorded a total of \$16,298,898 in contributions in fiscal year 2014. The contributions received by the District were from member entities in aid of construction for the Regional Treated Water System, the Lakeview Water Reclamation System and the Northeast Regional Water Reclamation System.

The UTCT recorded a total of \$25,000 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 and Northeast Water Reclamation Systems; the Non-Potable Segment is composed of the Non-Potable Water System.

Condensed Schedule of Net Position by Segment	September 30, 2014			
	Water	Water Reclamation		Non-Potable
		Lakeview	Northeast	
Assets:				
Current assets	\$ 21,170,141	\$ 2,821,611	\$ 1,625,621	\$ 303,475
Long-term assets	3,415,024			
Restricted assets	14,250,602	4,191,500	29,186,803	545,132
Capital assets	<u>211,392,413</u>	<u>36,084,262</u>	<u>31,234,694</u>	<u>1,606,105</u>
Total assets	<u>250,228,180</u>	<u>43,097,373</u>	<u>62,047,118</u>	<u>2,454,712</u>
Deferred outflow:				
Deferred loss on refunding of debt	<u>2,222,962</u>	<u>241,009</u>		
Total Deferred outflow	<u>2,222,962</u>	<u>241,009</u>		
Liabilities:				
Current liabilities	4,283,487	497,379	3,686,737	10,943
Liabilities payable from restricted assets	12,355,533	2,639,623	534,286	250,802
Non-current liabilities	<u>215,206,046</u>	<u>29,850,549</u>	<u>31,760,187</u>	<u>250,772</u>
Total Liabilities	<u>231,845,066</u>	<u>32,987,551</u>	<u>35,981,210</u>	<u>512,517</u>
Net position:				
Net investment in capital assets	(2,160,041)	7,205,195	12,395,565	1,116,105
Restricted:				
For debt service	11,096,134	2,659,579	820,374	267,558
Contributions for capital improvements			14,074,925	
Unrestricted	<u>11,669,983</u>	<u>486,058</u>	<u>(1,224,956)</u>	<u>558,532</u>
Total net position	<u>\$ 20,606,076</u>	<u>\$ 10,350,832</u>	<u>\$ 26,065,908</u>	<u>\$ 1,942,195</u>

Condensed Schedule of Revenues, Expenses, and Changes in Net Position by Segment	Year Ended September 30, 2014			
	Water	Water Reclamation		Non-Potable
		Lakeview	Northeast	
Total Revenue	\$ 34,533,041	\$ 6,362,259	\$ 2,360,202	\$ 336,304
Depreciation	(6,407,284)	(1,443,472)	(1,049,424)	(65,787)
Other operating expenses	(13,050,333)	(2,281,839)	(1,493,623)	(60,686)
Operating income (loss)	15,075,424	2,636,948	(182,845)	209,831
Non-operating revenues (expenses):				
Equity fee income	20,000			
Investment income	33,752	11,085		2,117
Interest income	250,675	24,293	76,893	3,193
Interest expense net of capitalized interest	(8,161,219)	(1,269,958)	(421,209)	(35,862)
Gain/loss on Disposal of capital assets	1,103	(15,797)	(44,331)	(3)
Net non-operating revenues (expenses)	(7,855,689)	(1,250,377)	(388,647)	(30,555)
Net income (loss) before contributions and transfers	7,219,735	1,386,571	(571,492)	179,276
Contributions	5,354	74,973	16,218,571	
Transfers from (to) other systems	128,685	(37,082)	(53,053)	(1,350)
Change in net position	7,353,774	1,424,462	15,594,026	177,926
Beginning net position	19,310,196	9,886,972	10,630,656	1,783,486
Restatement of beginning net position due to implementation of GASB 65	(6,057,894)	(960,602)	(158,774)	(19,218)
Net position - Beginning of year as restated	13,252,302	8,926,370	10,471,882	1,764,268
Total net position - End of year	\$ 20,606,076	\$ 10,350,832	\$ 26,065,908	\$ 1,942,194

Condensed Schedule of Cash Flows by Segment	Year Ended September 30, 2014			
	Water	Water Reclamation		Non-Potable
		Lakeview	Northeast	
Net cash provided (used) by:				
Operating activities	\$ 20,725,247	\$ 3,863,804	\$ 1,595,426	\$ 307,888
Capital and related financing activities	(22,277,345)	(3,835,198)	26,234,757	(269,453)
Investing activities	250,012	24,118	76,893	3,185
Net increase (decrease)	(1,302,086)	52,724	27,907,076	41,620
Cash and cash equivalents — beginning of year	25,721,055	4,886,414	2,699,931	528,259
Cash and cash equivalents — end of year	\$ 24,418,969	\$ 4,939,138	\$ 30,607,007	\$ 569,879

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. The District had estimated partially self-funded health insurance liabilities as follows:

	<u>Year ended 9/30/14</u>	<u>Year ended 9/30/13</u>
Unpaid claims, beginning of fiscal year	\$ 81,208	\$ 70,877
Incurred claims (including IBNRs)	645,045	787,233
Claim payments	<u>(657,253)</u>	<u>(776,902)</u>
Unpaid claims, end of fiscal year	<u>\$ 69,000</u>	<u>\$ 81,208</u>

No significant reductions in insurance coverage have occurred. No settlements have exceeded coverage in the past two 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, 2014, had a total contracted amount of \$33,811,952 of which \$5,911,879 has been spent. Funds to pay these obligations are provided by debt proceeds, internally generated capital 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, 2014.

13. NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued the following statements:

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This Statement is effective for the District beginning in fiscal year ending September 30, 2015.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement is effective for the District beginning in fiscal year ending September 30, 2015.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This Statement is effective for the District beginning in fiscal year ending September 30, 2015.

Management has not yet determined the impact of these statements on the basic financial statements.

SUPPLEMENTAL SYSTEM AND PROJECT SCHEDULES

UPPER TRINITY REGIONAL WATER DISTRICT

COMBINING SCHEDULE OF NET POSITION - SYSTEMS AND PROJECTS
September 30, 2014

	Water	Water Reclamation		Non-Potable
	Regional Treated Water System	Lakeview Water Reclamation System	Northeast Water Reclamation System	Non-Potable Water System
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 14,447,561	\$ 2,125,218	\$ 1,420,204	\$ 270,974
Accounts receivable	3,994,334	687,531	204,367	30,192
Interest receivable	18,755	6,065		1,101
Intersystem notes receivable	2,704,127			
Prepaid expenses	5,364	2,797	1,050	1,208
Restricted assets:				
State Participation Escrow:				
Cash and cash equivalents				
Self-Insured Reserve Fund:				
Cash and cash equivalents	1,082,958	208,965	197,294	2,578
Total current assets	<u>22,253,099</u>	<u>3,030,576</u>	<u>1,822,915</u>	<u>306,053</u>
NON-CURRENT ASSETS:				
Accounts Receivable - Equity Fees	4,581			
Restricted assets:				
Construction Fund:				
Cash and cash equivalents	924,792	1,132,891	27,183,288	24,481
Investments				246,227
Reserve Fund:				
Cash and cash equivalents	6,820,109	1,269,165	1,098,218	267,554
Investments	4,279,194	1,377,580		
I & S Reserve Fund:				
Cash and cash equivalents	1,143,549	202,899	708,003	4,292
Total Non-current assets	<u>13,172,225</u>	<u>3,982,535</u>	<u>28,989,509</u>	<u>542,554</u>
CAPITAL ASSETS:				
Land	10,025,818	1,632,621	862,056	27,966
Buildings	693,238	41,264	41,264	4,126
Furniture and equipment	1,416,281	1,054,128	208,782	4,239
Plant/pipeline facilities	232,027,940	47,461,165	30,574,363	2,585,435
Leased assets	25,469	4,962	1,925	61
Water rights	8,801,511			
Reservoirs	1,558,416			
Less accumulated depreciation	(81,447,835)	(14,453,757)	(7,895,738)	(1,015,723)
Construction in progress:				
Land	796,025		1,019,176	
Reservoir land	11,301,884			
Other construction costs	26,195,666	343,880	6,422,866	
Total capital assets	<u>211,392,413</u>	<u>36,084,263</u>	<u>31,234,694</u>	<u>1,606,104</u>
OTHER ASSETS:				
Contractual Agreements Receivable	3,410,443			
	<u>3,410,443</u>			
Total Non-current assets	<u>227,975,081</u>	<u>40,066,798</u>	<u>60,224,203</u>	<u>2,148,658</u>
TOTAL ASSETS	\$ 250,228,180	\$ 43,097,374	\$ 62,047,118	\$ 2,454,711
DEFERRED OUTFLOWS OF RESOURCES:				
Loss on debt refunding	2,222,962	241,009		
TOTAL DEFERRED OUTFLOW OF RESOURCES	\$ 2,222,962	\$ 241,009	\$	\$

	Solid Waste	Administration and Project Development			Component Unit
	Household Hazardous Waste Program	Growth Project	Administration and Capital Projects	Intersystem Elimination	Total
	\$ 161,956	\$ 53,734	\$ 1,302,120	\$	\$ 19,781,767
	8,298		394		4,925,116
				(2,704,127)	25,921
			11,227		21,646
			16,753		1,508,548
	<u>170,254</u>	<u>53,734</u>	<u>1,330,494</u>	<u>(2,704,127)</u>	<u>26,262,998</u>
					4,581
					29,265,452
					246,227
					9,455,046
					5,656,774
					2,058,743
					46,686,823
					12,573,422
			24,961		878,883
			98,991		2,962,899
			279,469		312,648,903
					33,238
			821		8,801,511
					1,556,416
			(220,635)		(105,033,688)
					1,815,201
					11,301,884
			438,726		33,401,138
			622,333		280,939,807
					3,410,443
					3,410,443
			622,333		331,037,073
	<u>\$ 170,254</u>	<u>\$ 53,734</u>	<u>\$ 1,952,827</u>	<u>\$ (2,704,127)</u>	<u>\$357,300,071</u>
					2,463,971
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 2,463,971</u>

(Continued)

UPPER TRINITY REGIONAL WATER DISTRICT

**COMBINING SCHEDULE OF NET POSITION - SYSTEMS AND PROJECTS
September 30, 2014**

	Water Regional Treated Water System	Water Reclamation Lakeview Water Reclamation System	Non-Potable Northeast Water Reclamation System	Non-Potable Non-Potable Water System
LIABILITIES AND NET POSITION				
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 3,122,441	\$ 162,024	1,256,506	\$ 9,756
Unearned revenue	881,610	100		
Accrued wages & benefits	279,436	73,500	44,849	1,187
Other current liabilities			19,756	
Intersystem notes payable		261,755	2,365,626	6,396
Liabilities payable from restricted assets:				
Accrued interest payable	1,146,718	190,065	192,643	4,288
Construction retainage payable	331,122		89,304	
Current portion of long-term bonds	10,740,000	2,440,000	130,000	240,000
Current portion of water supply obligation	88,159			
Current portion of long-term accrued interest			113,315	
Unpaid self-insurance claims	49,534	9,558	9,024	118
Total current liabilities	<u>16,639,020</u>	<u>3,137,002</u>	<u>4,221,023</u>	<u>261,745</u>
Non-current liabilities, net of current portion				
Long-term bonds	172,584,286	29,771,511	16,237,652	250,000
Long-term state participation			2,100,000	
Commercial paper payable	37,050,000			
Long-term water supply obligation	5,265,341			
Long-term accrued compensated absences	306,419	79,038	31,999	772
Notes payable			12,710,647	
Long-term accrued interest			679,889	
Total non-current liabilities	<u>215,206,046</u>	<u>29,850,549</u>	<u>31,760,187</u>	<u>250,772</u>
TOTAL LIABILITIES	<u>231,845,066</u>	<u>32,987,551</u>	<u>35,981,210</u>	<u>512,517</u>
NET POSITION				
Net investment in capital assets	(2,160,041)	7,205,195	12,395,565	1,116,104
Restricted:				
For debt service	11,086,134	2,659,579	820,374	267,558
Contributions for capital improvements			14,074,925	
Unrestricted	<u>11,669,983</u>	<u>486,058</u>	<u>(1,224,956)</u>	<u>558,532</u>
Total net position	<u>\$ 20,606,076</u>	<u>\$ 10,350,832</u>	<u>\$ 26,065,908</u>	<u>\$ 1,942,194</u>

	Solid Waste Household Hazardous Waste Program	Administration and Project Development Growth Project	Administration and Capital Projects	Intersystem Elimination	Total	Component Unit
	\$ 235		\$ 70,371		\$ 4,621,333	\$ 3,958
	20		245,960		881,710	
					644,952	
					19,756	
			70,350	(2,704,127)		
					1,533,714	
					420,426	
					13,550,000	
					88,159	
					113,315	
			766		69,000	
	<u>255</u>		<u>387,447</u>	<u>(2,704,127)</u>	<u>21,942,365</u>	<u>3,958</u>
					218,843,449	
					2,100,000	
					37,050,000	
					5,265,341	
			322,762		740,990	
					12,710,647	
					679,889	
			<u>322,762</u>		<u>277,390,316</u>	
	<u>255</u>		<u>710,209</u>	<u>(2,704,127)</u>	<u>299,332,681</u>	<u>3,958</u>
					622,333	
					19,179,156	
					14,843,645	
					14,074,925	
	<u>169,999</u>	<u>53,734</u>	<u>620,285</u>		<u>12,333,635</u>	<u>63,869</u>
	<u>\$ 169,999</u>	<u>\$ 53,734</u>	<u>\$ 1,242,618</u>	<u>\$</u>	<u>\$ 60,431,361</u>	<u>\$ 63,869</u>

(Concluded)

UPPER TRINITY REGIONAL WATER DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - SYSTEMS AND PROJECTS YEAR ENDED SEPTEMBER 30, 2014

	Water Regional Treated Water System	Water Reclamation Lakeview Water Reclamation System	Water Reclamation Northeast Water Reclamation System	Non-Potable Non-Potable Water System
OPERATING REVENUES:				
Charges for services	\$ 34,421,728	\$ 6,348,529	\$ 2,359,982	\$ 336,304
Miscellaneous income	111,313	13,730	220	
Total operating revenues	34,533,041	6,362,259	2,360,202	336,304
OPERATING EXPENSES:				
Operation and maintenance:				
Salaries and benefits	1,987,364	563,945	407,366	7,920
Water and wastewater treatment	5,714,429	270,348	175,454	23,696
Lab chemicals and supplies	917,440	52,937	76,413	
Maintenance	478,412	196,578	210,313	468
Utilities	1,723,488	406,658	228,410	13,433
Equipment and tools	14,925	24,892	14,377	
Sludge removal		195,495	100,369	
Disposal service				
Miscellaneous	114,590	30,236	20,805	
Depreciation	6,407,284	1,443,472	1,049,424	65,787
Overhead expenses	1,862,542	506,275	220,475	15,169
Administrative/other	237,143	34,475	39,641	
Total expenses	19,467,617	3,725,311	2,543,047	126,473
OPERATING INCOME (LOSS)	15,075,424	2,636,948	(182,845)	209,831
NON-OPERATING REVENUES (EXPENSES):				
Equity fee income	20,000			
Operating contribution from UTRWD				
Investment income	33,762	11,085		2,117
Interest income	250,675	24,293	76,893	3,193
Interest expense, net of capitalized interest	(8,161,219)	(1,269,958)	(421,209)	(35,862)
Gain/(Loss) Disposal of Capital Assets	1,103	(15,797)	(44,331)	(3)
Net non-operating income (expense)	(7,855,689)	(1,250,377)	(388,647)	(30,555)
NET INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	7,219,735	1,386,571	(571,492)	179,276
Contributions	5,354	74,973	16,218,571	
Transfers (to)/from other systems and projects	128,685	(37,082)	(53,053)	(1,350)
CHANGE IN NET POSITION	7,353,774	1,424,462	15,594,026	177,926
TOTAL NET POSITION - beginning of year	19,310,196	9,886,972	10,630,656	1,783,486
Restatement of beginning net position due to implementation of GASB 65	(6,057,894)	(960,602)	(158,774)	(19,218)
NET POSITION -beginning of year as restated	13,252,302	8,926,370	10,471,882	1,764,268
TOTAL NET POSITION - end of year	\$ 20,606,076	\$ 10,350,832	\$ 26,065,908	\$ 1,942,194

	Solid Waste Household Hazardous Waste Program	Administration and Project Development Growth Project	Administration and Project Development	Total	Component Unit
	\$ 15,864	\$ 14,449	\$ 129,537	\$ 43,626,393	\$ 3,875
				125,263	
	15,864	14,449	129,537	43,751,656	3,875
	4,471		75,846	3,046,912	8,745
				8,183,927	
				1,046,790	
			1,104	886,875	
				2,371,989	
				54,194	
				295,864	
	12,524			12,524	
				165,631	
			16,092	8,982,059	
	4,000			2,608,461	
			15,255	326,514	2,281
	20,995		108,297	25,981,740	11,026
	(5,131)	14,449	21,240	17,769,916	(7,151)
				20,000	
					25,000
				46,954	
	326	175	1,777	357,332	31
				(9,888,248)	
			(24,766)	(83,794)	
	326	175	(22,989)	(9,547,756)	25,031
	(4,805)	14,624	(1,749)	8,222,160	17,880
				16,298,898	
		(40,000)	2,800		
	(4,805)	(25,376)	1,051	24,521,058	17,880
	174,804	79,110	1,241,567	43,106,791	45,989
				(7,196,488)	
	174,804	79,110	1,241,567	35,910,303	45,989
	\$ 169,999	\$ 53,734	\$ 1,242,618	\$ 60,431,361	\$ 63,869

UPPER TRINITY REGIONAL WATER DISTRICT

**COMBINING SCHEDULE OF CASH FLOWS - SYSTEMS AND PROJECTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Water	Water Reclamation	
	Regional Treated Water System	Lakeview Water Reclamation System	Northeast Water Reclamation System
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 34,626,766	\$ 6,177,387	\$ 2,350,129
Cash paid to vendors	(10,424,867)	(1,363,162)	(197,273)
Cash paid to employees	(3,476,652)	(950,421)	(557,430)
Net cash provided (used) by operating activities	20,725,247	3,863,804	1,595,426
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Property additions	(9,024,006)	(512,254)	(3,910,007)
Sale of Property			
Contributions received	5,354	74,973	16,218,571
Bond proceeds	16,430,154	3,249,934	12,930,791
State participation debt proceeds			
Bond principal payments	(10,485,000)	(2,305,000)	(125,000)
Bond payments for refunded bonds (deposited into an escrow fund)	(15,670,000)	(3,095,000)	
Water supply obligation	(85,381)		
Commercial paper proceeds (accumulated gross see note #6)	202,300,000		
Commercial paper payments (accumulated gross see note #6)	(196,800,000)		
Interfund Notes Receivable	(392,590)		
Interfund Notes Payable		241,255	(73,911)
Notes payable proceeds			2,355,622
Notes payable payments			(308,700)
Payment of interest and related fees	(8,717,769)	(1,452,024)	(799,556)
Equity Fees and Other	33,208		
Interfund transfers	128,685	(37,082)	(53,053)
Net cash (used in) provided by capital and related financing activities	(22,277,345)	(3,835,198)	26,234,757
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest income	250,012	24,118	76,893
Purchase of Investments			
Maturity of Investments			
Net cash provided by investing activities	250,012	24,118	76,893
Increase (decrease) in cash and cash equivalents	(1,302,086)	52,724	27,907,076
Cash and cash equivalents, beginning of year	25,721,055	4,886,414	2,699,931
Cash and cash equivalents, end of year	\$ 24,418,969	\$ 4,939,138	\$ 30,607,007

	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			
Cash received from customers	\$ 367,229	\$ 7,882	\$ 14,449	\$ 129,143	\$	\$ 43,672,785	\$ 4,956
Cash paid to vendors	(51,794)	(16,432)		41,954		(12,011,575)	(3,673)
Cash paid to employees	(7,547)	(4,471)		(40,045)		(5,038,565)	(8,745)
Net cash provided (used) by operating activities	307,888	(13,221)	14,449	131,052		26,624,645	(7,482)
Property additions	(6,644)			(193,379)		(13,646,290)	
Contributions received						16,298,898	
Bond proceeds						32,610,879	
Bond principal payments	(230,000)					(13,145,000)	
Water supply obligation						(85,381)	
Commercial paper proceeds (accumulated gross see note #6)						202,300,000	
Commercial paper payments (accumulated gross see note #6)						(196,800,000)	
Interfund Notes Payable	6,396			148,500	244,090		
Notes payable proceeds				70,350	(244,090)	2,355,622	
Notes payable payments						(308,700)	
Payment of interest and related fees	(37,855)					(11,007,204)	
Equity Fees and Other						33,208	
Interfund transfers	(1,350)		(40,000)	2,800			
Net cash (used in) provided by capital and related financing activities	(269,453)		(40,000)	28,271		(158,968)	
Interest income	3,185	326	175	1,777		356,486	31
Purchase of Investments	249,967					249,967	
Maturity of Investments	(249,967)					(249,967)	
Net cash provided by investing activities	3,185	326	175	1,777		356,486	31
Increase (decrease) in cash and cash equivalents	41,620	(12,895)	(25,376)	161,100		26,822,163	(7,431)
Cash and cash equivalents, beginning of year	528,259	174,851	79,110	1,157,773		35,247,393	50,257
Cash and cash equivalents, end of year	\$ 569,879	\$ 161,956	\$ 53,734	\$ 1,318,873	\$	\$ 62,069,556	\$ 42,826

(Continued)

UPPER TRINITY REGIONAL WATER DISTRICT

**COMBINING SCHEDULE OF CASH FLOWS - SYSTEMS AND PROJECTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Water	Water Reclamation	
	Regional Treated Water System	Lakeview Water Reclamation System	Northeast Water Reclamation System
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income (loss)	\$ 15,075,424	\$ 2,836,948	\$ (182,845)
Adjustments to reconcile operating income to net cash flows from operating activities:			
Depreciation and amortization	6,407,284	1,443,472	1,049,424
Change in accounts receivable	93,725	(184,872)	(10,073)
Change in accounts payable	(741,290)	(60,093)	708,268
Change in deferred revenue	(151,398)		
Change in accrued wages	42,653	29,935	31,277
Change in other current assets	(1,153)	(1,586)	(625)
Total adjustments	5,649,821	1,226,856	1,778,271
Net cash provided by (used in) operating activities	\$ 20,725,245	\$ 3,863,804	\$ 1,595,426
Non-cash item:			
Change in fair value of investments	\$ 33,752	\$ 11,085	\$ -
Capitalized interest	6,788	48,420	469,012
Amortization of bond discount	(24,565)		(3,540)
Amortization of bond refunding loss	(334,724)	(31,704)	
Amortization of bond premium	286,079	128,833	
Accounts payable relating to construction	(462,776)	(24,609)	903,593

	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			
	\$ 209,831	\$ (5,131)	\$ 14,449	\$ 21,240		\$ 17,769,916	\$ (7,151)
	65,787			16,092		8,982,059	
	30,925	(8,180)		(394)		(78,869)	1,082
	1,597	92		46,731		(44,695)	(1,392)
	373			35,801		140,039	
	(625)			11,582		7,593	
	98,057	(8,088)		109,812		8,854,729	(310)
	\$ 307,888	\$ (13,219)	\$ 14,449	\$ 131,052		\$ 26,624,645	\$ (7,461)
	\$ 2,117	\$ -	\$ -	\$ -	\$ -	\$ 46,854	
						524,220	
						(28,105)	
						(368,428)	
						414,912	
						416,208	

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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	42
Schedule 2 – Changes in Net Position	43

Revenue Capacity – These schedules contain trend information to help the reader understand the Districts’s revenue sources.

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Schedule 5 – Revenue Payers	46-47

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	48
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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.

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Operating Information – These schedules assist the reader in evaluating the size, efficiency, and effectiveness of the District.

