

- 5.05 Inability to Perform.** Should the District Manager become permanently disabled or otherwise unable to perform his/her duties because of sickness, accident, injury, mental incapacity or health for a period of six (6) weeks beyond any accrued leave, the MUD Board shall have the right to terminate this Agreement without providing severance compensation.
- 5.06 Termination for Cause.** If the District Manager is terminated for “just cause” then the only obligation to the District Manager is to pay all compensation and benefits accrued but unpaid at the date of termination. “Just Cause” is defined and limited for the purposes of this Agreement, to the following reasons:
- a. Any willful breach, disregard or habitual neglect of duties requested of the District Manager by the MUD Board and formally communicated to the District Manager in writing if requested, or required to be performed by the District Manager under the direction of the MUD Board, Orders of the MUD, and laws of the United States and the State of Texas.
  - b. Any misconduct involving an act of moral turpitude or conviction of a felony or Class “A” misdemeanor.
  - b. Any misapplication, misuse or misappropriation by the District Manager of MUD funds or assets entrusted to or administered by the District Manager.
- 5.07 Release.** Contemporaneously with the delivery of severance pay under Section 5 of this Agreement, the District Manager agrees to execute and deliver to the MUD Board all releases, releasing the MUD, its employees and representatives, and the MUD Board, both collectively and individually in their private and official capacities, from all claims that the District Manager may have against the Trophy Club Municipal Utility District No. 1 or the MUD Board Officers, either collectively or individually, in corporate, private or official capacities.

## **SECTION 6.**

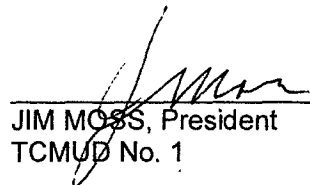
### **CONFLICT OF INTEREST**

- 6.01** It is understood and agreed that because of the duties of the Board within and on behalf of the MUD and its citizenry, the District Manager shall not, during the term of this Agreement, individually, as a partner, joint venture, officer or shareholder, invest or participate in any business venture conducting business in the corporate limits of the MUD, except for stock ownership in any company whose capital stock is publicly held and regularly traded without prior approval of the MUD Board. During the term of this Agreement, the District Manager further agrees, except for a personal residence or residential property acquired or held for future use as his/her personal residence, not to invest in any other real estate or property improvement within the corporate limits of the MUD without the prior written consent of the MUD Board.

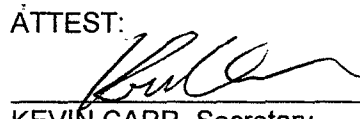
**SECTION 7.**  
**MISCELLANEOUS**

- 7.01 **Entire Agreement.** This agreement represents the entire and integrated agreement between the MUD Board and the District Manager and supersedes all prior negotiations, representations and/or agreements, either written or oral. This Agreement may be amended only by written instrument signed by both parties.
- 7.02 **Severability.** In the event that any provision or portion of this Agreement shall be found to be contrary to law, invalid, or unenforceable, it is the intent of the parties hereto that the remaining portions shall remain valid and in full force and effect to the extent possible.

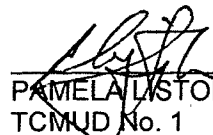
**IN WITNESSS WHEREOF**, by proper action taken at an open meeting, the MUD Board of the Trophy Club Municipal Utility District 1 has caused this Agreement to be signed and executed on its behalf by its President and duly attested by its MUD Secretary and the District Manager has signed and executed this Agreement on the date set forth above.

  
JIM MOSS, President  
TCMUD No. 1

  
JENNIFER MCKNIGHT, District Manager  
TCMUD No. 1

ATTEST:  
  
KEVIN CARR, Secretary  
TCMUD No. 1

APPROVED AS TO FORM:

  
PAMELA LISTON, Attorney  
TCMUD No. 1

**TCMUD001998**

## **RESPONSIVE TO STAFF 3-9**

**TCMUD**  
**FYE 9/30/15**  
**TAX & REVENUE BONDS**

PURPOSE: TO ANALYZE THE DEBT ACTIVITY & O/S BALANCE FOR TAX AND REVENUE BONDS AT FYE 9/30/2015.

	P/A 9/30/2014	Additions	A/B Payments	Refunded	B 9/30/2015	A Current	A Long-Term	A/B Interest Paid	CONFIRMATION			
									<F-2> PRIN O/S	<F-2> PRIN PAID	<F-2> INT PAID	<F-2> BANK OF ISSUE
2010 Series Tax Bonds	1,800,000	-	(70,000)	-	1,730,000	-	1,730,000	-	-	-	-	BANK OF NY MELLON
Refunding Series 2012 (prior Improvements 2002) int rate range from 2-3%	1,980,000	-	(195,000)	-	1,785,000	-	1,785,000	-	-	-	-	BANK OF NY MELLON
2013 Series Tax Bonds	1,740,000	-	(175,000)	-	1,565,000	-	1,565,000	-	-	-	-	BANK OF NY MELLON
2014 Series Tax Bonds	-	5,765,000	-	-	5,765,000	-	5,765,000	-	-	-	-	BANK OF TEXAS-AUSTIN
2015 Series Revenue Bonds	-	9,230,000	-	-	9,230,000	-	9,230,000	-	-	-	-	BANK OF TEXAS-AUSTIN
Total GO bonds	5,520,000	14,995,000	(440,000)	-	20,075,000	-	20,075,000	-	-	-	-	-

A Auditor agreed amount to debt payout schedule attached, W/O/E. See copy of debt payout schedule in debt agreement in PF.

B Auditor agreed amount per schedule to bond confirmation at 9/30/2015, W/O/E. See confirmation at w/p F-8 & F-8.1.

CONCLUSION: AS THE DEBT ACTIVITY AND O/S BALANCE FOR TAX AND REVENUE BONDS AT 9/30/2015 PER THE DEBT SCHEDULES AGREED TO THE CONFIRMATIONS, AUDITOR WILL PASS FURTHER WORK.

**TCMUD001999**

TCMUD

Notes Payable

September 30, 2015

PURPOSE TO ANALYZE THE DEBT ACTIVITY FOR NOTES PAYABLE DURING FYE 9/30/2015

Notes Payable

Purpose	PY 9/30/2014 Balance	A/B Retirements	B 9/30/2015 Balance	B Interest Paid	W/TB P&I	G/L ACCT #	G/L ACT NAME	Confirm Principle Paid	Principle O/S	Int Paid
First Financial Bank 2009- Int Maxx Force 9	35,991	-	(35,991)	1,423	37,414	135-69008-021 135-69009-021	Short Term Debt-Principal Short Term Debt-Interest			
First Financial Bank 2013-Revenue Note Capital Projects	302,000 337,991	-	(150,000) (185,991)	4,223 5,646	154,223 191,637	86% Water, 14% Wastewater 135-69008-010 135-69009-010 135-69008-020 135-69009-020	Short Term Debt-Principal Short Term Debt-Interest			

A Auditor agreed amount to debt payout schedule attached, W/O/E See copy of debt payout schedule in debt agreement in PF

B Auditor agreed amount per schedule to bond confirmation at 9/30/2014, W/O/E See confirmation at w/p F-8 & F-1

CONCLUSION AS THE DEBT ACTIVITY AND O/S BALANCE FOR N/Ps AT 9/30/2015 PER THE DEBT SCHEDULES AGREED TO THE CONFIRMATIONS, AUDITOR WILL PASS FURTHER WORK

NOTES PAYABLE Repayment Schedule

Principal Due During Fiscal Years Ending	2010 Maxx Force	2012 Revenue Note	2013 Revenue Note	Total Principal	Interest Due During Fiscal Years Ending	2010 Maxx Force	2012 Revenue Note	2013 Revenue Note	Total Interest	Total P&I
2015	35,991	-	150,000	185,991	2015	-	1,423	4,223	5,646	191,637
2016	-	-	152,000	152,000	2016	-	-	1,406	1,406	153,406
2017	-	-	-	-	2017	-	-	-	-	-
2018	-	-	-	-	2018	-	-	-	-	-
	35,991	-	302,000	337,991		1,423	-	5,629	7,052	345,043

For Footnotes

Year	Principal	Interest
2015	185,991	5,646
2016	152,000	1,406
2017-18	-	-
	\$ 337,991	\$ 7,052

TCMUD002000

**Trophy Club MUD**  
**FYE 9/30/15**  
**Capital Lease Obligations**

PURPOSE TO ANALYZE THE DEBT ACTIVITY FOR CAPITAL LEASE OBLIGATIONS DURING FYE 9/30/2015  
 NO CONFIRM - IMMATERIAL - OTHER PROCEDURES APPEAR ADEQUATE - PFW

Description	Made	Due	Rate	Pmt	Original	PY Bal 9/30/2014	Additions	Pmts	A Bal 9/30/2015	A Current	Long Term	PAID Interest	Accrued Date of Last Pmt	Interest Exp Date of Next Pmt
2015 Pierce 105' Fire Truck				Annual	1,057,316 14	0	1,057,316 14	(250,000 00)	807,316 14	250,000 00	807,316 14	0	0	10/23/2015
					1,057,316 14	-	1,057,316 14	(250,000 00)	807,316 14	250,000 00	807,316 14	-	-	
					807,316 14	0 00	W 1 B							

**PRINCIPLE & INTEREST**  
**Capital Lease**

Amortization of Debt	2015	2016	2017	2018	2019	2020	2021	2022	Total
<b>Principal</b>									
	250,000 00	106,965 70	109,639 84	112,380 84	115,190 36	118,070 12	121,021 87	124,047 41	1,057,316 14
	250,000 00	106,965 70	109,639 84	112,380 84	115,190 36	118,070 12	121,021 87	124,047 41	1,057,316 14
<b>Interest</b>									
	2015	2016	2017	2018	2019	2020	2021	2022	Total
	-	20,182 90	17,508 76	14,767 76	11,958 24	9,078 48	6,126 73	3,101 19	82,724 06
	-	20,182 90	17,508 76	14,767 76	11,958 24	9,078 48	6,126 73	3,101 19	82,724 06

**Total Amortization**

Principal	Interest	Total
2015	250,000 00	-
2016	106,965 70	20,182 90
2017	109,639 84	17,508 76
2018	112,380 84	14,767 76
2019	115,190 36	11,958
2020	118,070 12	9,078
2021	121,021 87	6,127
2022	124,047 41	3,101
<b>Total</b>	<b>1,057,316 14</b>	<b>82,724</b>

Description	Interest Rate Payable	Year of Issue	Final Maturity	Average Annual Payment	Original Amount	Outstanding 9/30/2015
Capital Lease Obligations	2.500%	2015	2022	127,148 6	1,057,316 14	807,316 14

**TCMUD0002001**

**TCMUD**  
**FYE 9/30/14**  
**LT Debt repayment schedule**

**PURPOSE: TO ANALYZE THE DEBT PAYOUT SCHEDULE AS OF 9/30/2014**

Principal Due During Fiscal Years Ending	2010 GO Bonds	2012 GO Bonds	2013 GO Bonds	Total Principal
2015	70,000	195,000	175,000	440,000
2016	75,000	200,000	175,000	450,000
2017	80,000	205,000	185,000	470,000
2018	85,000	210,000	185,000	480,000
2019	85,000	225,000	195,000	505,000
2020	90,000	225,000	195,000	510,000
2021	95,000	230,000	205,000	530,000
2022	100,000	240,000	210,000	550,000
2023	105,000	250,000	215,000	570,000
2024	110,000	-		110,000
2025	115,000	-		115,000
2026	115,000	-		115,000
2027	125,000	-		125,000
2028	130,000	-		130,000
2029	135,000	-		135,000
2030	140,000	-		140,000
2031	145,000	-		145,000
Totals FY 2014	1,800,000	1,980,000	1,740,000	5,520,000

**TCMUD002002**



Interest Due During Fiscal Years Ending	2010 GO Bonds	2012 GO Bonds	2013 GO Bonds	Total Interest	Total P & I
2015	73,733	53,250	51,525	178,508	618,508
2016	71,283	49,350	48,025	168,658	618,658
2017	68,658	44,350	42,775	155,783	625,783
2018	65,858	39,226	37,225	142,309	622,309
2019	62,883	33,976	31,675	128,534	633,534
2020	59,908	28,350	25,825	114,083	624,083
2021	56,758	21,600	19,975	98,333	628,333
2022	53,433	14,700	13,825	81,958	631,958
2023	48,433	7,500	7,525	63,458	633,458
2024	43,183	-		43,183	153,183
2025	37,683	-		37,683	152,683
2026	33,083	-		33,083	148,083
2027	28,368	-		28,368	153,368
2028	23,243	-		23,243	153,243
2029	17,783	-		17,783	152,783
2030	12,113	-		12,113	152,113
2031	6,163	-		6,163	151,163
Totals FY 2014	762,566	292,302	278,375	1,333,243	6,853,243

TCMUD002003

**TCMUD**  
**FYE 9/30/15**  
**LT Debt repayment schedule**

**PURPOSE: TO ANALYZE THE DEBT PAYOUT SCHEDULE AS OF 9/30/2015**

Principal Due During Fiscal Years Ending	2010 GO Bonds	2012 GO Bonds	2013 GO Bonds	2014 GO Bonds	2015 REV Bonds	Total Principal
2016	75,000	200,000	175,000	235,000	210,000	895,000
2017	80,000	205,000	185,000	240,000	365,000	1,075,000
2018	85,000	210,000	185,000	245,000	375,000	1,100,000
2019	85,000	225,000	195,000	250,000	380,000	1,135,000
2020	90,000	225,000	195,000	255,000	390,000	1,155,000
2021	95,000	230,000	205,000	265,000	400,000	1,195,000
2022	100,000	240,000	210,000	270,000	410,000	1,230,000
2023	105,000	250,000	215,000	280,000	420,000	1,270,000
2024	110,000	-		290,000	435,000	835,000
2025	115,000	-		295,000	450,000	860,000
2026	115,000	-		305,000	460,000	880,000
2027	125,000	-		315,000	475,000	915,000
2028	130,000	-		325,000	490,000	945,000
2029	135,000	-		335,000	510,000	980,000
2030	140,000	-		345,000	525,000	1,010,000
2031	145,000	-		360,000	545,000	1,050,000
2032		-		370,000	565,000	935,000
2033		-		385,000	585,000	970,000
2034		-		400,000	610,000	1,010,000
2035					630,000	630,000
Totals FY 2015	1,730,000	1,785,000	1,565,000	5,765,000	9,230,000	20,075,000

**TCMUD002004**

Interest Due During Fiscal Years Ending	2010 GO Bonds	2012 GO Bonds	2013 GO Bonds	2014 GO Bonds	2015 REV Bonds
2016	71,283	49,350	48,025	148,325	234,838
2017	68,658	44,350	42,775	144,800	230,638
2018	65,858	39,226	37,225	141,200	223,338
2019	62,883	33,976	31,675	137,525	215,838
2020	59,908	28,350	25,825	133,775	208,238
2021	56,758	21,600	19,975	129,313	200,438
2022	53,433	14,700	13,825	124,013	192,438
2023	48,433	7,500	7,525	118,613	184,238
2024	43,183	-		112,313	175,838
2025	37,683	-		105,063	167,138
2026	33,083	-		97,688	157,013
2027	28,368	-		90,063	145,513
2028	23,243	-		81,400	133,638
2029	17,783	-		72,463	120,163
2030	12,113	-		62,413	106,138
2031	6,163	-		51,200	90,388
2032		-		39,500	74,038
2033		-		27,475	57,088
2034		-		14,000	39,538
2035					20,475
Totals FY 2015	688,833	239,052	226,850	1,831,138	2,976,963

**TCMUD002005**

Total Interest	Total P & I
316,983	1,211,983
300,583	1,375,583
283,509	1,383,509
266,059	1,401,059
247,858	1,402,858
227,646	1,422,646
205,971	1,435,971
182,071	1,452,071
155,496	990,496
142,746	1,002,746
130,771	1,010,771
118,431	1,033,431
104,643	1,049,643
90,246	1,070,246
74,526	1,084,526
57,363	1,107,363
39,500	974,500
27,475	997,475
14,000	1,024,000
2,985,873	22,430,873

TCMUD002006

Trophy Club MUD No. 1 Capital Improvements  
November 27, 2012

CAPITAL IMPROVEMENTS FOR FUNDING (3 YEAR NOTE)

Ammonia System for Wells	176,000
Security Cameras- Water	5,800
Security Cameras	8,200
Purchase of Property	125,000
Sludge Blanket Level Indicator	18,000
VFD for Blowers	35,000
Portable Submersible Pump	5,500
Indian Creek Waterline Upgrade	140,000
Pin Oak Waterline Upgrade	70,000
Upgrade City of FW Meter	60,000
Plant Piping Coatings & Handrail Replacement	150,000
Repair/replace waste pump	25,000
*Possible other upgrades not yet determined	181,500
Total:	1,000,000

**TCMUD002007**



## CLOSING M E M O R A N D U M

Closing Scheduled for 10:00 A.M., April 9, 2013

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To: Jennifer McKnight; District Manager; Trophy Club MUD No. 1  
Renae Gonzales; Senior Accountant; Trophy Club MUD No. 1  
Sean Shope; First Financial Bank  
Debbie Rizzo; First Financial Bank  
Greg Schaecher; McCall, Parkhurst & Horton

From: Jeff Gulbas; McCall, Parkhurst & Horton

Re: Trophy Club Municipal Utility District No. 1, Revenue Note, Series 2013 (the "Note")

Closing is scheduled for 10:00 A.M., April 9, 2013 (the "Closing Date"), via telephone or email.

1. Prior to the Closing Date, McCall, Parkhurst & Horton ("Bond Counsel") will transmit the executed Initial Note, approved by the Attorney General and registered by the Comptroller of Public Accounts of the State of Texas, to First Financial Bank, along with the legal proceedings authorizing the issuance of the Note.

2. On the Closing Date, First Financial Bank, as Purchaser, will transmit to Trophy Club MUD No. 1 (the "Issuer"), by wire transfer, the purchase price of the Note, such purchase price being \$445,000.00 (the "Purchase Price"), as follows:

State Street Bank and Trust Company  
Boston MA  
Amount (2000): \$445,000.00  
BNF (4200) = Attn: TexPool #67573774  
RFB (4320) = Location ID #77384  
OBI (6000) = Pool # 449, Account # 613300010  
Participant Name: Trophy Club MUD No. 1  
ABA (3400) (011000028)

3. First Financial Bank shall notify the parties that the Purchase Price has been wired to the account shown above. The Issuer will confirm receipt of the Purchase Price, and upon such confirmation, shall notify McCall, Parkhurst & Horton, who will authorize closing.

4. Bond Counsel will submit its invoice to the Issuer on the Closing Date to be paid from the Purchase Price.

TCMUD002008



\*000000091500007041%0610%08042010%0000000T000791\*

## LOAN REQUEST SUMMARY

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$179,955.00	08-04-2010	08-04-2015	91500007041	8B7,742	T000791	JSS	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item.  
Any item above containing "\*\*\*\*" has been omitted due to text length limitations.

**Borrower:** Trophy Club MUD 1  
100 Municipal Dr  
Trophy Club, TX 76262-5420

**Lender:** First Financial Bank, N.A.  
Trophy Club  
3205 E Hwy 114  
P. O. Box 92840  
Southlake, TX 76092-2840

### PRINCIPAL + INTEREST LOAN (Fixed Rate)

	Financed	In Cash
AMOUNT REQUESTED:	\$179,955.00	
PREPAID FINANCE CHARGES:	0.00	
SECURITY INTEREST CHARGES:	0.00	
NOTE AMOUNT:	\$179,955.00	\$0.00

#### PAYMENT CALCULATION:

Interest Method: 365/360  
Disbursement Date: 08-04-2010  
First Prin Payment Date: 08-04-2011  
First Int Payment Date: 08-04-2011  
Due Date: 08-04-2015  
Prin Payment Period: Annual  
Int Payment Period: Annual  
Total Number of Prin Pmts: 5  
Interest Rate: 3.900%  
Credit Insurance: None  
Prin Pmt Amount: \$35,991.00  
Final Payment: \$37,414.14

Payment Schedule. Borrower's payment schedule consists of the following: 4 annual consecutive payments, beginning August 4, 2011, with interest calculated on the unpaid principal balances at an interest rate of 3.900% per annum based on a year of 360 days; 4 annual consecutive payments of \$35,991.00 each, beginning August 4, 2011; and one payment of \$37,414.14 on August 4, 2015, with interest calculated on the unpaid principal balances at an interest rate of 3.900% per annum based on a year of 360 days. This estimated final payment is based on the assumption that all payments will be made exactly as scheduled; the actual final payment will be for all principal and accrued interest not yet paid, together with any other unpaid amounts under the Note.

APR 3.957%	FINANCE CHARGE \$21,362.75	AMOUNT FINANCED \$179,955.00	TOTAL OF PAYMENTS \$201,317.75
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**COLLATERAL:** Titled Collateral.

**TRANSACTION NUMBER:** 128804

**NOTICE:** This Loan Request Summary is for informational purposes only and does not obligate Lender in any way to make this loan or any other loan to Borrower. The fees and charges listed above are estimates only; and, if a loan is made, different or additional fees and charges may be imposed.

LASER PRO Lending, Ver 3.52 10 001 Copy: National Financial Solutions, Inc. 1087, 2010. All Rights Reserved - TR L:\CF\PL\LA10\FC TR-128804 PR 174

TCMUD002009



\*000000091500007041%0955%08042010%00000000T000791\*

## PROMISSORY NOTE

Principal	Loan Date	Maturity	Loan No.	Call / Coll	Account	Officer	Initials
\$179,955.00	08-04-2010	08-04-2015	91500007041	8B / 742	T000791	JSS	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item.  
Any item above containing "\*\*\*\*\*" has been omitted due to text length limitations.

**Borrower:** Trophy Club MUD 1  
100 Municipal Dr  
Trophy Club, TX 76262-5420

**Lender:** First Financial Bank, N.A.  
Trophy Club  
3205 E Hwy 114  
P. O. Box 92840  
Southlake, TX 76092-2840

**Principal Amount:** \$179,955.00

**Date of Note:** August 4, 2010

**PROMISE TO PAY.** Trophy Club MUD 1 ("Borrower") promises to pay to First Financial Bank, N.A. ("Lender"), or order, in lawful money of the United States of America, the principal amount of One Hundred Seventy-nine Thousand Nine Hundred Fifty-five & 00/100 Dollars (\$179,955.00), together with interest on the unpaid principal balance, from August 4, 2010, calculated as described in the "INTEREST CALCULATION METHOD" paragraph using an interest rate of 3.900% per annum based on a year of 360 days, until maturity. The interest rate may change under the terms and conditions of the "POST MATURITY RATE" section.

**PAYMENT.** Borrower will pay this loan in 4 principal payments of \$35,991.00 each and one final principal and interest payment of \$37,414.14. Borrower's first principal payment is due August 4, 2011, and all subsequent principal payments are due on the same day of each year after that. In addition, Borrower will pay regular annual payments of all accrued unpaid interest due as of each payment date, beginning August 4, 2011, with all subsequent interest payments to be due on the same day of each year after that. Borrower's final payment due August 4, 2015, will be for all principal and all accrued interest not yet paid. Unless otherwise agreed or required by applicable law, payments will be applied first to any accrued unpaid interest; then to principal; then to any late charges; and then to any unpaid collection costs. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.

**MAXIMUM INTEREST RATE.** Under no circumstances will the interest rate on this Note exceed (except for any higher default rate shown below) the lesser of 18.000% per annum or the maximum rate allowed by applicable law.

**INTEREST CALCULATION METHOD.** Interest on this Note is computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding, unless such calculation would result in a usurious rate, in which case interest shall be calculated on a per diem basis of a year of 365 or 366 days, as the case may be. All interest payable under this Note is computed using this method.

**PREPAYMENT.** Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Prepayment in full shall consist of payment of the remaining unpaid principal balance together with all accrued and unpaid interest and all other amounts, costs and expenses for which Borrower is responsible under this Note or any other agreement with Lender pertaining to this loan, and in no event will Borrower ever be required to pay any unearned interest. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments under the payment schedule. Rather, early payments will reduce the principal balance due and may result in Borrower's making fewer payments. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: First Financial Bank NA - Southlake, PO Box 92840 Southlake, TX 76092.

**LATE CHARGE.** If a payment is 15 days or more late, Borrower will be charged 5.000% of the regularly scheduled payment.

**POST MATURITY RATE.** The Post Maturity Rate on this Note is the lesser of (A) the maximum rate allowed by law or (B) 18.000% per annum based on a year of 360 days. Borrower will pay interest on all sums due after final maturity, whether by acceleration or otherwise, at that rate.

**DEFAULT.** Each of the following shall constitute an event of default ("Event of Default") under this Note:

**Payment Default.** Borrower fails to make any payment when due under this Note.

**Other Defaults.** Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

**Default in Favor of Third Parties.** Borrower or any Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Borrower's property or Borrower's ability to repay this Note or perform Borrower's obligations under this Note or any of the related documents.

**False Statements.** Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

**Death or Insolvency.** The death of Borrower or the dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

**Creditor or Forfeiture Proceedings.** Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate



**PROMISSORY NOTE  
(Continued)**

Loan No: 91500007041

Page 2

reserve or bond for the dispute.

**Events Affecting Guarantor.** Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the indebtedness or any guarantor, endorser, surety, or accommodation party dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty of the indebtedness evidenced by this Note.

**Adverse Change.** A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of this Note is impaired.

**Insecurity.** Lender in good faith believes itself insecure.

**LENDER'S RIGHTS.** Upon default, Lender may declare the entire indebtedness, including the unpaid principal balance under this Note, all accrued unpaid interest, and all other amounts, costs and expenses for which Borrower is responsible under this Note or any other agreement with Lender pertaining to this loan, immediately due, without notice, and then Borrower will pay that amount.

**ATTORNEYS' FEES; EXPENSES.** Lender may hire an attorney to help collect this Note if Borrower does not pay, and Borrower will pay Lender's reasonable attorneys' fees. Borrower also will pay Lender all other amounts Lender actually incurs as court costs, lawful fees for filing, recording, releasing to any public office any instrument securing this Note; the reasonable cost actually expended for repossessing, storing, preparing for sale, and selling any security; and fees for noting a lien on or transferring a certificate of title to any motor vehicle offered as security for this Note, or premiums or identifiable charges received in connection with the sale of authorized insurance.

**JURY WAIVER.** Lender and Borrower hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by either Lender or Borrower against the other.

**GOVERNING LAW.** This Note will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Texas without regard to its conflicts of law provisions. This Note has been accepted by Lender in the State of Texas.

**DISHONORED CHECK CHARGE.** Borrower will pay a processing fee of \$25.00 if any check given by Borrower to Lender as a payment on this loan is dishonored.

**RIGHT OF SETOFF.** To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the indebtedness against any and all such accounts, and, at Lender's option, to administratively freeze all such accounts to allow Lender to protect Lender's charge and setoff rights provided in this paragraph.

**COLLATERAL.** Borrower acknowledges this Note is secured by the following collateral described in the security instrument listed herein: a motor vehicle described in a Commercial Security Agreement dated August 4, 2010.

**SUCCESSOR INTERESTS.** The terms of this Note shall be binding upon Borrower, and upon Borrower's heirs, personal representatives, successors and assigns, and shall inure to the benefit of Lender and its successors and assigns.

**NOTIFY US OF INACCURATE INFORMATION WE REPORT TO CONSUMER REPORTING AGENCIES.** Borrower may notify Lender if Lender reports any inaccurate information about Borrower's account(s) to a consumer reporting agency. Borrower's written notice describing the specific inaccuracy(ies) should be sent to Lender at the following address: First Financial Bank NA - Southlake PO Box 92840 Southlake, TX 76092.

**GENERAL PROVISIONS. NOTICE:** Under no circumstances (and notwithstanding any other provisions of this Note) shall the interest charged, collected, or contracted for on this Note exceed the maximum rate permitted by law. The term "maximum rate permitted by law" as used in this Note means the greater of (a) the maximum rate of interest permitted under federal or other law applicable to the indebtedness evidenced by this Note, or (b) the higher, as of the date of this Note, of the "Weekly Ceiling" or the "Quarterly Ceiling" as referred to in Sections 303.002, 303.003 and 303.006 of the Texas Finance Code. If any part of this Note cannot be enforced, this fact will not affect the rest of the Note. Borrower does not agree or intend to pay, and Lender does not agree or intend to contract for, charge, collect, take, reserve or receive (collectively referred to herein as "charge or collect"), any amount in the nature of interest or in the nature of a fee for this loan, which would in any way or event (including demand, prepayment, or acceleration) cause Lender to charge or collect more for this loan than the maximum Lender would be permitted to charge or collect by federal law or the law of the State of Texas (as applicable). Any such excess interest or unauthorized fee shall, instead of anything stated to the contrary, be applied first to reduce the principal balance of this loan, and when the principal has been paid in full, be refunded to Borrower. The right to accelerate maturity of sums due under this Note does not include the right to accelerate any interest which has not otherwise accrued on the date of such acceleration, and Lender does not intend to charge or collect any unearned interest in the event of acceleration. All sums paid or agreed to be paid to Lender for the use, forbearance or detention of sums due hereunder shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of the loan evidenced by this Note until payment in full so that the rate or amount of interest on account of the loan evidenced hereby does not exceed the applicable usury ceiling. Lender may delay or forgo enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive presentment, demand for payment, notice of dishonor, notice of intent to accelerate the maturity of this Note, and notice of acceleration of the maturity of this Note. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made. The obligations under this Note are joint and several.

TCMUD002011

Loan No: 91500007041

**PROMISSORY NOTE  
(Continued)**

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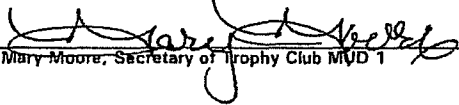
PRIOR TO SIGNING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE. BORROWER AGREES TO THE TERMS OF THE NOTE.

BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.

BORROWER:

TROPHY CLUB MUD 1

By:

  
Mary Moore, Secretary of Trophy Club MUD 1

By:

  
Robert Scott, District Manager of Trophy Club MUD  
1

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TCMUD002012



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## DISBURSEMENT REQUEST AND AUTHORIZATION

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$179,955.00	08-04-2010	08-04-2015	91500007041	88 / 742	T000791	JSS	
References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "*****" has been omitted due to text length limitations.							

**Borrower:** Trophy Club MUD 1  
100 Municipal Dr  
Trophy Club, TX 76262-5420

**Lender:** First Financial Bank, N.A.  
Trophy Club  
3205 E Hwy 114  
P. O. Box 92840  
Southlake, TX 76092-2840

**LOAN TYPE.** This is a non-precomputed Fixed Rate (3.900%) Nondisclosable Principal + Interest Loan to a Government Entity for \$179,955.00 due on August 4, 2015.

**PRIMARY PURPOSE OF LOAN.** The primary purpose of this loan is for:

- ☐ Personal, Family or Household Purposes.  
☐ Personal Investment.  
☒ Business, Agricultural and All Other.

**SPECIFIC PURPOSE.** The specific purpose of this loan is: Purchase Commercial Vac-Con Sewer Vacuum Truck for City of Trophy Club.

**DISBURSEMENT INSTRUCTIONS.** Borrower understands that no loan proceeds will be disbursed until all of Lender's conditions for making the loan have been satisfied. Please disburse the loan proceeds of \$179,955.00 as follows:

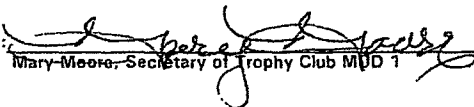
Amount paid to Borrower directly: \$179,955.00  
\$179,955.00 Deposited to Account #

Note Principal: \$179,955.00

**FINANCIAL CONDITION.** BY SIGNING THIS AUTHORIZATION, BORROWER REPRESENTS AND WARRANTS TO LENDER THAT THE INFORMATION PROVIDED ABOVE IS TRUE AND CORRECT AND THAT THERE HAS BEEN NO MATERIAL ADVERSE CHANGE IN BORROWER'S FINANCIAL CONDITION AS DISCLOSED IN BORROWER'S MOST RECENT FINANCIAL STATEMENT TO LENDER. THIS AUTHORIZATION IS DATED AUGUST 4, 2010.