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UPPER TRINITY REGIONAL WATER DISTRICT

SCHEDULE 1 - NET POSITION
 LAST TEN FISCAL YEARS
 (ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Net investment in capital assets	\$ 19,179,156	\$ 18,553,606	\$ 9,705,365	\$ 6,362,662	\$ 7,374,969	\$ 9,360,283	\$ 6,928,379	\$ 5,348,307	\$ (14,752,433)	\$ (13,623,272)
Restricted:										
For debt service	14,843,645	14,237,237	14,547,560	6,330,065	4,414,206	4,210,642	2,290,511	3,638,252	16,194,959	17,821,434
Contributions for capital improvements	14,074,925									
Unrestricted	12,333,635	10,315,948	11,659,576	17,443,778	11,437,509	6,170,797	10,111,067	8,810,385	12,092,723	9,520,535
Total Net Position	\$ 60,431,361	\$ 43,106,791	\$ 35,912,501	\$ 30,136,505	\$ 23,226,684	\$ 19,741,722	\$ 19,329,957	\$ 17,796,944	\$ 13,535,247	\$ 11,718,697
% change from prior year	40%	20%	19%	30%	18%	2%	9%	31%	16%	1%

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)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Operating Revenues										
Charges for services	\$ 43,626,393	\$ 41,789,296	\$ 40,774,563	\$ 40,110,762	\$ 37,957,922	\$ 35,186,375	\$ 32,750,527	\$ 28,747,112	\$ 28,165,489	\$ 24,552,085
Miscellaneous Income	125,263	118,061	70,385	49,924	89,023	744,799	473	42,830	21,096	13,275
Total Operating Revenues	\$ 43,751,656	\$ 41,907,357	\$ 40,844,948	\$ 40,160,686	\$ 38,046,945	\$ 35,931,174	\$ 32,751,000	\$ 28,789,942	\$ 28,186,585	\$ 24,565,360
Operating Expenses										
Water/Wastewater Treatment	\$ 9,230,839	\$ 8,455,278	\$ 8,257,044	\$ 8,198,525	\$ 7,313,063	\$ 7,103,174	\$ 7,131,311	\$ 6,461,304	\$ 7,272,659	\$ 5,454,647
Utilities	2,371,989	2,529,313	2,495,730	2,572,745	2,258,201	2,422,982	2,508,583	2,123,171	1,983,221	1,619,047
Chemicals	1,046,790	1,073,818	1,009,471	1,204,492	1,021,823	1,178,386	1,106,531	792,621	709,853	604,654
Depreciation & Amortization	8,982,059	9,225,989	9,429,899	9,821,882	9,619,055	10,417,152	6,489,304	6,961,492	6,852,214	6,652,604
Other	4,350,063	4,297,377	4,128,268	3,705,929	4,001,836	4,012,754	4,223,259	3,397,270	3,012,707	2,169,779
Total Operating Expenses	\$ 25,981,740	\$ 25,581,775	\$ 25,320,412	\$ 25,505,573	\$ 24,213,978	\$ 25,136,448	\$ 21,458,888	\$ 19,755,858	\$ 19,830,654	\$ 16,500,731
Operating Income	\$ 17,769,916	\$ 16,325,582	\$ 15,524,536	\$ 14,657,113	\$ 13,832,977	\$ 10,794,726	\$ 11,292,112	\$ 9,034,084	\$ 8,355,931	\$ 8,064,629
Other Changes in Net Position										
Equity Fees	\$ 20,000	\$ -	\$ -	\$ 160,000	\$ -	\$ -	\$ 317,522	\$ 62,168	\$ 153,437	\$ 507,492
Investment Income (Loss)	46,954	(153,335)	4,923	12,768	(9,083)	15,567	(9,597)	5,781	42,213	(62,383)
Interest Income	357,332	349,145	429,045	613,390	699,015	944,358	1,658,729	2,401,727	1,857,554	1,337,109
Interest Expense and fiscal charges	(9,888,248)	(9,495,377)	(10,324,702)	(10,552,215)	(11,810,537)	(12,088,201)	(12,780,613)	(12,296,756)	(10,975,759)	(10,572,183)
Other non-operating revenue	16,298,898	547,136	571,702	2,486,934	345,855	776,900	1,052,982	5,038,898	2,383,174	822,102
Contributions	(83,794)	(378,861)	(429,508)	(468,169)	42,735	(31,585)	1,878	(4,205)		
Gain (Loss) on disposal of capital asset	6,751,142	(9,131,292)	(9,748,540)	(7,747,292)	(10,348,015)	(10,382,961)	(9,759,099)	(4,792,387)	(6,539,381)	(7,967,865)
Total Other Changes in Net Position	\$ 24,521,058	\$ 7,194,290	\$ 5,773,996	\$ 6,909,821	\$ 3,484,962	\$ 4,117,765	\$ 1,533,013	\$ 4,261,697	\$ 1,816,550	\$ 96,764

Source: UTRWD Comprehensive Annual Financial Report

UPPER TRINITY REGIONAL WATER DISTRICT

**SCHEDULE 3 - OPERATING REVENUE BY SERVICE PROVIDED
LAST TEN FISCAL YEARS**

Fiscal Year	Water Services	Water Reclamation	Non-Potable	Solid Waste	Administration and Project Development	Other Revenue	Total
2005	\$ 19,572,386	\$ 4,350,454	\$ 296,442	\$ 242,516	\$ 90,287	\$ 13,275	\$ 24,565,360
2006	\$ 22,942,745	\$ 4,500,272	\$ 329,690	\$ 308,209	\$ 84,573	\$ 21,096	\$ 28,186,585
2007	\$ 22,502,338	\$ 5,443,457	\$ 317,026	\$ 397,299	\$ 86,992	\$ 42,830	\$ 28,789,942
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

Source: UTRWD Comprehensive Annual Financial Report

UPPER TRINITY REGIONAL WATER DISTRICT

SCHEDULE 4 - REVENUE RATES BY SYSTEM
LAST TEN FISCAL YEARS

Year	WATER				WATER RECLAMATION				NON-POTABLE		SOLID WASTE		
	Regional Treated Water System	Lakeview Water Reclamation System	Northeast Water Reclamation System	Riverbend	Member Volume Per 1,000 Gallons	Joint Capital Per subscribed mgd per Year (1)	Member Volume Per 1,000 Gallons	Joint Capital Per subscribed mgd per Year (1)	Member Volume Per 1,000 Gallons	Member Volume Per 1,000 Gallons	Demand Per Year	Regional Biosolids Program	Household Hazardous Waste Program
2005	\$0.86/\$0.57	\$225,000	\$0.07	\$350,000	\$1.25	\$150,000	\$1.25	\$446,080	\$0.22	\$0.48	\$275,000	\$17.02	\$65
2006	\$0.76/\$0.59	\$259,000	\$0.07	\$350,000	\$1.25	\$170,000	\$1.30	\$528,613	\$0.22	\$0.48	\$300,000	\$18.55	\$65
2007	\$0.76/\$0.76	\$274,000	\$0.07	\$350,000	\$1.34	\$170,000	\$1.40	\$528,613	\$0.25	\$0.48	\$300,000	\$24.10	\$80
2008	\$0.76/\$0.76	\$290,000	\$0.08	\$390,000	\$1.42	\$175,000	\$1.56	\$528,600	\$0.25	\$0.48	\$305,000	\$37.80	\$80
2009	\$0.83/\$0.83	\$308,095	\$0.09	\$425,100	\$1.51	\$189,050	\$1.70	\$290,000	\$0.25	\$0.51	\$307,000	Discontinued	\$84
2010	\$0.86/\$0.86	\$324,970	\$0.11	\$482,900	\$1.62	\$203,000	\$1.75	\$290,000	\$0.28	\$0.54	\$315,000	Discontinued	\$88
2011	\$0.86/\$0.86	\$342,365	\$0.12	\$500,000	\$1.63	\$246,645	\$1.75	\$290,000	\$0.28	\$0.54	\$307,000	Discontinued	\$88
2012	\$0.86/\$0.86	\$355,935	\$0.12	\$515,250	\$1.70	\$275,600	\$1.75	\$296,500	\$0.28	\$0.54	\$307,000	Discontinued	\$88
2013	\$0.86/\$0.86	\$370,055	\$0.12	\$515,250	\$1.76	\$299,900	\$1.75	\$296,500	\$0.28	\$0.54	\$307,000	Discontinued	\$88
2014	\$0.95/\$0.95	\$373,265	\$0.12	\$615,250	\$1.90	\$315,050	\$1.75	\$310,600	\$0.29	\$0.62	\$307,000	Discontinued	\$88

Note: (1) mgd is million gallons per day.

(2) Actual subscribed capacity number converted to mgd

Source: UTRWID 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	2014		2005	
	Water Revenue Received	Percentage of Total Water Revenue	Water Revenue Received	Percentage of Total Water Revenue
Town of Flower Mound	\$ 13,900,785	40.25%	\$ 8,505,481	43.45%
City of Corinth	3,719,933	10.77%	2,561,950	13.09%
Highland Village	1,929,733	5.59%	1,263,412	6.45%
Lake Cities Municipal Authority	1,884,595	5.46%	1,202,514	6.14%
DCFWSD#7 (1)	1,638,557	4.74%	891,701	4.55%
DCFWSD#1A (1)	1,598,667	4.63%	877,990	4.48%
Mustang Special Utility District	1,363,554	3.95%	815,358	4.16%
DCFWSD#11 (1)	1,320,384	3.82%	557,276	2.85%
City of Celina	1,194,498	3.46%	525,782	2.69%
DCFWSD#10 (1)	1,143,033	3.31%	473,764	2.42%
Total attributable to ten largest payers:	\$ 29,693,739	85.99%	\$ 17,675,228	90.29%
Total Water Revenue	\$ 34,533,041	100.00%	\$ 19,576,829	100.00%

LAKEVIEW REGIONAL WATER RECLAMATION SYSTEM

Payer	2014		2005	
	Lakeview Revenue Received	Percentage of Total Lakeview Revenue	Lakeview Revenue Received	Percentage of Total Lakeview Revenue
Highland Village	\$ 1,983,420	31.17%	\$ 1,466,809	38.87%
City of Corinth	1,846,383	29.02%	886,245	23.49%
DCFWSD#7 (1)	1,298,092	20.40%	884,846	23.45%
Lake Cities Municipal Authority	1,168,001	18.36%	495,003	13.12%
Town of Bartonville	31,079	0.49%	22,219	0.59%
Town of Double Oak	21,556	0.34%	13,125	0.35%
Total attributable to six largest payers:	\$ 6,348,531	99.78%	\$ 3,768,247	99.86%
Total Lakeview Revenue	\$ 6,362,259	100.00%	\$ 3,773,646	100.00%

Note: (1) DCFWSD is Denton County Fresh Water Supply District

Source: UTRWD Business Department

(Continued)

UPPER TRINITY REGIONAL WATER DISTRICT

SCHEDULE 5 - PRINCIPAL REVENUE PAYERS
CURRENT YEAR AND NINE YEARS PRIOR

NORTHEAST REGIONAL WATER RECLAMATION SYSTEM

Payer	2014				2005				
	Northeast Revenue Received		Percentage of Total	Payer	Northeast Revenue Received		Percentage of Total		
	Riverband/ Doe Branch	Peninsula			Total	Riverband/ Doe Branch		Peninsula	Total
Providence Village	\$ 526,730	\$ -	\$ 526,730	22.32%	Providence Village	\$ 133,730	\$ -	\$ 133,730	22.97%
Mustang Special Utility District	79,738	369,312	449,050	19.03%	Oak Point	94,523	94,523	16.24%	
DCFWSD#10 (1)	384,951	-	384,951	16.31%	Cross Oak Ranch	88,007	93,342	16.03%	
DCFWSD#8 (1)	365,587	-	365,587	15.48%	DCFWSD#8 (1)	80,664	80,664	13.85%	
DCFWSD#11 (1)	335,078	-	335,078	14.20%	DCFWSD#10 (1)	54,000	54,000	9.28%	
Cellina	142,169	-	142,169	6.02%	DCFWSD#11 (1)	33,442	33,442	5.14%	
Oak Point	49,308	103,754	153,062	4.40%	Lincoln Park	4,500	4,500	0.77%	
Lincoln Park	236	-	236	2.09%	Mustang Special Utility District	-	-	-	
Prosper	236	-	236	0.01%					
Total attributable to nine largest payers:	\$ 1,883,797	\$ 473,066	\$ 2,356,863	99.85%	Total attributable to eight largest payers:	\$ 389,843	\$ 192,365	\$ 582,208	100.00%
Total Northeast Revenue	\$ 1,887,092	\$ 473,110	\$ 2,360,202	100.00%	Total Northeast Revenue	\$ 389,843	\$ 192,365	\$ 582,208	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									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Principal	\$ 13,145,000	\$ 12,665,000	\$ 10,340,000	\$ 10,125,000	\$ 7,875,000	\$ 6,805,000	\$ 6,480,000	\$ 5,725,000	\$ 5,330,000	\$ 4,555,000
Interest	11,007,204	9,532,511	10,448,765	13,457,715	13,291,744	13,357,454	13,701,155	13,387,526	9,851,321	10,080,672
Total Debt Service	\$ 24,152,204	\$ 22,197,511	\$ 20,788,765	\$ 23,582,715	\$ 21,166,744	\$ 20,162,454	\$ 20,181,155	\$ 19,112,526	\$ 15,181,321	\$ 14,635,672
Total Expenses	\$ 41,200,344	\$ 37,642,612	\$ 36,337,373	\$ 38,348,494	\$ 38,284,917	\$ 35,131,363	\$ 33,888,301	\$ 33,603,405	\$ 30,157,990	\$ 21,677,259
Ratio of Debt Service to Total Expenses	58.62%	58.97%	57.21%	61.44%	55.29%	57.39%	59.46%	56.89%	50.34%	67.56%

Source: UTRWD Comprehensive Annual Financial Report - Cash Basis from Statement of Cash Flows

SCHEDULE 7 - OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenue Bonds	\$ 229,605,000	\$ 228,785,000	\$ 241,450,000	\$ 201,750,000	\$ 178,420,000	\$ 186,010,000	\$ 192,815,000	\$ 188,865,000	\$ 151,580,000	\$ 156,375,000
Discount	(262,777)									
Premium	3,051,226	2,100,000	2,100,000	29,600,000	55,521,165	55,521,165	55,521,165	55,521,165	55,521,165	55,521,165
State Participation	2,100,000	2,100,000	2,100,000	29,600,000	33,360,000	22,350,000	19,350,000	19,350,000	38,300,000	
Commercial Paper	37,050,000	31,550,000	23,550,000	36,550,000	33,360,000	22,350,000	19,350,000	21,177		
Lease Obligation					534	8,450	22,138			
Long-term Water Supply Obligation	5,353,500	5,438,881	5,521,572	5,601,659	5,679,222	5,754,341	5,827,094	5,891,555	5,965,796	5,881,491
Notes Payable	12,710,647	10,663,725	10,890,524	11,088,518	11,212,516	11,391,154	12,110,048	10,584,039	11,158,532	11,412,176
Security Deposit	793,204	793,204	793,204	8,934,366	11,597,006	13,145,033	14,365,795	15,264,934	15,909,692	16,748,532
Non-current Accrued Interest (State Participation Related)	\$ 290,400,800	\$ 279,330,810	\$ 284,305,300	\$ 293,524,543	\$ 295,780,443	\$ 294,180,143	\$ 300,011,240	\$ 295,549,321	\$ 276,480,536	\$ 245,083,815

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 \$	
2005	21,204,400	7,726,380	13,478,020	5,157,800	3,355,788	8,513,588	1.58
2006	24,623,940	10,571,754	14,052,186	5,225,000	3,033,295	8,258,295	1.70
2007	24,433,627	9,804,641	14,628,986	6,283,600	3,522,671	9,806,271	1.49
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

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 \$	
2005	3,948,039	1,321,163	2,626,876	1,009,600	499,947	1,509,547	1.74
2006	4,061,558	1,447,079	2,614,479	1,006,042	474,034	1,480,076	1.77
2007	4,771,339	1,638,675	3,132,664	1,118,261	489,943	1,608,204	1.95
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 (3)	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

- (1) Gross Revenues include operating revenue, interest and equity fee income.
- (2) Operating Expenses are exclusive of depreciation/amortization and interest expense.
- (3) Coverage changed due to increase in bonded debt.

Source: UTRWD Comprehensive Annual Financial Report

(Continued)

UPPER TRINITY REGIONAL WATER DISTRICT

SCHEDULE 8 - REVENUE BOND COVERAGE BY SYSTEM

REVENUE BOND COVERAGE--NON-POTABLE 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	
	\$	\$	\$	\$	\$	\$	
2005	313,186	44,186	269,000	199,091	66,283	265,374	1.01
2006	358,341	57,034	301,307	203,500	61,891	265,391	1.14
2007	354,987	46,071	308,916	208,333	57,316	265,649	1.16
2008	365,296	67,902	297,394	213,125	52,537	265,662	1.12
2009	343,452	62,658	280,794	217,857	47,558	265,415	1.06
2010	344,452	46,577	297,875	223,333	42,390	265,723	1.12
2011	360,921	67,894	293,027	229,000	37,004	266,004	1.10
2012	339,303	60,003	279,300	235,000	31,388	266,388	1.05
2013	336,144	54,142	282,002	240,000	25,512	265,512	1.06
2014	339,497	60,686	278,811	245,000	19,425	264,425	1.05

REVENUE BOND COVERAGE--RIVERBEND/DOE BRANCH PLANTS OF THE NORTHEAST WATER RECLAMATION SYSTEM
LAST SEVEN FISCAL YEARS
(No Revenue Bonds Issued For This System Prior to 2007)

FY	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Average Annual Debt Service Requirements			Coverage
				Principal	Interest	Total	
	\$	\$	\$	\$	\$	\$	
2007	1,217,483	827,488	389,995	167,200	112,991	280,191	1.39
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

- (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	2014		2005	
	No. of Employees	Rank	No. of Employees	Rank
University of North Texas (UNT)	8,887	1	7,719	1
JP Morgan Chase	4,350	2		
Walmart	3,900	3		
Denton ISD	3,300	4	2,030	6
Peterbilt Motors Co.	2,100	5	1,700	7
Lewisville ISD	2,061	6	4,500	2
Northwest ISD	1,895	7		
Texas Women's University (TWU)	1,787	8		
Denton County	1,582	9	1,461	10
Denton State School	1,500	10		
Frito Lay			2,436	3
American Airlines, Fort Worth			2,381	4
Vista Ridge Mall			2,288	5
Golden Triangle Mall			1,676	8
Horizon Health			1,500	9
Xerox Corporation, Lewisville				

Source: Denton County Budget in Brief

UPPER TRINITY REGIONAL WATER DISTRICT

SCHEDULE 10 - MEMBER / CUSTOMER POPULATION
LAST TEN FISCAL YEARS

	Notes	Fiscal Year									
		2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Argyle WSC	(2)	6,724	6,758	6,758	6,476	6,417	5,965	5,763	5,763	5,580	5,295
Argyle		3,510	3,420	3,350	3,400	3,400	3,300	3,250	3,100	3,050	2,900
Aubrey		2,670	2,610	2,610	2,610	2,600	2,550	2,500	2,350	2,200	2,000
Bartonville		1,630	1,630	1,590	1,580	1,400	1,360	1,350	1,350	1,300	1,300
Blackrock WSC	(2)	1,287	1,287	1,143	1,143	1,143	950	950	950	950	950
Celina		6,660	6,460	6,260	6,240	5,355	4,900	4,850	4,650	5,000	4,500
Copper Canyon		1,350	1,340	1,330	1,350	1,350	1,350	1,350	1,350	1,350	1,300
Corinth		20,520	20,420	20,573	20,605	20,605	19,700	19,650	19,500	20,000	20,000
Cross Timbers WSC	(2)	6,733	6,668	6,625	6,634	6,634	6,800	6,800	6,420	6,420	6,170
Denton		120,820	116,950	115,810	114,440	110,300	107,250	106,050	105,550	100,950	98,200
Denton County	(3)	30,324	28,876	32,351	38,178	25,256	52,000	14,000	14,000	14,000	14,000
DCFWSD #1A	(1)	9,973	9,850	10,213	8,481	8,270	4,650	4,650	4,650	4,200	3,700
DCFWSD #7	(1)	9,710	9,555	8,215	7,300	7,300	6,000	5,900	5,000	3,850	3,850
DCFWSD #8A	(1)	4,070	3,990	3,567	3,363	3,444	3,144	2,673	2,424	2,073	1,419
Providence Village		5,400	5,674	5,674	5,500	5,232	4,947	4,425	3,700	2,904	2,431
DCFWSD #10	(1)	5,160	5,059	4,396	4,275	4,107	3,999	2,862	2,400	1,514	856
DCFWSD #11	(1)	4,288	4,204	3,534	3,237	3,219	2,691	1,701	1,500	246	N/A
Double Oak		2,920	2,890	2,880	2,880	2,600	2,550	2,500	2,500	2,500	2,500
Flower Mound		66,130	66,095	65,060	65,474	62,950	62,666	62,450	62,350	61,550	61,000
Highland Village		16,500	16,500	15,500	16,500	16,500	15,200	15,100	15,000	15,000	15,000
Irving		227,030	220,750	218,850	216,970	213,700	212,250	210,150	205,600	201,950	197,400
Justin		3,250	3,429	3,250	3,631	3,555	3,150	3,100	3,050	2,900	2,600
Krum		4,750	4,420	4,250	4,190	4,000	3,825	3,800	3,550	3,250	3,000
Lake Cities MUA		14,697	14,211	14,211	14,526	14,526	14,510	14,229	14,229	14,394	14,144
Lewisville		98,330	97,140	96,000	96,450	96,450	95,250	92,850	91,550	89,100	86,650
Lincoln Park		487	627	627	618	517	517	517	517	517	517
Mustang SUD		15,803	15,603	17,050	17,050	14,700	14,700	14,700	14,700	14,700	14,700
Oak Point		3,040	2,930	2,820	2,900	2,700	2,525	2,500	2,450	2,200	2,050
Pilot Point		3,860	3,870	3,870	4,100	4,100	4,050	4,000	3,950	3,950	3,850
Ponder		1,460	1,420	1,410	1,400	1,150	1,150	1,050	1,050	900	900
Prosper		14,710	13,360	12,190	10,560	9,350	7,100	6,350	-	-	-
Sanger		7,490	7,170	6,970	7,300	7,300	6,950	6,700	6,700	6,000	6,000

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

UPPER TRINITY REGIONAL WATER DISTRICT

SCHEDULE 11 - FUNDED DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Administration	9	9	9	9	9	8	9	9	9	7
Business/Finance	17	17	17	17	17	17	16	15	15	16
Operations	37	34	33	34	34	35	31	30	30	26
Maintenance	14	14	14	14	14	14	14	12	12	12
Engineering/Construction	14	18	18	17	17	17	17	17	17	18
Total	91	92	91	91	91	91	87	83	83	79

Source: UTRWD Business Department

UPPER TRINITY REGIONAL WATER DISTRICT

SCHEDULE 12 - OPERATING INDICATORS BY SYSTEM
LAST TEN FISCAL YEARS

SYSTEM	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Regional Treated Water System										
Wholesale Customers Contracted (See Note)	20	20	20	20	19	19	19	19	19	19
Total Town, Cities and Others Served (See Note)	30	30	29	29	29	29	29	29	29	29
Total Customer Delivery Points	25	25	24	24	24	24	24	24	24	24
Total Yearly Billed Flows (millions of gallons)	8,146	8,020	8,183	8,989	7,231	7,412	7,530	5,982	8,183	6,411
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	8	8	8	8	8	8	8	8
Customer Points of Entry	10	10	8	8	8	8	8	8	8	8
Total Yearly Billed Flows (millions of gallons)	1,333	1,256	1,343	1,272	1,547	1,278	1,307	1,540	1,021	1,084
Northeast Regional Water Reclamation System										
Wholesale Customers Contracted (See Note)	9	9	8	8	8	8	8	8	7	7
Total Town, Cities and Others Served (See Note)	11	11	8	8	8	8	8	8	7	7
Customer Points of Entry	14	13	13	13	13	13	13	13	9	9
Total Yearly Billed Flows (millions of gallons)	610	533	480	442	451	365	316	291	186	136

Note: Some contracting parties provide service to more than one town or city

Source: UTRWID Operations & Engineering Department

UPPER TRINITY REGIONAL WATER DISTRICT

SCHEDULE 13 - CAPITAL ASSET (IN SERVICE) STATISTICS BY SYSTEM
LAST TEN FISCAL YEARS

SYSTEM	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<u>Regional Treated Water System</u>										
Regional Treated Water System										
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	70 mgd
Treated Water Pumping Capacity (est)	130mgd	130mgd	130mgd	130mgd	130mgd	130mgd	130mgd	130mgd	130mgd	130 mgd
Transmission Pipelines (miles):										
12" to 20"	30.18	30.18	30.18	30.18	30.18	30.18	30.18	30.18	30.18	30.18
24" to 36"	40.27	40.27	40.27	40.27	40.27	40.27	39.83	39.83	33.77	33.77
48" to 60"	18.88	18.88	18.88	18.88	18.07	18.07	18.07	18.07	12.77	12.77
Treated Water Storage Tanks:										
Treatment Plant	4	4	4	4	4	4	4	3	3	3
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	5mgd	5mgd	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	1.79	1.79
14"	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
18" & 20"	7.55	7.55	7.55	7.55	7.55	7.55	7.55	7.55	7.55	7.55
24" & 27"	4.72	4.72	4.72	4.72	4.72	4.70	3.88	3.36	3.36	3.36
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	1.5mgd	1.5mgd	1.5mgd	1.5mgd	1.5mgd	1.5mgd	1.5mgd	1.5mgd
Peninsula Water Reclamation Plant Capacity	0.94mgd	0.94mgd	0.94mgd	0.94mgd	0.94mgd	0.94mgd	0.94mgd	0.375mgd	0.375mgd	0.375mgd
Interceptor Pipeline (miles):										
8" to 20"	4.63	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	4.36	4.36	4.36	2.57
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, 2014

Participant	Treated Water		Lakeview Wastewater Treatment		Northeast Wastewater Treatment		Non-Potable Water	
	MGD	%	MGD	%	MGD	%	MGD	%
Argyle Water Supply Corp.	1.50	2.10	-	-	-	-	-	-
City of Aubrey	0.10	0.14	-	-	-	-	-	-
Town of Bartonville	-	-	0.0378	0.72	-	-	-	-
City of Celina	2.50	3.49	-	-	-	-	-	-
City of Corinth	7.50	10.48	1.6080	30.78	-	-	-	-
Cross Timbers WSC	2.50	3.49	-	-	-	-	-	-
City of Denton	-	(1)	-	-	-	-	-	-
Denton County Fresh Water Supply Dist. #1A	3.00	4.19	-	-	-	-	-	-
Denton County Fresh Water Supply Dist. #7	3.00	4.19	0.8440	16.15	-	-	-	-
Denton County Fresh Water Supply Dist. #8A	2.17	3.03	-	-	0.4538	15.43	-	-
Providence Village (DCFWSD #9)	2.40	3.35	-	-	0.3600	12.24	-	-
Denton County Fresh Water Supply Dist. #10	2.40	3.35	-	-	0.5480	18.64	-	-
Denton County Fresh Water Supply Dist. #11	3.00	4.19	-	-	0.4538	15.43	-	-
Town of Double Oak	-	-	0.0080	0.15	-	-	-	-
Town of Flower Mound	30.00	41.93	-	-	-	-	-	-
City of Highland Village	3.00	4.19	1.6500	31.58	-	-	-	-
City of Justin	0.85	1.19	-	-	-	-	-	-
City of Krum	0.40	0.56	-	-	-	-	-	-
Lake Cities Municipal Utility Authority	3.80	5.31	1.0772 (2)	20.62	-	-	-	-
City of Lewisville	-	-	-	-	-	-	-	-
City of Lincoln Park	0.10	0.14	-	-	0.060	2.04	-	-
Mustang Special Utility District	2.80	3.91	-	-	0.853	29.01	-	-
City of Northlake	0.04	0.05	-	-	-	-	-	-
City of Oak Point	-	-	-	-	0.212	7.21	-	-
City of Sanger	0.50	0.70	-	-	-	-	-	-
Upper Trinity Regional Water District	-	-	-	-	-	-	-	-
Total Subscriptions	71.56	100.00	5.2250	100.00	2.941	100.00	All	100.00

(1) Service is provided according to need -- no specific capacity.
(2) Includes a 0.1038 mgd contracted plant capacity credit

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, 2014

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	_____	_____	_____
TOTAL	=====	=====	=====

* 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.