**BORROWER:**

TROPHY CLUB MUD 1

By:   
Mary Moore, Secretary of Trophy Club MUD 1

By:   
Robert Scott, District Manager of Trophy Club MUD  
1

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TCMUD002013



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## AMORTIZATION SCHEDULE

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$179,955.00	08-04-2010	08-04-2015	91500007041	88 / 742	T000791	JSS	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item.  
Any item above containing "\*\*\*\*" has been omitted due to text length limitations.

**Borrower:** Trophy Club MUD 1  
100 Municipal Dr  
Trophy Club, TX 76262-5420

**Lender:** First Financial Bank, N.A.  
Trophy Club  
3205 E Hwy 114  
P. O. Box 92840  
Southlake, TX 76092-2840

Disbursement Date: August 4, 2010  
Interest Rate: 3.900

Repayment Schedule: Principal + Interest  
Calculation Method: 365/360 U.S. Rule

Payment Number	Payment Date	Payment Amount	Interest Paid	Principal Paid	Remaining Balance
1	08-04-2011	7,115.72	7,115.72	0.00	179,955.00
2	08-04-2011	35,991.00	0.00	35,991.00	143,964.00
2011 TOTALS:		43,106.72	7,115.72	35,991.00	
3	08-04-2012	5,708.17	5,708.17	0.00	143,964.00
4	08-04-2012	35,991.00	0.00	35,991.00	107,973.00
2012 TOTALS:		41,699.17	5,708.17	35,991.00	
5	08-04-2013	4,269.43	4,269.43	0.00	107,973.00
6	08-04-2013	35,991.00	0.00	35,991.00	71,982.00
2013 TOTALS:		40,260.43	4,269.43	35,991.00	
7	08-04-2014	2,846.29	2,846.29	0.00	71,982.00
8	08-04-2014	35,991.00	0.00	35,991.00	35,991.00
2014 TOTALS:		38,837.29	2,846.29	35,991.00	
9	08-04-2015	37,414.14	1,423.14	35,991.00	0.00
TOTALS:		201,317.75	21,362.75	179,955.00	

NOTICE: This is an estimated loan amortization schedule. Actual amounts may vary if payments are made on different dates or in different amounts.

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## COMMERCIAL SECURITY AGREEMENT

Principal	Loan Date	Maturity	Loan No.	Call / Coll	Account	Officer	Initials
\$179,955.00	08-04-2010	08-04-2015	91500007041	8B / 742	T000791	JSS	
References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "****" has been omitted due to text length limitations.							

**Grantor:** Trophy Club MUD 1  
100 Municipal Dr  
Trophy Club, TX 76262-5420

**Lender:** First Financial Bank, N.A.  
Trophy Club  
3205 E Hwy 114  
P. O. Box 92840  
Southlake, TX 76092-2840

THIS COMMERCIAL SECURITY AGREEMENT dated August 4, 2010, is made and executed between Trophy Club MUD 1 ("Grantor") and First Financial Bank, N.A. ("Lender").

**GRANT OF SECURITY INTEREST.** For valuable consideration, Grantor grants to Lender a security interest in the Collateral to secure the indebtedness and agrees that Lender shall have the rights stated in this Agreement with respect to the Collateral, in addition to all other rights which Lender may have by law.

**COLLATERAL DESCRIPTION.** The word "Collateral" as used in this Agreement means the following described property in which Grantor is giving to Lender a security interest for the payment of the indebtedness and performance of all other obligations under the Note and this Agreement:

2009 International Maxx Force 9 Cab & Chassis (VIN 1HTWCAZR9J176234) PLUS ALL ATTACHMENTS

In addition, the word "Collateral" also includes all the following:

- (A) All accessions, attachments, accessories, replacements of and additions to any of the collateral described herein, whether added now or later.
- (B) All products and produce of any of the property described in this Collateral section.
- (C) All accounts, general intangibles, instruments, rents, monies, payments, and all other rights, arising out of a sale, lease, consignment or other disposition of any of the property described in this Collateral section.
- (D) All proceeds (including insurance proceeds) from the sale, destruction, loss, or other disposition of any of the property described in this Collateral section, and sums due from a third party who has damaged or destroyed the Collateral or from that party's insurer, whether due to judgment, settlement or other process.
- (E) All records and data relating to any of the property described in this Collateral section, whether in the form of a writing, photograph, microfilm, microfiche, or electronic media, together with all of Grantor's right, title, and interest in and to all computer software required to utilize, create, maintain, and process any such records or data on electronic media.

**CROSS-COLLATERALIZATION.** In addition to the Note, this Agreement secures all obligations, debts and liabilities, plus interest thereon, of Grantor to Lender, or any one or more of them, as well as all claims by Lender against Grantor or any one or more of them, whether now existing or hereafter arising, whether related or unrelated to the purpose of the Note, whether voluntary or otherwise, whether due or not due, direct or indirect, determined or undetermined, absolute or contingent, liquidated or unliquidated, whether Grantor may be liable individually or jointly with others, whether obligated as guarantor, surety, accommodation party or otherwise. However, this Agreement shall not secure, and the "indebtedness" shall not include, any obligations arising under Subchapters E and F of Chapter 342 of the Texas Finance Code, as amended.

**RIGHT OF SETOFF.** To the extent permitted by applicable law, Lender reserves a right of setoff in all Grantor's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Grantor holds jointly with someone else and all accounts Grantor may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Grantor authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the indebtedness against any and all such accounts, and, at Lender's option, to administratively freeze all such accounts to allow Lender to protect Lender's charge and setoff rights provided in this paragraph.

**GRANTOR'S REPRESENTATIONS AND WARRANTIES WITH RESPECT TO THE COLLATERAL.** With respect to the Collateral, Grantor represents and promises to Lender that:

**Perfection of Security Interest.** Grantor agrees to take whatever actions are requested by Lender to perfect and continue Lender's security interest in the Collateral. Upon request of Lender, Grantor will deliver to Lender any and all of the documents evidencing or constituting the Collateral, and Grantor will note Lender's interest upon any and all chattel paper and instruments if not delivered to Lender for possession by Lender. This is a continuing Security Agreement and will continue in effect even though all or any part of the indebtedness is paid in full and even though for a period of time Grantor may not be indebted to Lender.

**Notices to Lender.** Grantor will promptly notify Lender in writing at Lender's address shown above (or such other addresses as Lender may designate from time to time) prior to any (1) change in Grantor's name; (2) change in Grantor's assumed business name(s); (3) change in the structure of the entity Grantor; (4) change in the authorized signer(s); (5) change in Grantor's principal office address; (6) change in Grantor's principal residence; (7) conversion of Grantor to a new or different type of business entity; or (8) change in any other aspect of Grantor that directly or indirectly relates to any agreements between Grantor and Lender. No change in Grantor's name will take effect until after Lender has received notice.

**No Violation.** The execution and delivery of this Agreement will not violate any law or agreement governing Grantor or to which Grantor is a party.

**Enforceability of Collateral.** To the extent the Collateral consists of accounts, chattel paper, or general intangibles, as defined by the Uniform Commercial Code, the Collateral is enforceable in accordance with its terms, is genuine, and fully complies with all applicable laws and regulations concerning form, content and manner of preparation and execution, and all persons appearing to be obligated on the

**COMMERCIAL SECURITY AGREEMENT**  
(Continued)

Collateral have authority and capacity to contract and are in fact obligated as they appear to be on the Collateral. There shall be no setoffs or counterclaims against any of the Collateral, and no agreement shall have been made under which any deductions or discounts may be claimed concerning the Collateral except those disclosed to Lender in writing.

**Location of the Collateral.** Except for vehicles, and except otherwise in the ordinary course of Grantor's business, Grantor agrees to keep the Collateral at Grantor's address shown above or at such other locations as are acceptable to Lender. If the Collateral is a vehicle, Grantor will keep the Collateral at those addresses except for routine travel. Upon Lender's request, Grantor will deliver to Lender in form satisfactory to Lender a schedule of real properties and Collateral locations relating to Grantor's operations, including without limitation the following: (1) all real property Grantor owns or is purchasing; (2) all real property Grantor is renting or leasing; (3) all storage facilities Grantor owns, rents, leases, or uses; and (4) all other properties where Collateral is or may be located.

**Removal of the Collateral.** Except in the ordinary course of Grantor's business, Grantor shall not remove the Collateral from its existing location without Lender's prior written consent. To the extent that the Collateral consists of vehicles, or other titled property, Grantor shall not take or permit any action which would require application for certificates of title for the vehicles outside the State of Texas, without Lender's prior written consent. Grantor shall, whenever requested, advise Lender of the exact location of the Collateral.

**Transactions Involving Collateral.** Except for inventory sold or accounts collected in the ordinary course of Grantor's business, or as otherwise provided for in this Agreement, Grantor shall not sell, offer to sell, or otherwise transfer or dispose of the Collateral. Grantor shall not pledge, mortgage, encumber or otherwise permit the Collateral to be subject to any lien, security interest, encumbrance, or charge, other than the security interest provided for in this Agreement, without the prior written consent of Lender. This includes security interests even if junior in right to the security interests granted under this Agreement. Unless waived by Lender, all proceeds from any disposition of the Collateral (for whatever reason) shall be held in trust for Lender and shall not be commingled with any other funds; provided however, this requirement shall not constitute consent by Lender to any sale or other disposition. Upon receipt, Grantor shall immediately deliver any such proceeds to Lender.

**Title.** Grantor represents and warrants to Lender that Grantor holds good and marketable title to the Collateral, free and clear of all liens and encumbrances except for the lien of this Agreement. No financing statement covering any of the Collateral is on file in any public office other than those which reflect the security interest created by this Agreement or to which Lender has specifically consented. Grantor shall defend Lender's rights in the Collateral against the claims and demands of all other persons.

**Repairs and Maintenance.** Grantor agrees to keep and maintain, and to cause others to keep and maintain, the Collateral in good order, repair and condition at all times while this Agreement remains in effect. Grantor further agrees to pay when due all claims for work done on, or services rendered or material furnished in connection with the Collateral so that no lien or encumbrance may ever attach to or be filed against the Collateral.

**Inspection of Collateral.** Lender and Lender's designated representatives and agents shall have the right at all reasonable times to examine and inspect the Collateral wherever located.

**Taxes, Assessments and Liens.** Grantor will pay when due all taxes, assessments and liens upon the Collateral, its use or operation, upon this Agreement, upon any promissory note or notes evidencing the Indebtedness, or upon any of the other Related Documents. Grantor may withhold any such payment or may elect to contest any lien if Grantor is in good faith conducting an appropriate proceeding to contest the obligation to pay and so long as Lender's interest in the Collateral is not jeopardized in Lender's sole opinion. In any contest Grantor shall defend itself and Lender and shall satisfy any final adverse judgment before enforcement against the Collateral. Grantor shall name Lender as an additional obligee under any surety bond furnished in the contest proceedings. Grantor further agrees to furnish Lender with evidence that such taxes, assessments, and governmental and other charges have been paid in full and in a timely manner. Grantor may withhold any such payment or may elect to contest any lien if Grantor is in good faith conducting an appropriate proceeding to contest the obligation to pay and so long as Lender's interest in the Collateral is not jeopardized.

**Compliance with Governmental Requirements.** Grantor shall comply promptly with all laws, ordinances, rules and regulations of all governmental authorities, now or hereafter in effect, applicable to the ownership, production, disposition, or use of the Collateral, including all laws or regulations relating to the undue erosion of highly-erodible land or relating to the conversion of wetlands for the production of an agricultural product or commodity. Grantor may contest in good faith any such law, ordinance or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Lender's interest in the Collateral, in Lender's opinion, is not jeopardized.

**Hazardous Substances.** Grantor represents and warrants that the Collateral never has been, and never will be so long as this Agreement remains a lien on the Collateral, used in violation of any Environmental Laws or for the generation, manufacture, storage, transportation, treatment, disposal, release or threatened release of any Hazardous Substance. The representations and warranties contained herein are based on Grantor's due diligence in investigating the Collateral for Hazardous Substances. Grantor hereby (1) releases and waives any future claims against Lender for indemnity or contribution in the event Grantor becomes liable for cleanup or other costs under any Environmental Laws, and (2) agrees to indemnify, defend, and hold harmless Lender against any and all claims and losses resulting from a breach of this provision of this Agreement. This obligation to indemnify and defend shall survive the payment of the Indebtedness and the satisfaction of this Agreement.

**Maintenance of Casualty Insurance.** Grantor shall procure and maintain all risks insurance, including without limitation fire, theft and liability coverage together with such other insurance as Lender may require with respect to the Collateral, in form, amounts, coverages and basis reasonably acceptable to Lender. Grantor, upon request of Lender, will deliver to Lender from time to time the policies or certificates of insurance in form satisfactory to Lender, including stipulations that coverages will not be cancelled or diminished without at least ten (10) days' prior written notice to Lender and not including any disclaimer of the insurer's liability for failure to give such a notice. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in any way by any act, omission or default of Grantor or any other person. In connection with all policies covering assets in which Lender holds or is offered a security interest, Grantor will provide Lender with such loss payable or other endorsements as Lender may require. If Grantor at any time fails to obtain or maintain any insurance as required under this Agreement, Lender may (but shall not be obligated to) obtain such insurance as Lender deems appropriate, including if Lender so chooses "single interest insurance," which will cover only Lender's interest in the Collateral.

**Application of Insurance Proceeds.** Grantor shall promptly notify Lender of any loss or damage to the Collateral, whether or not such casualty or loss is covered by insurance. Lender may make proof of loss if Grantor fails to do so within fifteen (15) days of the casualty. All proceeds of any insurance on the Collateral, including accrued proceeds thereon, shall be held by Lender as part of the Collateral. If Lender consents to repair or replacement of the damaged or destroyed Collateral, Lender shall, upon satisfactory proof of expenditure, pay or reimburse Grantor from the proceeds for the reasonable cost of repair or restoration. If Lender does not consent to repair or replacement of the Collateral, Lender shall retain a sufficient amount of the proceeds to pay all of the Indebtedness, and shall pay the balance to Grantor. Any proceeds which have not been disbursed within six (6) months after their receipt and which Grantor has not committed to the repair or restoration of the Collateral shall be used to prepay the Indebtedness.

**COMMERCIAL SECURITY AGREEMENT  
(Continued)**

Loan No: 9150007041

Page 3

**Insurance Reserves.** Lender may require Grantor to maintain with Lender reserves for payment of insurance premiums, which reserves shall be created by monthly payments from Grantor of a sum estimated by Lender to be sufficient to produce, at least fifteen (15) days before the premium due date, amounts at least equal to the insurance premiums to be paid. If fifteen (15) days before payment is due, the reserve funds are insufficient, Grantor shall upon demand pay any deficiency to Lender. The reserve funds shall be held by Lender as a general deposit and shall constitute a non-interest-bearing account which Lender may satisfy by payment of the insurance premiums required to be paid by Grantor as they become due. Lender does not hold the reserve funds in trust for Grantor, and Lender is not the agent of Grantor for payment of the insurance premiums required to be paid by Grantor. The responsibility for the payment of premiums shall remain Grantor's sole responsibility.

**Insurance Reports.** Grantor, upon request of Lender, shall furnish to Lender reports on each existing policy of insurance showing such information as Lender may reasonably request including the following: (1) the name of the insurer; (2) the risks insured; (3) the amount of the policy; (4) the property insured; (5) the then current value on the basis of which insurance has been obtained and the manner of determining that value; and (6) the expiration date of the policy. In addition, Grantor shall upon request by Lender (however not more often than annually) have an independent appraiser satisfactory to Lender determine, as applicable, the cash value or replacement cost of the Collateral.

**Financing Statements.** Grantor authorizes Lender to file a UCC financing statement, or alternatively, a copy of this Agreement to perfect Lender's security interest. At Lender's request, Grantor additionally agrees to sign all other documents that are necessary to perfect, protect, and continue Lender's security interest in the Property. Grantor will pay all filing fees, title transfer fees, and other fees and costs involved unless prohibited by law or unless Lender is required by law to pay such fees and costs. Grantor irrevocably appoints Lender to execute documents necessary to transfer title if there is a default. Lender may file a copy of this Agreement as a financing statement. If Grantor changes Grantor's name or address, or the name or address of any person granting a security interest under this Agreement changes, Grantor will promptly notify the Lender of such change.

**GRANTOR'S RIGHT TO POSSESSION.** Until default, Grantor may have possession of the tangible personal property and beneficial use of all the Collateral and may use it in any lawful manner not inconsistent with this Agreement or the Related Documents, provided that Grantor's right to possession and beneficial use shall not apply to any Collateral where possession of the Collateral by Lender is required by law to perfect Lender's security interest in such Collateral. If Lender at any time has possession of any Collateral, whether before or after an Event of Default, Lender shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral if Lender takes such action for that purpose as Grantor shall request or as Lender, in Lender's sole discretion, shall deem appropriate under the circumstances, but failure to honor any request by Grantor shall not of itself be deemed to be a failure to exercise reasonable care. Lender shall not be required to take any steps necessary to preserve any rights in the Collateral against prior parties, nor to protect, preserve or maintain any security interest given to secure the Indebtedness.

**LENDER'S EXPENDITURES.** If any action or proceeding is commenced that would materially affect Lender's interest in the Collateral or if Grantor fails to comply with any provision of this Agreement or any Related Documents, including but not limited to Grantor's failure to discharge or pay when due any amounts Grantor is required to discharge or pay under this Agreement or any Related Documents, Lender on Grantor's behalf may (but shall not be obligated to) take any action that Lender deems appropriate, including but not limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on the Collateral and paying all costs for insuring, maintaining and preserving the Collateral. All such expenditures paid by Lender for such purposes will then bear interest at the Note rate from the date paid by Lender to the date of repayment by Grantor. To the extent permitted by applicable law, all such expenses will become a part of the Indebtedness and, at Lender's option, will (A) be payable on demand; (B) be added to the balance of the Note and be apportioned among and be payable with any installment payments to become due during either (1) the term of any applicable insurance policy; or (2) the remaining term of the Note; or (C) be treated as a balloon payment which will be due and payable at the Note's maturity. The Agreement also will secure payment of these amounts. Such right shall be in addition to all other rights and remedies to which Lender may be entitled upon Default.

**DEFAULT.** Each of the following shall constitute an Event of Default under this Agreement:

**Payment Default.** Grantor fails to make any payment when due under the Indebtedness.

**Other Defaults.** Grantor fails to comply with or to perform any other term, obligation, covenant or condition contained in this Agreement or in any of the Related Documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Grantor.

**Default in Favor of Third Parties.** Grantor defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect any of Grantor's property or ability to perform Grantor's obligations under this Agreement or any of the Related Documents.

**False Statements.** Any warranty, representation or statement made or furnished to Lender by Grantor or on Grantor's behalf under this Agreement or the Related Documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

**Defective Collateralization.** This Agreement or any of the Related Documents ceases to be in full force and effect (including failure of any collateral document to create a valid and perfected security interest or lien) at any time and for any reason.

**Insolvency.** The insolvency of Grantor, the appointment of a receiver for any part of Grantor's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Grantor.

**Creditor or Forfeiture Proceedings.** Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Grantor or by any governmental agency against any collateral securing the Indebtedness. This includes a garnishment of any of Grantor's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Grantor as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Grantor gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

**Events Affecting Guarantor.** Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the Indebtedness or guarantor, endorser, surety, or accommodation party dies or becomes incompetent or revokes or disputes the validity of, or liability under, any Guaranty of the Indebtedness.

**Adverse Change.** A material adverse change occurs in Grantor's financial condition, or Lender believes the prospect of payment or performance of the Indebtedness is impaired.

**Insecurity.** Lender in good faith believes itself insecure.

**COMMERCIAL SECURITY AGREEMENT  
(Continued)**

**RIGHTS AND REMEDIES ON DEFAULT.** If an Event of Default occurs under this Agreement, at any time thereafter, Lender shall have all the rights of a secured party under the Texas Uniform Commercial Code. In addition and without limitation, Lender may exercise any one or more of the following rights and remedies:

**Accelerate Indebtedness.** Lender may declare the entire Indebtedness immediately due and payable, without notice of any kind to Grantor.

**Assemble Collateral.** Lender may require Grantor to deliver to Lender all or any portion of the Collateral and any and all certificates of title and other documents relating to the Collateral. Lender may require Grantor to assemble the Collateral and make it available to Lender at a place to be designated by Lender. Lender also shall have full power to enter, provided Lender does so without a breach of the peace or a trespass, upon the property of Grantor to take possession of and remove the Collateral. If the Collateral contains other goods not covered by this Agreement at the time of repossession, Grantor agrees Lender may take such other goods, provided that Lender makes reasonable efforts to return them to Grantor after repossession.

**Sell the Collateral.** Lender shall have full power to sell, lease, transfer, or otherwise deal with the Collateral or proceeds thereof in Lender's own name or that of Grantor. Lender may sell the Collateral at public auction or private sale. Unless the Collateral threatens to decline speedily in value or is of a type customarily sold on a recognized market, Lender will give Grantor, and other persons as required by law, reasonable notice of the time and place of any public sale, or the time after which any private sale or any other disposition of the Collateral is to be made. However, no notice need be provided to any person who, after Event of Default occurs, enters into and authenticates an agreement waiving that person's right to notification of sale. The requirements of reasonable notice shall be met if such notice is given at least ten (10) days before the time of the sale or disposition. All expenses relating to the disposition of the Collateral, including without limitation the expenses of retaking, holding, insuring, preparing for sale and selling the Collateral, shall become a part of the Indebtedness secured by this Agreement and shall be payable on demand, with interest at the Note rate from date of expenditure until repaid.

**Appoint Receiver.** Lender shall have the right to have a receiver appointed to take possession of all or any part of the Collateral, with the power to protect and preserve the Collateral, to operate the Collateral preceding foreclosure or sale, and to collect the Rents from the Collateral and apply the proceeds, over and above the cost of the receivership, against the Indebtedness. The receiver may serve without bond if permitted by law. Lender's right to the appointment of a receiver shall exist whether or not the apparent value of the Collateral exceeds the Indebtedness by a substantial amount. Employment by Lender shall not disqualify a person from serving as a receiver.

**Collect Revenues, Apply Accounts.** Lender, either itself or through a receiver, may collect the payments, rents, income, and revenues from the Collateral. Lender may at any time in Lender's discretion transfer any Collateral into Lender's own name or that of Lender's nominee and receive the payments, rents, income, and revenues therefrom and hold the same as security for the Indebtedness or apply it to payment of the Indebtedness in such order of preference as Lender may determine. Insofar as the Collateral consists of accounts, general intangibles, insurance policies, instruments, chattel paper, choses in action, or similar property, Lender may demand, collect, receipt for, settle, compromise, adjust, sue for, foreclose, or realize on the Collateral as Lender may determine, whether or not Indebtedness or Collateral is then due. For these purposes, Lender may, on behalf of and in the name of Grantor, receive, open and dispose of mail addressed to Grantor; change any address to which mail and payments are to be sent; and endorse notes, checks, drafts, money orders, documents of title, instruments and items pertaining to payment, shipment, or storage of any Collateral. To facilitate collection, Lender may notify account debtors and obligors on any Collateral to make payments directly to Lender.

**Obtain Deficiency.** If Lender chooses to sell any or all of the Collateral, Lender may obtain a judgment against Grantor for any deficiency remaining on the Indebtedness due to Lender after application of all amounts received from the exercise of the rights provided in this Agreement. Grantor shall be liable for a deficiency even if the transaction described in this subsection is a sale of accounts or chattel paper.

**Other Rights and Remedies.** Lender shall have all the rights and remedies of a secured creditor under the provisions of the Uniform Commercial Code, as may be amended from time to time. In addition, Lender shall have and may exercise any or all other rights and remedies it may have available at law, in equity, or otherwise.

**Election of Remedies.** Except as may be prohibited by applicable law, all of Lender's rights and remedies, whether evidenced by this Agreement, the Related Documents, or by any other writing, shall be cumulative and may be exercised singularly or concurrently. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Grantor under this Agreement, after Grantor's failure to perform, shall not affect Lender's right to declare a default and exercise its remedies.

**MISCELLANEOUS PROVISIONS.** The following miscellaneous provisions are a part of this Agreement:

**Amendments.** This Agreement, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Agreement. No alteration of or amendment to this Agreement shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

**Attorneys' Fees; Expenses.** Grantor agrees to pay upon demand all of Lender's costs and expenses, including Lender's reasonable attorneys' fees and Lender's legal expenses, incurred in connection with the enforcement of this Agreement. Lender may hire or pay someone else to help enforce this Agreement, and Grantor shall pay the costs and expenses of such enforcement. Costs and expenses include Lender's reasonable attorneys' fees and legal expenses whether or not there is a lawsuit, including Lender's reasonable attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Grantor also shall pay all court costs and such additional fees as may be directed by the court.

**Caption Headings.** Caption headings in this Agreement are for convenience purposes only and are not to be used to interpret or define the provisions of this Agreement.

**Governing Law.** This Agreement will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Texas without regard to its conflicts of law provisions. This Agreement has been accepted by Lender in the State of Texas.

**No Waiver by Lender.** Lender shall not be deemed to have waived any rights under this Agreement unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Agreement shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Agreement. No prior waiver by Lender, nor any course of dealing between Lender and Grantor, shall constitute a waiver of any of Lender's rights or of any of Grantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Agreement, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

**Notices.** Any notice required to be given under this Agreement shall be given in writing, and shall be effective when actually delivered.



**COMMERCIAL SECURITY AGREEMENT  
(Continued)**

Loan No: 91500007041

Page 5

when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Agreement. Any party may change its address for notices under this Agreement by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Grantor agrees to keep Lender informed at all times of Grantor's current address. Unless otherwise provided or required by law, if there is more than one Grantor, any notice given by Lender to any Grantor is deemed to be notice given to all Grantors.

**Power of Attorney.** Grantor hereby appoints Lender as Grantor's irrevocable attorney-in-fact for the purpose of executing any documents necessary to perfect, amend, or to continue the security interest granted in this Agreement or to demand termination of filings of other secured parties. Lender may at any time, and without further authorization from Grantor, file a carbon, photographic or other reproduction of any financing statement or of this Agreement for use as a financing statement. Grantor will reimburse Lender for all expenses for the perfection and the continuation of the perfection of Lender's security interest in the Collateral.

**Severability.** If a court of competent jurisdiction finds any provision of this Agreement to be illegal, invalid, or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Agreement. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Agreement shall not affect the legality, validity or enforceability of any other provision of this Agreement.

**Successors and Assigns.** Subject to any limitations stated in this Agreement on transfer of Grantor's interest, this Agreement shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Collateral becomes vested in a person other than Grantor, Lender, without notice to Grantor, may deal with Grantor's successors with reference to this Agreement and the indebtedness by way of forbearance or extension without releasing Grantor from the obligations of this Agreement or liability under the indebtedness.

**Survival of Representations and Warranties.** All representations, warranties, and agreements made by Grantor in this Agreement shall survive the execution and delivery of this Agreement, shall be continuing in nature, and shall remain in full force and effect until such time as Grantor's indebtedness shall be paid in full.

**Time is of the Essence.** Time is of the essence in the performance of this Agreement.

**Waive Jury.** All parties to this Agreement hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by any party against any other party.

**DEFINITIONS.** The following capitalized words and terms shall have the following meanings when used in this Agreement. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Agreement shall have the meanings attributed to such terms in the Uniform Commercial Code:

**Agreement.** The word "Agreement" means this Commercial Security Agreement, as this Commercial Security Agreement may be amended or modified from time to time, together with all exhibits and schedules attached to this Commercial Security Agreement from time to time.

**Borrower.** The word "Borrower" means Trophy Club MUD 1 and includes all co-signers and co-makers signing the Note and all their successors and assigns.

**Collateral.** The word "Collateral" means all of Grantor's right, title and interest in and to all the Collateral as described in the Collateral Description section of this Agreement.

**Default.** The word "Default" means the Default set forth in this Agreement in the section titled "Default".

**Environmental Laws.** The words "Environmental Laws" mean any and all state, federal and local statutes, regulations and ordinances relating to the protection of human health or the environment, including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq. ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499 ("SARA"), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., or other applicable state or federal laws, rules, or regulations adopted pursuant thereto.

**Event of Default.** The words "Event of Default" mean any of the events of default set forth in this Agreement in the default section of this Agreement.

**Grantor.** The word "Grantor" means Trophy Club MUD 1.

**Guaranty.** The word "Guaranty" means the guaranty from guarantor, endorser, surety, or accommodation party to Lender, including without limitation a guaranty of all or part of the Note.

**Hazardous Substances.** The words "Hazardous Substances" mean materials that, because of their quantity, concentration or physical, chemical or infectious characteristics, may cause or pose a present or potential hazard to human health or the environment when improperly used, treated, stored, disposed of, generated, manufactured, transported or otherwise handled. The words "Hazardous Substances" are used in their very broadest sense and include without limitation any and all hazardous or toxic substances, materials or waste as defined by or listed under the Environmental Laws. The term "Hazardous Substances" also includes, without limitation, petroleum and petroleum by-products or any fraction thereof and asbestos.

**Indebtedness.** The word "Indebtedness" means the indebtedness evidenced by the Note or Related Documents, including all principal and interest together with all other indebtedness and costs and expenses for which Grantor is responsible under this Agreement or under any of the Related Documents. Specifically, without limitation, Indebtedness includes all amounts that may be indirectly secured by the Cross-Collateralization provision of this Agreement.

**Lender.** The word "Lender" means First Financial Bank, N.A., its successors and assigns.

**Note.** The word "Note" means the Note executed by Trophy Club MUD 1 in the principal amount of \$179,955.00 dated August 4, 2010, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the note or credit agreement.

**Property.** The word "Property" means all of Grantor's right, title and interest in and to all the Property as described in the "Collateral Description" section of this Agreement.

**Related Documents.** The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the indebtedness.

TCMUD002019

COMMERCIAL SECURITY AGREEMENT  
(Continued)

Loan No: 91500007041

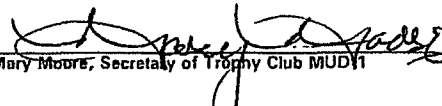
Page 6

GRANTOR HAS READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS COMMERCIAL SECURITY AGREEMENT AND AGREES TO ITS TERMS. THIS AGREEMENT IS DATED AUGUST 4, 2010.


GRANTOR:

TROPHY CLUB MUD 1

By:

  
Mary Moore, Secretary of Trophy Club MUD 1

By:

  
Robert Scott, District Manager of Trophy Club MUD

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TCMUD002020



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## GOVERNMENTAL CERTIFICATE

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$179,955.00	08-04-2010	08-04-2015	91500007041	8B / 742	T000791	JSS	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item.  
Any item above containing "\*\*\*\*" has been omitted due to text length limitations.