UPPER TRINITY REGIONAL WATER DISTRICT

SCHEDULE OF TEMPORARY INVESTMENTS SEPTEMBER 30, 2014

Systems	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued interest Receivable at End of Year
Lakeview Water Reclamation System					
FHLMC Agency Security	3134G42G2	1.05%	04/30/18*	\$ 590,940	\$ 2,643
FHLMC Agency Security	3134G43F3	1.02%	04/30/18*	\$ 786,640	\$ 3,423
Non-Potable Water System					
FHLMC Agency Security	3134G42G2	1.05%	04/30/18*	\$ 246,225	\$ 1,101
Regional Treated Water System					
FHLMC Agency Security	3134G42G2	1.05%	04/30/18*	\$ 1,132,635	\$ 5,065
FHLMC Agency Security	3134G43F3	1.02%	04/30/18*	\$ 3,146,560	\$ 13,691

*Next call date is 10/30/2014

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UPPER TRINITY REGIONAL WATER DISTRICT

COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES TWO YEARS ENDED SEPTEMBER 30, 2014

	Amount		% of Fund Total Revenues	
	2014	2013	2014	2013
REVENUES:				
Charges for services	\$ 43,626,393	\$ 41,789,296	99.7%	99.7%
Miscellaneous income	125,263	118,061	0.3%	0.3%
Total revenues	43,751,656	41,907,357	100.0%	100.0%
EXPENSES:				
Operation and maintenance:				
Salaries and benefits	3,046,912	2,434,148	7.0%	5.8%
Water and wastewater treatment	6,183,927	6,021,130	14.1%	14.4%
Lab chemicals and supplies	1,046,790	1,073,818	2.4%	2.6%
Maintenance materials service	886,875	675,277	2.0%	1.6%
Utilities	2,371,989	2,529,313	5.4%	6.0%
Equipment and tools	54,194	37,700	0.1%	0.1%
Sludge removal	295,864	413,987	0.7%	1.0%
Disposal service	12,524	6,679	0.0%	0.0%
Miscellaneous	165,631	167,172	0.4%	0.4%
Depreciation and amortization	8,982,059	9,225,989	20.5%	22.0%
Administrative other	2,934,975	2,996,562	6.7%	7.2%
Total expenses	25,981,740	25,581,775	59.4%	61.0%
EXCESS REVENUES OVER EXPENSES	\$ 17,769,916	\$ 16,325,582	40.6%	39.0%

UPPER TRINITY REGIONAL WATER DISTRICT

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS FOR THE YEAR ENDED SEPTEMBER 30, 2014

Complete District Mailing Address: P. O. Drawer 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, 2014	Title	Resident of District
Board Officers					
Todd Madison 624 W. University Dr., #423 Denton, TX 76201	Elected by Board on June 1, 2013 Appointed: 03/00 – 05/15	Lincoln Park	\$0.00	President Board of Directors	Yes
Lance Vanzant 1317 Hunter Lane Celina, TX 75009	Elected by Board on June 1, 2013 Appointed: 08/99 – 05/17	City of Celina	\$0.00	Vice President Board of Directors	Yes
Chris Boyd General Manager Mustang Special Utility District 7985 F.M. 2931 Aubrey, TX 76227	Elected by Board on June 1, 2013 Appointed: 03/07 - 05/15	Mustang SUD	\$570.61	Treasurer Board of Directors	Yes
Gary Calmes 1421 N. Elm St. Ste. 102 Denton, TX 76201	Elected by Board on June 1, 2013 Appointed: 10/09 – 5/17	Krum	\$0.00	Secretary Board of Directors	Yes
Board Members					
Charles West Town Manager Town of Argyle P.O. Box 609 Argyle, TX 76226	Appointed 01/13 - 05/17	Argyle	\$0.00	Director	Yes
Kenneth Faulkner 731 Stephanie Dr. Celina, TX 75009	Appointed 12/09 – 5/15	Aubrey	\$0.00	Director	Yes
Del Knowler 739 Seals Rd. Bartonville, TX 76226	Appointed 08/13 - 05/17	Bartonville	\$0.00	Director	Yes
Janet Aune 1313 Copper Canyon Rd. Argyle, TX 76226-9401	Appointed 06/07 - 05/17	Copper Canyon	\$0.00	Director	Yes
Justin Brown Director of Public Works City of Corinth 3300 Corinth Parkway Corinth, TX 76208	Appointed 12/08 – 5/17	Corinth	\$0.00	Director	Yes
Timothy S Fisher Asst. Director of Water Utilities City of Denton 901A Texas St. Denton, TX 76201	Appointed 06/01 – 05/17	City of Denton	\$0.00	Director	Yes
Johnny Harris P.O. Box 994 Lake Dallas, TX 75065	Appointed 03/10 – 05/15	Denton County	\$0.00	Director	Yes

Names and Addresses	Term of Office (Elected or Appointed) or Date Hired	Appointing Entity	Expense Reimbursements Year Ended September 30, 2014	Title	Resident of District
Jean Campbell 405 Canyon Oaks Dr. Argyle, TX 76226	Statutory 03/10 - 05/17	Denton County At-Large	\$0.00	Director	Yes
Jerry Benetato DCFWSO #1-A 2540 King Arthur Blvd., Ste. 220 Lewisville, TX 75056	Appointed: 6/14 - 05/15	Denton County FWSD #1-A	\$0.00	Director	Yes
Kevin Mercer General Manager DCFWSO #7 2652 FM 407 East, Suite 215 Bartonville, TX 76226	Appointed: 11/02 - 05/15	Denton County FWSD #7	\$0.00	Director	Yes
Dick Cook 170 Oak Trail Double Oak, TX 75077	Appointed 07/12 - 05/17	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 - 05/15	Flower Mound	\$0.00	Director	Yes
Richard A. Lubke 2700 Gentle Dr. Flower Mound, TX 75022	Appointed 04/00 - 05/15	Highland Village	\$0.00	Director	Yes
Ramiro Lopez Assistant City Manager City of Irving 825 W. Irving Blvd. Irving, TX 75060	Appointed 2/09 - 5/17	Irving	\$0.00	Director	Yes
Virginia Blevins 22858 Indian Trail Justin, TX 76247	Appointed 06/03 - 5/17	Justin	\$0.00	Director	Yes
Mike Fairfield General Manager Lake Cities MUA P.O. Box 2017 Lake Dallas, TX 75065	Appointed 12/09 - 5/15	Lake Cities MUA	\$0.00	Director	Yes
Lathan Watts 1412 Berne Ln. Lewisville, TX 75067	Appointed 08/13 - 05/17	Lewisville	\$0.00	Director	Yes
Leslie Maynard 1209 Yacht Club Rd. Oak Point, TX 76258	Appointed 10/08 - 05/15	Oak Point	\$0.00	Director	Yes
Scott Ingalls 2700 Sir Patrice Lane Lewisville, TX 75056	Appointed 03/13 - 05/15	Pilot Point	\$0.00	Director	Yes
Richard A. Huckaby 924 Ridgecrest Circle Denton, TX 76205	Appointed 11/10 - 5/17	Ponder	\$0.00	Director	Yes
George E. Dupont 1400 Harvest Ridge Lane Prosper, TX 75078	Appointed 11/11 - 05/15	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, 2014	Title	Resident of District
Mike Brice City Manager City of Sanger P.O. Box 1729 Sanger, TX 76266	Appointed 08/13 - 05/15	Sanger	\$0.00	Director	Yes
Key Administrative Personnel					
Thomas E. Taylor, P.E. 900 N. Kealy P.O. Drawer 305 Lewisville, TX 75067	Contract 05/01/89 Employee 03/01/92 - Present	UTRWD	\$16,398	Executive Director	No
Larry N. Patterson, P.E. 900 N. Kealy P.O. Drawer 305 Lewisville, TX 75067	Hired 08/12/02 - Present	UTRWD	\$12,018	Deputy Executive Director	Yes
William A. Greenleaf 900 N. Kealy P.O. Drawer 305 Lewisville, TX 75067	Hired 09/28/98 - Present	UTRWD	\$5,913	Director - Business Services	Yes
Thomas W. Snyder, P.E. 900 N. Kealy P.O. Drawer 305 Lewisville, TX 75067	Hired 07/01/93 - Present	UTRWD	\$5,913	Assistant Director - Construction and Engineering	Yes
Jody Zabolio, P.E. 900 N. Kealy P.O. Drawer 305 Lewisville, TX 75067	Hired 12/13/04 - Present	UTRWD	\$5,913	Assistant Director - Operations	No
Consultants					
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 & Giuliani LLP 1445 Ross Avenue Suite 3800 Dallas, TX 75202-2711	Contracts 04/07/95 - Present	UTRWD	N/A	Bond 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
Alan R. Tucker, P. E. – President Ms. Ellen McDonald, Ph.D., P.E.- Principal 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
Robert Brandes, P. E. Atkins North America, Inc. 6504 Bridge Point Parkway Ste.200 Austin, TX 78730	Contracts 03/19/12 - 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

Names and Addresses	Term of Office (Elected or Appointed) or Date Hired	Appointing Entity	Expense Reimbursements Year Ended September 30, 2014	Title	Resident of District
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
James Gallowich, P. E. – Associate VP Carollo Engineers 100 E. 15 th St., Suite 415 Fort Worth, TX 76102	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
J.A. Sosebee, P. E. – Sr. VP Huitt-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
Justin Reeves, P.E., LEED, AP Lockwood, Andrews and Newnam, Inc. 1320 S University Dr. Suite 450 Fort Worth, TX 76107	Contracts 05/01/14 - Present	UTRWD	N/A	Engineering	N/A
Timothy J. Smith Senior 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
Independent Auditor					
Terry Kile 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
Investment Officers					
Thomas E. Taylor 900 N. Kealy P.O. Drawer 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. Drawer 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. Drawer 305 Lewisville, TX 75067	Hired 05/05/03 - Present	UTRWD	N/A	Accounting Manager	No



UPPER TRINITY

REGIONAL WATER DISTRICT

Part C - #47
Management Letter

Upper Trinity Regional Water District

Report to Management for the
Year Ended September 30, 2014

February 19, 2015

Board of Directors of Upper Trinity Regional Water District
Lewisville, Texas

The Management of Upper Trinity Regional Water District
Lewisville, Texas

Dear Members of the Board of Directors and Management:

In planning and performing our audit of the financial statements of the Upper Trinity Regional Water District (the "District") as of and for the year ended September 30, 2014 (on which we have issued our report dated February 19, 2015, which included an emphasis paragraph related to the District's implementation of GASB Statement 65, *Items Previously Reported as Assets and Liabilities* during the year ended September 30, 2014), in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting as a basis for designing 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 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 for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified.

We did not identify any deficiencies involving the District's internal control over financial reporting as of September 30, 2014 that we consider to be material weaknesses. However, in connection with our audit, we identified, and included in the attached Appendix, other matters related to new accounting pronouncements not yet effective as of September 30, 2014, that we wish to bring to your attention.

The definitions of a deficiency and a material weakness are also set forth in the attached Appendix.

A description of the responsibility of management for establishing and maintaining internal control over financial reporting and of the objectives of and inherent limitations of internal control over financial reporting, is set forth in the attached Appendix and should be read in conjunction with this report.

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

SECTION I —OTHER MATTERS

Other matters related to new pronouncements that we wish to bring to your attention are as follows:

GASB Statement No. 68: Accounting and Financial Reporting for Pensions

GASB 68 was also issued in June 2012 and establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans, as well as for nonemployer governments that have a legal obligation to contribute to those plans. This statement requires the recognition of the entire net pension liability and a more comprehensive measure of pension expense, along with additional required footnote disclosures. This standard becomes effective for the District in fiscal year 2015.

GASB Statement No. 69: Government Combinations and Disposals of Government Operations

GASB 69 was issued in January 2013 and establishes accounting and financial reporting standards for government combinations and disposals of government operations. This statement distinguishes between government mergers and acquisitions and provides guidance on the appropriate accounting treatment of each. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. GASB 69 becomes effective for the District in fiscal year 2015, and should be applied on a prospective basis.

GASB Statement No. 71: Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68 was issued in November 2013 and addresses an issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This standard becomes effective for the District in fiscal year 2015.

* * * * *

SECTION II — DEFINITIONS

The definitions of a deficiency and a material weakness are as follows:

A *deficiency* 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 *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.

SECTION III - MANAGEMENT'S RESPONSIBILITY FOR, AND THE OBJECTIVES AND LIMITATIONS OF, INTERNAL CONTROL OVER FINANCIAL REPORTING

The following comments concerning management's responsibility for internal control over financial reporting and the objectives and inherent limitations of internal control over financial reporting are adapted from auditing standards generally accepted in the United States of America.

Management's Responsibility

The District's management is responsible for the overall accuracy of the financial statements and their conformity with generally accepted accounting principles. In this regard, management is also responsible for establishing and maintaining effective internal control over financial reporting.

Objectives of Internal Control over Financial Reporting

Internal control over financial reporting is a process effected by those charged with governance, management, and other personnel and designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Internal control over the safeguarding of assets against unauthorized acquisition, use, or disposition may include controls related to financial reporting and operations objectives. Generally, controls that are relevant to an audit of financial statements are those that pertain to the entity's objective of reliable financial reporting (i.e., the preparation of reliable financial statements that are fairly presented in conformity with generally accepted accounting principles).

Inherent Limitations of Internal Control over Financial Reporting

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected and corrected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

* * * * *

Part C - #47

Interim Financial Information

TWDB SWIFT Application
Part C, Number 47
Upper Trinity Regional Water District
Interim Financial Statement

STATEMENT OF NET POSITION
FOR THE SIX MONTHS ENDED MARCH 31, 2015*

ASSETS:	
Current assets:	
Cash & cash equivalents	\$ 16,133,171
Accounts receivable from customers	4,049,012
Intersystem note receivable	3,254,127
Other current assets	5,975
Restricted assets	
Cash & cash equivalents	446,832
Total current assets	<u>23,889,117</u>
Non-current assets:	
Restricted assets:	
Cash & cash equivalents	12,971,627
Receivables from customers	4,581
Investments	4,279,194
Contractual agreements receivable	3,410,443
Non-depreciable capital assets	52,129,255
Depreciable capital assets - net	159,834,720
Total non-current assets	<u>232,629,820</u>
TOTAL ASSETS	<u><u>256,518,937</u></u>
DEFERRED OUTFLOWS OF RESOURCES:	
Loss on debt refunding	2,222,962
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u><u>2,222,962</u></u>
LIABILITIES:	
Current Liabilities:	
Accounts payable	1,080,241
Unearned revenue	802,439
Accrued wages and benefits	323,902
Payable from restricted assets:	
Accrued interest payable	1,142,473
Retainage payable	458,031
Current portion of long-term bonds	10,740,000
Unpaid Self Insurance Claims	49,534
Total current liabilities	<u>14,596,620</u>
Non-current liabilities:	
Long-term bonds	172,584,286
Commercial paper payable	42,050,000
Long-term water supply obligation	5,265,341
Total non-current liabilities	<u>219,899,627</u>
TOTAL LIABILITIES	<u><u>234,496,247</u></u>
NET POSITION	
Net investment in capital assets	(6,128,664)
Restricted for debt service	14,684,990
Unrestricted	15,689,324
TOTAL NET POSITION	<u><u>\$ 24,245,650</u></u>

*Not prepared in full accordance with GAAP

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE SIX MONTHS ENDED MARCH 31, 2015*

OPERATING REVENUES:	
Charges for services	\$ 16,841,252
Miscellaneous income	\$ 198,840
Total operating revenues	<u>17,040,092</u>
OPERATING EXPENSES:	
Operation and maintenance:	
Salaries & benefits	1,448,678
Water treatment	2,172,606
Lab chemicals & supplies	408,706
maintenance	219,044
Utilities	594,059
Equipment & tools	8,715
Miscellaneous	100,495
Depreciation & amortization	3,352,142
Overhead	1,108,206
General Office	254,200
Total operating expenses	<u>9,666,851</u>
OPERATING INCOME (LOSS)	7,373,241
NON-OPERATING REVENUES (EXPENSES)	
Investment income (loss)	-
Interest income	107,303
Interest expense net of capitalized interest	(3,830,740)
Gain/(loss) on disposal of capital assets	(10,230)
Net non-operating income (expense)	<u>(3,733,667)</u>
Income before contributions	3,639,574
Contributions	-
Transfers to other funds	<u>-</u>
Change in net position	3,639,574
Net Position - Beginning of Year	<u>20,606,076</u>
Net Position - End of year	<u><u>\$ 24,245,650</u></u>

*Not Prepared in full accordance with GAAP

Part C - #49

Listing of Outstanding Debt

UPPER TRINITY REGIONAL WATER DISTRICT
TWDB SWIFT Application
Part C, Number 49

Dated Date	Outstanding Debt ⁽¹⁾	Issue Description
11/1/2004	\$ 755,000	Regional Treated Water Supply System Revenue Bonds, Series 2004
11/1/2005	2,770,000	Regional Treated Water Supply System Revenue Refunding Bonds, Series 2005
8/1/2006	13,785,000	Regional Treated Water Supply System Revenue Refunding Bonds, Series 2006
3/1/2007	29,465,000	Regional Treated Water Supply System Revenue Refunding and Improvement Bonds, Series 2007
6/1/2008	10,400,000	Regional Treated Water Supply System Revenue Bonds, Series 2008
8/1/2010	4,210,000	Regional Treated Water Supply System Revenue Refunding Bonds, Series 2010
9/1/2010	22,270,000	Regional Treated Water Supply System Revenue Bonds, Series 2010A
1/1/2012	12,480,000	Regional Treated Water Supply System Revenue Refunding Bonds, Series 2012
8/1/2012	34,710,000	Regional Treated Water Supply System Revenue Refunding and Improvement Bonds, Series 2012A
11/21/2013	16,290,000	Regional Treated Water Supply System Revenue Refunding Bonds, Series 2013
3/15/2015	48,355,000	Regional Treated Water Supply System Revenue Refunding Bonds, Series 2015
Total	\$195,490,000	

(1) As of May 1, 2015

Part C - #52

Sample Member Contract

APPENDIX C

EXAMPLE WATER CONTRACT

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**UPPER TRINITY REGIONAL WATER DISTRICT
REGIONAL TREATED WATER SUPPLY SERVICE
CONTRACT FOR ADDITIONAL PARTICIPATING MEMBER
WITH
CITY OF CELINA**

**THE STATE OF TEXAS §
 §
COUNTY OF DENTON §**

THIS REGIONAL TREATED WATER SUPPLY CONTRACT (the "Contract") made and entered into as of the 14th day of February 2000 (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 **CITY OF CELINA** ("Celina"), a municipality, which party may be referred to herein as "Additional Participating Member" (or "Member").

WITNESSETH:

WHEREAS, Celina is a municipality, a duly incorporated political subdivision of the State of Texas operating under the constitution and laws of the State of Texas that provides retail utility service to customers within its service area; and,

WHEREAS, one of the purposes for which the District was created was to provide wholesale treated water services to cities end water distribution utilities of the Denton County area; and

WHEREAS, Celine desires that the District undertake steps to provide said treated water service; and

WHEREAS, the 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 Ray Roberts Lake and Lewisville Lake to serve cities end utilities within the District's service area; and

WHEREAS, the District is developing a Regional Treated Water System for Participating Members and other Customers, including raw water transmission lines, water treatment plant, pump stations, treated water transmission lines, storage tanks and

metering facilities, Phase 1 of which is operational and is serving Participating Members and Participating Utilities; and

WHEREAS, District has entered into prior contracts with Participating Members and Participating Utilities for participation in the Regional Treated Water System (herein "System"), under which contracts the District is authorized to enter into contracts with additional parties such as this Contract for participation in the System; and

WHEREAS, the District will manage and operate, or contract with others for the management and operation of such facilities; end

WHEREAS, District is proceeding with construction of a treated water transmission pipeline and related facilities as an extension of Phase 1 of the System in general accordance with the September 1998 engineering report entitled "Regional Treated Water System: Northeast Extension" prepared by Alan Plummer Associates, Inc., which extension will make water available from the System in the vicinity of US 380 and FM 720; and

WHEREAS, the terms of the Joint Project are set forth in Exhibit E hereto, which Joint Project will enable the services of this Contract, pending construction of a separate transmission line by District to Celina; and

WHEREAS, District proposes to extend the System to provide wholesale treated water service to Celina in general accordance with the January 11, 2000, Engineering Report for Upper Trinity Regional Water District and Mustang Water Supply Corporation and City of Celina," (attached here to as Exhibit D) prepared by Hunter Associates, Texas, LTD., consulting engineers, together with other facilities determined by District to be necessary to render the contracted services, herein referred to as the "Project;" and

WHEREAS, the Hunter report attached hereto as Exhibit D recommends a "Joint Project" between District, Mustang and Celina, which project will provide interim transmission capacity for District and distribution capacity for Celina and Mustang Water; and

WHEREAS, Celina desires to become an "Additional Participating Member" as defined in this Contract; end

WHEREAS, the District and Celina are authorized to enter into this Contract pursuant to the District's enabling statute, Chapter 1053 Acts of the 71st Legislature,

Regular Session 1989 (the "Act") and Texas Government Code Chapter 791 (the "Interlocal Cooperation Act"), and other applicable laws; and

WHEREAS, the parties agree that the Celina shall own and operate (or contract with others to operate) water pumping, storage and distribution facilities necessary for retail service; and

WHEREAS, Celina acknowledges that the District may enter into similar contracts as this Contract with Additional Participating Members, additional Participating Utilities, and other Customers in the future; end

WHEREAS, the parties hereto acknowledge that a portion of the cost of the District's Regional Treated Water System has been funded by State of Texas through the "State Participation Program," administered by the Texas Water Development Board and that District is obligated to repurchase said portion in future years from the State; end

WHEREAS, District has established an "Equity Fee" to be paid by Customers who contract for capacity in the Regional Treated Water System to help repurchase State Participation, and Celina is willing to pay the applicable "Equity Fee" as a condition of this Contract; and

WHEREAS, it is expected by the parties hereto that the District will issue an installment of Bonds to provide money to construct the Project, with said Bonds to be payable from and secured by Annual Payments made under this Contract and all other similar contracts for participation in the System; and

WHEREAS, the contract for Celina's participation in the District's Growth Program approved by the District on November 4, 1999, shall terminate upon the Contract Date of this Contract.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the District agrees to provide treated water supply services under this Contract, and use its best efforts to issue its Bonds and to acquire, construct and complete the Project and other facilities of the system upon end, subject to the terms and conditions hereinafter set forth, to-wit:

ARTICLE I
Preamble/Definitions

Section 1.01. **Adoption of Preamble.** All of the matters stated in the preamble of this Contract are true and correct and are hereby incorporated into the body of this Contract as though fully set forth in their entirety herein.

Section 1.02. **Definitions.** 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, Chapter 1053, Acts of the 71st Legislature, Regular Session, 1989 (effective June 16, 1989) as amended (Chapter 494, 74th Legislature, Regular Session 1995), which amendment became effective August 28, 1995.
2. **"Additional Participating Member"** means Celina and any party other than the existing Participating Members with which the District makes a contract similar to this Contract for supplying treated water from the System, providing herein that after execution of this Contract, Celina 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, and other Customers 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 benefiting parties.
6. **"Annual Payment"** means the amount of money to be paid to the District by Member 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 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, 1999 through September 30, 2000. Any service provided during FY 1999-2000 for a partial year will be on a pro rated basis.

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 Capital (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 issued by the District to construct the System, whether in one or more series or issues, and the interest thereon, and hereafter issued to acquire, construct and complete the Project, and 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. **"County"** means Denton County, Texas.

14. **"Customer"** means any wholesale user of the water services provided by the District which user provides retail utility service within its boundaries.

15. **"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.

16. **"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.

17. **"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.

18. **"MGD"** is an abbreviation for "million gallons of water per day".

19. "**North Service Area**" means generally the northern portion of the County and more specifically any related service area designated by the District to be provided treated water service by the District from a water treatment plant other than the existing plant near Lewisville Lake in City of Lewisville, 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.

20. "**Operation and Maintenance Expenses**" means 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.

21. "**Participating Member**" (or "**Member**") means a governmental entity that provides 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 Celina.

22. "**Participating Utility**" (or "**Utility**") means a non-governmental entity, such as a water supply corporation that provides 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.

23. "**Point(s) of Delivery**" means the point designated in this Contract where treated water will be delivered to Celina from the System.

24. "**Project**" means the "Project" as defined in the Preamble of this Contract.

25. **"South Service Area"** means generally the southern portions of the County and more specifically any related service area designated by the District to be provided treated water service by the District, from the existing water treatment plant near Lawisville Lake in City of Lewisville, 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.

26. **"State"** means the State of Texas.

27. **"System"** means the Project, Phase 1 of the Regional Treated 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 or similar contracts, and which are payable solely from sources other than revenues of the System.

28. **"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 Participating Member and the County are entitled to appoint a qualified person to serve on the Board. Celina 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. 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 Member agree that the District will choose the Consulting Engineers for the System and may change Consulting Engineers at the option of the District. For the Project, District will consider the consulting engineer recommended by Celina.

Section 3.02. **Construction of Project 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 and similar contracts, 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 of the System 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 improvements 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 and other similar contracts.

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 end 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. 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 potable water to Member in accordance with the specifications and restrictions of this Article. District agrees to provide potable water to meet volume and demand requirements of Member es 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 end remain in position to furnish treated water sufficient for ell reasonable treated water requirements of each Customer, 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 end uniform basis by the Board.

Section 4.03. **Quantity.** The District agrees to deliver treated water under this Contract to Celina at its Point(s) of Delivery as described in Section 4.13 hereof, and Celina 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 Celina is unconditionally liable, without offset or counterclaim, Celina, during each Annual Payment Period, shall be deemed to have taken end used the minimum Demand for System treated water (regardless of whether or not such amount is or was actually taken or used) specified for Celina in Exhibit B to this Contract.

Section 4.05. **Demand.** For the initial Water Year, Celina will be obligated to take or pay for the Demend specified in Exhibit B. After one yeer of operating experience, the District may adjust the Demand for any Water Year for 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 Member 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 ectuel 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 trensition to a Demand calculation based on

actual and projected usage. 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.** A Demand meter (rate-of-flow controller) may be installed by District during initial construction as part of the cost of the Project. If not installed initially, Celina and District agree that after an initial five (5) year period, the District may require the installation of a rate-of-flow controller 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.** Member 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 by Member.

Section 4.08. **Payment for Demand.** Initially payment for Demand shall be based on the minimum Demand specified in Exhibit B. If at a later date, District measures Demand 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, (b) the highest Demand established during the five (5) Water Years preceding or (c) the minimum Demand specified in this Contract, whichever is greater. Until modified by mutual agreement, Member agrees to pay such Demand charge as may be required by this Contract or subsequent agreements, whether or not a Demand Meter or rate-of-flow controller is installed.

Section 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, the parties to this Contract desire to promote, achieve and maintain efficient System operation and to promote conservation of limited ground water resources. To that end, Member agrees to minimize the installation of new wells to withdraw additional

underground water resources and to stabilize pumping from existing wells, if any. Further, if Member develops plans to seek future surface water supplies from an entity other than the District, 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 Member to make payments specified in this Contract and to secure the payment of Bonds issued pursuant to this Contract.

Section 4.10. **Resale.** Member hereby agrees that it will not sell water purchased from District to any person or entity outside Member's boundaries 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 appropriate minimum quantities 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 be unduly preferential or 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 Member 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 Celina.

(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, Member may enter into subcontracts with a City, another utility 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 Member shall be potable, treated water from the System. 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 Member 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 by Celina 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. Recognizing that the initial delivery facilities are being provided as part of the joint Project in which Celina will secure certain capacity for its own distribution system, District reserves the right to designate a permanent Point of Delivery at a mutually satisfactory location near the western side of Celina's service area when the District later constructs its own transmission facilities for delivery of water from the System to Celina. District will be responsible for the cost of the permanent Point of Delivery when constructed.

(b) Except as provided in paragraph (a) of this Section, and unless otherwise mutually agreed to, Member shall be responsible for the design, construction and financing of facilities and acquisition of any rights-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. 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. 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.

(e) 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 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. 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, 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. Member may have access to said record books during normal business hours.

(b) 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 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%)± 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 (½) 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) 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 from 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) by 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) Member agrees to provide ingress and egress for District employees and agents to all its premises inside Member's 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.** Approximately sixty days after the end of each Annual Payment Period, Member 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 end 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) On an annual basis, the governing body of each Customer may appoint a member of its governing body or one of its employees as a member of the Customer Advisory Council for the Regional Treated Water System, 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) Member agrees that water supplies or services may be limited or curtailed pursuant to Section 4.02. Also, Member agrees 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. Member agrees to cooperate in the implementation of both plans and to adopt and enforce such or similar plans for use within its jurisdiction. Member may be required by State or Federal agencies to implement a water conservation plan; also, the District reserves the right to require Member to implement a water conservation plan. 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.** 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:

(e) An "**Operation and Maintenance Component**" equal to the amount paid or payable for all Operation and Maintenance Expenses of the System; end

(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, end 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; end

(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) A "**Special Reserve**" in an amount deemed appropriate and necessary by the Board for Operation and Maintenance Expenses of the System and for capital improvements. Any such reserve shall be used as operating funds 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 of expenses); however, the Board may authorize the reserves to be maintained at a higher level, especially if necessary for capital improvements.

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, 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 each Annual Payment Period, 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 Member.

(a) For the treated water services to be provided to Celina under this Contract, Celina agrees to pay, at the time and in the manner hereinafter provided, its proportionate share (Annual Payment) of the Annual Requirement. Celina 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) Celina shall pay its Annual Payment according to the minimum amounts respectively specified in Section 4.04 of this Contract and according to the actual volume of treated water taken. The District shall estimate a price per 1,000 gallons of Demand and volume for purposes of determining the monthly payment to be made by each Member. Member shall pay a Demand charge in approximately equal monthly installments 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 costs of raw water purchased and 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 Member 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 Celina is, for any reason whatsoever, less than any minimum amount prescribed by this Contract and the District, Celina shall pay its Annual Payment according to such minimum amount. However, if Celina'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 provide for equitable minimum amounts, also. Such minimum quantities 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), may 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 revenue 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 Member. The District shall estimate all such credits which it expects to make during each Annual Payment Period in calculating each Annual Payment.