**Entity:** Trophy Club MUD 1  
100 Municipal Dr  
Trophy Club, TX 76262-5420

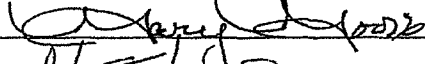

**Lender:** First Financial Bank, N.A.  
Trophy Club  
3205 E Hwy 114  
P. O. Box 92840  
Southlake, TX 76092-2840

### WE, THE UNDERSIGNED, DO HEREBY CERTIFY THAT:

**THE ENTITY'S EXISTENCE.** The complete and correct name of the governmental entity is Trophy Club MUD 1 ("Entity"). The Entity is a governmental entity which is, and at all times shall be, duly organized, validly existing, and in good standing under and by virtue of the laws and regulations of the Entity's state of organization. The Entity has the full power and authority to own its properties and to transact the business and activities in which it is presently engaged or presently proposes to engage. The Entity maintains an office at 100 Municipal Dr, Trophy Club, TX 76262-5420. The Entity shall do all things necessary to preserve and to keep in full force and effect its existence, rights and privileges, and shall comply with all regulations, rules, ordinances, statutes, orders and decrees of the Entity and any other governmental or quasi-governmental authority or court applicable to the Entity and the Entity's business activities.

**CERTIFICATES ADOPTED.** At a meeting of the appropriate governing body of the Entity, duly called and held on August 4, 2010, at which a quorum was present and voting, or by other duly authorized action in lieu of a meeting, the resolutions set forth in this Certificate were adopted.

**OFFICIALS.** The following named persons are Officials of Trophy Club MUD 1:

NAMES	TITLES	AUTHORIZED	ACTUAL SIGNATURES
Mary Moore	Secretary	Y	X 
Robert Scott	District Manager	Y	X 

**ACTIONS AUTHORIZED.** Any two (2) of the authorized persons listed above may enter into any agreements of any nature with Lender, and those agreements will bind the Entity. Specifically, but without limitation, any two (2) of such authorized persons is authorized, empowered, and directed to do the following for and on behalf of the Entity:

**Borrow Money.** To borrow, as a cosigner or otherwise, from time to time from Lender, on such terms as may be agreed upon between the Entity and Lender, such sum or sums of money as in their judgment should be borrowed, without limitation.

**Execute Notes.** To execute and deliver to Lender the promissory note or notes, or other evidence of the Entity's credit accommodations, on Lender's forms, at such rates of interest and on such terms as may be agreed upon, evidencing the sums of money so borrowed or any of the Entity's indebtedness to Lender, and also to execute and deliver to Lender one or more renewals, extensions, modifications, refinancings, consolidations, or substitutions for one or more of the notes, any portion of the notes, or any other evidence of credit accommodations.

**Grant Security.** To mortgage, pledge, transfer, endorse, hypothecate, or otherwise encumber and deliver to Lender any property now or hereafter belonging to the Entity or in which the Entity now or hereafter may have an interest, including without limitation all of the Entity's real property and all of the Entity's personal property (tangible or intangible), as security for the payment of any loans or credit accommodations so obtained, any promissory notes so executed (including any amendments to or modifications, renewals, and extensions of such promissory notes), or any other or further indebtedness of the Entity to Lender at any time owing, however the same may be evidenced. Such property may be mortgaged, pledged, transferred, endorsed, hypothecated or encumbered at the time such loans are obtained or such indebtedness is incurred, or at any other time or times, and may be either in addition to or in lieu of any property theretofore mortgaged, pledged, transferred, endorsed, hypothecated or encumbered.

**Execute Security Documents.** To execute and deliver to Lender the forms of mortgage, deed of trust, pledge agreement, hypothecation agreement, and other security agreements and financing statements which Lender may require and which shall evidence the terms and conditions under and pursuant to which such liens and encumbrances, or any of them, are given; and also to execute and deliver to Lender any other written instruments, any chattel paper, or any other collateral, of any kind or nature, which Lender may deem necessary or proper in connection with or pertaining to the giving of the liens and encumbrances. Notwithstanding the foregoing, any one of the above authorized persons may execute, deliver, or record financing statements.

**Negotiate Items.** To draw, endorse, and discount with Lender all drafts, trade acceptances, promissory notes, or other evidences of indebtedness payable to or belonging to the Entity or in which the Entity may have an interest, and either to receive cash for the same or to cause such proceeds to be credited to the Entity's account with Lender, or to cause such other disposition of the proceeds derived therefrom as they may deem advisable.

**Further Acts.** In the case of lines of credit, to designate additional or alternate individuals as being authorized to request advances under such lines, and in all cases, to do and perform such other acts and things, to pay any and all fees and costs, and to execute and deliver such other documents and agreements, including agreements waiving the right to a trial by jury, as the Officials may in their discretion deem reasonably necessary or proper in order to carry into effect the provisions of this Certificate.

**ASSUMED BUSINESS NAMES.** The Entity has filed or recorded all documents or filings required by law relating to all assumed business names used by the Entity. Excluding the name of the Entity, the following is a complete list of all assumed business names under which the Entity does business: None.

**NOTICES TO LENDER.** The Entity will promptly notify Lender in writing at Lender's address shown above (or such other addresses as Lender may designate from time to time) prior to any (A) change in the Entity's name; (B) change in the Entity's assumed business name(s); (C) change in the structure of the Entity; (D) change in the authorized signers; (E) change in the Entity's principal office address; (F) change in

TCMUD002021

GOVERNMENTAL CERTIFICATE  
(Continued)

the Entity's principal residence; or (G) change in any other aspect of the Entity that directly or indirectly relates to any agreements between the Entity and Lender.

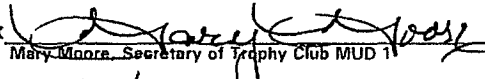
**CERTIFICATION CONCERNING OFFICIALS AND CERTIFICATES.** The Officials named above is duly elected, appointed, or employed by or for the Entity, as the case may be, and occupy the positions set opposite their respective names. This Certificate now stands of record on the books of the Entity, is in full force and effect, and has not been modified or revoked in any manner whatsoever.


**CONTINUING VALIDITY.** Any and all acts authorized pursuant to this Certificate and performed prior to the passage of this Certificate are hereby ratified and approved. This Certificate shall be continuing, shall remain in full force and effect and Lender may rely on it until written notice of its revocation shall have been delivered to Lender and receipt acknowledged by Lender in writing at Lender's address shown above (or such addresses as Lender may designate from time to time). Any such notice shall not affect any of the Entity's agreements or commitments in effect at the time notice is given.

**IN TESTIMONY WHEREOF,** we have hereunto set our hand and attest that the signatures set opposite the names listed above is their genuine signatures.

We each have read all the provisions of this Certificate, and we each personally and on behalf of the Entity certify that all statements and representations made in this Certificate are true and correct. This Governmental Certificate is dated August 4, 2010.

## CERTIFIED TO AND ATTESTED BY:

X   
Mary Moore, Secretary of Trophy Club MUD 1

X   
Robert Scott, District Manager of Trophy Club MUD 1

NOTE: If the Officials signing this Certificate is designated by the foregoing document as one of the officials authorized to act on the Entity's behalf, it is advisable to have this Certificate signed by at least one non-authorized official of the Entity.

LASER PRO Lending, Var 5.92.10.001 Capt. National Financial Services, Inc. 1997, 2010. All Rights Reserved. TX LIC#PL16122 FC TR 123804 PR 124



\*000000091500007041%0820%08042010%00000000T000791\*

## NOTICE OF FINAL AGREEMENT

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$179,955.00	08/04/2010	08/04/2015	91500007041	884442	1000791	JSS	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item.  
Any item above containing "\*\*\*\*\*" has been omitted due to text length limitations.

**Borrower:** Trophy Club MUD 1  
100 Municipal Dr  
Trophy Club, TX 76262-5420

**Lender:** First Financial Bank, N.A.  
Trophy Club  
3205 E Hwy 114  
P. O. Box 92840  
Southlake, TX 76092-2840

THE WRITTEN LOAN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

As used in this Notice, the following terms have the following meanings:

**Loan.** The term "Loan" means the following described loan: a non-precomputed Fixed Rate (3.900%) Nondisclosable Principal + Interest Loan to a Government Entity for \$179,955.00 due on August 4, 2015.

**Loan Agreement.** The term "Loan Agreement" means one or more promises, promissory notes, agreements, undertakings, security agreements, deeds of trust or other documents, or commitments, or any combination of those actions or documents, relating to the Loan, including without limitation the following:

### LOAN DOCUMENTS

Amortization Schedule  
Customer Information Profile: Trophy Club MUD 1  
TX Commercial Security Agreement: 2009 International Maxx  
Force 9 Cab & Chassis (VIN 1HTWCAZRX9J176234) PLUS  
ALL ATTACHMENTS; owned by Trophy Club MUD 1

Governmental Certificate: Trophy Club MUD 1  
Promissory Note  
Disbursement Request and Authorization  
Notice of Final Agreement

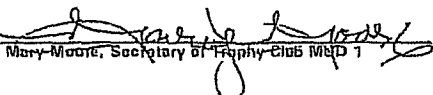
**Parties.** The term "Parties" means First Financial Bank, N.A. and any and all entities or individuals who are obligated to repay the loan or have pledged property as security for the Loan, including without limitation the following:

**Borrower:** Trophy Club MUD 1  
**Grantor(s):** Trophy Club MUD 1

This Notice of Final Agreement is given by First Financial Bank, N.A. pursuant to Section 26.02 of the Texas Business and Commerce Code. Each Party who signs below, other than First Financial Bank, N.A., acknowledges, represents, and warrants to First Financial Bank, N.A. that it has received, read and understood this Notice of Final Agreement. This Notice is dated August 4, 2010.

**BORROWER:**

Trophy Club MUD 1

By:   
Mary Moore, Secretary of Trophy Club MUD 1

By:   
Robert Scott, District Manager of Trophy Club MUD 1

**LENDER:**

FIRST FINANCIAL BANK, N.A.

x  J. Sam Shope, Sr Vice President

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TCMUD002023

# CERTIFICATE OF ORIGIN FOR A VEHICLE



DATE  
JANUARY 26, 2009

INVOICE NO.  
J90126090

VEHICLE IDENTIFICATION NO.  
1HTWCAZR9J176234

YEAR  
2009

MAKE  
INTERNATIONAL

BODY TYPE

SHIPPING WEIGHT

CAB & CHASSIS

12159

H.P. (S.A.E.)

G.V.W.R.

NO CYLS.

SERIES OR MODEL  
7400 SBA 4X2

43000

6

RATED CARRYING CAPACITY 6.0 TONS

ENGINE NAME

ENGINE NO. UNIT

MAXXFORCE 9 310HP/2200 GOV

2U3065455

I, the undersigned authorized representative of the company, firm or corporation named below, hereby certify that the new vehicle described above is the property of the said company, firm or corporation and is transferred on the above date and under the Invoice Number indicated to the following distributor or dealer.

NAME OF DISTRIBUTOR, DEALER, ETC.

SANTEX TRUCK CENTERS, LTD  
P.O. BOX 200007  
SAN ANTONIO TX 78220

It is further certified that this was the first transfer of such new vehicle in ordinary trade and commerce.

INTERNATIONAL TRUCK AND ENGINE CORPORATION

BY:

(SIGNATURE OF AUTHORIZED REPRESENTATIVE)

(AGENT)

1111 NORTHSHORE DR.  
KNOXVILLE, TN 37919-3805

INT 2215896



\*1HTWCAZR9J176234 \*

469958 226

TCMUD002024

**TRUST RECEIPT**

DATE 8-4-10

## TRUSTEE NAME AND ADDRESS

Trophy Club Municipal Utility District #1

## BANK NAME AND ADDRESS

First Financial Bank, NA  
P. O. Box 92840  
Southlake, TX 76092

The undersigned Trustee hereby acknowledges to the Bank named herein as of date shown above that the Trustee has received or is about to receive the Property described below, said Property to be held by Trustee in trust for the Bank for the purpose and subject to the conditions stated herein.

Property: 2009 International Maxx Force 9  
VIN# 1HTWCAZR9J176234

Purposes: Certificate of Origin will be forwarded

## Date by Which Property to be Returned to Bank:

Seven (7) Banking Business Days from date shown above or \_\_\_\_\_, whichever is earlier.

## Conditions:

- (A) The delivery of the property is temporary and is made for convenience only and without giving the Trustee any title to the Property except as Trustee for the Bank and for the purposes herein indicated. Bank may at any time on demand, and regardless of any other provision hereof, cancel this Trust and take possession of the Property, or of the proceeds thereof. Trustee agrees that insofar as the Trustee may make any entries or keep records of transactions involving the Property, such entries and transactions shall explicitly indicate that the Property and the proceeds thereof are held in trust for the Bank.
- (B) Trustee agrees to return to Bank the Property within the time limits stated above unless written consent to retain the Property beyond that date has been obtained from the Bank. In the event any of the Property listed above is sold or collected, the monies or proceeds so received, will be held in trust for the Bank and will be kept separate and apart from all other monies of Trustee and will be delivered immediately forthwith to said Bank. In the event Trustee fails to re-deliver the Property or proceeds from the sale of the Property in compliance within the time frames outlined above, the Bank may, at its discretion, exercise the right of offset against a depository account of the Trustee for an amount equivalent to the Bank's interest in said property (i.e. loan amount plus interest, fees and expenses)
- (C) Trustee agrees to keep the Property insured against any and all insurable risks at the Trustee's expense and for the benefit of the Bank. All funds received from an insurance company covering any loss shall be subject to this Trust in the same manner as the Property itself.
- (D) It is agreed that a security interest (as defined in the Texas Business and Commerce Code) in the Property and in the proceeds thereof (but this instrument shall not constitute any consent of the Bank to any disposition of said Property unless such disposition is indicated by the purposes hereinabove listed) remains in the Bank and that the Bank may at its discretion sign this instrument in the appropriate space below and file the same in any public office as a Financing Statement under the Texas Business and Commerce Code. Trustee further agrees that during its possession of the Property as set forth herein, Trustee shall keep the Property and the proceeds thereof free and clear of all other liens and encumbrances.
- (E) The recording or filing of the Property with a County Court Clerk, Secretary of State or Recorder of Deeds without the express consent of the Bank is prohibited.
- (F) Trustee agrees to pay the attorney's fees, court costs and other expenses incurred by Bank as a result of Trustee's default in its obligations as set forth herein.
- (G) This Agreement shall be governed and construed in accordance with the laws of the State of Texas.
- (H) Waiver of any breach or default hereunder, or in any prior transactions, shall not operate as a waiver of subsequent breaches or defaults hereunder, but all rights and remedies of the Bank shall continue notwithstanding any one or more waivers in any prior transactions, or hereunder.

## Authority:

By signing this document, the undersigned officer and/or agent for the Trustee acknowledges that he or she has been authorized and empowered by Trustee by appropriate resolutions to execute this Trust Receipt on Trustee's behalf and to receive the Property described above.

BANK SIGNATURE

BY \_\_\_\_\_

TITLE \_\_\_\_\_

TRUSTEE SIGNATURE

BY 

TITLE District Mgr. MUD Safety

TCMUD002025

GENERAL LEDGER

FIRST FINANCIAL BANK

DEBIT

SLK 5003 (R6009)

DATE

8/11/10

PREPARED BY

*[Signature]*

APP BY

*[Signature]*

ACCOUNT NAME

*Scotchy Club Mud I*

EFF DATE

CONTRA ENTRY

DESCRIPTION / REMARKS

CUSTOMER SIGNATURE

*Scotchy Club Mud I 91500007041*

DESC	COST CENTER	BRANCH CODE	ACCOUNT NUMBER	TRAN CODE	AMOUNT
			* 090 01018621	\$	179,955.00

⑈501106665⑈

CHECKING DEPOSIT

SLK 4003 (R6007)

FIRST FINANCIAL BANK

CREDIT

Checks and other items received for deposit are subject to terms and conditions of this financial institution's account agreement. Deposits may not be available for immediate withdrawal.

DATE

8-11-10

SIGN FOR

LESS CASH

CASH

*Loan Receivables*

91500007041

Vac-Truck

179,955.00

SUB-TOTAL

LESS CASH RECEIVED

AMOUNT \$ 179,955.00

TO:

NAME *Scotchy Club Mud I*

ADDRESS

CITY/STATE/ZIP

ACCOUNT NUMBER

\*91000502534

⑈790445⑈ ⑈501106665⑈



REMIT TO:

Invoice

Page:

1

**UNDERGROUND, INC.**

DEPARTMENT 21  
PO BOX 4986  
HOUSTON, TX 77210-4986

Office 281-485-9900 or 800-373-1318  
Fax 281-485-5953

Invoice Number: 0075621-IN

Invoice Date: 7/29/2010

Order Number:

Order Date

Salesperson: 0004

Customer Number: 01-TROCL

Sold To:

TROPHY CLUB MUD 1  
100 Municipal Dr.  
TROPHY CLUB, TX 76262

Ship To:

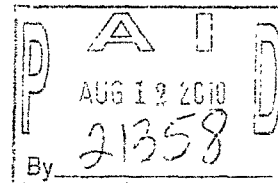
TROPHY CLUB MUD 1  
100 Municipal Dr.  
TROPHY CLUB, TX 76262

Confirm To:		Tracking Numbers:						
ROBERT SCOTT								
Customer P.O.	Ship VIA	F.O.B.		Terms		Check or Credit Card No.		
Robert Scott	SELF DELIVERY	ORIGIN		Due on Receipt				
Item Number		Whse	Unit	Ordered	Shipped	Back Ordered	Price	Amount
MC1007-0085-09		001	EACH	1.00	1.00	0.00	189,600.00	189,600.00
GAPVAX 2009 MC SERIES COMBINAT								
2009 GAPVAX MC SERIES COMBINATION UNIT								
SERIAL NUMBER MC1007-0085-09								
FULL FACTORY WARRANTY TO BE HONORED FROM DATE OF DELIVERY								
V390 LHA		001	EACH	1.00-	1.00-	0.00	85,000.00	85,000.00-
VACCON 2005								
2005 VAC CON TRADE IN								
SERIAL NUMBER 04054259								

Mgr/Dept Head:

Finance Dir: Valley DuRoseTown/MUD Mgr: AD Leach

Description: \_\_\_\_\_

Line Item #: 222 164005 01.5507

All sales are final on electronic components. All returned items are subject to a 25% restocking fee. To find out more information on filing a warranty claim or returning product, please call us at 800.373.1318 or email us at warranty@pipehunter.com. A warranty claim number or RMA number is required before returning product.

Net Invoice:	104,600.00
Less Discount:	0.00
Shipping/Handling:	0.00
Sales Tax:	0.00
Invoice Total:	104,600.00
Less Deposit:	0.00
Invoice Balance:	104,600.00

TCMUD002027

# CERTIFICATE OF ORIGIN FOR A VEHICLE



DATE  
JANUARY 26, 2009

INVOICE NO.  
J90126090

VEHICLE IDENTIFICATION NO.  
1HTWCAZR9J176234

YEAR  
2009

MAKE  
INTERNATIONAL

BODY TYPE

SHIPPING WEIGHT

CAB & CHASSIS

12153

H.P. (S.A.E.)

G.V.W.R.

NO. CYLS.

SERIES OR MODEL

43000

6

7400 SBA 4X2

RATED CARRYING CAPACITY 6.0 TONS

ENGINE NAME

ENGINE NO.

UNIT

MAXXFORCE 9 310HP/2200 GOV

2U3065455

I, the undersigned authorized representative of the company, firm or corporation named below, hereby certify that the new vehicle described above is the property of the said company, firm or corporation and is transferred on the above date and under the Invoice Number indicated to the following distributor or dealer.

NAME OF DISTRIBUTOR, DEALER, ETC.

SANTEX TRUCK CENTERS, LTD  
P.O. BOX 200007  
SAN ANTONIO TX 78220

It is further certified that this was the first transfer of such new vehicle in ordinary trade and commerce.

INTERNATIONAL TRUCK AND ENGINE CORPORATION

BY:

*Ima Purdie*

(SIGNATURE OF AUTHORIZED REPRESENTATIVE)

(AGENT)

1111 NORTHSHORE DR.  
KNOXVILLE, TN 37919-3805

CITY - STATE

INT2215890

DGE-1015-E



\*1HTWCAZR9J176234 \*

469958 226

TCMUD002028



\*00000091500007041%0060%08042010%00000000T000791\*

## AMORTIZATION SCHEDULE

Principal	Loan Date	Maturity	Loan No.	Call / Coll	Account	Officer	Initials
\$179,955.00	08-04-2010	08-04-2015	91500007041	85 / 742	T000791	JSS	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item.  
Any item above containing "\*\*\*\*\*" has been omitted due to text length limitations.

**Borrower:** Trophy Club MUD 1  
100 Municipal Dr  
Trophy Club, TX 76262-5420

**Lender:** First Financial Bank, N.A.  
Trophy Club  
3205 E Hwy 114  
P. O. Box 92840  
Southlake, TX 76092-2840

Disbursement Date: August 4, 2010  
Interest Rate: 3.900

Repayment Schedule: Principal + Interest  
Calculation Method: 365/360 U.S. Rule

Payment Number	Payment Date	Payment Amount	Interest Paid	Principal Paid	Remaining Balance
1	08-04-2011	7,115.72	7,115.72	0.00	179,955.00
2	08-04-2011	35,991.00	0.00	35,991.00	143,964.00
2011 TOTALS:		43,106.72	7,115.72	35,991.00	
3	08-04-2012	5,708.17	5,708.17	0.00	143,964.00
4	08-04-2012	35,991.00	0.00	35,991.00	107,973.00
2012 TOTALS:		41,699.17	5,708.17	35,991.00	
5	08-04-2013	4,269.43	4,269.43	0.00	107,973.00
6	08-04-2013	35,991.00	0.00	35,991.00	71,982.00
2013 TOTALS:		40,260.43	4,269.43	35,991.00	
7	08-04-2014	2,846.29	2,846.29	0.00	71,982.00
8	08-04-2014	35,991.00	0.00	35,991.00	35,991.00
2014 TOTALS:		38,837.29	2,846.29	35,991.00	
9	08-04-2015	37,414.14	1,423.14	35,991.00	0.00
TOTALS:		201,317.75	21,362.75	179,955.00	

**NOTICE:** This is an estimated loan amortization schedule. Actual amounts may vary if payments are made on different dates or in different amounts.

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## Certificate of Coverage

<b>TMLIRP Contract Number:</b> 3464  <b>Member:</b> Trophy Club MUD #1 Ms Terri Sisk Administration Manager 100 Municipal Dr Trophy Club, Texas 76262-5494	<b>Company Affording Coverage:</b> Texas Municipal League Intergovernmental Risk Pool (TMLIRP) PO Box 149194 Austin, TX 78714-9194 (512) 491-2300 or (800) 537-6655 Fax: (512) 491-2404
---	--

**Certificate Holder:**  
 Oshkosh Capital  
 its successors and/or all assigns  
 155 East Broad Street, B4-B230-05-7  
 Columbus, OH 73215

This is to certify that the coverages listed below have been provided to the member and are in effect at this time. Notwithstanding any requirements, terms, or conditions of any other contract or agreement with respect to which this certificate may be issued or may pertain, the coverage afforded by TMLIRP described herein is subject only to the terms, exclusions and additions of TMLIRP's coverage contracts between TMLIRP and its member(s).

Coverage is continuous until canceled.

<b>General Liability</b> Effective Date: 10/1/2014 Anniversary Date: 10/1/2015 Limits of Liability (Each Occurrence): \$3,000,000 Sudden Events Involving Pollution (Each Occurrence): \$2,000,000 Annual Aggregate: \$6,000,000 Deductible per Occurrence: \$5,000 <b>Law Enforcement Liability</b> Effective Date: _____ Anniversary Date: _____ Limits of Liability (Each Occurrence): _____ Annual Aggregate: _____ Deductible per Occurrence: _____ <b>Errors and Omissions Liability</b> Effective Date: _____ Anniversary Date: _____ Limits of Liability (Each Wrongful Act): _____ Annual Aggregate: _____ Deductible per Occurrence: _____	<b>Real &amp; Personal Property</b> Effective Date: _____ Anniversary Date: _____ Limits of Coverage: _____ Deductible per Occurrence: _____ <b>Mobile Equipment</b> Effective Date: _____ Anniversary Date: _____ Limits of Coverage: _____ Deductible per Occurrence: _____ <b>Boiler &amp; Machinery - Broad Form</b> Effective Date: _____ Anniversary Date: _____ Per Accident Limit: _____ Deductible per Occurrence: _____ <table style="width: 100%;"> <tr> <td></td> <td style="text-align: center;">Yes</td> <td style="text-align: center;">No</td> </tr> <tr> <td>Mortgagee</td> <td></td> <td></td> </tr> <tr> <td>Loss Payee</td> <td></td> <td></td> </tr> <tr> <td>Loan Number:</td> <td></td> <td></td> </tr> </table>		Yes	No	Mortgagee			Loss Payee			Loan Number:																													
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<b>Auto Liability</b> Effective Date: 10/1/2014 Anniversary Date: 10/1/2015 Limits of Liability (Each Occurrence): \$1,000,000 Deductible per Occurrence: \$0 <b>Auto Physical Damage</b> Effective Date: 10/1/2014 Anniversary Date: 10/1/2015 Limits of Liability: ACV or Agreed Value as scheduled Collision Deductible: \$500 Comprehensive Deductible: \$500 <table style="width: 100%;"> <tr> <td></td> <td style="text-align: center;">Yes</td> <td style="text-align: center;">No</td> </tr> <tr> <td>Loss Payee</td> <td style="text-align: center;">X</td> <td></td> </tr> </table>		Yes	No	Loss Payee	X		<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Year/Make/Model</th> <th>VIN</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>2015 Pierce 105 Ariel-Arrow XT</td> <td>1P1BCAGF3FA015683</td> <td>1096608</td> </tr> <tr><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td></tr> </tbody> </table>	Year/Make/Model	VIN	Value	2015 Pierce 105 Ariel-Arrow XT	1P1BCAGF3FA015683	1096608																											
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Loss Payee	X																																							
Year/Make/Model	VIN	Value																																						
2015 Pierce 105 Ariel-Arrow XT	1P1BCAGF3FA015683	1096608																																						

**DESCRIPTION:**  
 Evidence of Coverage for 2015 Pierce Fire Truck Certificate Holder is listed under EL201-A - Covered Party-Owner, Lessor or Lienholder, Loss Payable Clause- Automobile Physical Damage

**Cancellation:** Should any of the above described coverages be canceled before the anniversary date thereof, TMLIRP will endeavor to mail 30 days written notice to the above named certificate holder, but failure to mail such notice shall impose no obligation or liability of any kind upon TMLIRP.

**Authorized Representative:** Kris Reim

**Date Issued:**

8/26/2015

X102  
2/10/2015

**TCMUD002030**

**COVERED PARTY – OWNER, LESSOR OR LIENHOLDER  
LOSS PAYABLE CLAUSE - AUTOMOBILE PHYSICAL DAMAGE**

This endorsement forms a part of the **Declarations** to which attached, effective on the inception date of the coverage unless otherwise stated herein, and modifies such coverage as is afforded by the provisions of the coverage shown below:

Entity Name : Trophy Club MUD #1  
Entity ID : 3464  
Effective Date : 9/1/15

**AUTOMOBILE LIABILITY**

It is understood that pursuant to Part IV-A., Section II, paragraph D., of the Liability Coverage Document, coverage is extended to the owner, lessor or lienholder designated below because such coverage is required by **contract**. However, coverage is extended only with respect to liability arising out of the operation, use, loading, unloading, or maintenance of the **automobiles** designated below.

**AUTOMOBILE PHYSICAL DAMAGE**

Loss or damage to the **automobile(s)** described in this endorsement shall be paid as interest may appear to the **fund member** and the loss payee named below. The interest of the loss payee shall not become invalid because of acts or omissions of the **fund member**. However, the **Fund** reserves the right to cancel this self-insurance as permitted by the Interlocal Agreement and the cancellation will terminate this agreement as to the loss payee's interest. The **Fund** will give the same advance notice of cancellation to the loss payee as is given to the **fund member**.

In the event the **Fund** pays the loss payee the **Fund** shall, to the extent of payment, be subrogated to the loss payee's right of recovery.

Owner/Lessor/Lienholder : Oshkosh Capital, its successors and/or all assigns  
Address : 155 East Broad Street, B4-B230-05-7  
City, State & ZIP : Columbus, OH 43215

Designated Automobile(s)

ID	Year	Make	Model	VIN
42	2015	Pierce	105 Ariel-Arrow XT	4P1BCAGF3FA015683

TEXAS MUNICIPAL LEAGUE INTERGOVERNMENTAL RISK POOL

EL201-A  
06/02/06

**TCMUD002031**



## Certificate of Coverage

<b>TMLIRP Contract Number:</b> 3464 <b>Member:</b> Trophy Club MUD #1 Ms Terri Sisk Administration Manager 100 Municipal Dr Trophy Club, Texas 76262-5494	<b>Company Affording Coverage:</b> Texas Municipal League Intergovernmental Risk Pool (TMLIRP) PO Box 149194 Austin, TX 78714-9194 (512) 491-2300 or (800) 537-6655 Fax: (512) 491-2404
---	--

<b>Certificate Holder:</b> Oshkosh Capital its successors and/or all assigns 155 East Broad Street, B4-B230-05-7 Columbus, OH 73215	
---	--

This is to certify that the coverages listed below have been provided to the member and are in effect at this time. Notwithstanding any requirements, terms, or conditions of any other contract or agreement with respect to which this certificate may be issued or may pertain, the coverage afforded by TMLIRP described herein is subject only to the terms, exclusions and additions of TMLIRP's coverage contracts between TMLIRP and its member(s).

Coverage is continuous until canceled.

<b>General Liability</b> Effective Date: 10/1/2015 Anniversary Date: 10/1/2016 Limits of Liability (Each Occurrence): \$3,000,000 Sudden Events Involving Pollution (Each Occurrence): \$2,000,000 Annual Aggregate: \$6,000,000 Deductible per Occurrence: \$5,000 <b>Law Enforcement Liability</b> Effective Date: _____ Anniversary Date: _____ Limits of Liability (Each Occurrence): _____ Annual Aggregate: _____ Deductible per Occurrence: _____ <b>Errors and Omissions Liability</b> Effective Date: _____ Anniversary Date: _____ Limits of Liability (Each Wrongful Act): _____ Annual Aggregate: _____ Deductible per Occurrence: _____	<b>Real &amp; Personal Property</b> Effective Date: _____ Anniversary Date: _____ Limits of Coverage: _____ Deductible per Occurrence: _____ <b>Mobile Equipment</b> Effective Date: _____ Anniversary Date: _____ Limits of Coverage: _____ Deductible per Occurrence: _____ <b>Boiler &amp; Machinery - Broad Form</b> Effective Date: _____ Anniversary Date: _____ Per Accident Limit: _____ Deductible per Occurrence: _____ <table style="width: 100%; border: none;"> <tr> <td></td> <td style="text-align: center;">Yes</td> <td style="text-align: center;">No</td> </tr> <tr> <td>Mortgagee</td> <td style="border: 1px solid black; width: 100px;"></td> <td style="border: 1px solid black; width: 100px;"></td> </tr> <tr> <td>Loss Payee</td> <td style="border: 1px solid black;"></td> <td style="border: 1px solid black;"></td> </tr> <tr> <td>Loan Number</td> <td style="border: 1px solid black;"></td> <td style="border: 1px solid black;"></td> </tr> </table>		Yes	No	Mortgagee			Loss Payee			Loan Number																													
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 Evidence of Coverage for 2015 Pierce Fire Truck Certificate Holder is listed under EL201-A - Covered Party-Owner, Lessor or Lienholder, Loss Payable Clause- Automobile Physical Damage

**Cancellation.** Should any of the above described coverages be canceled before the anniversary date thereof, TMLIRP will endeavor to mail 30 days written notice to the above named certificate holder, but failure to mail such notice shall impose no obligation or liability of any kind upon TMLIRP

Authorized Representative: Kris Reim

Date Issued:

8/26/2015

X102  
2/10/2015

TCMUD002032

**COVERED PARTY – OWNER, LESSOR OR LIENHOLDER  
LOSS PAYABLE CLAUSE - AUTOMOBILE PHYSICAL DAMAGE**

This endorsement forms a part of the **Declarations** to which attached, effective on the inception date of the coverage unless otherwise stated herein, and modifies such coverage as is afforded by the provisions of the coverage shown below:

Entity Name : Trophy Club MUD #1  
Entity ID : 3464  
Effective Date : 10/1/15

**AUTOMOBILE LIABILITY**

It is understood that pursuant to Part IV-A., Section II, paragraph D., of the Liability Coverage Document, coverage is extended to the owner, lessor or lienholder designated below because such coverage is required by **contract**. However, coverage is extended only with respect to liability arising out of the operation, use, loading, unloading, or maintenance of the **automobiles** designated below.