Section 5.08. **Prompt Payment/Disputed Bills.** Member hereby agrees that it will make payments required by this Contract to the District within 20 days of the date a bill for service is rendered. If Member at any time disputes the amount to be paid by it to the District, Member 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 Member will recover its overpayment or the District will recover the amount due it. All amounts due and owing to the District by Member, or due and owing to 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 or Customer which remains delinquent in any payments due hereunder for a period of sixty (60) days, and shall not resume delivery of water while such Member or Customer is so delinquent. It is further provided and agreed that if Member should remain delinquent in any payments due hereunder for a period of one hundred twenty (120) days, and if such delinquency continues during any period thereafter, Member's minimum amount specified by Contract,

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 Requirement to be paid by the non-delinquent Members and Customers; and, the District shall redetermine such percentage in such event on a basis so that the non-delinquent Members and Customers, collectively, shall be required to pay all of the Annual Requirement. However, the District shall pursue all legal remedies against any such delinquent Member or Customer to enforce and protect the rights of the District, the other Members and Customers, 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 and Customers during each Annual Payment Period regardless of the delinquency of a particular Member or Customer. If any amount due and owing the District by Member is placed with an attorney for collection, 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, Member's Annual Payment is redetermined in any manner as provided or required in the foregoing Sections, the District will promptly furnish 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 or in the rendition of service to Customers.

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 Member 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 Member shall be in the District up to each Point of Delivery, at which point title shall pass to the receiving Member, except that the District reserves the right of re-use of wastewater treated effluent, to the extent authorized by State of Texas. The District and Celina agree to save and hold each other harmless, to the extent authorized by law, 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. Both Celina and District agree to be responsible for their own respective negligent acts.

Section 6.05. **Payments Solely From Revenues.** The District shall never have the right to demand payment by Celina 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 Member to levy and collect a tax to discharge such obligation. Nonetheless, 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.** Member 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 payments will be made from the revenues of its combined waterworks and sewer system or any other lawful source. Member represents and has 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 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 system(s) 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 Member.

Section 6.07. **Rates for Water and Wastewater Services.** Member 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 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 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. Celina 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) Celina 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) Celina 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.

(c) Celina hereby consents to the District exercising its power of eminent domain, if necessary, to obtain property or rights-of-way within the boundaries of Celina for the Project and the System.

(d) District shall coordinate with Celina concerning the need for sites, easements or rights-of-way for future permanent transmission pipelines and other facilities for delivery of water from System to Celina, and Celina shall make reasonable effort to obtain through its development, platting and zoning process such sites, easements or rights-of-way, that District may so request.

Section 6.10. **Use of Customer Facilities.** The parties to this Contract, including specifically the District, desire to develop and operate the System in an 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 Celina 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 Celina and other Participating Members to pay and secure its Bonds, it is hereby agreed that Celina 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 Celina, or whether or not Celina 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 Celina 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 end 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 and the System will include capacity in pipelines and certain other facilities for future needs of Participating Members, Additional Participating Members, Participating Utilities and other Customers. Member agrees that it is in the best interest of both the District and Member 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, Celina 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 Celina 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

Standard Provisions

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 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 party 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/Other Systems.** 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, Member agrees that such participation is as much a part of the Project and System 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 Project or System remain outstanding, whichever period is greater; provided, however, the term of the Contract and the expiration

Lewisville, Texas 75067

If to Celina, to: City Administrator
 City of Celina
 P. O. Drawer D
 Celina, Texas 75009

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. However, recognizing 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 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 Member's obligations hereunder could not be adequately compensated in money damages alone, 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 one (1) day after the occurrence of such default. No waiver or waivers of any breach or default (or any breaches or defaults) by any party hereto or of 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 Contract Date.

UPPER TRINITY REGIONAL WATER DISTRICT

By: Blake L. English
Blake L. English, President, Board of Directors


ATTEST:



Paul E. Reese, Secretary

(DISTRICT SEAL)

APPROVED AS TO FORM AND LEGALITY:



John F. Boyle, Jr., Counsel for the District

CITY OF CELINA

By: 

Olen Long, Mayor

ATTEST:



Vicki Jackson, City Secretary

APPROVED AS TO FORM AND LEGALITY:

Counsel for the City

Part D - #54

Summary of Preliminary
Feasibility Study for Proposed
for Lake Ralph Hall



Upper Trinity Regional Water District
P.O. Drawer 305
Lewisville, Texas 75067
(972) 219-1228

Summary of Preliminary Feasibility Study For Proposed Lake Ralph Hall

Submitted:
May 30, 2003

Revised:
December 18, 2007



The seal appearing on this document was authorized by Edward M. Motley, P.E. 48243 on December 18, 2007

Please Note:

This report was an initial feasibility study. Significant work to develop the Lake Ralph Hall project has been completed since this report. Please refer to Part D - #61 of the TWDB-0148 application for more information.

prepared by:



Chiang, Patel & Yerby, Inc.

CP&Y Project No. UTR9836



Chiang, Patel & Yerby, Inc.

Proposed Lake Ralph Hall Summary of Preliminary Feasibility Study December 18, 2007

Purpose and Scope

This is a summary of a Preliminary Feasibility Study for the proposed Lake Ralph Hall Project. This proposed lake is in Region C of the Texas Water Plan, located on the North Sulphur River in southeastern Fannin County, Texas. Recognizing that this is a preliminary study, all data, findings and conclusions are subject to change and considerable refinement as further investigation, evaluations and analyses are conducted.

On August 8, 2002, Upper Trinity Regional Water District (UTRWD) authorized Chiang, Patel & Yerby, Inc. (CP&Y) to perform a preliminary feasibility study. The scope of the study included a preliminary determination of:

- The quantity of water available from the proposed project.
- An assessment of the physical site conditions for potential development of a water supply reservoir.
- A literature search to document any known environmental conditions that might preclude development of a water supply reservoir.
- A literature search to document known cultural resource or archaeological conditions that might preclude development of a water supply reservoir.
- An assessment of the raw water conveyance infrastructure required for the UTRWD's use of the project as a reliable water supply source.
- A projection of the cost to develop Lake Ralph Hall as a water supply project.

Project Description

The site for proposed Lake Ralph Hall will encompass approximately 11,200 acres in southeastern Fannin County. Figure 1 illustrates the general location within Fannin County, and Figure 2 is a preliminary site map.

The proposed dam would be located on the North Sulphur River, approximately 1.8 miles northeast of the town of Ladonia. The reservoir is expected to have a normal water surface between 550 feet and 552 feet above mean sea level and, would store up to 200,000 acre-feet of water. The boundary of the lake site is expected to be established near the 560-foot level.

Existing River Channel

The North Sulphur River was reportedly channelized during the 1920's and 1930's in an effort to protect farms lying near the river from flooding. Reportedly, the original channel was approximately 20 feet wide and 10 feet deep.

A combination of factors - - the nature of the local soils, the removal of mature trees along the bank, the elimination of the natural crooks and turns, and higher water



Proposed Lake Ralph Hall

Summary of Preliminary Feasibility Study

Page 2

velocities - - have lead to continuous erosion of the constructed channel. This erosion has progressed dramatically and dangerously, to the point that the channel now measures as much as 80 feet deep and 200 or more feet wide. Figure 3 presents photographs of the current channel conditions.

The channel continues to erode more every year - - causing significant and continued loss of soil, habitat, and farm land; and resulting in damage to infrastructure and the environment. Over the years, an estimated 100 acres of land has been eroded away from the area adjacent to the main channel (not including numerous tributaries) of the North Sulphur River within the proposed lake site. This erosion has transported an estimated 27 million cubic yards of earth downstream. At least three State Highway bridges have recently been reconstructed or are being reconstructed because channel erosion has undermined their foundations. The erosion has progressed beyond the main channel into the tributaries. The upper reaches of these tributaries, where some valuable wetland areas may still exist, are being eroded, jeopardizing these wetlands.

Left unchecked, the North Sulphur River channel will continue to erode, leaving the channel wider and deeper with each passing flood. The erosion will continue to progress upstream to the upper reaches of the tributaries, washing away valuable soil, productive land, and any remaining quality wetlands. Construction of the proposed lake will help mitigate the continued erosion of these upstream areas and preserve the soil, the productive land and associated wetland areas.

Water Rights and Yield Analysis

Water Rights - There are no recorded water rights on the North Sulphur River upstream or downstream of the proposed Lake Ralph Hall. There are two recorded water rights on the main stem of the Sulphur River downstream of its confluence with the North Sulphur River in northeastern Hopkins County. The first, Certificate of Adjudication No 03-4804 held by TXU Generating Co., allocates 10,000 acre-feet per year from the Sulphur River in Red River County. The second, Certificate of Adjudication No. 03-4836 held by the City of Texarkana, authorizes the storage of 386,900 acre feet in Wright Patman Lake and a total diversion of 180,000 acre-feet per year. Texarkana's permit also specifies seasonal operating rules for Wright Patman Lake. These operating rules specify variable monthly storage capacities, the merits of which may be reexamined by the reservoir owner, U. S. Corps of Engineers. Combined, these two downstream water rights may reduce the available yield of proposed Lake Ralph Hall by approximately 3200 acre-feet per year.

Available Yield – Based on available maps and preliminary hydrology, the proposed Lake Ralph Hall appears to have an available yield between 35,000 and 39,000 acre-feet per year (31 to 35 million gallons per day). This yield reflects the impact of the noted downstream water rights.



**Proposed Lake Ralph Hall
Summary of Preliminary Feasibility Study
Page 3**

Diversion Rates – The proposed reservoir will be operated as a part of a water supply system that includes reservoirs in other drainage basins. Therefore, the quantity of water diverted on an annual basis may exceed the available yield. Similarly, the instantaneous diversion rate may exceed the annual diversion rate.

Consistency with Regional and State Water Planning

The proposed Lake Ralph Hall is listed as an “alternative water supply reservoir” in the 2000 Region C Water Plan.

Current Site Conditions

Current Land Use - Land use within the proposed site is 45 percent rangeland, 30 percent farmland and 25 percent wooded. The wooded area is characterized by second growth trees such as cottonwoods. No native bottomland hardwoods forests have been identified within the project area.

Existing Cemeteries - Seven cemeteries are known to exist near the proposed lake site; however, none of these cemeteries are believed to be within the limits of the proposed lake.

Existing State Highways and Roads - Approximately 7.6 miles of State Highways and Farm to Market Roads lie within the proposed site. These State Highways and Roads will be adjusted or relocated - - except for Farm Road 2990, which is proposed to be abandoned. The function of this Road can be provided by other nearby State Highways and Roads.

Existing County Roads - Approximately 9.5 miles of county roads lie within the proposed site. As necessary, county roads would be relocated or adjusted to maintain access to property served by the county roads.

Existing Utilities - There are no gas, oil or electrical transmission utilities within the proposed lake site. Existing water, telephone and electrical distribution utilities located with the proposed site would be relocated to maintain service to users.

Existing Structures and Residences - There are an estimated 38 existing structures within the proposed site. These structures include houses, both abandoned and inhabited, barns and other out buildings. There are an estimated 12 to 15 inhabited residences within the site of the proposed lake.

Existing and Historic Oil and Gas Production - No known ongoing or historical oil and gas production is within the proposed site - - or even within the lake’s watershed.

Proposed Lake Ralph Hall
Summary of Preliminary Feasibility Study
Page 4

Existing Water Wells - There are no known registered water supply wells within the proposed lake site. There are likely a number of unregistered water wells, either producing or abandoned, located at various home sites within the proposed lake site.

Environmental Characteristics

Threatened and Endangered Species - While a number of federally and state protected species (threatened and endangered species) are identified as potentially in Fannin County, no documented critical habitat for these species was found within the proposed lake site.

Contaminated Sites - There are no recorded contaminated sites within the proposed lake site.

Jurisdictional Waters and Wetlands - Various types of jurisdictional waters, including stream channels, wetlands and ponds, potentially lie within the proposed lake site. Additional field work will be required to definitively classify and quantify the impacts the proposed lake may have on such jurisdictional waters. Some of the impacts may, in fact, be of significant benefit to the environment, such as arresting the historic and incessant erosion of the main stream channel and its many tributaries. The National Wetland Inventory Maps, published by the US Department of Interior, lists a total of 351 acres of potential wetlands within the site. Also, there are approximately 116 miles of stream channels within the site. These values are based on aerial photographic surveys and require field surveys to validate. Because of continual erosion and other land altering activities, the actual quantities may be less than that indicated on the published maps.

Mitigation - Federal law requires that the loss of jurisdictional waters and critical habitat be mitigated by setting aside alternative environmental assets. The amount and type of mitigation required is dependent on the type, quality and uniqueness of the environmental asset being lost. In the case of Lake Ralph Hall, the initial surveys indicate a nominal amount of what appears to be low quality environmental assets; but, further study is required. Additionally, the construction of the lake will protect and improve the quality of certain environmental assets. Therefore, the amount of mitigation is anticipated to be minimal, and it may be possible to self mitigate most of what is needed on the project site.

Environmental Coordination. As part of the preliminary feasibility study, a field trip was conducted with environmental specialists to gain initial insights. Discussions with these and other environmental specialists are expected to continue during the following phases.

Cultural Resources and Archaeological Characteristics

No historical or archaeological sites are recorded within the proposed lake site. However, numbers of prehistoric artifacts and fossils are commonly recovered by artifact collectors in the eroded channel of the North Sulphur River, both downstream of and within the proposed site. The presence of these artifacts is indicative of the possibility that archaeological sites exist within the proposed lake site. A more detailed field study will be required to determine if such sites exist - - and, if so, to quantify the significance of each site. However, the mere presence of an archaeological site would not necessarily preclude construction of the proposed reservoir; dependent on the nature and extent of the asset and what is required to protect or preserve the asset.

Raw Supply Water Infrastructure

The proposed lake is strategically located close to existing raw water transmission facilities owned and operated by the City of Irving, being used jointly by Irving and UTRWD to transport water from Chapman Lake to Lewisville Lake. Figure 4 illustrates the location of the proposed lake and the existing facilities. The proposed lake is approximately 33 miles northeast of the system's storage balancing reservoir in northwestern Hunt County. UTRWD currently draws its raw water out of Lewisville Lake for its water treatment plant and is planning a second water treatment plant to take water directly out of the transmission line. The Chapman Lake Raw Water System was designed with approximately 40 mgd of extra capacity. This extra capacity would be available to convey water from the proposed lake for UTRWD (and Irving).

The infrastructure required to convey water from Lake Ralph Hall to UTRWD's facilities would include an intake structure and a raw water pump station at the lake, and a 33-mile long, 60 – inch diameter pipeline to the storage balancing reservoir in northwestern Hunt County.

Cost Projections

The projected costs of the proposed Lake Ralph Hall and related raw water infrastructure are:

See attached Cost Projections

Conclusions and Recommendations

The preliminary feasibility study for the proposed Lake Ralph Hall Project discovered no fatal flaws that would prevent development of the project. The unit cost is comparable to the cost of other potential water supply projects that may be pursued by UTRWD. Further, this source of water can be developed more quickly than other known sources.

It is recommended that UTRWD proceed with detailed environmental, hydrology and engineering studies, leading to preparation of a water rights application for proposed Lake Ralph Hall.

Project Development Schedule

It is expected to require eight years to conduct the detailed studies, prepare the application, to obtain various permit approvals and to design the proposed Lake Ralph Hall Project. A schedule of the activities required to complete development of the project is illustrated on Figure 5. As indicated, most of the time required is related to conducting more detailed studies required for such an application and gaining approvals for the necessary water rights and environmental permits.

Ralph Hall Lake and Reuse for UTRWD

Revised December 18, 2007

Probable Owner: UTRWD
 Quantity: 32,940 Ac-Ft/Yr from Ralph Hall
 17,800 Ac-Ft./Yr from Reuse (60% return flows on 29.600 Ac-Ft/Yr delivered)
 Peak: 36.7 MOD (1.25:1 peak)

CONSTRUCTION COSTS

Dam, Reservoir and Conflicts

	Size	Quantity	Unit	Unit Price	Cost
Mobilization and Demobilization		1	LS	\$5,100,000	\$5,100,000
Stormwater Prevention		1	LS	\$912,900	\$913,000
Cleaning & Grubbing		450	AC	\$2,100	\$945,000
Roadways		23,800	1.1	\$215	\$5,117,000
Bridges		13.080	II	\$1,435	\$18,770,000
Utility Relocations		53,500	ES	\$80	\$4,280,000
Embankment Random Fill		2,447,520	CY	\$3.00	\$7,343,000
Embankment Core		1,928,515	CY	\$4.00	\$7,714,000
Principal Spilh.vay Reinf. Conc.		36,835	CY	\$275	\$10,130,000
Emergency Spillway Reinf. Conc.		38,170	CY	\$275	\$10,497,000
Rock Riprap		215,000	SY	\$100	\$21,500,000
Miscellaneous Relocations		1	LS	\$2,000,000	\$2,000,000
Care of Water		1	LS	\$201,000	\$201,000
Engineering and Contingencies (35%)					\$33,079,000
Subtotal for Dam, Reservoir and Conflicts					\$127,589,000

TRANSMISSION FACILITIES

Pipeline	Size	Quantity	Unit	Unit Price	Cost
Pipeline to Balancing	48 in.	158,400	LF	\$176	\$27,878,000
Right of Way Easements	30 ft.	109	Ac	\$3,000	\$327,000
Engineering and Contingencies (30%)					\$8,363,000
Subtotal of Pipeline					\$36,568,000

Intake Pump Station

Pump Station	2400 HP	1	LS	\$5,060,000	\$5,060,000
Engineering and Contingencies (35%)					\$1,771,000
Subtotal of Pump Station					\$6,831,000

CONSTRUCTION TOTAL

\$170,988,000

Table R-52, continued

Land Acquisition and Mitigation

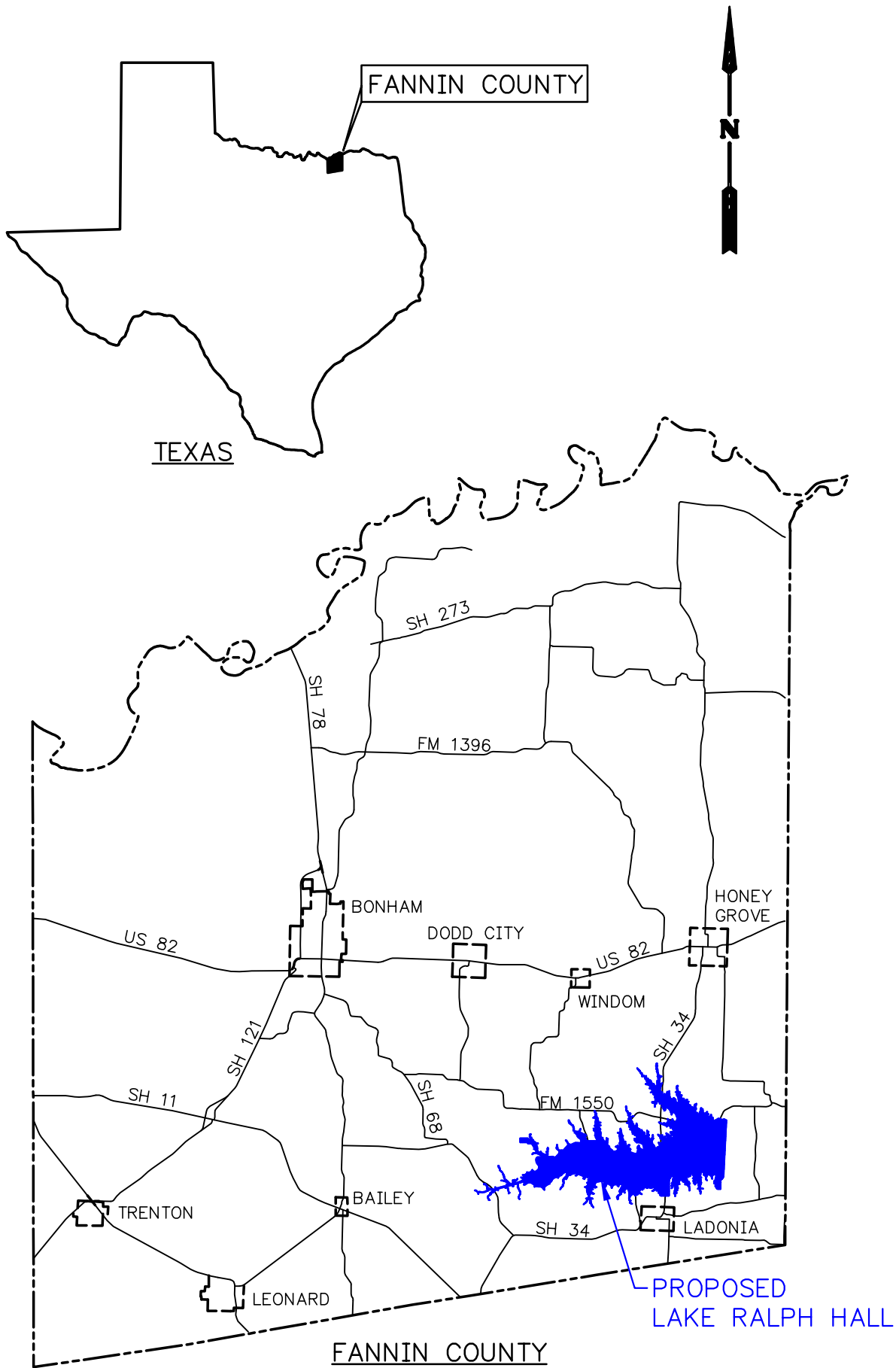
\$22,781,000

Interest During Construction (30 months)

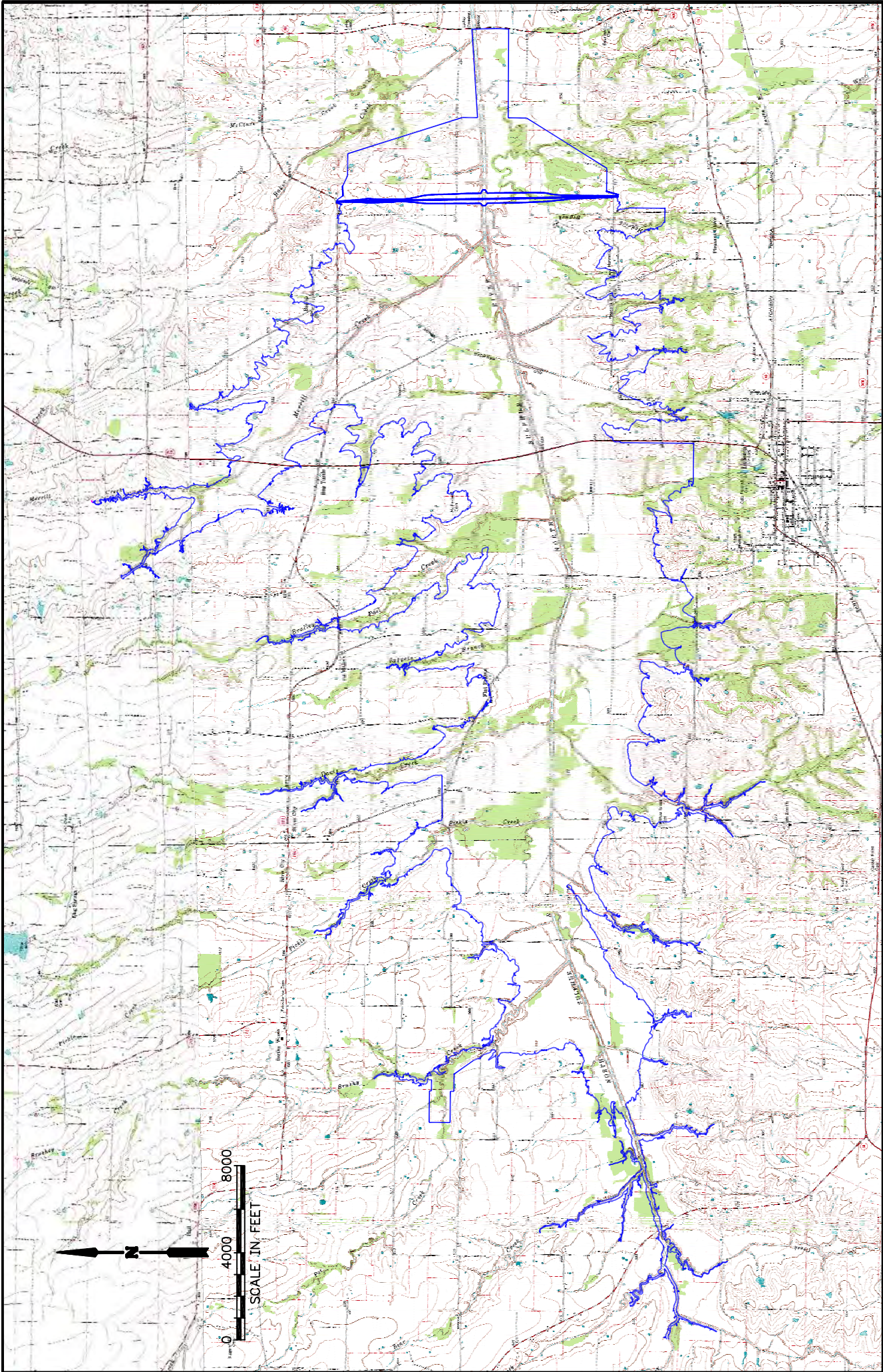
\$17,384,000

TOTAL COST

\$211,153,000



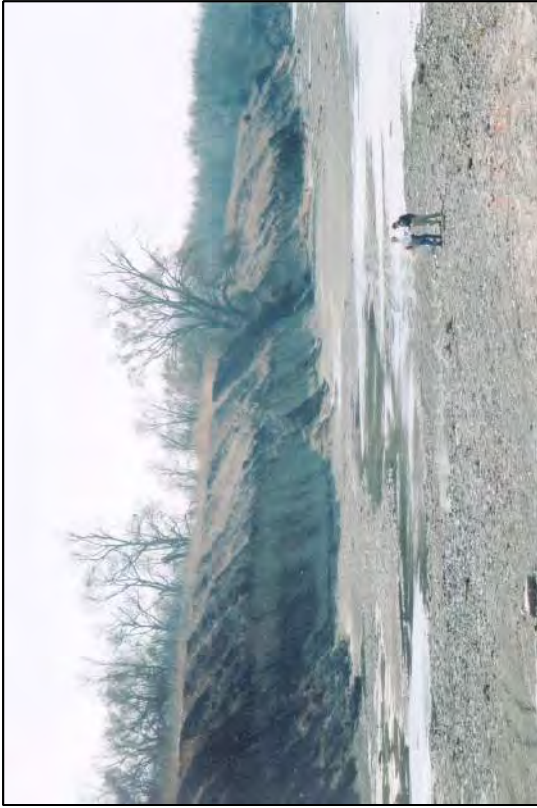
**UPPER TRINITY REGIONAL WATER DISTRICT
LAKE RALPH HALL PRE-APPLICATION FEASIBILITY STUDY
SUMMARY OF PRELIMINARY FEASIBILITY STUDY
LOCATION MAP**



**UPPER TRINITY REGIONAL WATER DISTRICT
LAKE RALPH HALL PRE-APPLICATION FEASIBILITY STUDY
SUMMARY OF PRELIMINARY FEASIBILITY STUDY
REVISED PRELIMINARY SITE MAP**

FIGURE

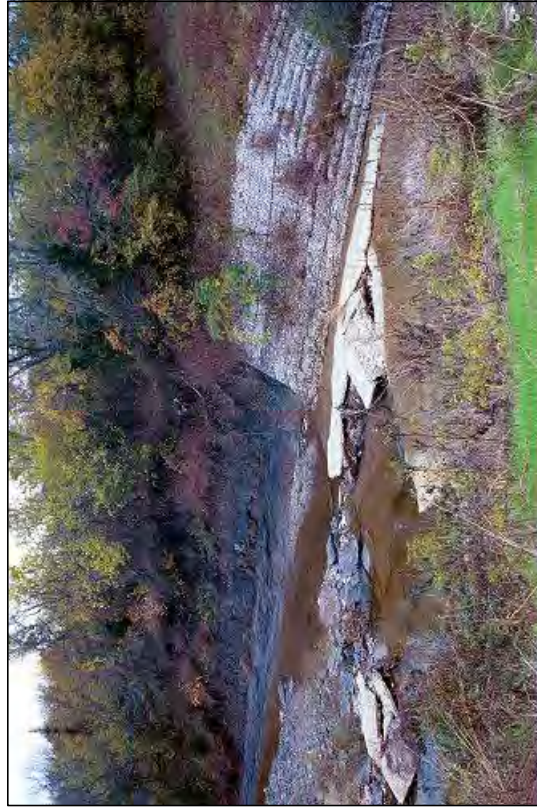
2



LOOKING UPSTREAM (WEST) FROM SH 34 NORTH BRIDGE ABUTMENT



LOOKING UPSTREAM (WEST) FROM TOP OF FM 2990 BRIDGE



TYPICAL FAILED ATTEMPT BY OWNER TO CONTROL EROSION
BY STRUCTURAL MEANS

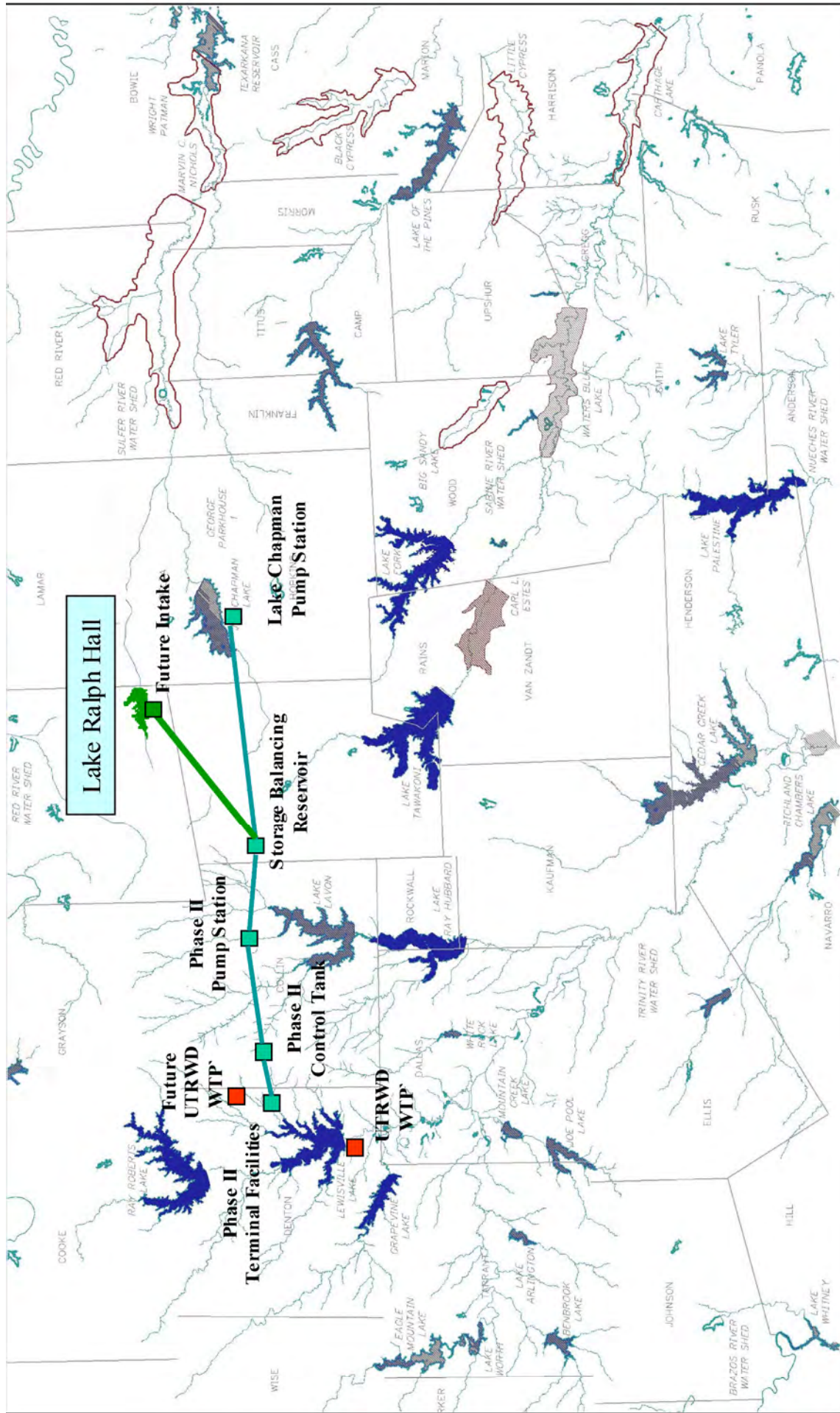


SH 34 BRIDGE
(NOTE THE EROSION SINCE BRIDGE CONSTRUCTED IN 1960)

**UPPER TRINITY REGIONAL WATER DISTRICT
LAKE RALPH HALL PRE-APPLICATION FEASIBILITY STUDY
SUMMARY OF PRELIMINARY FEASIBILITY STUDY
CURRENT CHANNEL CONDITIONS**

FIGURE

3



**UPPER TRINITY REGIONAL WATER DISTRICT
LAKE RALPH HALL PRE-APPLICATION FEASIBILITY STUDY
SUMMARY OF PRELIMINARY FEASIBILITY REPORT
LOCATION OF PROPOSED LAKE AND EXISTING FACILITIES**

FIGURE

FIGURE 5
LAKE RALPH HALL
SCHEDULE OF ACTIVITIES
REVISED DECEMBER 18, 2007

Water Rights Application

- Submitted - September, 2003
- Administratively Complete - August, 2004
- Public Meetings - March, 2006
- Technical Review (anticipated complete.) - January, 2010
- Issue Final Permit (anticipated) - February, 2010

Section 404 Permit

- Submitted - November, 2006
- Technical & Administrative Review (anticipated complete) - August, 2008
- Public Notice (anticipated) - August 2008
- Issue Permit (anticipated) - June, 2009

Right-of-way Acquisition — Thirty months (concurrent to design)

Design — Twenty-four months

Construction — Forty-eight months

Commissioning — Twenty-four months

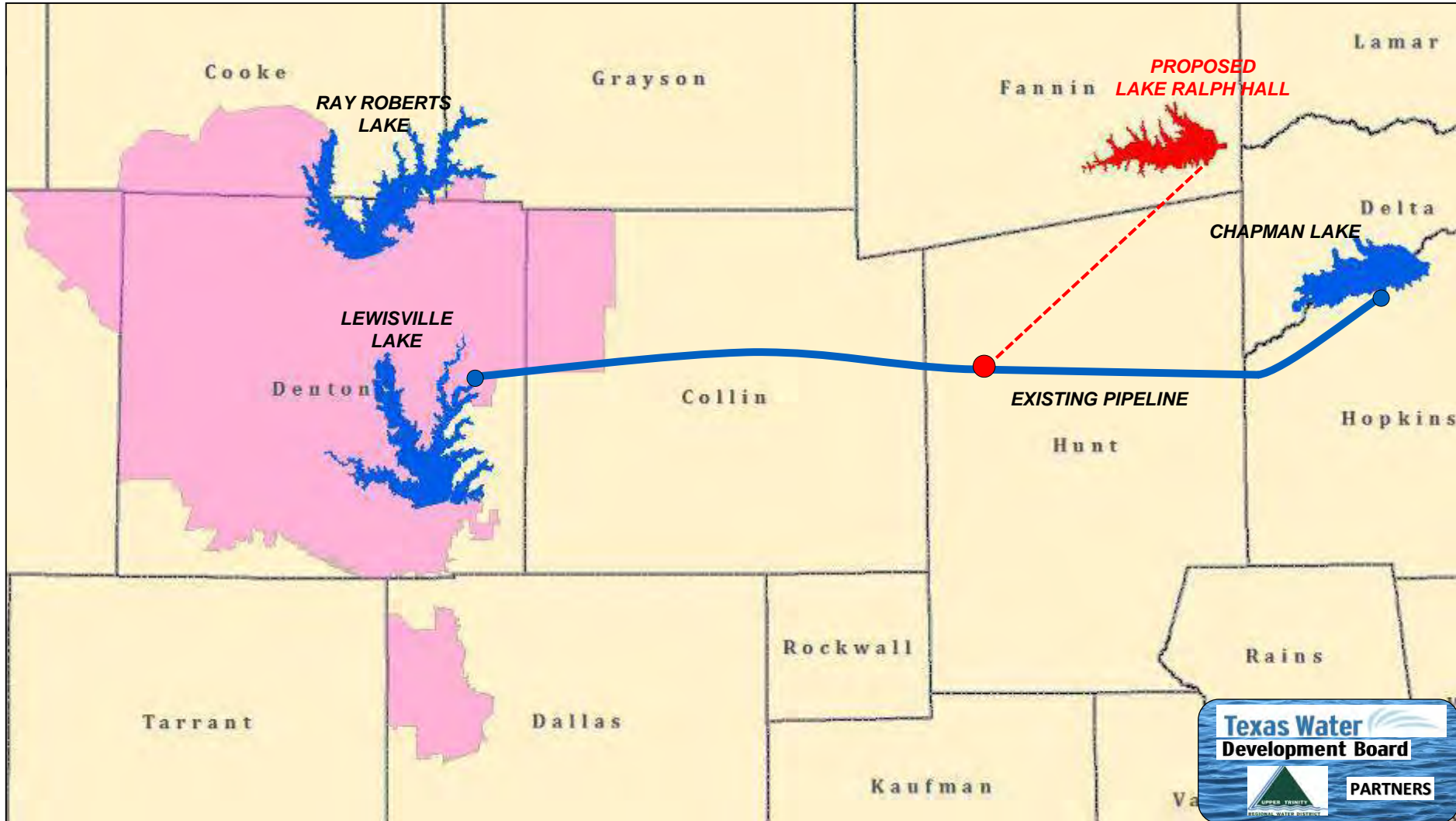
In-Service – Between 2018 & 2022

Part D - #56

Proposed Lake Ralph Hall Map

Part D - #56

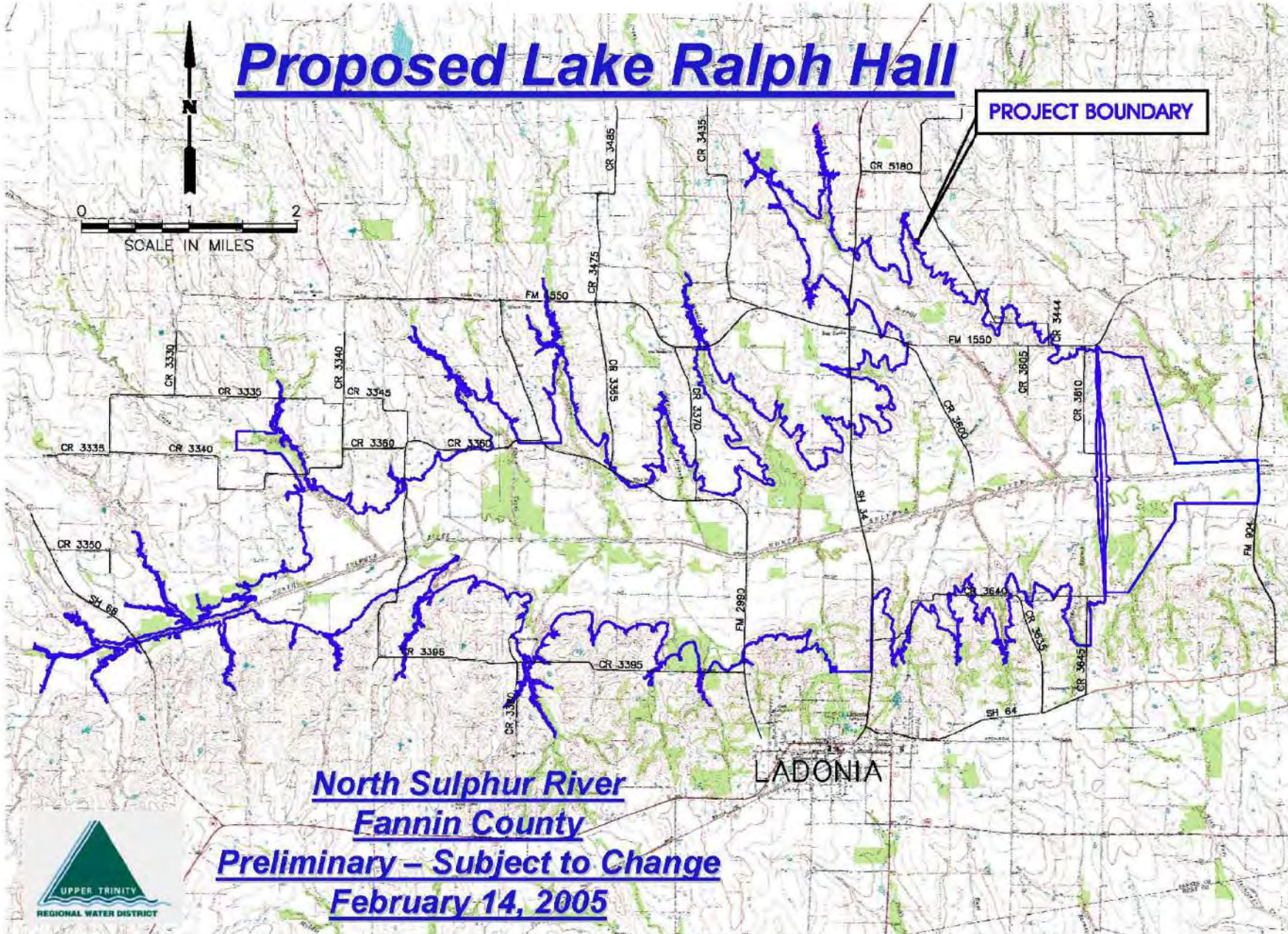
Upper Trinity Regional Water District Water System Service Area & Sources



Part D - #56

Proposed Lake Ralph Hall

PROJECT BOUNDARY



North Sulphur River
Fannin County
Preliminary – Subject to Change
February 14, 2005



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

Part D - #59

Population & Water Demand Projections

Part D - #59

2011 Region C Water Plan Population Projections for UTRWD Customers

Customer	2010	2020	2030	2040	2050	2060
Argyle WSC (Outside of City)	5,965	6,012	6,012	6,012	6,012	6,012
Argyle	3,750	8,935	12,983	14,550	16,282	18,000
Aubrey	2,830	5,375	8,755	11,767	15,814	21,252
Bartonville WSC (Outside of Cities)	1,400	1,604	1,786	1,948	2,094	2,224
Bartonville	1,500	4,500	5,000	5,000	5,000	5,000
Copper Canyon	1,300	1,600	1,900	2,200	2,500	2,800
Double Oak	3,000	3,000	3,000	3,000	3,000	3,000
Bolivar WSC	10,386	12,465	21,806	44,726	70,848	95,836
Sanger	7,750	12,750	17,947	21,400	23,998	25,000
Celina	5,000	25,414	53,798	95,267	145,702	168,118
Corinth	21,032	24,000	26,000	28,000	30,000	31,500
Denton County Other	42,742	56,446	65,410	73,718	81,794	90,112
Denton County FWSD NO. 1A	3,092	4,952	6,701	8,501	10,328	12,240
Flower Mound	66,667	75,555	93,000	93,000	93,000	93,000
Highland Village	15,148	16,868	17,862	18,000	18,000	18,000
Justin	3,177	5,252	8,474	13,926	17,000	18,759
Krum	4,200	4,600	5,000	5,500	6,200	7,000
Ladonia	800	1,600	2,000	2,200	2,500	3,000
Lake Cities MUA						
Hickory Creek	4,150	5,600	6,500	7,941	7,941	7,941
Lake Dallas	7,902	9,102	9,933	9,933	9,933	9,933
Shady Shores	2,474	3,228	3,936	3,936	3,936	3,936
Lincoln Park	680	835	990	1,145	1,300	1,500
Mustang SUD (Outside of Cities)	6,580	9,897	13,015	24,500	36,000	47,000
Cross Roads	1,500	3,800	3,800	3,800	3,800	3,800
Krugerville	1,672	1,918	2,228	2,900	3,783	5,422
Oak Point	3,988	8,534	12,812	14,471	16,141	17,905
Northlake	1,700	4,974	5,753	11,059	16,364	19,684
Pilot Point	5,047	7,067	12,000	13,290	14,100	15,000
Ponder	1,350	5,000	10,000	16,000	18,500	19,000
Prosper	8,000	20,000	35,000	50,000	70,000	75,000
Total Projected Population	244,782	350,883	473,401	607,690	751,870	846,974

Part D - #59

2011 Region C Water Plan UTRWD Demand Projections (Acre-Foot/Year)

Customer	2010	2020	2030	2040	2050	2060
Argyle WSC ^a	1,823	3,494	4,855	5,396	6,016	6,639
Aubrey	105	564	1,111	1,586	2,241	3,110
Bartonville WSC ^b	1,213	1,979	2,224	2,370	2,520	2,671
Bolivar WSC ^c	814	2,011	4,614	8,805	13,364	17,518
Celina	741	4,237	9,629	17,652	29,905	35,379
Corinth	4,665	5,269	5,679	6,085	6,519	6,845
Denton County Other	6,110	8,642	10,484	12,240	14,022	15,851
Denton County FWSD NO. 1A	892	1,059	1,428	1,812	2,202	2,609
Flower Mound	8,662	12,754	19,765	19,765	19,765	19,765
Highland Village	2,631	2,998	3,310	3,413	3,503	3,613
Justin	437	862	1,479	2,516	3,113	3,461
Krum	213	294	389	496	646	810
Ladonia	0	257	427	523	655	863
Lake Cities MUA ^d	2,151	2,781	3,191	3,454	3,470	3,501
Lincoln Park	69	99	125	152	179	214
Mustang SUD ^e	1,123	3,151	4,447	6,572	8,753	10,963
Northlake	0	404	467	898	1,329	1,598
Pilot Point	0	284	1,139	1,397	1,607	1,831
Ponder	0	617	1,549	2,666	3,150	3,270
Prosper	100	2,160	3,779	5,669	6,209	6,749
Denton County Mining	550	263	263	263	263	263
Denton County Manufacturing	179	301	288	278	294	329
Total Demands	32,478	54,480	80,642	104,008	129,725	147,852
Losses in Treatment and Delivery (5%)	1,624	2,724	4,032	5,200	6,486	7,393
Denton County Irrigation	800	900	1,000	1,100	1,200	1,300
Total Needed	34,902	58,104	85,674	110,308	137,411	156,545

- a) Includes demands for City of Argyle.
- b) Includes demands for Cities of Bartonville, Copper Canyon, and Double Oak.
- c) Includes demands for City of Sanger.
- d) Includes demands for Cities of Hickory Creek, Lake Dallas, and Shady Shores.
- e) Includes demands for Cities of Cross Roads, Krugerville, and Oak Point.

Part D - #60

**Form TWDB-1201
Project Budget**

Part D - #60

PROJECT BUDGET - Entity Name: <u>Upper Trinity Regional Water District - LRH</u>						
Uses	TWDB Funds Series 1	TWDB Funds Series 2	TWDB Funds Series 3	Total TWDB Cost	Other Funds	Total Cost
Construction						
Construction	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Construction	\$0	\$0	\$0	\$0	\$0	\$0
Basic Engineering Fees						
Planning & Permitting	\$757,520	\$0	\$0	\$757,520		\$757,520
Design	\$11,775,516	\$6,141,647	\$4,010,714	\$21,927,877	\$0	\$21,927,877
Construction Engineering	\$0	\$0	\$0	\$0	\$0	\$0
Basic Engineering Other **	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Basic Engineering Fees	\$12,533,036	\$6,141,647	\$4,010,714	\$22,685,397	\$0	\$22,685,397
Special Services						
Application	\$0	\$0	\$0	\$0	\$0	\$0
Environmental	\$297,206	\$528,366	\$165,114	\$990,686	\$0	\$990,686
Water Conservation Plan	\$0	\$0	\$0	\$0	\$0	\$0
I/I Studies/Sewer	\$0	\$0	\$0	\$0	\$0	\$0
Surveying	\$44,780	\$111,949	\$126,876	\$283,605	\$0	\$283,605
Geotechnical	\$153,896	\$33,647	\$16,823	\$204,366	\$0	\$204,366
Testing	\$0	\$0	\$0	\$0	\$0	\$0
Permits	\$0	\$0	\$0	\$0	\$0	\$0
Inspection	\$0	\$0	\$0	\$0	\$0	\$0
O&M Manual	\$0	\$0	\$0	\$0	\$0	\$0
Project Management (by engineer)	\$0	\$0	\$0	\$0	\$0	\$0
Pilot Testing	\$115,422	\$25,235	\$12,617	\$153,275	\$0	\$153,275
Water Distribution	\$0	\$0	\$0	\$0	\$0	\$0
Special Services Other **	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Special Services	\$611,304	\$699,197	\$321,431	\$1,631,931	\$0	\$1,631,931
Other						
Administration	\$1,165,940	\$600,000	\$350,000	\$2,115,940	\$0	\$2,115,940
Land/Easements	\$15,565,000	\$0	\$0	\$15,565,000	\$0	\$15,565,000
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	\$227,273	\$0	\$0	\$227,273	\$0	\$227,273
Other **	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Other Services	\$16,958,213	\$600,000	\$350,000	\$17,908,213	\$0	\$17,908,213
Fiscal Services						
Financial Advisor	\$0	\$0	\$0	\$0	\$0	\$0
Bond Counsel	\$0	\$0	\$0	\$0	\$0	\$0
Issuance Cost	\$0	\$0	\$0	\$0	\$0	\$0
Bond Insurance/Surety	\$0	\$0	\$0	\$0	\$0	\$0
Fiscal/Legal	\$0	\$0	\$0	\$0	\$0	\$0
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
Other **	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Fiscal Services	\$0	\$0	\$0	\$0	\$0	\$0
Contingency						
Contingency	\$1,337,161	\$684,084	\$433,214	\$2,454,460	\$0	\$2,454,460
Subtotal Contingency	\$1,337,161	\$684,084	\$433,214	\$2,454,460	\$0	\$2,454,460
TOTAL COSTS	\$31,439,714	\$8,124,928	\$5,115,359	\$44,680,000	\$0	\$44,680,000

Other ** description must be entered

+ 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
Total Planning Costs	0	0	0

Part D - #61

**Form WRD-253d
Project Information Form**

Part D - #61

WRD-253d
05/18/2010

Texas Water Development Board Water Project Information							
A. Project Name Lake Ralph Hall		B. Project No.		C. County Fannin		D. Regional Planning Group (A-P) C	
E. Program(s) SWIFT 30 YR Deferred / Board Participation		F. Loan <input checked="" type="checkbox"/> / Grant <input type="checkbox"/> Amount: \$44,680,000		G. Loan Term: 30/34 years			
H. Water Project Description: (Multiphase project, new or expansion; plant, well, storage, pump station, distribution system, etc) See Attachment A (Project Description) and Attachment B (Project Map) <p style="text-align: center;">Attach map of service area affected by Project or other documentation.</p>							
I. Is an Inter Basin Transfer potentially involved? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>				J. Is project located in a Groundwater District (If yes, identify District by name)? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>			
K. Projected Population from application for at least a 20 year period. Attach justification and list service area populations if different from Planning Area.	Year	Reference Year 2014	2020	2030	2040	2050	2060
	Population Projection (RCWPG 2011)		202,939	350,883	473,401	607,690	751,870
Project Design Year	2060		Design Population		846,974		
L. 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: 4E.44 - 2011 Reg. C Water Plan)							
M. What type of water source is associated directly with the proposed project? Surface Water <input checked="" type="checkbox"/> Groundwater <input type="checkbox"/> Reuse <input type="checkbox"/>							
N. Will the project increase the volume of water supply? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>							
O. What volume of water is the project anticipated to deliver/ treat per year? 34,050 Acre-Feet/Year							
P. Current Water Supply Information							
Surface Water Supply Source / Provider Names See Attachment C		Certificate No. See Attachment C		Source County See Attachment C		Annual Volume and Unit See Attachment C	
Groundwater Source Aquifer		Well Field location		Source County		Annual Volume and Unit	
UTRWD does not use any groundwater supplies. A limited number of its wholesale customers currently supplement their demands with groundwater from the Trinity Aquifer, but are programmed to rely totally on surface water in the future.							
Q. Proposed Water Supply Associated Directly with the Proposed Project							
Surface Water Supply Source / Provider Names See Attachment C		Certificate No. See Attachment C		Source County See Attachment C		Annual Volume and Unit See Attachment C	
Groundwater Source Aquifer N/A		Well Field location: N/A		Source County N/A		Annual Volume and Unit N/A	
R. Consulting Engineer Name Edward M. Motley, PE, BCEE CH2M Hill, Vice President			Telephone No. 972-663-2237		E-mail address edward.motley@ch2m.com		
S. Applicant Contact Name, Title Larry N. Patterson UTRWD, Deputy Executive Director			Telephone No. 972-219-1228		E-mail address lpatterson@utrwd.com		

Attachment A Project Description

Lake Ralph Hall is being proposed on the North Sulphur River in the Sulphur River Basin in Fannin County, Texas by Upper Trinity Regional Water District (the District) for the primary purpose of creating and developing a municipal water supply reservoir. Water from the project is to be used to meet future water demands within that portion of Fannin County that lies in the Sulphur River Basin and within the service area of the District in the Trinity River Basin. The proposed lake project boundary is approximately 12,000 acres and once developed would provide a firm yield of about 30 mgd. The current estimated cost of the Lake Ralph Hall project is approximately \$370 million.

In 2002, the District initiated engineering and planning studies necessary to support the Water Rights Permit application and to document existing project site conditions. A series of technical studies were prepared and submitted to the TCEQ for review. On August 13, 2004, the TCEQ deemed the Water Rights Permit application administratively complete. In March 2006, public meetings were conducted by the TCEQ in Fannin and Denton Counties. On December 11, 2013 the TCEQ granted Permit #5821 to the District for Lake Ralph Hall.

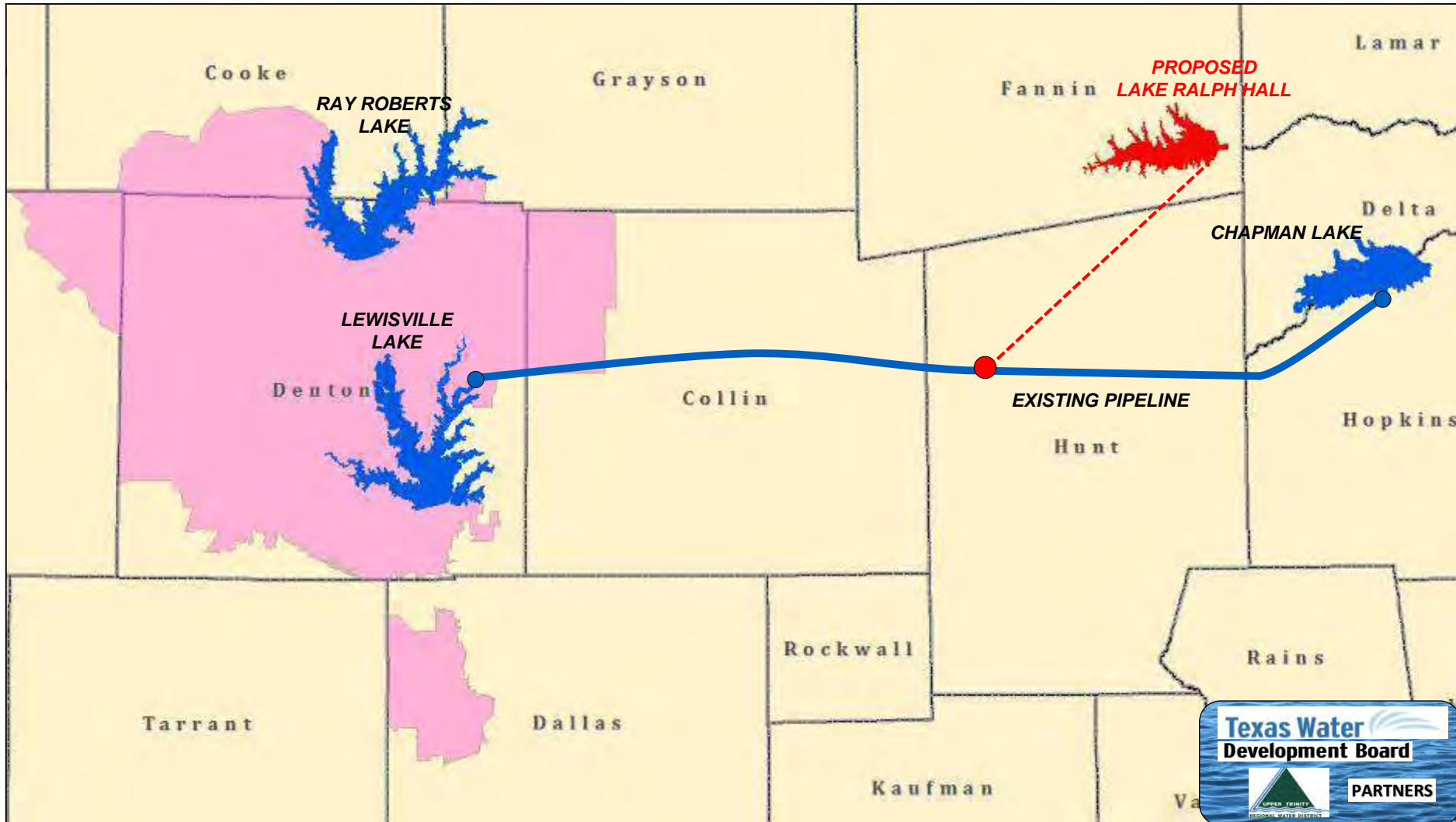
In 2006, the District submitted an application for a Section 404 permit from the U.S. Army Corps of Engineers (USACE). A public was held in April of 2008 and in August of 2008 the USACE made the determination that an Environment Impact Statement (EIS) will be required for the project. The Draft EIS is expected by the end of 2015.

This SWIFT Funding request of approximately \$45 million will allow the District to finalize the permitting with the USACE and begin preliminary design of the dam/spillway, roads, bridge, utilities, pump station/outlet works, raw water pipeline, and mitigation which is estimated to take approximately three years. In addition, this funding request will allow the District to continue purchasing land for the project.

Additional future funding requests are anticipated for detailed design and construction of Lake Ralph Hall and the associated pipeline and pumping facilities needed to connect to the District's existing water system. State Participation is essential for the District to achieve its Water Management Strategies identified in the State Water Plan.

Attachment B

Upper Trinity Regional Water District Water System Service Area & Sources



Attachment C
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

Part D - #63

**Form WRD-208A
Surface Water Affidavit
&
TCEQ Water Right Permit # 5821**

Item attached: Yes No

Please identify the Certificate of Adjudication(s) and Water Rights Permit(s) possessed by the wholesale water provider pursuant to which the contract, lease or other legal instrument has been or will be executed.

Certificate of Adjudications: _____

Item attached: Yes No

Water Rights Permit(s): _____

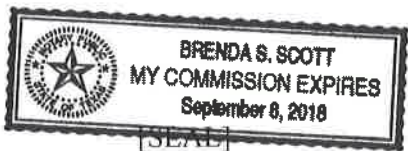
Item attached: Yes No

Signed the 20th day of May 20 15

Thomas E. Taylor
Name

Executive Director
Title

Sworn to and subscribed before me by THOMAS E. TAYLOR on MAY 20, 20 15.



Brenda S. Scott
Notary Public in and for the State of Texas

My Commission expires: September 8, 2018

Part D - #64

**Form ED-101
Site Certificate**

STATE OF TEXAS
COUNTY OF FANNIN

§
§
§

SITE CERTIFICATE

Before me, the undersigned notary, on this day personally appeared Thomas E. Taylor, 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 Thomas E. Taylor. 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 the 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.

LEGAL CERTIFICATION – OWNERSHIP INTEREST

This is to certify that the Upper Trinity Regional Water District

has acquired or is in the process of acquiring the necessary real property interest, as evidenced by fee simple purchase or fully executed money contracts, 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 land required for the Lake Ralph Hall project is comprised of approximately 12,000 acres in southeast Fannin County, Texas.

Any deeds or other instruments required to be recorded to protect the title(s) held by the Upper Trinity Regional Water District will be recorded in the County deed records or other required location

To date approximately 5,000 acres of land for the project have been purchased from willing sellers. The deeds for these properties have been recorded in the Fannin County deed records or other required location .

LEGAL CERTIFICATION – LEASE/CONTRACT

In the alternative, I certify that N/A.

has executed a written lease or other contractual agreement 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. A copy of this lease agreement is attached hereto.

*** THIS SECTION IS NOT APPLICABLE TO THE LAKE RALPH HALL PROJECT**

LEGAL CERTIFICATION – PROPERTY EASEMENT

In the alternative, I certify that the Upper Trinity Regional Water District

has executed an express easement to use the property needed for this (water) (wastewater) project that extends through 30/34 years, 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 the express easement agreement is attached hereto.

*Property easements will be required for a raw water pipeline corridor extending from Lake Ralph Hall and connecting to an existing pipeline system in Collin County, Texas. Further design is required to determine the necessary easements for the project.

EXECUTED this 20th day of May 2015.

Thomas E. Taylor
(Signature)

Thomas E. Taylor
(Print Name)

Executive Director

Sworn to and subscribed before me by THOMAS E. TAYLOR on MAY 20, 2015.



[SEAL]

Brenda S. Scott
Notary Public in and for the State of Texas

My commission expires: September 8, 2018

Part D - #67

USACE Scopes of Work for
Preparation of the Draft
Environmental Impact
Statement for Proposed
Lake Ralph Hall



DEPARTMENT OF THE ARMY
FORT WORTH DISTRICT, CORPS OF ENGINEERS
P. O. BOX 17300
FORT WORTH, TEXAS 76102-0300

NOV 25 2008

REPLY TO
ATTENTION OF:

November 24, 2008

Planning, Environmental, and Regulatory Division
Regulatory Branch

SUBJECT: Project Number SWF-2003-00336, Proposed Lake Ralph Hall

Mr. Larry Patterson, P.E.
Director of Operations and Water Resources
Upper Trinity Regional Water District
900 N. Kealy Street
P.O. Drawer 305
Lewisville, Texas 75067

Dear Mr. Patterson:

As you know, the U.S. Army Corps of Engineers (USACE) has worked with you and Michael Baker, Jr., Inc., in developing a scope of work for a Draft Environmental Impact Statement (DEIS) for the proposed Lake Ralph Hall project in Fannin County, Texas. The USACE is hereby submitting the final scope of work for the DEIS (see enclosed).

We look forward to working with you and Michael Baker Jr., Inc., on the preparation of the DEIS. If you have any questions concerning this matter, please contact Ms. Mary Flores at the address above of telephone (817) 886-1739

Sincerely,

for
Stephen L Brooks
Chief, Regulatory Branch

Enclosure

Copy Furnished with Enclosure:

Mr. Edward M. Motley
CH2MHill
12377 Merit Drive, Suite 100
Dallas, Texas 75251

Mr. Timothy Smith
Senior Project Manager
Michael Baker Jr., Inc.
7700 Chevy Chase Drive
Austin, Texas 78752

**U.S. ARMY CORPS OF ENGINEERS – FORT WORTH DISTRICT
PLANNING, ENVIRONMENTAL AND REGULATORY DIVISION - REGULATORY BRANCH
PROJECT NO.: 200300336
LADONIA, FANNIN COUNTY, TEXAS
LAKE RALPH HALL: DRAFT ENVIRONMENTAL IMPACT STATEMENT
SCOPE OF WORK**

GENERAL DESCRIPTION:

The project consists of environmental and engineering studies to be used in the production of a Draft Environmental Impact Statement (DEIS) that can be released to interested parties, the general public, and various Federal, State, and local agencies. The studies will include those deemed necessary by USACE – Fort Worth to develop a technically, scientifically and legally defensible DEIS document as described under the *Tasks Descriptions* below. All studies presented in the DEIS will be conducted with technically-sound and unbiased methods using the best science and summarized in a clear, logical, and understandable manner. The DEIS will be concise, clear, and to the point and will be supported by evidence that USACE – Fort Worth has made the necessary environmental analyses [40 CFR §1500.2(b)]. Similarly, the DEIS will be analytic rather than encyclopedic discussing only briefly issues other than significant ones [40 CFR §1500.4(b-c)]. Finally the DEIS will provide full and fair disclosure of significant environmental impacts and will inform USACE – Fort Worth and the public of the reasonable alternatives which would avoid, or minimize adverse impacts or enhance the quality of the human environment [40 CFR §1502.1].

Michael Baker Jr., Inc. herein referred to as the "Contractor" will be responsible for providing labor, equipment, facilities, and other resources required for Environmental and Engineering Studies and third-party regulatory DEIS production as described in the *Task Descriptions* section of the Scope of Work. Unless noted in the *Task Descriptions* section, the Contractor assumes that all data, analyses, technical information, etc. required to prepare the DEIS shall be provided by UTRWD and/or USACE – Fort Worth. The collection of new data or the completion of technical analyses beyond those specifically identified in the *Task Descriptions* section of this Scope of Work would be considered out of scope and would require a contract modification.

The Contractor will ensure that qualified professionals with the proper experience in performing such services are used throughout the duration of the project. The Contractor will prepare the DEIS using an interdisciplinary approach which will insure the integrated use of the natural and social sciences, and the environmental arts. The Contractor will perform the following Tasks and submit the Deliverables as a part of this Statement of Work.

TASK DESCRIPTIONS:

Task 1. Introduction and Purpose and Need:

- A) The Contractor will prepare an Introduction that describes Upper Trinity Regional Water District's (UTRWD) proposed Lake Ralph Hall (LRH) project. The Introduction will illustrate the location of the proposed project, identify the permits required for the proposed LRH project, and will provide an overview of the contents of the DEIS.
- B) The Contractor will provide an overview of the project setting including the project location and existing reservoirs in Fannin County near Ladonia in the North Sulphur River Basin.
- C) The Contractor will clearly document the Purpose and Need for the proposed LRH project based primarily on information provided by UTRWD and/or USACE – Fort Worth. The Contractor will describe the basis for UTRWD's water demand and demographic projections by individual water user group. The Contractor will summarize historic, present and projected future water demand and demographics as they relate to the proposed LRH project. The Contractor will evaluate the techniques and assumptions utilized in developing the demographic and water demand projections and reach conclusions as to their reasonableness and suitability for application in the

LRH Purpose and Need Determination. The Contractor will document and assess the reasonableness, for the purposes of this EIS, of the process used to develop the 2006 Region C Water Plan which recommends LRH as a Major Water Management Strategy for UTRWD. The Contractor will gather sufficient information to prepare the Purpose and Need chapter of the EIS, generally following the outline below:

- i) Applicant's Statement of Need for the Project.
 - (1) UTRWD
 - (2) LRH Background.
- ii) Overview of Water Supplies and Demand.
 - (1) Sources and yields of current water supply; and
 - (2) Service areas and current water use.
- iii) Water Demand.
 - (1) Historical and Current Population growth;
 - (2) Historical water requirements; and
 - (3) Conservation in place.
- iv) Future Water Requirements.
 - (1) Population projections and reasonableness
 - (2) Water Demand Projections and reasonableness
 - (3) Demand projection safety factor.
- v) Comparison of Future Demand with Current Supply and Determination of Project Need
 - (1) Participant Water Supply and Demands.

Argyle WSC, City of Argyle, City of Aubrey, Bartonville WSC, City of Celina, Town of Copper Canyon, City of Corinth, Town of Crossroads, Denton County FWSD #1A(Castle Hills), Denton County FWSD # 7 (Lantana), Denton County FWSD #8A & #11 (Paloma Creek), Denton County FWSD #9 (Providence), Denton County FWSD #10 (Savannah), Town of Double Oak, Town of Flower Mound, Town of Hickory Creek, City of Highland Village, City of Justin, City of Krum, Lake Cities MUA, City of Lake Dallas, City of Lincoln Park, Mustang SUD, City of Oak Point, Town of Prosper, City of Sanger, Town of Shady Shores. UTRWD will confirm the list of participants.
 - (2) Overall comparison of Demand and supply
- vi) Need for UTRWD to develop future water supply to meet Future Demand.
 - (1) Relationship to other water supply projects.
- D) As part of the Introduction the Contractor will summarize relevant Authorizing Actions including a brief discussion about the submittal of UTRWD's 404 permit application, 401 water quality certification, USACE's 404(b)(1) alternatives evaluation, other environmental permits, and other requirements and approvals required for the proposed LRH to proceed.
- E) The Contractor will describe the organization of the DEIS indicating compliance with 40 CFR 1500-1508 and USACE's requirements 33 CFR 325 Appendix B.

Task 2. Alternatives including the Proposed Action:

- A) The Contractor will rigorously explore and objectively evaluate all reasonable alternatives, and for those alternatives eliminated from detailed study briefly discuss the reasons for their elimination. The Contractor will conduct a workshop with USACE – Fort Worth and UTRWD to better define each of the following alternatives:
 - i) **Alternatives Available to the USACE.** The DEIS will discuss the three actions available to USACE – Fort Worth:
 - (1) Issue the individual Section 404 permit;
 - (2) Issue the individual Section 404 permit with special conditions; or
 - (3) Deny the individual Section 404 permit.
 - ii) **No Action Alternative.** Satisfies 40 CFR §1502.14(d) requirements and provides an important baseline and context for comparison to other action alternatives. The Contractor will assess environmental impacts of this alternative as detailed in Task 3.
 - (1) The Contractor will clearly describe the implications of USACE – Fort Worth's denial of the individual Section 404 permit and the anticipated effects of the denial on UTRWD and its customers;

- (2) The Contractor will conduct a workshop with UTRWD and USACE to accurately define the No Action alternative;
 - (3) The Contractor will identify the environmental, social, and economic consequences of taking No Action; and
 - iii) **Alternatives Available to UTRWD.** The DEIS will document UTRWD's consideration of water management strategies, including:
 - (1) Constructing LRH as proposed by UTRWD. The Contractor will assess environmental impacts of this alternative as detailed in Task 3.
 - (2) Constructing LRH as proposed by UTRWD with modifications. UTRWD will provide the required engineering studies, feasibility analyses (including costs), environmental impacts considerations and analyses, etc. as deemed necessary by USACE – Fort Worth for all reasonable alternatives required for consideration by USACE – Fort Worth. The UTRWD will provide studies for these alternatives and will include a comparable level of detail to that of UTRWD's Preferred Alternative (i.e. LRH as proposed). The Contractor will use the provided data to assess environmental impacts of these alternatives compared to the Proposed Action and No Action alternatives. The Contractor will assess environmental impacts of these alternatives as detailed in Task 3.
 - (3) Developing or Acquiring Other Water Supply Sources. The Contractor will provide a generalized discussion of the environmental impacts of this alternative. Please note, that based on information received to date it is unlikely that this alternative will be carried forward for detailed study as outlined in Task 3.
 - iv) **Description of UTRWD's Preferred Alternative (Proposed Action).** The DEIS will describe UTRWD's proposed LRH project. The Contractor will assess environmental impacts of this alternative as detailed in Task 3.
 - (1) include discussion on construction and operation, including borrow sites. UTRWD will identify borrow site locations as part of this alternative;
 - (2) Discuss the impoundment, transfer pipeline, intake facility, and required road relocations that are included in UTRWD's proposed LRH project.
 - v) **Summary of Committed Environmental Protection Measures.** The DEIS will document UTRWD's proposed environmental protection measures to reduce environmental impacts of the proposed LRH project.
- B) Past, Present, and Reasonably Foreseeable Future Actions. The Contractor will follow the principles described in CEQ's Considering Cumulative Effects Under the National Environmental Policy Act¹ and CEQ's Memorandum Guidance on the Consideration of Past Actions in Cumulative Effects Analysis². Cumulative impact is the impact on the environment which results from the incremental impact of the proposed action when added to other past, present, and reasonably foreseeable future actions regardless of what agency (federal or non-federal) or person undertakes such other actions [40 CFR §1508.7].
- i) The Contractor will identify relevant past actions that have affected resources that would be affected by the proposed LRH project;
 - ii) The Contractor will identify relevant present actions affecting resources that would be affected by the proposed LRH project;
 - iii) The Contractor will identify relevant, reasonably foreseeable (i.e. not speculative) future actions that could affect resources that would be affected by the proposed LRH project. It is important to note that CEQ guidance³ indicates that future actions can be excluded from cumulative effects analysis if the action: 1) is outside the geographic or temporal boundaries established for the cumulative effects analysis; 2) will not affect resources that are the subject

¹ CEQ. January 1997. Considering Cumulative Effects Under the National Environmental Policy Act (NEPA). Executive Office of the President, Washington, D.C.

² CEQ 2005. Memorandum: Guidance on the Consideration of Past Actions in Cumulative Effects Analysis. Executive Office of the President, Washington, D.C.

³ CEQ. January 1997. Considering Cumulative Effects Under the National Environmental Policy Act (NEPA). Executive Office of the President, Washington, D.C.

of the cumulative effects analysis; or 3) including the action would be arbitrary. Reasonably foreseeable future actions include Lake Marvin Nichols, Bois d'Arc Reservoir, Parkhouse I and Parkhouse II, and other reasonably foreseeable actions planned within the Sulphur River Basin. The Contractor will develop a list of other future actions. The Contractor will coordinate with each of the respective projects proponents to collect data regarding the size, scope, and timing of the actions as well as any anticipated environmental impacts associated with the actions to resources identified below in Task 3.

Task 3. Affected Environment and Environmental Consequences:

- A) The Contractor will succinctly describe in the DEIS the environment of the area to be affected by the alternatives under consideration. UTRWD will provide any data deemed necessary by USACE – Fort Worth to describe the baseline environmental conditions and affected environment unless specifically stated otherwise in I-xix below. The description will be no longer than is necessary to understand the effects of the alternatives. Consistent with CEQ regulations 40 CFR 1500, data and analyses in the DEIS will be commensurate with the importance of the impact, with less important material summarized, consolidated or simply referenced. The Contractor will describe the environment that would be affected by implementing alternatives identified under Task 2, A, ii and Task 2, A, iii, 1 and 2 and discuss the direct, indirect, and cumulative effects attributed to these alternatives for each resource. The Contractor will also document monitoring and mitigation measures and residual effects (i.e. those effects remaining after avoidance, minimization, and compensation are implemented). The Contractor will analyze impacts to the following resources in the DEIS:
- i) **Geology and Mineral Resources.** Discuss topography, provide an overview of the area's geology, and discuss the potential for mineral resources with emphasis on oil and gas resources since scoping comments mention oil and gas specifically. The Contractor will identify and map existing oil and gas infrastructure within the proposed LRH project area. The Contractor will describe the proposed LRH project area geology specifically as it relates for the potential for oil and gas resources. The Contractor will review a report prepared by Seewald Energy Company for EDCON-PRJ, a Houston-based energy company and discuss the report in the DEIS as appropriate. The Contractor will review lease applications and other pertinent information received by the United States Forest Service (USFS) related to natural gas/oil resources within or adjacent to the proposed LRH project (i.e. Caddo National Grasslands Ladonia Unit).
 - ii) **Water Resources.** Summarize the hydrologic setting, water resource-related regulations, private wells, water rights permits, groundwater, surface water (including floodplains), Waters of the U.S. including wetlands, and Waters of the State. Include evidence of USACE – Fort Worth's Jurisdictional Determination to address documented concerns related to wetland impacts. UTRWD will provide the Contractor and USACE – Fort Worth additional information regarding wetlands and Waters of the U.S. that could occur within the proposed transfer pipeline alignments. The information will be sufficient for USACE – Fort Worth to make a Jurisdictional Determination for wetlands and Waters of the U.S. within or adjacent to the transfer pipeline alignments. UTRWD will also provide the Contractor and USACE – Fort Worth information regarding jurisdictional wetlands, Waters of the U.S., and Waters of State potentially affected by each alternative evaluated in detail. The Contractor will obtain and review data available from Texas Council on Environmental Quality (TCEQ) relating to water quality within the project area. The Contractor will discuss the implications of the North Sulphur River's inclusion on the Texas 2008 303d List and coordinate with TCEQ as necessary. The Contractor will coordinate with USACE – Fort Worth to identify additional aquatic macroinvertebrate sampling locations within aquatic environments potentially affected by the alternatives and potential mitigation areas. UTRWD will collect samples and assess the results of sampling activities per USACE – Fort Worth and Contractor direction. The Contractor will use the information provided by UTRWD to document baseline aquatic conditions.
 - iii) **Soils.** The Contractor will identify native soils, prime, unique, and statewide and locally important farmlands, and soil productivity. The Contractor will rate the alternatives through

coordination with the local Natural Resources Conservation Service field office using U.S. Department of Agriculture's Farmland Conversion Impact Rating form AD-1006 (03/02). UTRWD will provide the Contractor with all relevant soils information for Fannin County

- iv) **Vegetation.** Vegetation types, attributes, special status species and species of special concern, and weeds and invasive species will be discussed. Vegetative cover types will be evaluated and discussed using the TPWD's Wildlife Habitat Appraisal Procedure (WHAP). The Contractor will coordinate with USACE – Fort Worth to determine the number and locations of additional sampling locations needed to document baseline environmental conditions. The Contractor will attend an on-site Sampling Protocol Review Meeting with USACE – Fort Worth, UTRWD and Resource agency staff. The Contractor will provide meeting attendees a map of proposed sampling locations. Attendees will provide input on sampling methods and data collection and reporting. Based on the results of the Sampling Protocol Review Meeting, UTRWD will conduct sampling and will provide the results of the additional sampling. UTRWD will conduct additional WHAP analysis using the data gained from the new points. UTRWD will provide a comprehensive WHAP analysis of areas potentially affected by the alternatives and areas proposed for mitigation. The principal issues and therefore areas which will receive emphasis associated with vegetation resources include bottomland hardwood forest species, riparian species, and native grass species. UTRWD will provide the vegetative sampling locations for all of the WHAP assessments. In addition to information provided in the December 2005 Preliminary Habitat Assessment, UTRWD will provide location, acreages, species occurrence lists, photographs, and a wildlife habitat evaluation for native grasslands, riparian areas, and remnant bottomland hardwood forests for each alternative evaluated in detail.
- v) **Fish and Wildlife.** Discuss habitat, terrestrial game species, terrestrial non-game species, aquatic species, special status species and species of special concern, and nuisance species. Wildlife habitat will be evaluated based on the WHAP assessments. The DEIS will emphasize aquatic species currently residing within the North Sulphur River above and below the proposed dam site and will base this discussion on information provided in the UTRWD's October 2006 Biological Assessment of North Sulphur River report as well as new information collected by UTRWD during future biological sampling events.
- vi) **Paleontological Resources.** The LRH project area includes the Pete Patterson Fossil Park and extensive paleontological resources.
 - (1) The Contractor will assist USACE - Fort Worth with a workshop to be held with the Dallas Paleontological Society. The intent of the workshop is to solicit input from the Dallas Paleontological Society in terms of the proposed project's impacts and potential mitigation that could be considered to reduce impacts.
- vii) **Cultural Resources.** The Contractor will provide a summary of the prehistoric background, historic background, cultural resources identified within the permit area, and ethnography and ethnohistory based solely on UTRWD's Cultural Resources Survey Report. In addition to the archeological surveys that have been previously conducted, the UTRWD will provide results of Pedestrian-level archeological surveys of the proposed construction borrow areas. The Contractor will complete a Reconnaissance Level Survey for Historic Resources within the proposed LRH project's area of potential effect (APE) as determined through coordination with the Texas Historical Commission (THC) and include a summary of the findings in the DEIS. The survey will include the following:
 - (1) Through consultation with the State Historic Preservation Office (SHPO), determine an APE and study area for the proposed LRH project;
 - (2) Develop a Research Design that provides a summary of literature review results, including known historic resources and the results of public involvement as it relates to cultural resources;
 - (3) Conduct a reconnaissance level survey conforming to the methods contained in the research design;
 - (4) Document according to 36 CFR 60 each resource that is 50 years old at the time of the construction contract letting.

- (5) Photo document each resource and inventory all resources using the unique ID number, location, property type, stylistic influences, construction date, and comments on integrity and National Register (NR) eligibility.
 - (6) Prepare maps showing the individual resource's location and identify each resource with a unique number that is keyed to the inventory.
 - (7) Prepare a report detailing the results of the historic structures survey. The report will have sufficient information to provide the SHPO with a basis for making determinations of eligibility.
 - (8) Send the report to the SHPO and address any SHPO comments on the report.
- viii) **Air Quality**. The Contractor will provide a qualitative discussion of the general climatic setting, regional air quality, construction effects and operation effects.
 - ix) **Land Use and Recreation**. The Contractor will identify current land uses within and around the proposed LRH project site. The Contractor will identify lost recreational resources resulting from inundation, and describe the nature and quality and visitor-days of lost recreational resources if any. The Contractor will discuss water-related recreational opportunities in Fannin County and the surrounding area, and the recreational amenities proposed by UTRWD for each alternative evaluated in detail. The Contractor will obtain and consider lake level fluctuations in these discussions. The Contractor will assess the market for lake amenities by type of recreational activity, and project the quality of new recreational resources, number of day visitors and second homes.
 - x) **Public Lands**. The Contractor will discuss potential impacts to public lands resulting from each of the alternatives evaluated in detail. The discussion will include an assessment of recreational values associated with the Caddo National Grasslands. UTRWD will provide specific vegetative species information and a habitat evaluation (e.g. WHAP analysis) for Caddo National Grassland property in or adjacent to the project area. The Sampling Protocol Review Meeting (see Task 3, A, iv) will be used to confirm sampling protocols and data collection and analysis methods for additional data points related to Public Lands. UTRWD will also conduct a WHAP analysis for any potential compensatory lands that could be acquired to replace the loss of Caddo National Grassland property should an action alternative be implemented.
 - xi) **Social and Economic Values**. The Contractor will define socioeconomic impact area. Describe population, employment, income, public finance, public education, housing, real estate values, and other public services and changes to each for each alternative evaluated in detail. Effects of alternatives will focus on: a) loss of property in and around lake – agricultural losses, fiscal impacts of tax losses, b) construction effects – employment, population and housing, economic stimulus of wages and project expenditures, impact on public facilities and services, fiscal effects, i.e. increased local tax revenue compared with public service and facility costs if any, c) economic effects from residential and commercial development around lake - # of new houses, population, change in demand for facilities and services, fiscal impacts, d) economic effects of recreational use of lake – number of visitor-days by season, expenditure per visitor day, employment effects, fiscal effects, e) rate and tap fee impacts – impact on UTRWD's charges to its customers, impact on rates and tap fees of end users f) real estate values. The Contractor will attend a workshop with USACE – Fort Worth and USACE – Tulsa District. The purpose of the workshop is to insure consistency in terms of analytical methods and data used in the socio-economic analyses, particularly cumulative impacts assessment. Cumulative impacts evaluated on same socioeconomic criteria as identified above.
 - xii) **Transportation**. The Contractor will discuss road realignments, abandonments, and access provisions. Discuss proposed water transport infrastructure.
 - xiii) **Noise and Visual Resources**. The Contractor will conduct a noise analysis focusing on construction and operations of the proposed LRH project, No Action, and LRH with modifications. The Contractor will record ambient noise levels at a maximum of 10 different locations. The Contractor will identify sensitive noise receptors within 300 feet of the conservation pool elevation, impoundment, and water intake structures. The Contractor will use the Highway Construction Noise Model (HICOM) to develop noise contours which will be overlaid on mapping and used to document potential construction noise impacts to sensitive

receptors. Operational noise will be discussed qualitatively and will include potential recreational noise. The Contractor will conduct a visual resource analysis that includes photos and discussion of up to 10 current views. The Contractor will prepare renderings and discussion of future views for each of the view locations for each alternative evaluated in detail.

- xiv) **Hazardous Materials.** The Contractor will identify and discuss hazardous materials and/or wastes potentially present within the proposed LRH project area. The Contractor will conduct an environmental records review per ASTM E 1527-05, and map locations with identified concerns, if any.
- xv) **Environmental Justice.** CEQ guidelines⁴ for evaluating potential adverse environmental effects of projects require specific identification of minority populations when either: 1) a minority population exceeds 50 percent of the population of the affected area; or 2) a minority population represents a meaningfully greater increment of the affected population than of the population of some other appropriate geographic unit, as a whole. The LRH project area will be evaluated accordingly by the Contractor.
- xvi) **Global Climate Change.** The Contractor will qualitatively evaluate the potential effects of each of the alternatives in terms of greenhouse gas emissions and global climate change.
- xvii) **Energy Requirements and Conservation Potential.** The Contractor will discuss the energy requirements and conservation potential of the alternatives and mitigation measures.
- xviii) **Relationship between Short-term Uses of the Human Environment and the Maintenance and Enhancement of Long Term Productivity.** The Contractor will identify tradeoffs between short-term impacts to environmental resources during LRH operation versus long-term impacts to resource productivity that extend beyond the life of the proposed reservoir. This assessment will be conducted on resources deemed relevant for this topic and will not address all resources listed under Task 3.
- xix) **Irreversible and Irretrievable Commitment of Resources.** The Contractor will disclose the natural or depletable resource requirements and conservation potential of alternatives and mitigation measures.

Task 4. Consultation and Coordination:

- A) The Contractor will summarize public participation and scoping efforts and will also include a list of Federal, State, and local agencies contacted regarding the DEIS and the proposed LRH project. The DEIS will also include a list of agencies, organizations, and companies that will receive the DEIS. That list includes:
 - i) Tribes;
 - ii) Federal Agencies;
 - iii) State Agencies;
 - iv) County and Local Agencies;
 - v) Newspaper, Libraries, and Local Repositories;
 - vi) Other Organizations;
 - vii) Industry/Business; and
 - viii) Elected Officials.
- B) The Contractor will attend a public information meeting and a public hearing in Ladonia, TX upon release of the DEIS. The Contractor will assist USACE – Fort Worth with the preparation of hand out materials, illustrations, maps and/or boards for use at the public information meeting and the public hearing. The Contractor will assist USACE – Fort Worth with meeting/hearing logistics planning, publishing notices in newspapers, etc. The Contractor will prepare a summary of the meeting and hearing that includes the public notices, agendas, lists of attendees, and comments received.

Task 5. Other DEIS Sections:

- A) **Abstract.** The Contractor will prepare a brief (1 page or less abstract for the DEIS document.
- B) **Summary and Acronyms and Abbreviations.** The Contractor will provide an executive summary of the DEIS in its entirety along with a list of commonly used acronyms and abbreviations.

⁴ CEQ. December 10, 1997 (released July 1998). *Environmental Justice: Guidance under the National Environmental Policy Act*. Executive Office of the President, Washington, D.C.

- C) Table of Contents. The Contractor will include in the DEIS a table of contents down to third-order headings. The TOC will also include a list of tables, figures, and appendices contained in the DEIS.
- D) List of Preparers and Reviewers. Per 40 CFR §1502.17, the DEIS will list the names, together with qualifications (expertise, experience, professional disciplines), of the persons who were primarily responsible for preparing the DEIS or significant background papers, including basic components of the statement. Where possible the persons who are responsible for a particular analysis, including analyses in background papers will be identified. The list will not exceed two pages.
- E) References. A complete list of the references for technical reports, papers, etc. cited in the DEIS will be included. References will be cited and recorded according to American Psychological Association (APA) reference standards. The Contractor will secure copies of each report, technical paper, etc. referenced in the DEIS for inclusion in the Administrative Record.
- F) Glossary. The DEIS will include a glossary of technical terms used in the document. Terms included in the glossary will be those of a technical nature that a layman may not be familiar with or understand.
- G) Index. The DEIS will include an index of technical terms to expedite the location of specific terms within the document.
- H) Appendices. Appropriate technical reports and papers and a Draft Section 404(b)(1) Alternatives Analysis will be appended as directed by USACE – Fort Worth.

Task 6. DEIS:

- A) The Contractor will assemble the Final version of the deliverables from tasks 1 through 5 into a Draft Environmental Impact Statement document.
- B) The Contractor will produce figures, tables, illustrations, text, etc. needed to produce a legally sufficient, technically defensible, clearly written, understandable DEIS document. The Contractor will develop and maintain a project specific GIS to use for various analyses and to aid in the development of illustrations, maps, etc.
- C) The Contractor will develop proposed responses to comments, scope of work, schedule and an estimated cost and level of effort to complete the FEIS.
- D) The Contractor will create and maintain a project website for use by USACE – Fort Worth, the Contractor, and Resource Agency staff. Users will be assigned user names and passwords and provided access rights according to USACE – Fort Worth's direction. The Contractor will maintain the website for the duration of the project.

DELIVERABLES:

The maximum number of deliverables is identified below and will be prepared and submitted to USACE – Fort Worth and UTRWD by the Contractor. The total number of copies of each deliverable is also indicated below.

Deliverable 1 - Alternatives Workshop Summary

- Draft – One (1) electronic copy delivered via e-mail in .doc format
- Final – One (1) electronic copy in .pdf format

Deliverable 2 - Lower Bois d' Arc Creek Reservoir Workshop Summary

- Draft – One (1) electronic copy delivered via e-mail in .doc format
- Final – One (1) electronic copy delivered via e-mail in .pdf format

Deliverable 3 - Historic Structures Survey Report

- Preliminary Draft – 10 paper copies and one electronic copy delivered on a CD in .pdf format
- Draft – 30 paper copies and one electronic copy delivered on a CD in .pdf format
- Final – 30 paper copies and one electronic copy delivered on a CD in .pdf format

Deliverable 4 – DEIS

- Preliminary Draft – 15 paper copies and 10 electronic copies delivered on CD in .pdf format
- Draft - 15 paper copies and 10 electronic copies delivered on CD in .pdf format
- Final Draft – 50 paper copies and 250 electronic copies delivered on CD in .pdf format

Deliverable 5 - Public Meeting and Hearing Summary Report

- Draft – 10 paper copies and one electronic copy delivered on a CD in .pdf format
- Final - 10 paper copies and one electronic copy delivered on a CD in .pdf format

Deliverable 6 - FEIS Scope of Work and Schedule.

- Draft – One (1) electronic copy delivered via e-mail in .doc format
- Final – One (1) electronic copy in .pdf format

GOVERNMENT FURNISHED MATERIALS (GFM):

The Contractor assumes that the UTRWD and/or USACE – Fort Worth will provide all documents and data (electronic and hard copies) necessary to prepare the EIS, unless otherwise noted in specific tasks. All documents, data, and other material furnished by USACE – Fort Worth and/or UTRWD under this contract will remain the property of USACE – Fort Worth and/or UTRWD and will be returned to the USACE – Fort Worth and/or UTRWD at their request for inclusion in USACE – Fort Worth's Administrative Record.

SPECIAL CONSIDERATIONS:

Neither the Contractor, nor their representative will release or publish any sketch, photograph, report or other material of any nature derived or prepared under this delivery order without specific written permission of the USACE – Fort Worth and UTRWD except as is specifically provided in the scope of work.

Copyright will not be claimed by the Contractor for any materials produced under this delivery order. All such materials are to remain within the public domain.

The Contractor and those in their employ may, during the term of the agreement, present reports of research from this project to various professional societies and publications. Abstracts and copies of these reports, presentations or articles utilizing work sponsored by this delivery order will be provided to the Point of Contact (POC) for approval prior to publication or presentation.

In the event the Contractor encounters problems in fulfilling performance requirements, or when difficulties are anticipated in complying with the delivery order schedule or dates, or whenever the Contractor has knowledge a potential situation is delaying or threatening to delay timely performance of tasks, the Contractor will immediately notify the POC by phone and in writing noting all relevant details. However, this material will be informational in character and this provision will not be construed as a waiver by USACE – Fort Worth of any delivery schedule or date rights or remedies provided by law or under this delivery order.

STANDARDS AND CERTIFICATIONS:

Will they be required, professional engineering services and designs will comply with governing State of Texas laws with regard to professional licensure, design codes and standards.

PERFORMANCE PERIOD:

This task order has a period of performance beginning from the delivery date of the signed Task Order and ending _____.



REPLY TO
ATTENTION OF

DEPARTMENT OF THE ARMY
CORPS OF ENGINEERS, FORT WORTH DISTRICT
REGULATORY DIVISION
819 TAYLOR STREET
FORT WORTH, TX 76102

September 26, 2014

Regulatory Division

SUBJECT: Project Number SWF-2003-0036 Lake Ralph Hall

Mr. Larry Patterson
Deputy Executive Director
Upper Trinity Regional Water District
P.O. Drawer 305
Lewisville, Texas 75067

Dear Mr. Patterson:

This is in reference to our recent efforts, in conjunction with the 3rd-party contractor Michael Baker Jr., Inc., to develop a revised Task Order (TO) and scope of work to develop a Draft Environmental Impact Statement (DEIS) associated with the Lake Ralph Hall proposal.

Please find attached the Final TO as well as a list of final assumptions that accompany it. It reflects changes and additional scope items to the November 24, 2008 TO required by the Corps and has been reviewed accepted by all 3 parties.

If you have any questions concerning this matter, please contact Mr. Chandler Peter at the above address or (817) 886-1736.

Sincerely,


for Stephen L Brooks
Chief, Regulatory Division

Enclosures

Copy furnished with Enclosures:

Mr. Timothy Smith
Michael Baker Jr., Inc.
810 Hester's Crossing, Suite 163
Round Rock, Texas 78681

**LAKE RALPH HALL: DRAFT ENVIRONMENTAL IMPACT STATEMENT
TASK ORDER #3: SCOPE OF WORK - FINAL**

GENERAL DESCRIPTION:

In a letter dated November 24, 2008, the U.S. Army Corps of Engineers Fort Worth District (herein referred to as the "Corps") transmitted a Final Scope of work for a Draft Environmental Impact Statement (DEIS) to the Upper Trinity Regional Water District (herein referred to as the "Applicant"). The DEIS and Final Scope of Work pertain to the Applicant's proposed Lake Ralph Hall water supply project. Since the proposed project includes the placement of dredge and fill materials within the boundaries of jurisdictional Waters of the U.S. in excess of the thresholds permissible under any Nationwide Permit, an Individual permit from the Corps is required for compliance with Section 404 of the Clean Water Act. As the lead federal agency and issuing authority of the Individual Permit, the Corps determined that an EIS was required to demonstrate compliance with the National Environmental Policy Act of 1969 (NEPA). The Corps and Applicant solicited and hired a 3rd-party EIS contractor, Michael Baker International (herein referred to as the "Contractor") to prepare the EIS.

The studies were initiated and the preparation of the Draft EIS started in 2008. The DEIS was delayed due to legal proceedings related to the Applicant's Water Rights Permit. The Applicant completed the legal proceedings and received the water rights permit in 2013 at which time they restarted the DEIS process with the Corps and Contractor. Upon review of the previously completed EIS studies and documentation, the Corps determined that additional work would be required for the DEIS. This Scope of Work identifies additional scope items and associated assumptions (attached) required by the Corps to complete the DEIS.

The "Contractor" will be responsible for providing labor, equipment, facilities, and other resources required for third-party regulatory DEIS production as described in the *Task Descriptions* section of the Scope of Work. Unless noted in the *Task Descriptions* section, the Contractor assumes that all data, analyses, technical information, etc. required to prepare the DEIS shall be provided by the Applicant. The collection of new data, completion of technical analyses and any associated technical memorandums and/or reports beyond those specifically identified in the *Task Descriptions* section of this Scope of Work are considered out of scope and would require a Scope modification. Field work is not included unless it is specifically identified in the *Task Descriptions* section below. The Contractor assumes that raw water would be conveyed from Lake Ralph Hall to the Trinity River Basin (Tom Harpool Water Treatment Plant and / or Lewisville Lake) via the Applicant's previously identified "Route Alternative #4" and existing Chapman Lake pipeline.

The Contractor will ensure that qualified professionals with the proper experience in performing such services are used throughout the duration of the project. The Contractor will prepare the DEIS using an interdisciplinary approach which will insure the integrated use of the natural and social sciences, and the environmental arts. The Contractor will perform the following Tasks and submit the Deliverables as a part of this Scope of Work.

TASK DESCRIPTIONS:

Task 1. Affected Environment:

- A) The Contractor will update and reorganize prior work related to the Affected Environment and succinctly describe in the DEIS, by resource, the environment of the area that could be affected by the Applicant's proposed LRH reservoir and the No Action alternative. The affected environment refers to the location and resources that comprise that location, which have the potential to be directly or indirectly affected by the Applicant's Preferred LRH alternative or the No Action alternative. Locations are referred to as study areas. The study areas for the Affected Environment are identified below specific to each resource:

- i) **Geology and Mineral Resources.** The Contractor will discuss topography, provide an overview of the North Sulphur River basin's geology, and discuss the potential for mineral resources within the proposed LRH footprint, with emphasis on oil and gas resources since scoping comments mentioned oil and gas specifically. The Contractor will identify and map existing oil and gas infrastructure within the proposed LRH footprint. The Contractor will review lease applications and other pertinent information received by the United States Forest Service (USFS) related to natural gas/oil resources within or adjacent to the proposed LRH project (i.e. Caddo National Grasslands Ladonia Unit).
- ii) **Water Resources.** The Contractor will summarize the hydrologic setting, water resource-related regulations, private wells, water rights permits, groundwater, surface water (including floodplains), Waters of the U.S. including wetlands, and Waters of the State within the boundary of the proposed LRH reservoir footprint and downstream for a distance not to exceed the confluence of the North and South Sulphur rivers. The Contractor will obtain and review data available from Texas Commission on Environmental Quality (TCEQ) relating to water quality within the study area. The Contractor will use the information obtained to document baseline water quality conditions within the study area.
- iii) **Soils.** The Contractor will identify native soils, prime, unique, and statewide and locally important farmlands, and soil productivity.
- iv) **Vegetation.** The Contractor will document vegetation types, attributes, special status species and species of special concern, and weeds and invasive species within Fannin County. Vegetative cover types will be mapped using the TPWD's Ecological Mapping Systems of Texas. Special status species and species of special concern will be obtained from the U.S. Fish and Wildlife Service for Fannin County and TPWD's Texas Natural Diversity Database (TxNDD) element of occurrence records for the U.S. Geological Survey 7.5 minute quadrangle maps that make up the footprint of the Applicant's LRH Preferred Alternative.
- v) **Fish and Wildlife.** The Contractor will document habitat, terrestrial game species, terrestrial non-game species, aquatic species, special status species and species of special concern, and nuisance species using the same sources as identified above under Vegetation. The Contractor will use readily available data to document the affected environment specific to fish and wildlife.
- vi) **Paleontological Resources.** The Applicant's Preferred LRH Alternative footprint includes the Pate Patterson Fossil Park and extensive paleontological resources. The Contractor will use information available from the literature to document conditions and define a Study Area specific to the Applicant's Preferred LRH Alternative footprint and downstream as directed by the Corps.
- vii) **Cultural Resources.** The Contractor will provide a summary of the prehistoric background, historic background, cultural resources identified within the permit area, and ethnography and ethnohistory based solely on the Applicant's Cultural Resources Survey Report and the previously Contractor completed Reconnaissance Lateral Survey for Historic Resources Report. The Cultural Resources Study Area includes those areas identified in the previously prepared reports identified.
- viii) **Air Quality.** The Contractor will provide a qualitative discussion of the general climatic setting and regional air quality.
- ix) **Land Use and Recreation.** The Contractor will identify current land uses within and adjacent to the Applicant's Preferred LRH Alternative footprint.
- x) **Public Lands.** The Study Area for Public Lands includes the Applicant's Preferred LRH alternative footprint and parcels of land adjacent to that footprint. The Contractor will map Public Lands and provide a description of those lands including the owner, land manager and specific management goals or objectives for the lands described.
- xi) **Social and Economic Values.** The Contractor will define a socioeconomic impact study area and describe the population, employment, income, public finance, public education, housing, real estate values, and other public services within the study area using current census data.
- xii) **Transportation.** The Contractor will map and inventory public roads potentially affected by the Applicant's Preferred LRH Alternative.

- xiii) **Noise and Visual Resources.** The Contractor will record ambient noise levels at a maximum of 10 different locations. The Contractor will identify sensitive noise receptors within 300 feet of the Applicant's Preferred LRH Alternative conservation pool elevation, impoundment, and water intake structures.
- xiv) **Hazardous Materials Sites.** The Contractor will identify and discuss hazardous materials and/or wastes potentially present within the Applicant's Preferred LRH Alternative footprint. The Contractor will conduct an environmental records review and map locations with identified concerns, if any.
- xv) **Environmental Justice.** The Study Area for Environmental Justice Includes Fannin County and the smallest available census units that comprise the Applicant's Preferred LRH Alternative footprint and adjacent lands.
- xvi) **Global Climate Change.** The Contractor will not identify a specific study area for global climate change but rather will provide a summary of the issue specific to water supply planning in Texas.

Task 2. Environmental Consequences:

- A) The Contractor will update and reorganize prior work related to the Environmental Consequences. The Contractor will succinctly describe in the DEIS, by resource, direct, indirect and cumulative effects of the Applicant's proposed LRH reservoir and the No Action alternative to specific resources as follows:

- i) **Geology and Mineral Resources.** The Contractor will tabulate and report the number of oil and gas infrastructure assets within the Applicant's Preferred LRH alternative footprint. The Contractor will report the total acreage of oil/gas leased lands within the same area. Based on information provided by the Applicant, the Contractor will quantify channel erosion predicted to occur if under No Action and the Applicant's Preferred Alternative scenarios.
- ii) **Water Resources.** The Contractor will assess effects to surface water, stream morphology, water rights, and groundwater.

- (1) **Surface Water:** An analysis of the effects of the Applicant's Preferred LRH Alternative on surface water and surface water quality will be conducted as follows:

The WAM model results for the Applicant's Preferred LRH alternative project condition, and the pre-project condition will be used to define flow for the surface water quality analysis and help determine the spatial extent of the water quality analysis. The potential effects to receiving waters will be assessed based on literature review, monitoring data, and the WAM model results. The WAM model returns monthly flows at identified computation points over the period of record for the project and pre-project conditions. The downstream water quality for the post-project condition will be compared to the pre-project condition. If impairments (based on water quality objectives established by USEPA or other relevant source for pollutants of concern) are identified downstream of the proposed reservoir due to pollutant loads from the reservoir, the downstream extent of impact will be estimated. The extent of impact is defined as the downstream location at which water quality objectives are achieved for the 50-percentile monthly flow (based on dilution and assuming that pollutants of concern are conservative) assuming that loads entering the system downstream of the reservoir are in compliance with water quality objectives. The 50-percentile monthly flow will be utilized because it does not represent an overly arid condition, and it does not represent a condition where there was a large rainfall event.

The initial evaluation of impacts to surface water quality will be performed based on existing data and information, readily obtainable data, and (if necessary) field investigations. The water quality analysis will include a qualitative assessment of the impact of the dam on the transport and dynamics of pollutants and general water quality of the North Sulphur River and an assessment of compliance with water quality objectives for pollutants of concern.

The assumptions for the initial quantitative assessment include:

- Pollutants of concern will be assessed based on established water quality objectives, upstream land uses, or other pollutants associated with the project type;
- Water quality targets will be based on established water quality objectives or other USEPA standards for surface waters as appropriate for the North Sulphur River;
- Pollutant loads from the reservoir will be assumed to be conservative for the initial evaluation; and
- Dilution downstream of the reservoir will be assessed based on the WAM analysis.

To assess water quality impacts from the project, the Contractor will assess the current conditions of the water body and the potential impacts of the project. First, the Contractor will conduct a literature review of available water quality data and studies in the watershed and nearby region (including Total Maximum Daily Loads (TMDLs), 303(d) listings, and other exceedances of receiving water limitations) to assess the current condition of the North Sulphur River. Next, the Contractor will conduct an assessment of the potential pollutants of concern in the watershed to the North Sulphur River. This assessment will be based on a desk top evaluation of the existing land uses for the drainage area to the project and findings of the literature review. Based on a preliminary review of the North Sulphur River and upstream land uses, the primary pollutants of concern may include nutrients, sediment, and low dissolved oxygen levels. These and other potential pollutants will be considered. The report will focus on the impact to current established water quality objectives, currently supported beneficial uses, or other USEPA standards for receiving waters.

If the project is determined to have an adverse effect on water quality downstream, the Contractor will provide a recommendation on the use of a water quality model to develop a more accurate estimate of current pollutant loads and the potential increase from project construction. If a water quality model is necessary, the model will be chosen based on available data (including existing models), the complexity of the area impacted by the project and the available data. If the impact to downstream water bodies due to increases in pollutant loads is considered to be potentially significant, the recommended model should be capable of assessing water quality in the receiving waters downstream of the project. Based on the water body and the project, the recommended model may be a simple spreadsheet model or a complex water quality model, such as HSPF, LSPC, SWMM-based, etc. (existing models will be considered, where the model allows the user to assess water quality). Any additional modelling is beyond the scope of the Contractor's assessment for water quality and would require Corps approval. The Contractor will prepare a technical memorandum summarizing the results of the analysis described above.

The Contractor will describe the following in the EIS:

- The current water quality condition of the water body of concern (pre-project condition).
- The current supported designated beneficial uses of the water body of concern and downstream receiving waters.
- The current impairments to the water body beneficial uses (including TMDLs, 303(d) listings, and other exceedances of water quality objectives).
- The potential pollutants of concern that may impact existing (supported or not-supported) designated beneficial uses.

- An assessment of the impact of the project on downstream water quality.
 - If the potential impact of the project on downstream water quality is deemed to be significant, the project team will conduct a review of the available data and stream conditions, and make a recommendation on a water quality model to use to quantify the loads for pollutants of concern to downstream receiving waters.
 - If the project is likely to significantly increase the load for pollutant(s) of concern to downstream water bodies and to have a significant impact on the beneficial uses of the water body, the model chosen should be capable of assessing the downstream water quality impacts.
 - Make recommendations on actions that should be taken to reduce the impact of the project on downstream receiving waters.
- (2) **Stream Morphology:** An analysis of the effects of the Applicant's Preferred LRH Alternative on stream morphology will consist of a qualitative evaluation based on Applicant provided reports and other readily available sources of information specific to erosion occurring within the North Sulphur River Channel.
- (3) **Water Rights:** The Contractor will identify water rights affected by the Applicant's Preferred LRH Alternative using the provided WAM models. A qualitative assessment of effects on water rights will be completed for the Applicant's Preferred LRH Alternative and the No Action Alternative.
- (4) **Groundwater:** The Contractor will use the WAM model outputs and available literature to qualitatively assess the effects of the Applicant's Preferred LRH Alternative and No Action to groundwater resources located within the North Sulphur River Basin.
- iii) **Soils.** The Contractor will rate the Applicant's Preferred LRH alternative through coordination with the local Natural Resources Conservation Service field office using U.S Department of Agriculture's Farmland Conversion Impact Rating form AD-1006 (03/02). The Contractor will report inundated soil types by acre for the Applicant's Preferred LRH Alternative.
- iv) **Vegetation.** The Contractor will report acreage by vegetation type that would be inundated under the Applicant's Preferred LRH Alternative. WAM results will be used to qualitatively assess effects to vegetation downstream of the Applicant's LRH Preferred Alternative Dam site.
- v) **Fish and Wildlife.** The Contractor will report acreage by habitat type that would be inundated under the Applicant's Preferred LRH Alternative. WAM results will be used to qualitatively assess effects to fish and wildlife downstream of the Applicant's LRH Preferred Alternative Dam site. Specifically, downstream flows would be used to assess frequency and duration of pooling within the channel. A qualitative assessment of fish and wildlife will be completed specific to the changes in flows and pooling regimes.
- vi) **Paleontological Resources.** The Contractor will report acreages of channel inundated by the Applicant's Preferred LRH Alternative as a surrogate for effects to paleontological resources. A qualitative assessment will be provided based on flow changes and their correlation to erosion downstream available from the WAM.
- vii) **Cultural Resources.** The Contractor will report effects to cultural resources sites within the footprint of the Applicant's Preferred LRH Alternative.
- viii) **Air Quality.** The Contractor will provide a qualitative discussion of the general climatic setting, regional air quality, construction effects and operation effects specific to the Applicant's Preferred LRH Alternative.
- ix) **Land Use and Recreation.** The Contractor will identify lost recreational resources resulting from inundation, and describe the nature and quality and visitor-days of lost recreational resources if any. The Contractor will discuss water-related recreational opportunities in Fennin County and the surrounding area, and the recreational amenities proposed by the

Applicant for the Preferred LRH Alternative. The Contractor will qualitatively consider lake level fluctuations in these discussions. The Contractor will assess the market for lake amenities by type of recreational activity, and project the quality of new recreational resources, number of day visitors and second homes.

- x) **Public Lands**. The Study Area for Public Lands includes the Applicant's Preferred LRH Alternative footprint and parcels of land adjacent to that footprint. The Contractor will map Public Lands and provide a description of those lands including the owner, land manager and specific management goals or objectives for the lands described.
- xi) **Social and Economic Values**. The Contractor will document the effects of the Applicant's Preferred LRH Alternative on: a) loss of property in and around lake – agricultural losses, fiscal impacts of tax losses, b) construction effects – employment, population and housing, economic stimulus of wages and project expenditures, impact on public facilities and services, fiscal effects, i.e. increased local tax revenue compared with public service and facility costs if any, c) economic effects from residential and commercial development around lake - # of new houses, population, change in demand for facilities and services, fiscal impacts, d) economic effects of recreational use of lake – number of visitor-days by season, expenditure per visitor day, employment effects, fiscal effects, e) rate and tap fee impacts – impact on Applicant's charges to its customers, impact on rates and tap fees of and users f) real estate values.
- xii) **Transportation**. The Contractor will map and inventory public roads potentially affected by the Applicant's Preferred LRH Alternative.
- xiii) **Noise and Visual Resources**. The Contractor will use the Federal Highway Administration's Roadway Construction Noise Model to develop noise contours which will be overlaid on mapping and used to document potential construction noise impacts to sensitive receptors. Operational noise will be discussed qualitatively and will include potential recreational noise. The Contractor will conduct a visual resource analysis that includes photos and discussion of up to 10 current views. The Contractor will prepare renderings and discussion of future views for each of the view locations for each alternative evaluated in detail.
- xiv) **Hazardous Materials Sites**. The Contractor will conduct an environmental records review per ASTM E 1527-05, and map locations with identified concerns, if any.
- xv) **Environmental Justice**. CEQ guidelines for evaluating potential adverse environmental effects of projects require specific identification of minority populations when either: 1) a minority population exceeds 50 percent of the population of the affected area; or 2) a minority population represents a meaningfully greater increment of the affected population than of the population of some other appropriate geographic unit, as a whole. The Applicant's Preferred LRH alternative will be evaluated accordingly by the Contractor.
- xvi) **Global Climate Change**. The Contractor will provide a qualitative discussion about the effects of climate change on water supply in Texas.
- xvii) **Energy Requirements and Conservation Potential**. The Contractor will discuss the energy requirements and conservation potential of the Applicant's Preferred LRH Alternative and mitigation measures.
- xviii) **Relationship between Short-term Uses of the Human Environment and the Maintenance and Enhancement of Long Term Productivity**. The Contractor will identify tradeoffs between short-term impacts to environmental resources during LRH operation versus long-term impacts to resource productivity that extend beyond the life of the proposed reservoir. This assessment will be conducted on resources deemed relevant for this topic and will not address all resources listed.
- xix) **Irreversible and Irrecoverable Commitment of Resources**. The Contractor will disclose the natural or depletable resource requirements and conservation potential of the Applicant's Preferred LRH Alternative and mitigation measures.

Task 3. Mitigation:

- A) Mitigation Verification. The Contractor will review and independently verify the Applicant's Preferred Mitigation Plan using the current TxRAM methods approved by the Corps. Field surveys are not included.

Task 4. Consultation and Coordination

- A) The Contractor will summarize public participation and scoping efforts and will also include a list of Federal, State, and local agencies contacted regarding the DEIS and the proposed LRH project. The DEIS will also include a list of agencies, organizations, and companies that will receive the DEIS. That list includes:
 - i) Tribes;
 - ii) Federal Agencies;
 - iii) State Agencies;
 - iv) County and Local Agencies;
 - v) Newspaper, Libraries, and Local Repositories;
 - vi) Other Organizations;
 - vii) Industry/Business; and
 - viii) Elected Officials.
- B) The Contractor will assist the Corps with a Public Hearing in Ladonia, TX upon release of the DEIS. The Contractor will assist the Corps with the preparation of hand out materials, illustrations, maps and/or boards for use at the public information meeting and the public hearing. The Contractor will assist the Corps with meeting/hearing logistics planning, publishing notices in newspapers, etc. The Contractor will prepare a summary of the meeting and hearing that includes the public notices, agendas, lists of attendees, and comments received.

Task 5. Other DEIS Sections:

- A) Abstract. The Contractor will prepare a brief (1) page or less abstract for the DEIS document.
- B) Summary and Acronyms and Abbreviations. The Contractor will provide an executive summary of the DEIS in its entirety along with a list of commonly used acronyms and abbreviations.
- C) Table of Contents. The Contractor will include in the DEIS a table of contents down to third-order headings. The TOC will also include a list of tables, figures, and appendices contained in the DEIS.
- D) List of Preparers and Reviewers. Per 40 CFR §1502.17, the DEIS will list the names, together with qualifications (expertise, experience, professional disciplines), of the persons who were primarily responsible for preparing the DEIS or significant background papers, including basic components of the statement. Where possible the persons who are responsible for a particular analysis, including analyses in background papers will be identified. The list will not exceed two pages.
- E) References. A complete list of the references for technical reports, papers, etc. cited in the DEIS will be included. References will be cited and recorded according to American Psychological Association (APA) reference standards. The Contractor will secure copies of each report, technical paper, etc. referenced in the DEIS for inclusion in the Administrative Record.
- F) Glossary. The DEIS will include a glossary of technical terms used in the document. Terms included in the glossary will be those of a technical nature that a layman may not be familiar with or understand.
- G) Index. The DEIS will include an index of technical terms to expedite the location of specific terms within the document.
- H) Appendix. A Draft Section 404(b)(1) Alternatives Analysis will be appended.

Task 6. DEIS:

- A) The Contractor will assemble the Final version of the deliverables from tasks 1 through 3 into a DEIS document.
- B) The Contractor will produce figures, tables, illustrations, text, etc. needed to produce a legally sufficient, technically defensible, clearly written, understandable DEIS document. The Contractor

will develop and maintain a project specific GIS to use for various analyses and to aid in the development of illustrations, maps, etc.

- C) The Contractor will develop proposed responses to comments, scope of work, and schedule to complete the FEIS.

Lake Ralph Hall

Assumptions with Task Order 3 and Potential Issues

	Assumption	Potential Issues
1	Revisions to Need and Purpose do not impact alternatives analysis and screening	Purpose and need review increases the number of alternatives in EIS.
2	Lake Ralph Hall reuse is not part of the project purpose.	LRH reuse is added to the project purpose.
3	Alternatives to be analyzed in detail in the DEIS are the No Action and Applicant's preferred at Lake Ralph Hall site (and sub-options) and pipeline alignment #4.	Other alternatives found to be viable based on work to be completed on alternatives analysis.
4	Applicant provides adequate No Action alternative description based on permit denial scenario (e.g., identifies what actions will be taken to attempt to address water needs without a project).	Multiple reviews of No Action alternative needed.
5	Alternatives involve only providing water to Tom Harpool Water Treatment Plant and Lake Lewisville with no releases into other water bodies, leases, swaps, trades, or other uses warranting the need to assess impacts to the natural or human environment.	Changes in operations and/or uses occur after work is undertaken or accomplished that is dependent on operational conditions.
6	An adequate operations plan is provided by the applicant prior to hydrological modeling being completed.	Operations plan not detailed enough and changes occur.
7	WAM modeling will satisfy all hydrological information and data needs for Impact analyses determinations downstream of reservoir, fluctuations in reservoir, and operational considerations.	WAM does not provide adequate sensitivity or computing capability to evaluate effects.
8	All data, analyses and technical information (beyond what is specified in the Task Order) will be provided by the Applicant or USACE.	Additional analyses needed with data collection due to new alternatives or impact assessments reveal the need for additional data/analyses.
9	No field work and data collection is required by the 3PC.	See #7 above.
10	Cooperating agencies agree with proposed methods and scope.	Cooperating agencies disagree with methods, assumptions, intensity, scopes, etc.
11	Forest Service needs relative to impacts will be	Forest Service wants more

	satisfied in DEIS but information needs to support land swap proposal will involve information provided outside the EIS process by the Applicant.	Information in EIS to satisfy needs for land swap and triggers need for data collection, verification, etc. for inclusion in DEIS.
12	Applicant efforts to compare SWAMPIM and TxRAM warrant minor revisions and are acceptable by cooperating agencies.	Additional work needed to validate SWAMPIM/TxRAM comparison.
13	Cultural and paleontological resources work completed to date is adequate for the DEIS.	Additional work is required for the DEIS.
14	No State Species of Concern or Federally-listed species occur within the project area.	Said species are identified within the project area and require additional study and agency coordination.
15	Jurisdictional wetlands and waters identified remain unchanged from the Applicant's prior work.	New areas are identified and require additional Impact assessment and mitigation.
16	WAM results will be used to qualitatively assess effects to fish and wildlife downstream of the dam site. Downstream flows would be used to assess frequency and duration of pooling within the channel and a qualitative assessment of fish and wildlife will be adequate for the DEIS.	Additional data collection, field surveys, analysis or quantitative work is required for the DEIS.
17	The scope of the socioeconomic, land use and recreational work will include impacts from construction, inundation, recreational development and land development. Capital costs, construction plans, operating costs, recreational plans, and land development plans around the Lake are unchanged from the original version.	Additional scope specific to socioeconomic, land use or recreation is required beyond that which was previously completed.
18	Water quality impacts downstream of Ralph Hall do not warrant any quantitative assessments or additional hydrologic modelling.	A qualitative water quality assessment is not sufficient. Additionally hydrologic modelling is required.
19	All mitigation for all resources is acceptable as proposed.	Mitigation is not acceptable and requires substantial revisions.

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 2015A

Adopted: _____, 2015

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BOND RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF UPPER TRINITY REGIONAL WATER DISTRICT REGIONAL TREATED WATER SUPPLY SYSTEM REVENUE BONDS, SERIES 2015A IN AN AGGREGATE PRINCIPAL AMOUNT OF \$29,115,000; 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 PRIVATE PLACEMENT MEMORANDUM 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 the District's Lake Ralph Hall reservoir project for the System.

WHEREAS, the Board of Directors (the "Board") of the District hereby finds and determines that the issuance and delivery of the bonds hereinafter authorized is in the public interest and the use of the proceeds in the manner herein specified constitutes a valid public purpose; 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.

“Application” means the Application filed by the District with the TWDB requesting financial assistance in the planning, permitting, design and land acquisition for the District’s Lake Ralph Hall project, 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 Regional Treated Water Supply System Revenue Bonds, Series 2015A 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, including applicable regulations, published rulings and court decisions relating thereto.

“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.

“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 the _____.

“Escrow Agreement” means the escrow agreement, dated as _____, 2015, between the District and the Escrow Agent.

“Government Obligations” means direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America.

“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 Accrual Date” means the earlier of (i) _____, 2023 or (ii) the date the construction of the District’s Lake Ralph Hall reservoir project for the System is complete as evidenced by an engineer’s certificate acceptable to TWDB.

“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 first February 1 or August 1 following the Interest Accrual Date.

“Master Agreement” means master agreements between the District and the Texas Water Development Board.

“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 2004,” dated November 1, 2004, issued in the original principal amount of \$22,990,000;

(b) “Upper Trinity Regional Water District Regional Treated Water Supply System Revenue Refunding Bonds, Series 2005,” dated November 1, 2005, issued in the original principal amount of \$43,835,000;

(c) “Upper Trinity Regional Water District Regional Treated Water Supply System Revenue Refunding Bonds, Series 2006,” dated August 1, 2006, issued in the original principal amount of \$25,690,000;

(d) “Upper Trinity Regional Water District Regional Treated Water Supply System Revenue Refunding and Improvement Bonds, Series 2007,” dated March 1, 2007, issued in the original principal amount of \$36,110,000;

(e) “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;

(f) “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;

(g) “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;

(h) “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;

(i) “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;

(j) “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; and

(k) “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.

“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 The Bank of New York Mellon Trust Company, N.A., or any successor thereto as provided in this Resolution.

“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 the District’s Lake Ralph Hall reservoir project for the System as more fully-described in the Application.

“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).

“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 B 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 Bonds, Series 2015A," are hereby authorized to be issued and delivered in accordance with the laws of the State of Texas, including particularly the Act, for the purposes of (i) paying the costs of the Project and (ii) paying the costs and expenses of issuing the Bonds.

Section 3.02. Date, Denomination, Maturities and Interest.

(a) The Bonds shall be dated _____, 2015 (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 set forth in the following schedule:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2024			2035		
2025			2036		
2026			2037		
2027			2038		
2028			2039		
2029			2040		
2030			2041		
2031			2042		
2032			2043		
2033			2044		
2034			2045		

(c) Interest shall accrue and be paid on each Bond respectively until its maturity or prior redemption, from the later of the Interest Accrual 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. 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) So long as the 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.

(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 Purchaser, or its 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 purchasers or their designee. Upon payment for the Initial Bond, the Paying Agent/Registrar shall cancel the Initial Bond and deliver registered definitive Bonds to DTC in accordance with Section 3.10.

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 reserves the option to redeem Bonds maturing on and after August 1, 2027, in whole or in part, before their respective maturity dates, on August 1, 2026 or on any date thereafter, such redemption date or dates to be fixed by the District, at a price equal to the principal amount of the Bonds called for redemption plus accrued interest to the date fixed 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.

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 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.

The Bank of New York Mellon Trust Company, N.A. 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 preliminary 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 BOND
SERIES 2015A

INTEREST RATE: _____% MATURITY DATE: August 1, _____
INTEREST ACCRUAL DATE: _____, 2023* CUSIP NUMBER: _____

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 Dated 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 on the first February 1 or August 1 following the Interest Accrual Date.

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 The Bank of New York Mellon Trust Company, N.A., 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

* The "Interest Accrual Date" means the earlier of (i) _____, 2023 or (ii) the date the construction of the District's Lake Ralph Hall reservoir project for the System is completed as evidenced by an engineer's certificate acceptable to the Texas Water Development Board.

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.

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 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 is one of the series of fully registered bonds specified in its title issued in the aggregate principal amount of \$29,115,000 (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) paying the costs of the Project and (ii) paying the costs of issuing the Bonds. The Bonds shall be dated _____, 2015.

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 August 1, 2026, 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.

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, and that it is a valid and binding special obligation of the Upper Trinity Regional Water District payable from the revenues pledged to its payment by and in the resolution authorizing same and that said Bond has this day been registered by me.

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

Comptroller of Public Accounts
of the State of Texas

[SEAL]

(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.

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.
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
Section 3.02(b))

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 & Giuliani 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 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 2015A 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 7.04A.Project Fund. There is hereby established a separate fund entitled “Upper Trinity Regional Water District Regional Treated Water Supply System Revenue Bonds, Series 2015A Project Fund” (the “Project Fund”). Amounts on deposit in the Project Fund shall be applied by the District to pay the costs of the Project.

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, 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, as set forth in the Pricing Certificate.

(c) At such time as 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, the provisions of this subparagraph (c) and of subparagraph (d), (e) and (f) of this Section 7.10 shall apply. 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; APPROVAL OF ESCROW AGREEMENT; APPROVAL OF PRIVATE PLACEMENT MEMORANDUM

Section 8.01. Sale of Bonds; Private Placement Memorandum.

(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 _____, 2015, 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 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) 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).

(e) The obligation of the Purchaser to accept delivery of the Bonds is subject to the Underwriters being furnished with the final, approving opinion of Bracewell & Giuliani 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.

(a) Pursuant to written instructions from First Southwest Company, 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 First Southwest Company 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) 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.

Section 8.04. Approval of Escrow Agreement.

The Escrow Agreement, in substantially the form presented at this meeting, and the terms and provisions thereof, are hereby approved, and its execution and delivery by the President of the Board, are hereby authorized and approved. The signature of the President of the Board shall be attested by the Secretary of the Board.

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 of the Code, and the applicable Treasury Regulations (the “Regulations”). 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 of the Code and the Regulations that are applicable to the Bonds. 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 set forth in this Article X will satisfy the applicable requirements of the Code and the Regulations, in which case compliance with such other requirement specified in such Counsel’s Opinion shall constitute compliance with the corresponding requirement specified in this 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 and the Regulations promulgated thereunder.

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 and the applicable Regulations thereunder, except as permitted by section 149(b)(3) of the Code and such Regulations.

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 and the applicable Regulations thereunder.

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 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:

(1) 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;

(2) amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the Regulations; and

(3) 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 Certificates, 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 the 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 and the applicable Regulations.

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 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 [Application], being the information described in Exhibit A 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 A 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.

(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

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.

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) Subject to subparagraph (b) of this Section 15.04, upon completion of the Project, the District shall render a final accounting of the cost of the Project to the TWDB; and, if the total cost of the Project, as finally completed, is less than originally estimated, so that the proper share of the participation of the TWDB in the Project is reduced, the District shall return to the TWDB the amount of such excess to the nearest multiple of the denomination of the Bonds, whereupon the TWDB shall cancel and return to the District a like amount of said Bonds held by the TWDB. The Bonds to be canceled and returned shall be chosen in inverse order of maturity. The remainder of such excess (an amount less than \$5,000) shall be deposited into the Interest and Sinking Fund.

(b) Notwithstanding the provisions of Section 15.04(a), in accordance with the rules and regulations of the TWDB, any surplus moneys remaining after completion of the Project may be used for improvements and extensions to the System which could otherwise be financed with the proceeds of bonds in any manner approved in writing by the executive administrator of the TWDB.

Section 15.05. Environmental Indemnification.

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, 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. 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 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 15.07. 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 120 days following the close of the Fiscal Year.

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. Use of Bond Proceeds.

(a) All Bond proceeds will be timely and expeditiously used, as required by 40 CFR § 35,3135(d), and the District will adhere to the project schedule approved by the TWDB.

(b) Bond proceeds shall not be used by the District when sampling, testing, removing or disposing of contaminated soils and/or media at the project site.

ARTICLE XVI

MISCELLANEOUS

Section 16.01. Changes to Resolution.

Any member of the Pricing Committee, 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.

FINALLY ADOPTED, APPROVED AND EFFECTIVE this ____ day of _____,
2015.

President, Board of Directors,
Upper Trinity Regional Water District

ATTEST:

Secretary, Board of Directors,
Upper Trinity Regional Water District

EXHIBIT A

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 __ through __ of the [APPLICATION] and in Appendix __ 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 2 above.

EXHIBIT B

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 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 District 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 rescinds)
- 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 (Highland Village)

- Addendum, dated March 5, 1998 (Highland Village)
- Amendment, dated February 4, 1999 (Highland Village)
- Amendment, dated March 22, 2005 (Highland Village)

Amendments Pertaining to Corinth

- Second Amendment, dated February 4, 1999 (Corinth)
- Third Amendment, dated September 2, 1999 (Corinth)

Amendments Pertaining to Lake Cities

- (Second) Amendment, dated October 1, 1997 (Lake Cities)
- Third Amendment, dated August 6, 1998 (Lake Cities)
- (Fourth) Amendment, dated February 4, 1999 (Lake Cities)
- Fifth Amendment, dated September 2, 1999 (Lake Cities)

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, and replaced with Regional Treated Water Supply Contract, dated February 10, 2003, establishing UTRWD additional participating membership for Mustang Special Utility District:

- 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

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, and assigned all rights to such contract, including amendments to Denton County Fresh Water Supply District No. 7, dated November 15, 2001

- Contract, dated November 15, 2001, establishing UTRWD additional participating membership for DCFWSD No. 7

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 1, 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

PROVIDENCE VILLAGE WATER CONTROL AND IMPROVEMENT DISTRICT OF DENTON COUNTY (FORMERLY DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 9)

Regional Treated Water Supply Service Contract with Participating Customer 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 with Participating Customer 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 with Participating Customer 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 Additional Participating Customer Contract with Town of Northlake, dated as of December 2, 2010

Part E - #71b

**Private Placement
Memorandum**

PRIVATE PLACEMENT MEMORANDUM DATED [REDACTED], 2015

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 BOND COUNSEL.

\$29,115,000
UPPER TRINITY REGIONAL WATER DISTRICT,
REGIONAL TREATED WATER SUPPLY SYSTEM REVENUE BONDS, SERIES 2015A
(the "Obligations")

Dated: [REDACTED], 2015

Due: August 1

Interest Date: Interest on the Obligations will be payable on February 1 and August 1 of each year commencing on the first February 1 or August 1 following the Interest Accrual Date until maturity or prior redemption (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 Interest Payment Date.

Date Interest Accrues: Each Bond shall bear interest from the Interest Accrual Date at the rate set forth, for such maturity. "Interest Accrual Date" means the earlier of (i) _____, 2023 or (ii) the date the construction of the District's Lake Ralph Hall reservoir project for the System is complete as evidenced by an engineer's certificate acceptable to TWDB.

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 The Bank of New York Mellon Trust Company, National Association, Dallas, Texas.

Book-Entry-Only System: Upon initial issuance, the ownership of the Obligations will be registered in the registration books of Upper Trinity Regional Water District (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 Austin, Texas as the same become due and payable.

Issuer: Upper Trinity Regional District (the "District") is a political subdivision of the State of Texas (the "State") and a body politic and corporate, created as a conservation and reclamation district under Article XVI, Section 59 of the Constitution of the State of Texas (the "Constitution") and Chapter 1053, Acts of the 71st Legislature of Texas, Regular Session, 1989, as amended by Chapter 494, Acts 1995, 74th Legislature of Texas, Regular Session, 1995 (collectively, the "District Act"). Under the Constitution and general laws of the State and the District Act, as amended, the District has broad powers for the water conservation and use, for all beneficial purposes of storm and flood waters and unappropriated flow waters. As necessary to aid these powers, the District has specific authority to construct, own and operate water supply, treatment and distribution facilities and wastewater gathering, treatment and disposal or reuse facilities, to charge for such services, and to make contracts in reference thereto with municipalities and others.

Official Action: Resolution Authorizing the Issuance, Sale and Delivery of Upper Trinity Regional Water District Regional Treated Water Supply System Revenue Bonds, Series 2015A, dated March 10, 2015.

Purpose: The Obligations are being issued for the purpose of (i) paying the costs of the planning, permitting, design and land acquisition for the District's Lake Ralph Hall reservoir project for the System; and (ii) to pay costs of issuance of the Series 2015A Bonds.

Security for the Obligations: See "SECTION 2.01 PLEDGE" OF "APPENDIX B - FORM OF OFFICIAL ACTION."

Ratings: See "OTHER INFORMATION - Ratings"

Delivery Date: [REDACTED], 2015.

See "APPENDIX A - MATURITY SCHEDULE" for Principal Amounts,
Maturities, Interest Rates, Prices or Yields, and Initial CUSIP Numbers

UPPER TRINITY REGIONAL WATER DISTRICT

BOARD OF DIRECTORS

<u>Name</u>	<u>Position</u>	<u>Term Expiration</u>	<u>Appointing Entity</u>
Todd Madison	President, Director	May 31, 2015	City of Lincoln Park
Lance Vanzant	Vice President, Director	May 31, 2017	City of Celina
Chris Boyd	Treasurer, Director	May 31, 2015	Mustang Special Utility District
Gary Calmes	Secretary, Director	May 31, 2017	City of Krum
Troy Norton	Director	May 31, 2017	Town of Argyle
Kenneth Faulkner	Director	May 31, 2015	City of Aubrey
Del Knowler	Director	May 31, 2017	Town of Bartonville
Janet Aune	Director (Ex Officio)	May 31, 2017	Town of Copper Canyon
Justin Brown	Director	May 31, 2017	City of Corinth
Timothy S. Fisher	Director	May 31, 2017	City of Denton
Johnny Harris	Director	May 31, 2015	Denton County
Jean Campbell	Director	May 31, 2017	Denton County At-Large
Jerry Benetato	Director	May 31, 2015	Denton County Fresh Water Supply District No. 1-A
Kevin Mercer	Director	May 31, 2015	Denton County Fresh Water Supply District No. 7
Dick Cook	Director	May 31, 2017	Town of Double Oak
Kenneth Parr	Director	May 31, 2015	Town of Flower Mound
Richard A. Lubke	Director	May 31, 2015	City of Highland Village
Ramiro Lopez	Director	May 31, 2017	City of Irving
Virginia L. Blevins	Director	May 31, 2017	City of Justin
Mike Fairfield	Director	May 31, 2015	Lake Cities Municipal Utility Authority
Lathan Watts	Director	May 31, 2017	City of Lewisville
Leslie Maynard	Director	May 31, 2015	City of Oak Point
Scott Ingalls	Director	May 31, 2015	City of Pilot Point
Richard H. Huckaby	Director	May 31, 2017	Town of Ponder
George E. Dupont	Director	May 31, 2015	Town of Prosper
Mike Brice	Director	May 31, 2015	City of Sanger

MANAGEMENT OFFICERS

<u>Name</u>	<u>Position</u>
Thomas E. Taylor, P.E.	Executive Director
Larry N. Patterson, P.E.	Deputy Executive Director
William A. Greenleaf	Director of Business Services
Thomas W. Snyder, P.E.	Assistant Director/Engineering and Construction

INDEPENDENT AUDITORS, CONSULTANTS AND ADVISORS

Independent Auditor	Deloitte & Touche L.L.P. Dallas, Texas
General Counsel and Co-Bond Counsel	John F. Boyle, Jr. Boyle & Lowry, L.L.P. Irving, Texas
Co-Bond Counsel.....	Bracewell & Giuliani LLP Dallas, Texas
Financial Advisor.....	First Southwest Company, LLC Fort Worth, Texas

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**Private Placement Memorandum
relating to**

\$29,115,000

**UPPER TRINITY REGIONAL WATER DISTRICT,
REGIONAL TREATED WATER SUPPLY SYSTEM
REVENUE BONDS, SERIES 2015A
(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. 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 first February 1 or August 1 following the Interest Accrual Date. Interest Accrual Date means the earlier of (i) _____, 2023 or (ii) the date the construction of the District's Lake Ralph Hall reservoir project for the System is complete as evidenced by an engineer's certificate acceptable to TWDB.

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, including Chapters 49 and 51, 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 August 1, 2027, or on any date thereafter, the Obligations maturing on and after August 1, 2026 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

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 any proposed amendment to the Official Action or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC Participant (defined below), or of any DTC 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"). Direct Participants and Indirect Participants are referred to herein collectively as "Participants". DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Participant through which the Beneficial Owner entered into the transaction.

Transfers of ownership interests in the Obligations are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Obligations representing their ownership interests in Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

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

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

With the consent of the Texas Water Development Board, the Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Obligations will be printed and delivered to DTC or successor securities depository.

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 BOND COUNSEL."

OTHER INFORMATION

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 assumptions, expectations, hopes, intentions, or strategies regarding the future. Any of such assumptions, expectations or hopes could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included herein will prove to be accurate. Holders of the Bonds

should not place undue 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, and the Issuer assumes no obligation to update any such forward-looking statements. It is important to note that the Issuer's actual results could differ materially from those in such forward-looking statements.

Ratings

The existing outstanding regional treated water supply system revenue bonds of the District are rated "A" by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business and "A3" by Moody's Investors Service, Inc. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such rating companies, and the District makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time, or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, by either of them, may have an adverse effect on the market price of the Obligations. **No application has been made to any rating agency or municipal bond insurance company for qualification of the Obligations for ratings or municipal bond insurance, respectively.**

LITIGATION

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 Bonds, the security for, or the validity of, the Bonds or the financial condition of the Issuer. On the date of initial delivery of Bonds, the Issuer will execute and deliver a certificate of like effect to the purchaser of the Bonds.

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 certain other information vendors. 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 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.

The ratings on municipal bond insurers have been downgraded with frequency at various times in recent years. Information about the downgrades of municipal bond insurers has been publicly reported. During the previous five years, the District has filed notices of rating changes of municipal bond insurers, including Assured Guaranty Municipal Corp. ("AGM"), that have insured certain of the District's outstanding obligations. Notice of a Moody's downgrade of AGM from "Aa3" to "A2" which occurred on January 17, 2013 was filed with EMMA within the 10 business day requirement, however, not all relevant CUSIPS for the District's outstanding obligations insured by AGM were noted in the filing. An additional notice of the rating change has since been filed.

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 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.

APPENDIX A

MATURITY SCHEDULE
(Due August 1)

CUSIP Prefix: 916672 ⁽¹⁾

<u>Amount</u>	<u>8/1 Maturity</u>	<u>Rate</u>	<u>Initial Yield</u>	<u>CUSIP Suffix ⁽¹⁾</u>	<u>Amount</u>	<u>8/1 Maturity</u>	<u>Rate</u>	<u>Initial Yield</u>	<u>CUSIP Suffix ⁽¹⁾</u>
\$ 875,000	2024				\$ 1,295,000	2035			
900,000	2025				1,345,000	2036			
925,000	2026				1,405,000	2037			
955,000	2027				1,460,000	2038			
990,000	2028				1,520,000	2039			
1,025,000	2029				1,585,000	2040			
1,060,000	2030				1,660,000	2041			
1,100,000	2031				1,735,000	2042			
1,145,000	2032				1,815,000	2043			
1,190,000	2033				1,900,000	2044			
1,240,000	2034				1,990,000	2045			

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC 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 Advisors take any responsibility for the accuracy of CUSIP numbers.

APPENDIX B
FORM OF OFFICIAL ACTION

APPENDIX C

FORM OF OPINION OF CO-BOND COUNSEL