**AUTOMOBILE PHYSICAL DAMAGE**

Loss or damage to the **automobile(s)** described in this endorsement shall be paid as interest may appear to the **fund member** and the loss payee named below. The interest of the loss payee shall not become invalid because of acts or omissions of the **fund member**. However, the **Fund** reserves the right to cancel this self-insurance as permitted by the Interlocal Agreement and the cancellation will terminate this agreement as to the loss payee's interest. The **Fund** will give the same advance notice of cancellation to the loss payee as is given to the **fund member**.

In the event the **Fund** pays the loss payee the **Fund** shall, to the extent of payment, be subrogated to the loss payee's right of recovery.

Owner/Lessor/Lienholder : Oshkosh Capital, its successors and/or all assigns  
Address : 155 East Broad Street, B4-B230-05-7  
City, State & ZIP : Columbus, OH 43215

Designated Automobile(s)

ID	Year	Make	Model	VIN
42	2015	Pierce	105 Ariel-Arrow XT	4P1BCAGF3FA015683

TEXAS MUNICIPAL LEAGUE INTERGOVERNMENTAL RISK POOL

EL201-A  
06/02/06

**TCMUD002033**

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1**

**RESOLUTION NO. 2014-1021**

**RESOLUTION AUTHORIZING THE GENERAL  
MANAGER TO EXECUTE LEASE AGREEMENT**

Principal Amount Expected To Be Financed: \$1,096,608.45

**WHEREAS**, Trophy Club Municipal Utility District No. 1 (the "District") is a political subdivision of the State of Texas, in which the District is located and is duly organized and existing pursuant to the Constitution and laws of the State.

**WHEREAS**, pursuant to applicable law, the governing body of the District ("Governing Body") is authorized to acquire, dispose of and encumber real and personal property, including, without limitation, rights and interest in property, leases and easements necessary to the functions or operations of the District.

**WHEREAS**, the Governing Body hereby finds and determines that the execution of one or more Master Lease-Purchase Agreements ("Leases") in the principal amount not exceeding the amount stated above for the purpose of acquiring the property ("Equipment") to be described in the Leases is appropriate and necessary to the functions and operations of the District.

**WHEREAS**, Oshkosh Capital ("Lessor") shall act as Lessor under said Leases.

**NOW, THEREFORE, BE IT RESOLVED BY TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1, BOARD OF DIRECTORS THAT:**

**Section 1.** The General Manager (the "Authorized Representative") acting on behalf of the District, is hereby authorized to negotiate, enter into, execute, and deliver one or more Leases in substantially the form set forth in the document presently before the Governing Body, which document is available for public inspection at the office of the District. The Authorized Representative acting on behalf of the District is hereby authorized to negotiate, enter into, execute, and deliver such other documents relating to the Lease as the Authorized Representative deems necessary and appropriate. All other related contracts and agreements necessary and incidental to the Leases are hereby authorized.

**Section 2.** By a written instrument signed by any Authorized Representative, said Authorized Representative may designate specifically identified officers or employees of the District to execute and deliver agreements and documents relating to the Leases on behalf of the District.

**Section 3.** The aggregate original principal amount of the Leases shall not exceed the amount stated above and shall bear interest as set forth in the Leases and the Leases shall contain such options to purchase by the District as set forth therein.

**Section 4.** The District's obligations under the Leases shall be subject to annual appropriation or renewal by the Governing Body as set forth in each Lease and the




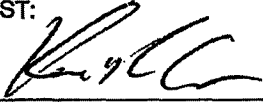
District's obligations under the Leases shall not constitute general obligations of the District or indebtedness under the Constitution or laws of the State of Texas.

**Section 5.** As to each Lease, the District reasonably anticipates to issue not more than \$10,000,000 of tax-exempt obligations (other than "private activity bonds" which are not "qualified 501(c) (3) bonds") during the calendar year in which each such Lease is issued and hereby designates each Lease as a qualified tax-exempt obligation for purposes of Section 265(b) of the Internal Revenue Code of 1986, as amended.

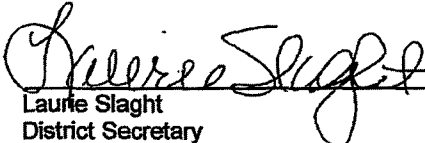
**Section 6.** This resolution shall take effect immediately upon its adoption and approval.

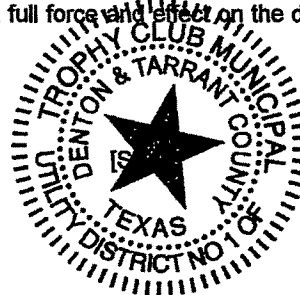
ADOPTED AND APPROVED on this 21<sup>st</sup> day of October, 2014.

  
\_\_\_\_\_  
Jim Moss  
President  
Board of Directors

ATTEST:  
  
\_\_\_\_\_  
Kevin R. Carr  
Secretary/Treasurer  
Board of Directors

The undersigned District Secretary of Trophy Club Municipal Utility District No. 1 hereby certifies and attests that the undersigned has access to the official records of the Governing Body of the District, that the foregoing resolution was duly adopted by said Governing Body of the District at a meeting of said Governing Body and that such resolution has not been amended or altered and are in full force and effect on the date stated below.

  
\_\_\_\_\_  
Laurie Slaght  
District Secretary  
Trophy Club Municipal Utility District No. 1



Date: October 21, 2014

Master Lease-Purchase Agreement  
Between  
TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO.1 AND OSHKOSH CAPITAL

**DOCUMENT INDEX**

- ☐ Master Lease-Purchase Agreement – Sign and provide title on the last page
- ☐ Texas Lease Schedule Addendum – Sign and title
- ☐ Lease Schedule with Schedule A-1 – Sign and title
- ☐ Vehicle Schedule Addendum – Sign and title
- ☐ Incumbency Certificate and Resolution – List your authorized signor(s) and title(s); have secretary or appropriate trustee attest to the information and signature(s) provided by signing and printing his/her name, title and date. **The person who validates the signatures should not sign the lease documents.** The resolution must reflect the title(s) of the individual(s) who have authorization to sign the documents.
- ☐ Opinion of Counsel Letter – Enclosed is a template. Please ask your attorney to prepare on his/her letterhead, and include all of the items in the template.
- ☐ Title - The terms of your contract specify that the Lender be listed as the lienholder and hold the original title during the term of the lease. In addition, we will need a copy of the front and back of the MSO listing Oshkosh Capital, 995 Dalton Ave, Cincinnati, OH 45203 as first lien holder.
- ☐ Insurance Request Form – Fill in your insurer's information and sign. Please contact your insurer, prior to delivery, to obtain a certificate of insurance. Please enclose the certificate with the signed documentation or have the insurer fax the certificate directly to me.
- ☐ Four Party Agreement – Sign and title.
- ☐ Delivery & Acceptance Certificate – **At point of delivery, fill out this form and fax it to me. Please return the original via US Postal Service.**
- ☐ IRS FORM 8038-G – Sign, date, and title.
- ☐ Minutes of Governing Body (approving the purchase & finance of equipment) – Please return a copy with the documents.
- ☐ Sales Tax Exemption Certificate – Please provide an up to date State Sales Tax Exemption Certificate.
- ☐ ***Sales Contract or Purchase Order - please provide a copy of the Sales Contract enter into with Pierce Manufacturing or a copy of the Purchase Order issued to Pierce Manufacturing Inc.***

155 E. Broad St., B4-B230-05-7 ♦ Columbus, Ohio 43215  
phone 800-820-9041 ♦ fax 800-678-0602

## MASTER LEASE – PURCHASE AGREEMENT

Dated as of October 23, 2014

This Master Lease-Purchase Agreement together with all addenda, riders and attachments hereto, as the same may from time to time be amended, modified or supplemented ("Master Lease") is made and entered by and between Oshkosh Capital ("Lessor") and the Lessee identified below ("Lessee").

LESSEE: Trophy Club Municipal Utility District No.1

**1. LEASE OF EQUIPMENT.** Subject to the terms and conditions of this Master Lease, Lessor agrees to lease to Lessee, and Lessee agrees to lease from Lessor, all Equipment described in each Schedule signed from time to time by Lessee and Lessor.

**2. CERTAIN DEFINITIONS.** All terms defined in the Lease are equally applicable to both the singular and plural form of such terms. (a) "Schedule" means each Lease Schedule signed and delivered by Lessee and Lessor, together with all addenda, riders, attachments, certificates and exhibits thereto, as the same may from time to time be amended, modified or supplemented. Lessee and Lessor agree that each Schedule (except as expressly provided in said Schedule) incorporates by reference all of the terms and conditions of the Master Lease. (b) "Lease" means each Schedule and this Master Lease as incorporated into said Schedule. (c) "Equipment" means the property described in each Schedule, together with all attachments, additions, accessions, parts, repairs, improvements, replacements and substitutions thereto. (d) "Lien" means any security interest, lien, mortgage, pledge, encumbrance, judgment, execution, attachment, warrant, writ, levy, other judicial process or claim of any nature whatsoever by or of any person.

**3. LEASE TERM.** The term of the lease of the Equipment described in each Lease ("Lease Term") commences on the first date any of such Equipment is accepted by Lessee pursuant to Section 5 hereof and, unless earlier terminated as expressly provided in the Lease, continues until Lessee's payment and performance in full of all of Lessee's obligations under the Lease.

#### **4. RENT PAYMENTS.**

4.1 For each Lease, Lessee agrees to pay to Lessor the rent payments in the amounts and at the times as set forth in the Schedule A-1 attached to the Schedule ("Rent Payments"). A portion of each Rent Payment is paid as and represents the payment of interest as set forth in the Schedule A-1. Rent Payments will be payable for the Lease Term in U.S. dollars, without notice or demand at the office of Lessor (or such other place as Lessor may designate from time to time in writing).

4.2 If Lessor receives any payment from Lessee after the due date, Lessee shall pay Lessor on demand as a late charge five per cent (5%) of such overdue amount, limited, however, to the maximum amount allowed by law.

4.3 EXCEPT AS SPECIFICALLY PROVIDED IN SECTION 6 HEREOF OR IN ANY WRITTEN MODIFICATION TO THE LEASE SIGNED BY LESSOR, THE OBLIGATION TO PAY RENT PAYMENTS UNDER EACH LEASE SHALL BE ABSOLUTE AND UNCONDITIONAL IN ALL EVENTS AND SHALL NOT BE SUBJECT TO ANY SETOFF, DEFENSE, COUNTERCLAIM, ABATEMENT OR RECOUPMENT FOR ANY REASON WHATSOEVER.

#### **5. DELIVERY; ACCEPTANCE; FUNDING CONDITIONS.**

5.1 Lessee shall arrange for the transportation, delivery and installation of all Equipment to the location specified in the Schedule ("Location") by Equipment suppliers ("Suppliers") selected by Lessee. Lessee shall pay all costs related thereto unless Lessor otherwise agrees to pay such costs as stated in the Schedule.

5.2 Lessee shall accept Equipment as soon as it has been delivered and is operational. Lessee shall evidence its acceptance of any Equipment by signing and delivering to Lessor the applicable

Schedule. If Lessee signs and delivers a Schedule and if all Funding Conditions have been satisfied in full, then Lessor will pay or cause to be paid the costs of such Equipment as stated in the Schedule ("Purchase Price") to the applicable Supplier.

5.3 Lessor shall have no obligation to pay any Purchase Price unless all reasonable conditions, established by Lessor ("Funding Conditions") have been satisfied, including, without limitation, the following: (a) Lessee has signed and delivered the Schedule and its Schedule A-1; (b) no Event of Default shall have occurred and be continuing; (c) no material adverse change shall have occurred in the Internal Revenue Code of 1986, as amended, and the related regulations and rulings thereunder (collectively, the "Code"); (d) no material adverse change shall have occurred in the financial condition of Lessee or any Supplier; (e) the Equipment is reasonably satisfactory to Lessor and is free and clear of any Liens (except Lessor's Liens); (f) all representations of Lessee in the Lease remain true, accurate and complete; and (g) Lessor has received all of the following documents, which shall be reasonably satisfactory, in form and substance, to Lessor: (1) evidence of insurance coverage required by the Lease, (2) an opinion of Lessee's counsel; (3) reasonably detailed invoices for the Equipment; (4) Uniform Commercial Code (UCC) financing statements; (5) copies of resolutions by Lessee's governing body, duly authorizing the Lease and incumbency certificates for the person(s) who will sign the Lease; (6) such documents and certificates relating to the tax-exempt interest payable under the Lease (including, without limitation, IRS Form 8038G or 8038GC) as Lessor may request; and (7) such other documents and information previously identified by Lessor or otherwise reasonably requested by Lessor.

## 6. TERMINATION FOR GOVERNMENTAL NON-APPROPRIATIONS.

6.1 For each Lease, Lessee represents and warrants: that it has appropriated and budgeted the necessary funds to make all Rent Payments required pursuant to such Lease for the remainder of the fiscal year in which the Lease Term commences; and that it intends to make Rent Payments for the full Lease Term as scheduled on the applicable Schedule A-1 so long as funds are appropriated in each fiscal year by its governing body. Lessee reasonably believes that moneys in an amount sufficient to make all Rent Payments can and will lawfully be appropriated and made available therefor. All Rent Payments shall be payable out of the general funds of Lessee or out of other funds legally available therefor. Lessor agrees that the Leases will not be general obligations of Lessee and that the Leases shall not constitute pledges of either the full faith and credit of Lessee or the taxing power of Lessee.

6.2 If Lessee's governing body fails to appropriate sufficient funds in any fiscal year for Rent Payments or other payments due under a Lease and if other funds are not available for such payments, then a "Non-Appropriation Event" shall be deemed to have occurred. If a Non-Appropriation Event occurs, then: (a) Lessee shall give Lessor immediate notice of such Non-Appropriation Event and provide written evidence of such failure by Lessee's governing body; (b) on the Return Date, Lessee shall return to Lessor all, but not less than all, of the Equipment covered by the affected Lease, at Lessee's sole expense, in accordance with Section 21 hereof; and (c) the affected Lease shall terminate on the Return Date without penalty or expense to Lessee, provided, that Lessee shall pay all Rent Payments and other amounts payable under the affected Lease for which funds shall have been appropriated or are otherwise available, provided further, that Lessee shall pay month-to-month rent at the rate set forth in the affected Lease for each month or part thereof that Lessee fails to return the Equipment under this Section 6.2. "Return Date" means the last day of the fiscal year for which appropriations were made for the Rent Payments due under a Lease.

7. NO WARRANTY BY LESSOR. The Equipment is sold "AS IS". LESSEE ACKNOWLEDGES THAT LESSOR DID NOT MANUFACTURE THE EQUIPMENT. LESSOR DOES NOT REPRESENT THE MANUFACTURER, OWNER, OR DEALER, AND LESSEE SELECTED THE EQUIPMENT BASED UPON LESSEE'S OWN JUDGMENT. LESSOR MAKES NO WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR OTHERWISE OR AS TO THE EQUIPMENT'S VALUE, DESIGN, CONDITION, USE, CAPACITY OR DURABILITY. LESSEE AGREES THAT REGARDLESS OF CAUSE, LESSOR IS NOT RESPONSIBLE FOR, AND LESSEE WILL NOT MAKE ANY CLAIM AGAINST LESSOR FOR, ANY DAMAGES, WHETHER CONSEQUENTIAL, DIRECT, SPECIAL OR INDIRECT INCURRED BY LESSEE IN CONNECTION WITH THE EQUIPMENT OR THIS MASTER LEASE - LEASE PURCHASE AGREEMENT. NEITHER THE MANUFACTURER, THE DEALER, NOR ANY SALESPERSON, EMPLOYEE OR AGENT OF THE DEALER OR MANUFACTURER, IS LESSOR'S AGENT OR HAS ANY AUTHORITY TO SPEAK FOR LESSOR OR TO BIND LESSOR IN ANY WAY. For and during the

Lease Term, Lessor hereby assigns to Lessee any manufacturer's or Supplier's product warranties, express or implied, applicable to any Equipment and Lessor authorizes Lessee to obtain the customary services furnished in connection with such warranties at Lessee's sole expense. Lessee agrees that (a) all Equipment will have been purchased by Lessor in accordance with Lessee's specifications from Suppliers selected by Lessee, (b) Lessor is not a manufacturer or dealer of any Equipment and has no liability for the delivery or installation of any Equipment, (c) Lessor assumes no obligation with respect to any manufacturer's or Supplier's product warranties or guaranties, (d) no manufacturer or Supplier or any representative of said parties is an agent of Lessor, and (e) any warranty, representation, guaranty or agreement made by any manufacturer or Supplier or any representative of said parties shall not be binding upon Lessor.

## **8. TITLE; SECURITY INTEREST.**

8.1 Upon Lessee's acceptance of any Equipment under its Lease, title to the Equipment shall vest in Lessee, subject to Lessor's security interest therein and all of Lessor's other rights under such Lease including, without limitation, Sections 6, 20 and 21 hereof.

8.2 As collateral security for the Secured Obligations, Lessee hereby grants to Lessor a first priority security interest in any and all of the Equipment (now existing or hereafter acquired) and any and all proceeds thereof. Lessee agrees to execute and deliver to Lessor all necessary documents to evidence and perfect such security interest, including, without limitation, Uniform Commercial Code (UCC) financing statements and any amendments thereto.

8.3 "Secured Obligations" means Lessee's obligations to pay all Rent Payments and all other amounts due and payable under all present and future Leases and to perform and observe all covenants, agreements and conditions (direct or indirect, absolute or contingent, due or to become due, or existing or hereafter arising) of Lessee under all present and future Leases.

**9. PERSONAL PROPERTY.** All Equipment is and will remain personal property and will not be deemed to be affixed or attached to real estate or any building thereon.

**10. MAINTENANCE AND OPERATION.** Lessee agrees it shall, at its sole expense: (a) repair and maintain all Equipment in good condition and working order, in accordance with manufacturer's instructions, and supply and install all replacement parts or other devices when required to so maintain the Equipment or when required by applicable law or regulation, which parts or devices shall automatically become part of the Equipment; and (b) use and operate all Equipment in a careful manner in the normal course of its operations and only for the purposes for which it was designed in accordance with the manufacturer's warranty requirements, and comply with all laws and regulations relating to the Equipment. If any Equipment is customarily covered by a maintenance agreement, Lessee will furnish Lessor with a maintenance agreement by a party reasonably satisfactory to Lessor. No maintenance or other service for any Equipment will be provided by Lessor. Lessee will not make any alterations, additions or improvements ("Improvements") to any Equipment without Lessor's prior written consent unless the Improvements may be readily removed without damage to the operation, value or utility of such Equipment, but any such Improvements not removed prior to the termination of the applicable Lease shall automatically become part of the Equipment.

**11. LOCATION; INSPECTION.** Equipment will not be removed from, or if Equipment is rolling stock its permanent base will not be changed from, the Location without Lessor's prior written consent which will not be unreasonably withheld. Upon reasonable notice to Lessee, Lessor may enter the Location or elsewhere during normal business hours to inspect the Equipment.

## **12. LIENS, SUBLEASES AND TAXES.**

12.1 Lessee shall keep all Equipment free and clear of all Liens except those Liens created under its Lease. Lessee shall not sublet or lend any Equipment or permit it to be used by anyone other than Lessee or Lessee's employees.

12.2 Lessee shall pay when due all Taxes which may now or hereafter be imposed upon any Equipment or its ownership, leasing, rental, sale, purchase, possession or use, upon any Lease or upon any Rent Payments or any other payments due under any Lease. If Lessee fails to pay such Taxes when

due, Lessor shall have the right, but not the obligation, to pay such Taxes. If Lessor pays any such Taxes, then Lessee shall, upon demand, immediately reimburse Lessor therefor. "Taxes" means present and future taxes, levies, duties, assessments or other governmental charges that are not based on the net income of Lessor, whether they are assessed to or payable by Lessee or Lessor, including, without limitation (a) sales, use, excise, licensing, registration, titling, gross receipts, stamp and personal property taxes, and (b) interest, penalties or fines on any of the foregoing.

### 13. RISK OF LOSS.

13.1 Lessee bears the entire risk of loss, theft, damage or destruction of any Equipment in whole or in part from any reason whatsoever ("Casualty Loss"). No Casualty Loss to any Equipment shall relieve Lessee from the obligation to make any Rent Payments or to perform any other obligation under any Lease. Proceeds of any insurance recovery will be applied to Lessee's obligations under this Section 13.

13.2 If a Casualty Loss occurs to any Equipment, Lessee shall immediately notify Lessor of the same and Lessee shall, unless otherwise directed by Lessor, immediately repair the same.

13.3 If Lessor determines that any item of Equipment has suffered a Casualty Loss beyond repair ("Lost Equipment"), then Lessee shall either: (a) immediately replace the Lost Equipment with similar equipment in good repair, condition and working order free and clear of any Liens (except Lessor's Liens) and deliver to Lessor a bill of sale covering the replacement equipment, in which event such replacement equipment shall automatically be Equipment under the applicable Lease; or (b) on the next scheduled Rent Payment date, pay Lessor (i) all amounts owed by Lessee under the applicable Lease, including the Rent Payment due on such date plus (ii) an amount equal to the applicable Termination Value set forth in the Payment Schedule to the applicable Lease. If Lessee is making such payment with respect to less than all of the Equipment under a Lease, then Lessor will provide Lessee with the pro rata amount of the Rent Payment and Termination Value to be paid by Lessee with respect to the Lost Equipment.

13.4 Lessee shall bear the risk of loss for, shall pay directly, and shall defend against any and all claims, liabilities, proceedings, actions, expenses (including reasonable attorney's fees), damages or losses arising under or related to any Equipment, including, but not limited to, the possession, ownership, lease, use or operation thereof. These obligations of Lessee shall survive any expiration or termination of any Lease. Lessee shall not bear the risk of loss of, nor pay for, any claims, liabilities, proceedings, actions, expenses (including attorney's fees), damages or losses which arise directly from events occurring after any Equipment has been returned by Lessee to Lessor in accordance with the terms of the applicable Lease or which arise directly from the gross negligence or willful misconduct of Lessor.

### 14. INSURANCE.

14.1 (a) Lessee at its sole expense shall at all times keep all Equipment insured against all risks of loss or damage from every cause whatsoever for an amount not less than the Termination Value of the Equipment. Proceeds of any such insurance covering damage or loss of any Equipment shall be payable to Lessor as loss payee. (b) The Total Amount Financed as set forth on the Schedule A-1 does not include the payment of any premium for any liability insurance coverage for bodily injury and/or property damage caused to others and no such insurance will be purchased by Lessor. (c) Lessee at its sole expense shall at all times carry public liability and property damage insurance in amounts reasonably satisfactory to Lessor protecting Lessee and Lessor from liabilities for injuries to persons and damage to property of others relating in any way to any Equipment. Proceeds of any such public liability or property insurance shall be payable first to Lessor as additional insured to the extent of its liability, and then to Lessee.

14.2 All insurers shall be reasonably satisfactory to Lessor. Lessee shall promptly deliver to Lessor satisfactory evidence of required insurance coverage and all renewals and replacements thereof. Each insurance policy will require that the insurer give Lessor at least 30 days prior written notice of any cancellation of such policy and will require that Lessor's interests remain insured regardless of any act, error, misrepresentation, omission or neglect of Lessee. The insurance maintained by Lessee shall be primary without any right of contribution from insurance which may be maintained by Lessor.

15. **PURCHASE OPTION.** Upon thirty (30) days prior written notice by Lessee to Lessor, and so long as there is no Event of Default then existing, Lessee shall have the option to purchase all, but not less than

all, of the Equipment covered by a Lease on any Rent Payment due date by paying to Lessor all Rent Payments then due (including accrued interest, if any) plus the Termination Value amount set forth on the Payment Schedule to the applicable Lease for such date. Upon satisfaction by Lessee of such purchase conditions, Lessor shall release its Lien on such Equipment and Lessee shall retain its title to such Equipment "AS-IS, WHERE-IS," without representation or warranty by Lessor, express or implied, except for a representation that such Equipment is free and clear of any Liens created by Lessor.

**16. LESSEE'S REPRESENTATIONS AND WARRANTIES.** With respect to each Lease and its Equipment, Lessee hereby represents and warrants to Lessor that:

(a) Lessee has full power, authority and legal right to execute and deliver the Lease and to perform its obligations under the Lease, and all such actions have been duly authorized by appropriate findings and actions of Lessee's governing body;

(b) the Lease has been duly executed and delivered by Lessee and constitutes a legal, valid and binding obligation of Lessee, enforceable in accordance with its terms;

(c) the Lease is authorized under, and the authorization, execution and delivery of the Lease complies with, all applicable federal, state and local laws and regulations (including, but not limited to, all open meeting, public bidding and property acquisition laws) and all applicable judgments and court orders;

(d) the execution, delivery and performance by Lessee of its obligations under the Lease will not result in a breach or violation of, nor constitute a default under, any agreement, lease or other instrument to which Lessee is a party or by which Lessee's properties may be bound or affected;

(e) there is no pending, or to the best of Lessee's knowledge threatened, litigation of any nature which may have a material adverse effect on Lessee's ability to perform its obligations under the Lease; and

(f) Lessee is a state, or a political subdivision thereof, as referred to in Section 103 of the Code, and Lessee's obligation under the Lease constitutes an enforceable obligation issued on behalf of a state or a political subdivision thereof.

**17. TAX COVENANTS.** Lessee hereby covenants and agrees that:

(a) Lessee shall comply with all of the requirements of Section 149(a) and Section 149(e) of the Code, as the same may be amended from time to time, and such compliance shall include, but not be limited to, keeping a complete and accurate record of any assignments of any Lease and executing and filing Internal Revenue Form 8038G or 8038GC, as the case may be, and any other information statements reasonably requested by Lessor;

(b) Lessee shall not do (or cause to be done) any act which will cause, or by omission of any act allow, any Lease to be an "arbitrage bond" within the meaning of Section 148(a) of the Code or any Lease to be a "private activity bond" within the meaning of Section 141(a) of the Code; and

(c) Lessee shall not do (or cause to be done) any act which will cause, or by omission of any act allow, the interest portion of any Rent Payments to be or become includable in gross income for Federal income taxation purposes under the Code.

(d) If Lessor either (i) receives notice, in any form, from the IRS; or (ii) reasonably determines, based on an opinion of independent tax counsel selected by Lessor and approved by Lessee, which approval Lessee shall not unreasonably withhold, that Lessor may not exclude the interest component of any Rent Payment under a Tax-Exempt Lease from federal gross income because Lessee breached a covenant contained herein, then Lessee shall pay to Lessor, within thirty (30) days after Lessor notifies Lessee of such determination, the amount which, with respect to Rent Payments previously paid and taking into account all penalties, fines, interest and additions to tax (including all federal, state and local taxes imposed on the interest component of all Rent Payments under such Tax-Exempt Lease due through the date of such event) that are imposed on Lessor as a result of the loss of the exclusion, will restore to Lessor the same after-tax yield on the transaction evidenced by such Tax-Exempt Lease

(assuming tax at the highest marginal corporate tax rate) that it would have realized had the exclusion not been lost. Additionally, Lessee agrees that upon the occurrence of such an event with respect to a Tax-Exempt Lease, it shall pay additional rent to Lessor on each succeeding Rent Payment due date in such amount as will maintain such after-tax yield to Lessor. Lessor's determination of the amount necessary to maintain its after-tax yield as provided in this subsection (b) shall be conclusive (absent manifest error). Notwithstanding anything in a Tax-Exempt Lease to the contrary, any payment that Lessee is required to make pursuant to this subsection (b) shall be made only from Legally Available Funds.

#### 18. ASSIGNMENT.

18.1 Lessee shall not assign, transfer, pledge, hypothecate, nor grant any Lien on, nor otherwise dispose of, any Lease or any Equipment or any interest in any Lease or Equipment.

18.2 Lessor may assign its rights, title and interest in and to any Lease or any Equipment, and/or may grant or assign a security interest in any Lease and its Equipment, in whole or in part, to any party at any time. Any such assignee or lien holder (an "Assignee") shall have all of the rights of Lessor under the applicable Lease. **LESSEE AGREES NOT TO ASSERT AGAINST ANY ASSIGNEE ANY CLAIMS, ABATEMENTS, SETOFFS, COUNTERCLAIMS, RECOUPMENT OR ANY OTHER SIMILAR DEFENSES WHICH LESSEE MAY HAVE AGAINST LESSOR.** Unless otherwise agreed by Lessee in writing, any such assignment transaction shall not release Lessor from any of Lessor's obligations under the applicable Lease. An assignment or reassignment of any of Lessor's right, title or interest in a Lease or its Equipment shall be enforceable against Lessee only after Lessee receives a written notice of assignment which discloses the name and address of each such Assignee. Lessee shall keep a complete and accurate record of all such assignments in the form necessary to comply with Section 149(a) of the Code. Lessee agrees to acknowledge in writing any such assignments if so requested.

18.3 Each Assignee of a Lease hereby agrees that: (a) the term Secured Obligations as used in Section 8.3 hereof is hereby amended to include and apply to all obligations of Lessee under the Assigned Leases and to exclude the obligations of Lessee under any Non-Assigned Leases; (b) said Assignee shall have no Lien on, nor any claim to, nor any interest of any kind in, any Non-Assigned Leases; and (c) Assignee shall exercise its rights, benefits and remedies as the assignee of Lessor (including, without limitation, the remedies under Section 20 of the Master Lease) solely with respect to the Assigned Leases. "Assigned Leases" means only those Leases which have been assigned to an Assignee pursuant to a written agreement; and "Non-Assigned Leases" means all Leases excluding the Assigned Leases.

18.4 Subject to the foregoing, each Lease inures to the benefit of and is binding upon the heirs, executors, administrators, successors and assigns of the parties hereto.

19. **EVENTS OF DEFAULT.** For each Lease, "Event of Default" means the occurrence of any one or more of the following events as they may relate to such Lease: (a) Lessee fails to make any Rent Payment (or any other payment) as it becomes due in accordance with the terms of the Lease, and any such failure continues for ten (10) days after the due date thereof; (b) Lessee fails to perform or observe any of its obligations under Sections 12.1, 14 or 18.1 hereof; (c) Lessee fails to perform or observe any other covenant, condition or agreement to be performed or observed by it under the Lease and such failure is not cured within thirty (30) days after receipt of written notice thereof by Lessor; (d) any statement, representation or warranty made by Lessee in the Lease or in any writing delivered by Lessee pursuant thereto or in connection therewith proves at any time to have been false, misleading or erroneous in any material respect as of the time when made; (e) Lessee applies for or consents to the appointment of a receiver, trustee, conservator or liquidator of Lessee or of all or a substantial part of its assets, or a petition for relief is filed by Lessee under any federal or state bankruptcy, insolvency or similar law, or a petition in a proceeding under any federal or state bankruptcy, insolvency or similar law is filed against Lessee and is not dismissed within sixty (60) days thereafter; or (f) Lessee shall be in default under any other Lease or under any other financing agreement executed at any time with Lessor.

20. **REMEDIES.** If any Event of Default occurs, then Lessor may, at its option, exercise any one or more of the following remedies: