

EXHIBIT A
PAYING AGENT/REGISTRAR AGREEMENT
See Tab 7

EXHIBIT B

DESCRIPTION OF ANNUAL FINANCIAL INFORMATION AND OPERATING DATA

Information and Data

The following information and data with respect to the District referred to in Section 31 of this Order are the quantitative financial information and operating data specified and included in the Appendix or under the headings of the Official Statement referred to below:

1. The financial statements of the District appended to the Official Statement as Appendix D for the most recently concluded fiscal year.
2. The information in Tables 1, 12 and 13 of Appendix A to the Official Statement.

Accounting Principles

The accounting principles referred to in such Section with respect to the District are the accounting principles described in the notes to the financial statements referred to in paragraph 1 above.

PAYING AGENT/REGISTRAR AGREEMENT

THIS AGREEMENT is entered into as of December 4, 2014 (this "Agreement"), by and between BOKF, NA dba Bank of Texas, a banking association duly organized and existing under the laws of the United States of America, or its successors (the "Bank") and the Trophy Club Municipal Utility District No. 1 (the "Issuer"),

RECITALS

WHEREAS, the Issuer has duly authorized and provided for the issuance of its "Trophy Club Municipal Utility District No. 1 Unlimited Tax Bonds, Series 2014" (the "Securities"), dated December 15, 2014, which Securities scheduled to be delivered to the initial purchasers on or about December 23, 2014; and

WHEREAS, the Issuer has selected the Bank to serve as Paying Agent/Registrar in connection with the payment of the principal of, premium, if any, and interest on said Securities and with respect to the registration, transfer and exchange thereof by the registered owners thereof; and

WHEREAS, the Bank has agreed to serve in such capacities for and on behalf of the Issuer and has full power and authority to perform and serve as Paying Agent/Registrar for the Securities;

NOW, THEREFORE, it is mutually agreed as follows:

ARTICLE ONE

APPOINTMENT OF BANK AS PAYING AGENT AND REGISTRAR

Section 1.01: **Appointment**. The Issuer hereby appoints the Bank to serve as Paying Agent with respect to the Securities, and, as Paying Agent for the Securities, the Bank shall be responsible for paying on behalf of the Issuer the principal, premium (if any), and interest on the Securities as the same become due and payable to the registered owners thereof; all in accordance with this Agreement and the "Bond Resolution" (hereinafter defined). The Issuer hereby appoints the Bank as Registrar with respect to the Securities and, as Registrar for the Securities, the Bank shall keep and maintain for and on behalf of the Issuer books and records as to the ownership of said Securities and with respect to the transfer and exchange thereof as provided herein and in the Bond Resolution.

The Bank hereby accepts its appointment, and agrees to serve as the Paying Agent and Registrar for the Securities.

Section 1.02: **Compensation**. As compensation for the Bank's services as Paying Agent/Registrar, the Issuer hereby agrees to pay the Bank the fees and amounts set forth in **Annex A** attached.

In addition, the Issuer agrees to reimburse the Bank upon its request for all reasonable expenses, disbursements and advances incurred or made by the Bank in accordance with any of the provisions hereof (including the reasonable compensation and the expenses and disbursements of its agents and counsel).

ARTICLE TWO DEFINITIONS

Section 2.01: **Definitions.** For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

"Acceleration Date" on any Security means the date on and after which, the principal or any or all installments of interest, or both, are due and payable on any Security which has become accelerated pursuant to the terms of the Security.

"Bank Office" means the designated office of the Bank at the address shown in Section 3.01.

"Bond Resolution" means the resolution, order, or ordinance of the governing body of the Issuer pursuant to which the Securities are issued, as the same may be amended or modified, including any pricing certificate related thereto, certified by the secretary or any other officer of the Issuer and delivered to the Bank.

"Holder" and "Security Holder" each means the Person in whose name a Security is registered in the Security Register.

"Person" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision of a government.

"Predecessor Securities" of any particular Security means every previous Security evidencing all or a portion of the same obligation as that evidenced by such particular Security (and, for the purposes of this definition, any mutilated, lost, destroyed, or stolen Security for which a replacement Security has been registered and delivered in lieu thereof pursuant to Section 4.06 hereof and the Bond Resolution).

"Redemption Date", when used with respect to any Security to be redeemed, means the date fixed for such redemption pursuant to the terms of the Bond Resolution.

"Responsible Officer", when used with respect to the Bank, means the Chairman or Vice-Chairman of the Board of Directors, the Chairman or Vice-Chairman of the Executive Committee of the Board of Directors, the President, any Vice President, the Secretary, any Assistant Secretary, the Treasurer, any Assistant Treasurer, the Cashier, any Assistant Cashier, any Trust Officer or Assistant Trust Officer, or any other officer of the Bank customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Security Register" means a register maintained by the Bank on behalf of the Issuer providing for the registration and transfers of Securities.

"Stated Maturity" means the date specified in the Bond Resolution the principal of a Security is scheduled to be due and payable.

Section 2.02: **Other Definitions.** The terms "Bank," "Issuer," and "Securities (Security)" have the meanings assigned to them in the recital paragraphs of this Agreement.

The term "Paying Agent/Registrar" refers to the Bank in the performance of the duties and functions of this Agreement.

ARTICLE THREE PAYING AGENT

Section 3.01: **Duties of Paying Agent.** As Paying Agent, the Bank shall pay, provided adequate collected funds have been provided to it for such purpose by or on behalf of the Issuer, on behalf of the Issuer the principal of each Security at its Stated Maturity, Redemption Date or Acceleration Date, to the Holder upon surrender of the Security to the Bank at the following address:

Bank of Texas Corporate Trust Services
111 Fillmore Avenue East
St. Paul, MN 55107-1402

As Paying Agent, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the Issuer, pay on behalf of the Issuer the interest on each Security when due, by computing the amount of interest to be paid each Holder and making payment thereof to the Holders of the Securities (or their Predecessor Securities) on the Record Date (as defined in the Bond Resolution). All payments of principal and/or interest on the Securities to the registered owners shall be accomplished (1) by the issuance of checks, payable to the registered owners, drawn on the fiduciary account provided in Section 5.05 hereof, sent by United States mail, first class postage prepaid, to the address appearing on the Security Register or (2) by such other method, acceptable to the Bank, requested in writing by the Holder at the Holder's risk and expense.

Section 3.02: **Payment Dates.** The Issuer hereby instructs the Bank to pay the principal of and interest on the Securities on the dates specified in the Bond Resolution.

ARTICLE FOUR REGISTRAR

Section 4.01: **Security Register - Transfers and Exchanges.** The Bank agrees to keep and maintain for and on behalf of the Issuer at the Bank Office books and records (herein sometimes referred to as the "Security Register") for recording the names and addresses of the Holders of the Securities, the transfer, exchange and replacement of the Securities and the payment of the principal of and interest on the Securities to the Holders and containing such other information as may be reasonably required by the Issuer and subject to such reasonable regulations as the Issuer and Bank may prescribe. All transfers, exchanges and replacement of Securities shall be noted in the Security Register.

Every Security surrendered for transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer, the signature on which has been guaranteed by an officer of a federal or state bank or a member of the National Association of Securities

Dealers, in a form satisfactory to the Bank and duly executed by the Holder thereof or his agent duly authorized in writing.

The Bank may request any supporting documentation it feels necessary to effect a re-registration; transfer or exchange of the Securities.

To the extent possible and under reasonable circumstances, the Bank agrees that, in relation to an exchange or transfer of Securities, the exchange or transfer by the Holders thereof will be completed and new Securities delivered to the Holder or the assignee of the Holder in not more than three (3) business days after the receipt of the Securities to be cancelled in an exchange or transfer and the written instrument of transfer or request for exchange duly executed by the Holder, or his duly authorized agent, in form and manner satisfactory to the Paying Agent/Registrar.

Section 4.02: **Securities**. The Issuer shall provide an adequate inventory of printed Securities when needed to facilitate transfers or exchanges thereof. The Bank covenants that the inventory of printed Securities will be kept in safekeeping pending their use and reasonable care will be exercised by the Bank in maintaining such Securities in safekeeping, which shall be not less than the care maintained by the Bank for debt securities of other governments or corporations for which it serves as registrar, or that is maintained for its own securities.

Section 4.03: **Form of Security Register**. The Bank, as Registrar, will maintain the Security Register relating to the registration, payment, transfer and exchange of the Securities in accordance with the Bank's general practices and procedures in effect from time to time. The Bank shall not be obligated to maintain such Security Register in any form other than those which the Bank has currently available and currently utilizes at the time.

The Security Register may be maintained in written form or in any other form capable of being converted into written form within a reasonable time.

Section 4.04: **List of Security Holders**. The Bank will provide the Issuer at any time requested by the Issuer, upon payment of the required fee, a copy of the information contained in the Security Register. The Issuer may also inspect the information contained in the Security Register at any time the Bank is customarily open for business, provided that reasonable time is allowed the Bank to provide an up-to-date listing or to convert the information into written form.

The Bank will not release or disclose the contents of the Security Register to any person other than to, or at the written request of, an authorized officer or employee of the Issuer, except upon receipt of a court order or as otherwise required by law. Upon receipt of a court order and prior to the release or disclosure of the contents of the Security Register, the Bank will notify the Issuer so that the Issuer may contest the court order or such release or disclosure of the contents of the Security Register.

Section 4.05: **Return of Cancelled Securities**. The Bank will, at such reasonable intervals as it determines, surrender to the Issuer, all Securities in lieu of which or in exchange for which other Securities have been issued, or which have been paid.

Section 4.06: **Mutilated, Destroyed, Lost or Stolen Securities**. The Issuer hereby instructs the Bank, subject to the provisions of the Bond Resolution, to deliver and issue Securities in exchange for or in lieu of mutilated, destroyed, lost, or stolen Securities as long as the same does not result in an overissuance.

In case any Security shall be mutilated, destroyed, lost or stolen, the Bank may execute and deliver a replacement Security of like form and tenor, and in the same denomination and bearing a number not contemporaneously outstanding, in exchange and substitution for such mutilated Security, or in lieu of and in substitution for such mutilated, destroyed, lost or stolen Security, only upon the approval of the Issuer and after (i) the filing by the Holder thereof with the Bank of evidence satisfactory to the Bank of the destruction, loss or theft of such Security, and of the authenticity of the ownership thereof and (ii) the furnishing to the Bank of indemnification in an amount satisfactory to hold the Issuer and the Bank harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Security shall be borne by the Holder of the Security mutilated, destroyed, lost or stolen.

Section 4.07: **Transaction Information to Issuer.** The Bank will, within a reasonable time after receipt of written request from the Issuer, furnish the Issuer information as to the Securities it has paid pursuant to Section 3.01, Securities it has delivered upon the transfer or exchange of any Securities pursuant to Section 4.01, and Securities it has delivered in exchange for or in lieu of mutilated, destroyed, lost, or stolen Securities pursuant to Section 4.06.

ARTICLE FIVE THE BANK

Section 5.01: **Duties of Bank.** The Bank undertakes to perform the duties set forth herein and agrees to use reasonable care in the performance thereof.

Section 5.02: **Reliance on Documents, Etc.**

(a) The Bank may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, on certificates or opinions furnished to the Bank.

(b) The Bank shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Bank was negligent in ascertaining the pertinent facts.

(c) No provisions of this Agreement shall require the Bank to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity satisfactory to it against such risks or liability is not assured to it.

(d) The Bank may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. Without limiting the generality of the foregoing statement, the Bank need not examine the ownership of any Securities, but is protected in acting upon receipt of Securities containing an endorsement or instruction of transfer or power of transfer which appears on its face to be signed by the Holder or an agent of the Holder. The Bank shall not be bound to make any investigation into the facts or matters stated in a resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security or other paper or document supplied by the Issuer.

(e) The Bank may consult with counsel, and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection with respect to any action taken, suffered, or omitted by it hereunder in good faith and in reliance thereon.

(f) The Bank may exercise any of the powers hereunder and perform any duties hereunder either directly or by or through agents or attorneys of the Bank.

Section 5.03: **Recitals of Issuer.** The recitals contained herein with respect to the Issuer and in the Securities shall be taken as the statements of the Issuer, and the Bank assumes no responsibility for their correctness.

The Bank shall in no event be liable to the Issuer, any Holder or Holders of any Security, or any other Person for any amount due on any Security from its own funds.

Section 5.04: **May Hold Securities.** The Bank, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with the Issuer with the same rights it would have if it were not the Paying Agent/Registrar, or any other agent.

Section 5.05: **Moneys Held by Bank - Fiduciary account/Collateralization.** A fiduciary account shall at all times be kept and maintained by the Bank for the receipt, safekeeping, and disbursement of moneys received from the Issuer hereunder for the payment of the Securities, and money deposited to the credit of such account until paid to the Holders of the Securities shall be continuously collateralized by securities or obligations which qualify and are eligible under both the laws of the State of Texas and the laws of the United States of America to secure and be pledged as collateral for fiduciary accounts to the extent such money is not insured by the Federal Deposit Insurance Corporation. Payments made from such fiduciary account shall be made by check drawn on such account unless the owner of the Securities shall, at its own expense and risk, request such other medium payment.

The Bank is not obligated to pay interest on any money received by it under this Agreement.

Subject to the applicable unclaimed property laws of the State of Texas, any money deposited with the Bank for the payment of the principal, premium (if any), or interest on any Security and remaining unclaimed for three years after final maturity of the Security has become due and payable will be paid by the Bank to the Issuer, and the Holder of such Security shall thereafter look only to the Issuer for payment thereof, and all liability of the Bank with respect to such moneys shall thereafter cease.

Section 5.06: **Indemnification.** To the extent permitted by law, the Issuer agrees to indemnify the Bank, its directors, officers and employees, for, and hold it harmless against, any loss, liability, or expense incurred without negligence or bad faith on its part, arising out of or in connection with its acceptance or administration of its duties hereunder, including the cost and expense against any claim or liability in connection with the exercise or performance of any of its powers or duties under this Agreement.

Section 5.07: **Interpleader.** The Issuer and the Bank agree that the Bank may seek adjudication of any adverse claim, demand, or controversy over its person as well as funds on deposit, in either a Federal or State District Court located in the State and County where the administrative offices of the Issuer is located, and agree that service of process by certified or registered mail, return receipt requested, to the address referred to in Section 6.03 of this

Agreement shall constitute adequate service. The Issuer and the Bank further agree that the Bank has the right to file a Bill of Interpleader in any court of competent jurisdiction in the State of Texas to determine the rights of any Person claiming any interest herein.

Section 5.08: **DTC Services**. It is hereby represented and warranted that, in the event the Securities are otherwise qualified and accepted for "Depository Trust Company" services or equivalent depository trust services by other organizations, the Bank has the capability and, to the extent within its control, will comply with the "Operational Arrangements", which establishes requirements for securities to be eligible for such type depository trust services, including, but not limited to, requirements for the timeliness of payments and funds availability, transfer turnaround time, and notification of redemptions and calls.

ARTICLE SIX MISCELLANEOUS PROVISIONS

Section 6.01: **Amendment**. This Agreement may be amended only by an agreement in writing signed by both of the parties hereto.

Section 6.02: **Assignment**. This Agreement may not be assigned by either party without the prior written consent of the other.

Section 6.03: **Notices**. Any request, demand, authorization, direction, notice, consent, waiver, or other document provided or permitted hereby to be given or furnished to the Issuer or the Bank shall be mailed or delivered to the Issuer or the Bank, respectively, at the addresses shown on the signature page hereof.

Section 6.04: **Effect of Headings**. The Article and Section headings herein are for convenience of reference only and shall not affect the construction hereof.

Section 6.05: **Successors and Assigns**. All covenants and agreements herein by the Issuer shall bind its successors and assigns, whether so expressed or not.

Section 6.06: **Severability**. In case any provision herein shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 6.07: **Benefits of Agreement**. Nothing herein, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy, or claim hereunder.

Section 6.08: **Entire Agreement**. This Agreement and the Bond Resolution constitute the entire agreement between the parties hereto relative to the Bank acting as Paying Agent/Registrar and if any conflict exists between this Agreement and the Bond Resolution, the Bond Resolution shall govern.

Section 6.09: **Counterparts**. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute one and the same Agreement.

Section 6.10: **Termination**. This Agreement will terminate (i) on the date of final payment of the principal of and interest on the Securities to the Holders thereof or (ii) may be

earlier terminated by either party upon sixty (60) days written notice; provided, however, an early termination of this Agreement by either party shall not be effective until (a) a successor Paying Agent/Registrar has been appointed by the Issuer and such appointment accepted and (b) notice given to the Holders of the Securities of the appointment of a successor Paying Agent/Registrar. Furthermore, the Bank and Issuer mutually agree that the effective date of an early termination of this Agreement shall not occur at any time which would disrupt, delay or otherwise adversely affect the payment of the Securities.

The resigning Paying Agent/Registrar may petition any court of competent jurisdiction for the appointment of a successor Paying Agent/Registrar if an instrument of acceptance by a successor Paying Agent/Registrar has not been delivered to the resigning Paying Agent/Registrar within sixty (60) days after the giving of such notice of resignation.

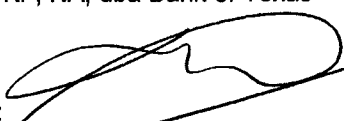
Upon an early termination of this Agreement, the Bank agrees to promptly transfer and deliver the Security Register (or a copy thereof), together with other pertinent books and records relating to the Securities, to the successor Paying Agent/Registrar designated and appointed by the Issuer.

Section 6.11: **Governing Law.** This Agreement shall be construed in accordance with and governed by the laws of the State of Texas.

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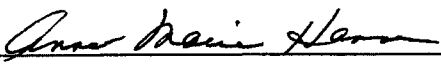
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

BOKF, NA, dba Bank of Texas

By: 
JOSE A. GAYTAN JR.
Title: VICE PRESIDENT

Address: 100 Congress Avenue, Suite 250
Austin, Texas 78701

Attest:


Trust Officer
Title: _____

TROPHY CLUB MUNICIPAL UTILITY
DISTRICT NO. 1

By: 
President, Board of Directors

Address: 100 Municipal Drive
Trophy Club, Texas 76262

Attest:


Secretary, Board of Directors

ANNEX A



\$5,765,000
TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
UNLIMITED TAX BONDS, SERIES 2014

PAYING AGENT/REGISTRAR

Schedule of Fees

Acceptance Fee: **\$ 0**

Annual Administration Fee: **\$400.00**
(Billed Semi-Annually @ \$200.00 w/ Debt Service)

For ordinary administration services by Paying Agent/Registrar – includes daily routine account management; investment transactions; cash transaction processing in accordance with the agreement; and mailing of trust account statements to all applicable parties. Float credit received by the bank for receiving funds that remain uninvested are deemed part of the Paying Agent's compensation.

Call or Redemption of Bonds **At Cost**
Cost includes distribution to holders of record, redemption processing and notification through EMMA. Any and all publication expenses including Bond Buyer, Regional and Financial Periodicals for the call notice will be billed to the Issuer at cost.

Charges for performing extraordinary or other services not contemplated at the time of the execution of the transaction or not specifically covered elsewhere in this schedule will be determined by appraisal in the amounts commensurate with the service provided. Counsel fees, if ever retained as a result of a default, or other extraordinary occurrences on behalf of the bondholders or Bank of Texas, will be billed at cost.

Services not included in this Fee Schedule, but deemed necessary or desirable by you, may be subject to additional charges. Our proposal is subject in all aspects to review and acceptance of the final financing documents which sets forth our duties and responsibilities.

Jose Gaytan
Vice President
Tel: 512.813.2002
Fax: 512.813.2020
JGaytan@bankoftexas.com

Bank of Texas
Corporate Trust Services
100 Congress Avenue
Suite 250
Austin, TX 78701

Upcoming Calendar || Overview || Result || Excel ||

FTN Financial Capital Markets - Memphis, TN's Bid
Trophy Club MUD #1
\$5,765,000 Unlimited Tax Bonds, Series 2014



For the aggregate principal amount of \$5,765,000.00, we will pay you \$5,769,957.90, plus accrued interest from the date of issue to the date of delivery. The Bonds are to bear interest at the following rate(s):

Maturity Date	Amount \$	Coupon %	Yield %	Dollar Price
09/01/2016	235M	1.5000	0.5500	101.594
09/01/2017	240M	1.5000	0.8000	101.858
09/01/2018	245M	1.5000	1.0500	101.623
09/01/2019	250M	1.5000	1.3000	100.906
09/01/2020	265M	1.7500	1.6000	100.811
09/01/2021	265M	2.0000	1.9000	100.624
09/01/2022	270M	2.0000	2.0000	100.000
09/01/2023	280M	2.2500	2.2000	100.392
09/01/2024	290M	2.5000	2.3000	101.726
09/01/2025	295M	2.5000	2.4500	100.427
09/01/2026	305M	2.5000	2.5000	100.000
09/01/2027	315M	2.7500	2.6500	100.847
09/01/2028	325M	2.7500	2.7500	100.000
09/01/2029	335M	3.0000	2.8500	101.259
09/01/2030	345M	3.2500	3.0500	101.663
09/01/2031	360M	3.2500	3.1000	101.244
09/01/2032	370M	3.2500	3.2000	100.410
09/01/2033	385M	3.5000	3.2500	102.060
09/01/2034	400M	3.5000	3.3000	101.643

Total Interest Cost: \$1,936,613.08
Premium: \$4,957.90
Net Interest Cost: \$1,931,655.18
NIC: 2.886965
Time Last Bid Received On: 12/04/2014 10:56:15 CST

This proposal is made subject to all of the terms and conditions of the Official Bid Form, the Official Notice of Sale, and the Preliminary Official Statement, all of which are made a part hereof

Bidder: FTN Financial Capital Markets, Memphis, TN
Contact: Hank Tansey
Title:
Telephone: 901-435-8006
Fax:

<https://www.newissuhome.com/Parity/asn/main.asp?frame=content&page=parityBi...> 12/4/2014

Issuer Name	Trophy Club Municipal Utility District No. 1	Company Name:	<u>Fin Foundation</u>
Accepted By:	X <u>[Signature]</u>	Accepted By:	<u>[Signature]</u>
Date:	_____	Date:	<u>11/5/2012</u>

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<https://www.newissuehome.i-deal.com/Parity/asp/main.asp?frame=content&page=parityBi...> 12/4/2014

OFFICIAL BID FORM

President and Board of Directors
Trophy Club Municipal Utility District No. 1
100 Municipal Drive
Trophy Club, Texas 76282
Gentlemen:

December 4, 2014

Reference is made to your Official Notice of Sale and Preliminary Official Statement dated November 25, 2014 of \$5,765,000* Trophy Club Municipal Utility District No. 1 Unlimited Tax Bonds, Series 2014, both of which constitute a part hereof.

For your legally issued Bonds as described in said Official Notice of Sale and Preliminary Official Statement, we will pay you a price \$5,765,000 (100% of the par value) plus accrued interest from their Dated Date to the date of delivery to us, plus a cash premium of \$ 4,857.99 (not to exceed \$5,000) for Bonds maturing September 1 and bearing interest as follows:

Stated Maturity Due 9-1	Principal Amount	Interest Rate	Stated Maturity Due 9-1	Principal Amount	Interest Rate	Stated Maturity Due 9-1	Principal Amount	Interest Rate
2016	\$235,000	1.50 %	2022	\$270,000	2.00 %	2029*	\$335,000	3.00 %
2017	240,000	1.50 %	2023	280,000	2.25 %	2030*	345,000	3.25 %
2018	245,000	1.50 %	2024	290,000	2.50 %	2031*	360,000	3.25 %
2019	250,000	1.50 %	2025 *	295,000	2.50 %	2032*	370,000	3.25 %
2020	255,000	1.75 %	2026 *	305,000	2.50 %	2033*	385,000	3.50 %
2021	265,000	2.00 %	2027 *	315,000	2.75 %	2034*	400,000	3.50 %
			2028 *	325,000	2.75 %			

* Maturities available for term bonds

Of the principal maturities set forth in the table above, we have created term bonds as indicated in the following table (which may include multiple term bonds, one term bond, or no term bond if none is indicated). For those years which have been combined into a term bond, the principal amount shown in the table above will be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the term bond maturity date will mature in such year. The term bonds created are as follows:

Term Bond Maturity Date September 1	Year of First Mandatory Redemption	Principal Amount of Term Bond	Interest Rate

Our calculation (which is not part of this bid) of the net interest cost in accordance with the above bid is:

NET INTEREST COST 2.886965 %

ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS: The District reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Bonds, including the elimination of a maturity or maturities, provided however that the aggregate principal (denominational) amount of the Bonds shall not exceed \$5,765,000. Notice of any such changes shall be given to the successful bidder as soon as practicable following the notification of award, as described below, and this Notice of Sale may be amended at the sole discretion of the District to reflect such increase or decrease. The District will attempt to maintain total underwriter spread when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined. The successful bidder may not withdraw its bids or change the rates bid or any initial reoffering prices as a result of any changes made to the principal (denominational) amounts.

By accepting this bid, we understand the District will provide the copies of the Final Official Statement and of any amendments or supplements thereto in accordance with the Official Notice of Sale, and will cooperate to permit the undersigned to comply with Rule 15c2-12 of the Securities and Exchange Commission.

The Initial Bond(s) shall be registered in the name of _____ (Syndicate Manager), which will upon payment for the Bonds, be canceled by the Paying Agent/Registrar. The Bonds will then be registered in the name of Coda & Co. (DTC's partnership nominee), under the Book-Entry-Only System. We will advise the DTC of registration instructions at least five business days prior to the date set for Initial Delivery.

* Preliminary, subject to change

Cashier's Check of the FROST Bank, AUSTIN, TX in the amount of \$115,300 which represents our Good Faith Deposit (is attached hereto) or (has been made available to you prior to the opening of this bid) and is submitted in accordance with the terms as set forth in the Official Notice of Sale. Upon delivery of the Bonds, said check shall be returned to the Purchaser of the Bonds.

We agree to accept delivery of the Initial Bond(s) through DTC and make payment for the Initial Bond(s) in immediately available funds at BOKF, NA dba Bank of Texas, Austin, Texas, no later than 10:00 A.M., Central Standard Time on December 23, 2014 or thereafter on the date the Initial Bond(s) are tendered for delivery, pursuant to the terms set forth in the Official Notice of Sale.

The undersigned agrees to complete, execute and deliver to the District by the date of delivery of the Bonds, a certificate relating to the "issue price" of the Bonds in the form and to the effect attached to or accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to the Bond Counsel for the Issuer.

(Syndicate Members)

[Signature]

Respectfully submitted,

[Signature]
By: _____
Authorized Representative

ACCEPTANCE CLAUSE

THE ABOVE AND FOREGOING BID IS IN ALL THINGS HEREBY ACCEPTED this 4th day of December 2014 by the Board of Directors of the Trophy Club Municipal Utility District No. 1

ATTEST.

[Signature]
Board Secretary
Trophy Club Municipal Utility District No. 1

X [Signature]
Board President
Trophy Club Municipal Utility District No. 1

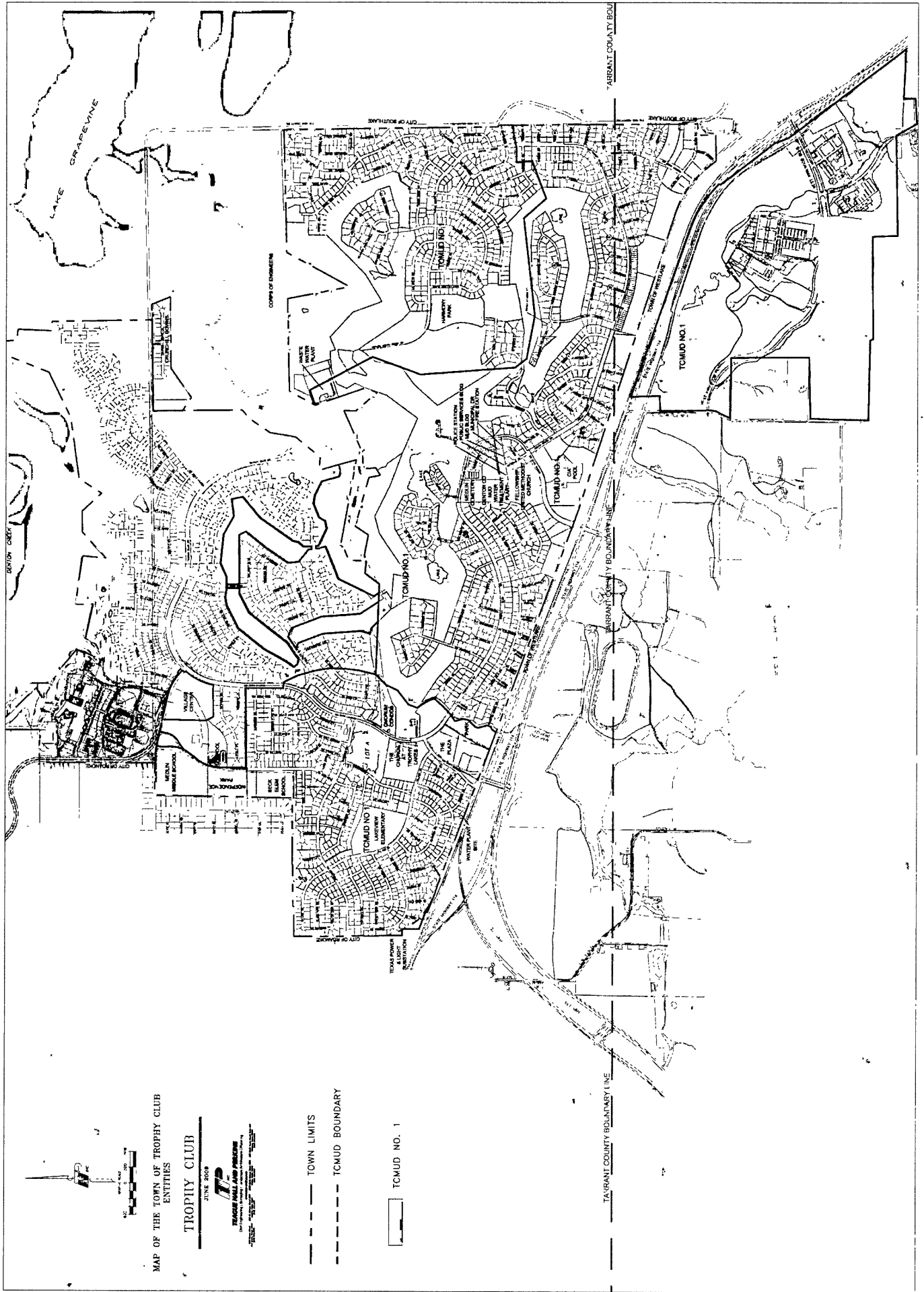
**OFFICIAL NOTICE OF SALE, BID FORM
and
PRELIMINARY OFFICIAL STATEMENT**

**\$5,765,000
TROPHY CLUB
MUNICIPAL UTILITY DISTRICT NO. 1
(A Political Subdivision of the State of Texas
Located in Denton and Tarrant Counties)**

**Unlimited Tax Bonds
Series 2014**

***The District will designate the Bonds as
"QUALIFIED TAX EXEMPT OBLIGATIONS".***

**Bids Due
Thursday, December 4, 2014
at
11:00 A.M., Central Standard Time**



MAP OF THE TOWN OF TROPHY CLUB
ENTITIES

TROPHY CLUB

JUNE 2008

TRACER HALL AND PRESTON

TRACER HALL AND PRESTON
A DIVISION OF TRACER HALL AND PRESTON
A DIVISION OF TRACER HALL AND PRESTON

--- TOWN LIMITS
--- TCMUD BOUNDARY

TCMUD NO. 1

This Official Notice of Sale does not alone constitute an invitation for bids but is merely notice of sale of the Bonds described herein. The invitation for bids on such Bonds is being made by means of this Official Notice of Sale, the Official Bid Form and the Preliminary Official Statement.

OFFICIAL NOTICE OF SALE

Dated: November 25, 2014

\$5,765,000*

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
UNLIMITED TAX BONDS
SERIES 2014**

BONDS OFFERED FOR SALE AT COMPETITIVE BID: The Board of Directors (the "Board") of the Trophy Club Municipal Utility District No. 1 (the "District" or "Issuer") is offering for sale at competitive bid \$5,765,000* Unlimited Tax Bonds, Series 2014 (the "Bonds").

BIDS BY DELIVERY: Sealed bids, which must be submitted in duplicate on the Official Bid Form and plainly marked "Bid for Bonds," are to be addressed to "The Board of Directors, Trophy Club Municipal Utility District No. 1," and delivered prior to 11:00 A.M., Central Standard Time ("CST") on Thursday, December 4, 2014 to the District's Financial Advisor, Southwest Securities, Inc. ("Southwest Securities") at 1201 Elm Street, Suite 3500, Dallas, Texas 75270, Attention: Dan Almon. Bids received after such specified time for their receipt will not be accepted and will be returned unopened.

BIDS BY INTERNET: Interested bidders should mail or email a Bid Form with original signatures to Dan Almon, Southwest Securities, 1201 Elm Street, Suite 3500, Dallas, Texas 75270, prior to the date bids are to be received, and submit their bid by electronic media, as described below, by 11:00 A.M., CST, on Thursday, December 4, 2014.

Any prospective bidder that intends to submit an electronic bid must submit its electronic bid via the facilities of the Ipreo Holdings LLC, PARITY System ("PARITY"). In the event of a malfunction in the electronic bidding process, bidders may submit their bids by facsimile to 214-859-9475. Bids received after the scheduled time for their receipt will not be accepted.

The official time for the receipt of bids shall be the time maintained by PARITY. All electronic bids shall be deemed to incorporate the provisions of the Official Notice of Sale, Official Bid Form and the Preliminary Official Statement. To the extent that any instructions or directions set forth in PARITY conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. For further information about the PARITY System, potential bidders may contact PARITY, c/o Ipreo Holdings LLC, 1359 Broadway, New York, New York 10018, 212-849-5021.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Bonds on the terms provided in the Official Notice of Sale, and shall be binding upon the bidder as if made by a signed sealed bid delivered to the District. The District shall not be responsible for any malfunction or mistake made by, or as a result of the use of PARITY, the use of such facilities being at the sole risk of the prospective bidder.

BIDS BY FACSIMILE: BIDS BY FACSIMILE WILL NOT BE ACCEPTED (except in the event of a malfunction in the electronic bidding process, as described above).

BIDS BY TELEPHONE: BIDS BY TELEPHONE WILL NOT BE ACCEPTED.

PLACE AND TIME OF BID OPENING: The bids for the Bonds will be publicly reviewed at the office of the District's Financial Advisor at 11:00 A.M., CST, on Thursday, December 4, 2014.

AWARD AND SALE OF THE BONDS: The Board will meet at 6:00 P.M., CST, on Thursday, December 4, 2014, and will take action to reject all bids or award the sale of the Bonds pursuant to a bond order authorizing the sale of the Bonds (the "Order"). The Issuer reserves the right to reject any or all bids and to waive any irregularities, except time of filing.

THE BONDS

DESCRIPTION OF CERTAIN TERMS OF THE BONDS: The Bonds will be dated December 15, 2014 (the "Dated Date") with interest payable initially on September 1, 2015 and semiannually on March 1 and September 1 thereafter until stated maturity or prior redemption. The Bonds will be issued as fully-registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Bonds will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is

* Preliminary, subject to change. See "CONDITIONS OF SALE - ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS" herein.

the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by BOKF, NA dba Bank of Texas, Austin, Texas, to the Securities Depository, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" in the Preliminary Official Statement.)

MATURITY SCHEDULE

The Bonds will be stated to mature on September 1 in each of the following years in the following amounts:

Stated Maturity Due 9-1	Principal Amount*	Stated Maturity Due 9-1	Principal Amount*	Stated Maturity Due 9-1	Principal Amount*
2016	\$235,000	2023	\$280,000	2029	\$335,000
2017	240,000	2024	290,000	2030	345,000
2018	245,000	2025	295,000	2031	360,000
2019	250,000	2026	305,000	2032	370,000
2020	255,000	2027	315,000	2033	385,000
2021	265,000	2028	325,000	2034	400,000
2022	270,000				

OPTIONAL REDEMPTION: The Issuer reserves the right to redeem the Bonds maturing on and after September 1, 2025, on September 1, 2024, or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest as further described herein. (See "THE BONDS - Redemption" in the Preliminary Official Statement.)

SERIAL BONDS AND/OR TERM BONDS: Bidders may provide that all of the Bonds be issued as serial maturities or may provide that any two or more consecutive annual principal amounts for maturities 2025 through 2034 be combined into one or more term bonds.

MANDATORY SINKING FUND: If the successful bidder designates principal amounts to be combined into one or more term bonds, each such term bond will be subject to mandatory sinking fund redemption commencing September 1 of the first year which has been combined to form such term bond and continuing on September 1 in each year thereafter until the stated maturity date of that term bond. The amount redeemed in any year will be equal to the principal amount for such year set forth in the table under the caption "MATURITY SCHEDULE" above. Bonds to be redeemed in any year by mandatory sinking fund redemption will be redeemed at par and will be selected by lot from among the Term Bonds then subject to redemption.

The principal amount of the Term Bonds for a Stated Maturity required to be redeemed pursuant to the operation of such mandatory redemption provisions may be reduced, at the option of the District, by the principal amount of Term Bonds of like Stated Maturity which, at least 50 days prior to a mandatory redemption date, (1) shall have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation or (2) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory redemption requirement.

A Final Official Statement will incorporate the appropriate mandatory redemption provisions applicable to any Term Bonds.

AUTHORITY FOR ISSUANCE AND SECURITY FOR PAYMENT: The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, an order of the TCEQ, and pursuant to the Order. The Bonds were authorized for issuance at elections held on October 7, 1975, April 4, 1981 and October 29, 1988. (See "THE BONDS - Authority for Issuance" in the Preliminary Official Statement.)

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property within the District. (See "THE BONDS - Security for Payment" in the Preliminary Official Statement.)

RISK FACTORS: The Bonds involve certain investment risks as set forth in the Preliminary Official Statement. Prospective purchasers should carefully review the entire Preliminary Official Statement before making their investment decision. Particular attention should be given to the information set forth therein under the caption "INVESTMENT CONSIDERATIONS".

* Preliminary, subject to change. See "CONDITIONS OF SALE - ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS" herein.

PAYING AGENT/REGISTRAR: The initial Paying Agent/Registrar is BOKF, NA dba Bank of Texas, Austin, Texas. In the Order, the District covenants to provide a Paying Agent/Registrar at all times while the Bonds are outstanding, and any Paying Agent/Registrar selected by the District shall be a bank, trust company, financial institution or other entity qualified and authorized to serve in such capacity and perform the duties and services of Paying Agent/Registrar. The Paying Agent/Registrar will maintain the Security Register containing the names and addresses of the registered owners of the Bonds.

In the Order the District retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, such Paying Agent/Registrar, promptly upon the appointment of a successor, is required to deliver the Security Register to the successor Paying Agent/Registrar.

In the event there is a change in the Paying Agent/Registrar, the District has agreed to notify each registered owner of the Bonds then outstanding by United States mail, first-class postage prepaid, at the address in the Security Register, stating the effective date of the change and the mailing address of the successor Paying Agent/Registrar.

BOOK-ENTRY-ONLY SYSTEM: The District intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York ("DTC"), with respect to the issuance of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" in the Preliminary Official Statement.)

PRELIMINARY OFFICIAL STATEMENT AND OTHER TERMS AND COVENANTS IN THE ORDER: Further details regarding the Bonds and certain covenants of the District contained in the Order are set forth in the Preliminary Official Statement to which reference is made for all purposes.

CONDITIONS OF SALE

TYPES OF BIDS AND INTEREST RATES: The Bonds will be sold in one block on an "All or None" basis, and at a price of not less than their par value plus accrued interest from the Dated Date to the date of initial delivery of the Bonds. Bidders are invited to name the rate(s) of interest to be borne by the Bonds, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/20 of 1% and the net effective interest rate for the Bonds (calculated in the manner required by Texas Government Code, Chapter 1204, as amended) must not exceed 15%. **The highest rate bid may not exceed the lowest rate bid by more than 2% in rate. No limitation is imposed upon bidders as to the number of rates or changes which may be used.** All Bonds of one stated maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered. **Any cash premium included in a bid (to be paid to the Issuer) may not exceed \$5,000.**

BASIS OF AWARD: For the purpose of awarding the sale of the Bonds, the interest cost of each bid will be computed by determining, at the rate or rates specified, the total dollar value of all interest on the Bonds from the date thereof to their respective maturities, using the table of Bond Years herein, and deducting therefrom the premium bid, if any. Subject to the District's right to reject any or all bids and to waive any irregularities except time of filing, the Bonds will be awarded to the bidder (the "Initial Purchaser" or "Purchaser") whose bid, based on the above computation, produces the **lowest net interest cost to the District.** In the event of mathematical discrepancies between the interest rates and the interest cost determined therefrom, as both appear on the "Official Bid Form", the bid will be determined solely from the interest rates and premium, if any, shown on the "Official Bid Form".

In order to provide the Issuer with information required to enable it to comply with certain conditions of the Internal Revenue Code of 1986 (the "Code"), as amended to the date of initial delivery of the Bonds, relating to the exclusion of interest on the Bonds from the gross income of their owners, the Purchaser will be required to complete, execute, and deliver to the District (on or before the date of delivery of the Bonds) a certification as to their initial offering prices ("issue price") of the Bonds substantially in the form and to the effect attached hereto or accompanying this Notice of Sale. In the event the successful bidder is unable to sell a substantial amount of the Bonds of any stated maturity to the public, such certificate may be modified in a manner approved by Bond Counsel to the Issuer. Each bidder, by submitting its bid, agrees to complete, execute, and deliver such a certificate by the date of initial delivery of the Bonds, if its bid is accepted by the Issuer. Delivery of the Bonds is conditioned upon receipt by the Issuer from the Purchaser of such certificate. It will be the responsibility of the Purchaser to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain the facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel.

QUALIFIED TAX-EXEMPT OBLIGATIONS: The Issuer will designate the Bonds as "qualified tax-exempt obligations." Accordingly, it is anticipated that financial institutions that purchase the Bonds will not be subject to the 100 percent disallowance of interest expense allocable to interest on the Bonds under section 265(b) of the Code.

However, the deduction for interest expense incurred by a financial institution which is allocable to the interest on the Bonds will be reduced by 20% pursuant to Section 291 of the Code. See discussion under the caption "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions" contained in the Preliminary Official Statement.

ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS: The District reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Bonds, including the elimination of a maturity or maturities; provided, however, that the aggregate principal (denominational) amount of the Bonds shall not exceed \$5,765,000. Notice of any such changes shall be given to the successful bidder as soon as practicable following the notification of award, as described below, and this Notice of Sale may be amended at the sole discretion of the District to reflect such increase or decrease. The District will attempt to maintain total underwriter spread when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined. The successful bidder may not withdraw its bids or change the rates bid or any initial reoffering prices as a result of any changes made to the principal (denominational) amounts.

GOOD FAITH DEPOSIT: A bank cashier's check payable to the order of "Trophy Club Municipal Utility District No. 1" in the amount of \$115,300.00 which is 2% of the par value of the Bonds (the "Good Faith Deposit") is required. The good faith check of the Purchaser will be retained uncashed by the Issuer until the Bonds are delivered, and at that time it will be returned to the Purchaser of the Bonds. The above mentioned Cashier's Check may accompany the bid, or it may be submitted separately; however, if submitted separately, it shall be made available to the Issuer prior to the opening of the bids and shall be accompanied by instructions from the bank on which it is drawn which will authorize its use as a Good Faith Deposit by the Purchaser who shall be named in such instructions. No interest will be paid or allowed on any Good Faith Deposit. The checks accompanying all other bids will be returned immediately after the bids are opened and the award of the sale of the Bonds has been made.

OFFICIAL STATEMENT

To assist the Initial Purchaser in complying with Rule 15c2-12 of the Securities and Exchange Commission ("SEC"), the Issuer and the Initial Purchaser contract and agree, by the submission and acceptance of the winning bid, as follows:

COMPLIANCE WITH RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION: The Issuer will approve and authorize distribution of the accompanying Preliminary Official Statement for dissemination to potential purchasers of the Bonds, but does not presently intend to prepare any other document or version thereof for such purpose, except as described below. Accordingly, the Issuer deems the accompanying Preliminary Official Statement to be final as of its date, within the meaning of Rule 15c2-12 of the SEC (the "Rule"), except for information relating to the offering prices, interest rates, final debt service schedule, selling compensation, identity of the Initial Purchaser and other similar information; terms and provisions to be specified in the competitive bidding process. The Initial Purchaser shall be responsible for promptly informing the Issuer of the initial offering yields of the Bonds.

Thereafter, the Issuer will complete and authorize distribution of the Final Official Statement identifying the Initial Purchaser and containing such omitted information. The Issuer does not intend to amend or supplement the Preliminary Official Statement otherwise, except to take into account certain subsequent events, if any, as described below. By delivering the Final Official Statement or any amendment or supplement thereto in the requested quantity to the Initial Purchaser on or after the sale date, the Issuer intends the same to be final as of such date, within the meaning of the Rule. Notwithstanding the foregoing, the Issuer makes no representation concerning the absence of material misstatements or omissions from the Preliminary Official Statement, except only as and to the extent under "CERTIFICATION OF THE OFFICIAL STATEMENT" as described below. To the best knowledge and belief of the Issuer, the Preliminary Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Bonds.

CONTINUING DISCLOSURE AGREEMENT: The District will agree in the Order to provide certain periodic information and notices of material events in accordance with the Rule, as described in the Preliminary Official Statement under "CONTINUING DISCLOSURE OF INFORMATION." The Initial Purchaser's obligation to accept and pay for the Bonds is conditioned upon delivery to the Initial Purchaser or its agent of a certified copy of the Order containing the agreement described under such heading.

COMPLIANCE WITH PRIOR UNDERTAKINGS: For the last five years, the District has complied in all material respects with its previous continuing disclosure agreements made in accordance with the Rule.

FINAL OFFICIAL STATEMENT: The Issuer will furnish to the Purchaser, within seven (7) business days after the sale date, an aggregate maximum of fifty (50) copies of the Final Official Statement (and 50 copies of any addenda, supplement or amendment thereto), together with information regarding interest rates and other terms relating to the reoffering of the Bonds, in accordance with the Rule. The Issuer agrees to provide, or cause to be provided, to the Purchaser the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto in such printed or electronic format may be required for the Purchaser to comply with the Rule and the rules of the Municipal Securities Rulemaking Board (the "MSRB"). The Issuer consents to the distribution of such documents in electronic format. The Purchaser may arrange at its own expense to have the Final Official Statement reproduced and printed if it requires more than 100 copies and may also arrange, at its own expense and responsibility, for completion and perfection of the first or cover page of the Final Official Statement so as to reflect interest rates and other terms and information related to the reoffering of the Bonds. The Purchaser will be responsible for providing information concerning the Issuer and the Bonds to subsequent purchasers of the Bonds, and the Issuer will undertake no responsibility for providing such information other than to make the Final Official Statement available to the Purchaser as provided herein. The Issuer's obligation to supplement the Final Official Statement to correct representations determined to be materially misleading, after the date of the Final Official Statement, shall terminate upon the earlier of (i) 90 days from the "end of

the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from the MSRB, but in no case less than 25 days after the "end of the underwriting period" for the Bonds. The Purchaser by submitting a bid for the Bonds agrees to promptly file the Official Statement with the MSRB. Unless otherwise notified in writing by the Purchaser, the Issuer can assume that the "end of the underwriting period" for purposes of the Rule is the date of the initial delivery of the Bonds to the Purchaser.

CHANGES TO OFFICIAL STATEMENT: If, subsequent to the date of the Final Official Statement, the Issuer learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser of any adverse event which causes the Final Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, as described below under "DELIVERY AND ACCOMPANYING DOCUMENTS - CONDITIONS TO DELIVERY," the Issuer will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Final Official Statement satisfactory to the Initial Purchaser; provided, however, that the obligation of the Issuer to do so will terminate on the date specified under "FINAL OFFICIAL STATEMENT" above.

CERTIFICATION OF THE OFFICIAL STATEMENT: At the time of payment for and delivery of the Initial Bonds, the Initial Purchaser will be furnished a certificate, executed by proper officials of the Issuer, acting in their official capacity, in the form specified in the Official Statement under the heading "OTHER PERTINENT INFORMATION – Certification of the Official Statement." The Preliminary Official Statement and Official Notice of Sale will be approved as to form and content and the use thereof in the offering of the Bonds will be authorized, ratified and approved by the Board on the date of sale, and the Initial Purchaser will be furnished, upon request, at the time of payment for and the delivery of the Bonds, a certified copy of such approval, duly executed by the proper officials of the Issuer.

DELIVERY AND ACCOMPANYING DOCUMENTS

INITIAL DELIVERY OF INITIAL BOND: The delivery of the Bonds (the "Initial Delivery") will be accomplished by the issuance of either (i) a single fully registered Bond in the total principal amount of \$5,765,000* payable in stated installments to the Initial Purchaser and numbered T-1, or (ii) one (1) fully registered Bond for each year of stated maturity in the applicable principal amount and denomination, to be numbered consecutively from R-1 and upward (the "Initial Bond(s)"), signed by the President and Board Secretary of the Issuer, approved by the Attorney General of Texas, and registered and manually signed by an authorized representative of the Comptroller of Public Accounts of the State of Texas. Initial Delivery will be at the designated office of the Paying Agent/Registrar. The Initial Bonds shall be immediately canceled following delivery and one global certificate for each maturity of the Bonds payable to Cede & Co. will be exchanged therefor and deposited with DTC in connection with DTC's Book-Entry-Only System. Payment for the Bonds must be made in immediately available funds for unconditional credit to the District, or as otherwise directed by the District. The Purchaser will be given six business days' notice of the time fixed for delivery of the Bonds. It is anticipated that the delivery of the Initial Bond(s) can be made on or about December 23, 2014, but if for any reason the District is unable to make delivery by December 31, 2014, then the District shall immediately contact the Purchaser and offer to allow the Purchaser to extend his obligation to take up and pay for the Bonds an additional 30 days. If the Purchaser does not elect to extend its offer within six days thereafter, then its Good Faith Deposit will be returned, and both the District and the Purchaser shall be relieved of any further obligation. In no event shall the District be liable for any damages by reason of its failure to deliver the Bonds, provided that such failure is due to circumstances beyond the District's reasonable control.

DTC DEFINITIVE BONDS: The Bonds will be issued in book-entry-only form. Cede & Co. is the nominee for DTC. All reference herein and in the Official Statement to the bond holders or registered owners of the Bonds shall mean Cede & Co. and not the beneficial owners of the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry form in the denomination of \$5,000 principal amounts or any integral multiple thereof. Under certain limited circumstances, the District may determine to forego immobilization of the Bonds at DTC, or another securities depository, in which case, such beneficial interests would become exchangeable for definitive printed obligations of like principal amount.

CUSIP NUMBERS: It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Initial Purchaser to accept delivery of and pay for the Bonds in accordance with the terms of the Official Bid Form and this Official Notice of Sale. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid by the Issuer; however, the CUSIP Service Bureau's charge for the assignment of the numbers shall be paid by the Initial Purchaser.

CONDITIONS TO DELIVERY: The obligation to take up and pay for the Bonds is subject to the following conditions: the issuance of an approving opinion of the Attorney General of Texas, the Initial Purchaser's receipt of the legal opinion of Bond Counsel and the no-litigation certificate, and the non-occurrence of the events described below under the caption "NO MATERIAL ADVERSE CHANGE," all as described below. In addition, if the Issuer fails to comply with its agreement described in the section "OFFICIAL STATEMENT" above, the initial Purchaser may terminate its contract to purchase the Bonds by delivering written notice to the Issuer within five (5) days thereafter.

NO MATERIAL ADVERSE CHANGE: The obligations of the Initial Purchaser to take up and pay for the Bonds, and of the Issuer to deliver the Initial Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Initial Bonds, there shall have been no material adverse change in the affairs of the Issuer subsequent to the date of sale from that set forth in the Final Official Statement, as it may have been finalized, supplemented or amended through the date of delivery.

LEGAL OPINIONS: The Bonds are offered when, as and if issued, subject to the approval of certain legal matters by the Attorney General of the State of Texas and Bond Counsel (see discussion "LEGAL MATTERS" in the Preliminary Official Statement).

CHANGE IN TAX-EXEMPT STATUS: At any time before the Bonds are tendered for initial delivery to the Initial Purchaser, the Initial Purchaser may withdraw its bid if the interest on obligations such as the Bonds shall be declared to be includable in the gross income, as defined in Section 61 of the Code, of the owners thereof for federal income tax purposes, either by Treasury regulations, by ruling or administrative guidance of the Internal Revenue Service, by a decision of any federal court, or by the terms of any federal income tax legislation enacted subsequent to the date of this Official Notice of Sale.

GENERAL CONSIDERATIONS

RATINGS: Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business ("S&P") has assigned an underlying rating "AA-" to the Bonds and to the District's outstanding tax-supporting debt. An explanation of the significance of such rating may be obtained from the S&P. A rating reflects only the view of such company at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that such a rating will continue for any given period of time, or that it will not be revised downward or withdrawn entirely by the company assigning such rating if, in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

SALE OF ADDITIONAL GENERAL OBLIGATION DEBT: The District has no plans to issue additional unlimited tax debt, but, has approval from the TCEQ to issue and is considering issuing, approximately \$9,230,000 in water and sewer system revenue bonds within the next three months.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE: No registration statement relating to the Bonds has been filed with the SEC under the Securities Act of 1933, as amended, in reliance upon exemptions provided in such Act. The Bonds have not been approved or disapproved by the SEC, nor has the SEC passed upon the accuracy or adequacy of the Official Statement. Any representation to the contrary is a criminal offense. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon exemptions contained therein, nor have the Bonds been registered or qualified under the securities acts of any other jurisdiction. The Issuer assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

It is the obligation of the Purchaser to register or qualify sale of the Bonds under the securities laws of any jurisdiction which so requires. The Issuer agrees to cooperate, at the Purchaser's written request and expense and within reasonable limits, in registering or qualifying the Bonds, or in obtaining an exemption from registration or qualification in any state where such action is necessary, but will in no instance execute a general consent to service of process in any state that the Bonds are offered for sale.

ADDITIONAL COPIES: Subject to the limitations described under "OFFICIAL STATEMENT" herein, additional copies of this Official Notice of Sale, the Official Bid Form, and the Preliminary Official Statement may be obtained from Southwest Securities, 1201 Elm Street, Suite 3500, Dallas, Texas 75270, and Attention: Mary Jane Dietz (214-859-6803).

On the date of the sale, the Board of Directors will, in the Order awarding the sale of the Bonds, approve the form and content of the Final Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Bonds by the Purchaser.

ATTEST:

/s/ James Moss
President, Board of Directors
Trophy Club Municipal Utility District No. 1

/s/ Kevin Carr
Secretary, Board of Directors
Trophy Club Municipal Utility District No. 1

OFFICIAL BID FORM

President and Board of Directors
Trophy Club Municipal Utility District No. 1
100 Municipal Drive
Trophy Club, Texas 76262

December 4, 2014

Gentlemen:

Reference is made to your Official Notice of Sale and Preliminary Official Statement dated November 25, 2014 of \$5,765,000* Trophy Club Municipal Utility District No. 1 Unlimited Tax Bonds, Series 2014, both of which constitute a part hereof.

For your legally issued Bonds, as described in said Official Notice of Sale and Preliminary Official Statement, we will pay you a price \$5,765,000 (100% of the par value) plus accrued interest from their Dated Date to the date of delivery to us, plus a cash premium of \$_____ (not to exceed \$5,000) for Bonds maturing September 1 and bearing interest as follows:

<u>Stated</u> <u>Maturity</u> <u>Due 9-1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Stated</u> <u>Maturity</u> <u>Due 9-1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Stated</u> <u>Maturity</u> <u>Due 9-1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2016	\$235,000	%	2022	\$270,000	%	2029*	\$335,000	%
2017	240,000	%	2023	280,000	%	2030*	345,000	%
2018	245,000	%	2024	290,000	%	2031*	360,000	%
2019	250,000	%	2025 *	295,000	%	2032*	370,000	%
2020	255,000	%	2026 *	305,000	%	2033*	385,000	%
2021	265,000	%	2027 *	315,000	%	2034*	400,000	%
			2028 *	325,000	%			

* *Maturities available for term bonds.*

Of the principal maturities set forth in the table above, we have created term bonds as indicated in the following table (which may include multiple term bonds, one term bond, or no term bond if none is indicated). For those years which have been combined into a term bond, the principal amount shown in the table above will be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the term bond maturity date will mature in such year. The term bonds created are as follows:

<u>Term Bond Maturity</u> <u>Date September 1</u>	<u>Year of First</u> <u>Mandatory Redemption</u>	<u>Principal Amount</u> <u>of Term Bond</u>	<u>Interest</u> <u>Rate</u>

Our calculation (which is not part of this bid) of the net interest cost in accordance with the above bid is:

NET INTEREST COST _____%

ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS: The District reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Bonds, including the elimination of a maturity or maturities; provided, however, that the aggregate principal (denominational) amount of the Bonds shall not exceed \$5,765,000. Notice of any such changes shall be given to the successful bidder as soon as practicable following the notification of award, as described below, and this Notice of Sale may be amended at the sole discretion of the District to reflect such increase or decrease. The District will attempt to maintain total underwriter spread when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined. The successful bidder may not withdraw its bids or change the rates bid or any initial reoffering prices as a result of any changes made to the principal (denominational) amounts.

By accepting this bid, we understand the District will provide the copies of the Final Official Statement and of any amendments or supplements thereto in accordance with the Official Notice of Sale, and will cooperate to permit the undersigned to comply with Rule 15c2-12 of the Securities and Exchange Commission.

The Initial Bond(s) shall be registered in the name of _____ (Syndicate Manager), which will upon payment for the Bonds, be canceled by the Paying Agent/Registrar. The Bonds will then be registered in the name of Cede & Co. (DTC's partnership nominee), under the Book-Entry-Only System. We will advise the DTC of registration instructions at least five business days prior to the date set for Initial Delivery.

* *Preliminary, subject to change.*

TCMUD005372

Cashier's Check of the _____ Bank, _____, in the amount of \$115,300 which represents our Good Faith Deposit (is attached hereto) or (has been made available to you prior to the opening of this bid), and is submitted in accordance with the terms as set forth in the Official Notice of Sale. Upon delivery of the Bonds, said check shall be returned to the Purchaser of the Bonds.

We agree to accept delivery of the Initial Bond(s) through DTC and make payment for the Initial Bond(s) in immediately available funds at BOKF, NA dba Bank of Texas, Austin, Texas, no later than 10:00 A.M., Central Standard Time, on December 23, 2014, or thereafter on the date the Initial Bond(s) are tendered for delivery, pursuant to the terms set forth in the Official Notice of Sale.

The undersigned agrees to complete, execute and deliver to the District by the date of delivery of the Bonds, a certificate relating to the "issue price" of the Bonds in the form and to the effect attached to or accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to the Bond Counsel for the Issuer.

(Syndicate Members)

Respectfully submitted,

By: _____

Authorized Representative

ACCEPTANCE CLAUSE

THE ABOVE AND FOREGOING BID IS IN ALL THINGS HEREBY ACCEPTED this 4th day of December, 2014 by the Board of Directors of the Trophy Club Municipal Utility District No. 1.

ATTEST:

Board Secretary
Trophy Club Municipal Utility District No. 1

Board President
Trophy Club Municipal Utility District No. 1

BOND YEARS

\$5,765,000*
TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
Unlimited Tax Bonds, Series 2014

Dated: December 15, 2014
Due: September 1

BOND YEARS CALCULATION

Dated Date	12/15/2014			
Delivery Date	12/23/2014			
Maturity Date	Maturity Principal	Average Life	Bond Years Per Maturity	Cumulative Bond Years
9/1/2016	235,000	1.71111	402.11	402.11
9/1/2017	240,000	2.71111	650.67	1,052.78
9/1/2018	245,000	3.71111	909.22	1,962.00
9/1/2019	250,000	4.71111	1,177.78	3,139.78
9/1/2020	255,000	5.71111	1,456.33	4,596.11
9/1/2021	265,000	6.71111	1,778.44	6,374.56
9/1/2022	270,000	7.71111	2,082.00	8,456.56
9/1/2023	280,000	8.71111	2,439.11	10,895.67
9/1/2024	290,000	9.71111	2,816.22	13,711.89
9/1/2025	295,000	10.71111	3,159.78	16,871.67
9/1/2026	305,000	11.71111	3,571.89	20,443.56
9/1/2027	315,000	12.71111	4,004.00	24,447.56
9/1/2028	325,000	13.71111	4,456.11	28,903.67
9/1/2029	335,000	14.71111	4,928.22	33,831.89
9/1/2030	345,000	15.71111	5,420.33	39,252.22
9/1/2031	360,000	16.71111	6,016.00	45,268.22
9/1/2032	370,000	17.71111	6,553.11	51,821.33
9/1/2033	385,000	18.71111	7,203.78	59,025.11
9/1/2034	400,000	19.71111	7,884.44	66,909.56
	<u>\$ 5,765,000</u>		<u>66,909.56</u>	
Total Bond Years	66,909.56			
Average Life	11.60617 Years			

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CERTIFICATE OF MANAGING UNDERWRITER

The undersigned hereby certifies as follows with respect to the sale of the "Trophy Club Municipal Utility District No. 1 Unlimited Tax Bonds, Series 2014 (the "Bonds"), issued in the aggregate principal amount of \$5,765,000", as follows:

1. The undersigned is the underwriter or the manager of the syndicate of underwriters, which has purchased the Bonds from Trophy Club Municipal Utility District No. 1 (the "Issuer") at a competitive sale.
2. The undersigned and/or one or more other members of the underwriting syndicate, if any, have made a bona fide offering to the public of all of the Bonds of each stated maturity at the respective prices set forth below.
3. The initial offering price (expressed as a percentage of principal amount or yield and exclusive of accrued interest) for the Bonds of each maturity at which a substantial amount (at least 10%) of the Bonds of such maturity was sold to the public is as set forth below:

<u>Maturity Due 9-1</u>	<u>Principal Amount</u>	<u>Yield</u>	<u>Maturity Due 9-1</u>	<u>Principal Amount</u>	<u>Yield</u>
2016	\$235,000	_____ %	2026	\$305,000	_____ %
2017	240,000	_____ %	2027	315,000	_____ %
2018	245,000	_____ %	2028	325,000	_____ %
2019	250,000	_____ %	2029	335,000	_____ %
2020	255,000	_____ %	2030	345,000	_____ %
2021	265,000	_____ %	2031	360,000	_____ %
2022	270,000	_____ %	2032	370,000	_____ %
2023	280,000	_____ %	2033	385,000	_____ %
2024	290,000	_____ %	2034	400,000	_____ %
2025	295,000	_____ %			

4. The term "public," as used herein, means persons other than bondhouses, brokers, dealers, and similar persons or organizations acting in the capacity of underwriters or wholesalers.
5. The offering prices described above reflect current market prices at the time of such sale.
6. The undersigned and/or one or more other members of the underwriting syndicate, as the case may be, (have) (have not) purchased bond insurance for the Bonds. The bond insurance, if any, has been purchased from _____ (the "Insurer") for a premium cost of \$_____ (net of any nonguarantee costs, e.g. rating agency fees). The amount of such costs is set forth in the Insurer's commitment and is separately stated from all other fees or charges payable to the Insurer. The premium does not exceed a reasonable charge for the transfer of credit risk taking into account payments charged by guarantors in comparable transactions (including transactions in which a guarantor has no involvement other than as a guarantor). The present value of the debt service savings expected to be realized as a result of such insurance, discounted at a rate equal to the yield on the Bonds which results after recovery of the insurance premium, exceeds the present value of the bond insurance premium.
7. The undersigned understands that the statements made herein will be relied upon by the Issuer in its effort to comply with the conditions imposed by the Internal Revenue Code of 1986, as amended, and by Bond Counsel in rendering their legal opinion concerning the excludability of interest on the Bonds from the gross income of their owners.

EXECUTED and DELIVERED this _____ day of _____, 2014.

(Name of Underwriter or Manager)

By: _____

Title: _____

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PRELIMINARY OFFICIAL STATEMENT
Dated November 25, 2014

In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date hereof, subject to the matters described under "TAX MATTERS" herein including the alternative minimum tax on corporations.

The District will designate the Bonds as "Qualified Tax-Exempt Obligations"
See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions" herein.

\$5,765,000*

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
(A Political Subdivision of the State of Texas Located in Denton and Tarrant Counties)
UNLIMITED TAX BONDS, SERIES 2014

Dated Date: December 15, 2014**Due: September 1, as shown on Page ii**

The Trophy Club Municipal Utility District No. 1 (the "District" or "Issuer") \$5,765,000* Unlimited Tax Bonds, Series 2014 (the "Bonds") are being issued pursuant to the terms and provisions of an order (the "Order") of the Board of Directors of the District (the "Board") and in accordance with the Constitution and general laws of the State of Texas (the "State"), including particularly Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, and an order of the Texas Commission on Environmental Quality. The Bonds were authorized by the voters of the District at elections held on October 7, 1975, April 4, 1981 and October 29, 1988. (See "THE BONDS - Authority for Issuance" herein.)

The Bonds, when issued, will constitute direct and general obligations of the District, payable from the proceeds of an annual ad valorem tax levied against all taxable property located therein, without limitation as to rate or amount. **None of the State of Texas, Denton or Tarrant Counties, Texas nor any political subdivision or municipality, other than the District shall be obligated to pay the principal of or interest on the Bonds. Neither the faith and credit nor the taxing power of the State of Texas or Denton or Tarrant Counties, Texas or any political subdivision or municipality thereof, other than the District, is pledged to the payment of the principal of or interest on or the redemption price of the Bonds.** (See "THE BONDS - Security for Payment" herein.) THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. (See "INVESTMENT CONSIDERATIONS" herein.) Bond purchasers are encouraged to read this entire Official Statement prior to making an investment decision.

Interest on the Bonds will accrue from December 15, 2014 (the "Dated Date") and is payable September 1, 2015, and each March 1 and September 1 thereafter until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof within a stated maturity, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as Cede & Co., as the paying agent to DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the Beneficial Owners of the Bonds. The initial paying agent/registrant for the Bonds shall be BOKF, NA dba Bank of Texas, Austin, Texas (the "Paying Agent").

Proceeds from the sale of the Bonds are being used to (i) make improvements to the District's wastewater treatment facilities and (ii) pay the costs related to the issuance of the Bonds. (See "THE BONDS - Use of Bond Proceeds" herein.)

The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after September 1, 2025, in whole or from time to time in part, on September 1, 2024, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. (See "THE BONDS - Optional Redemption" herein.)

After requesting competitive bids for purchase of the Bonds, the District has accepted the lowest bid to purchase the Bonds, bearing interest as shown, at a price of 100% of par plus accrued interest to the date of delivery, resulting in a net interest cost rate to the District of _____%.

STATED MATURITY SCHEDULE
(See Page ii)

The Bonds are offered for delivery, when, as and if issued and received by the initial purchaser (the "Purchaser") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Fulbright & Jaworski LLP, Dallas, Texas, a member of Norton Rose Fulbright, Bond Counsel. Delivery of the Bonds through DTC is expected on or about December 23, 2014.

BIDS DUE ON DECEMBER 4, 2014 AT 11:00 A.M. CENTRAL STANDARD TIME.

* Preliminary, subject to change.

STATED MATURITY SCHEDULE
(Due September 1)
Base CUSIP – 897059 ^(a)

<u>Stated Maturity</u>	<u>Principal Amount*</u>	<u>Rate (%)</u>	<u>Yield (%)</u>	<u>CUSIP Suffix^(a)</u>
2016	\$235,000			
2017	240,000			
2018	245,000			
2019	250,000			
2020	255,000			
2021	265,000			
2022	270,000			
2023	280,000			
2024	290,000			
2025	295,000			
2026	305,000			
2027	315,000			
2028	325,000			
2029	335,000			
2030	345,000			
2031	360,000			
2032	370,000			
2033	385,000			
2034	400,000			

The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after September 1, 2025, in whole or from time to time in part, on September 1, 2024, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. (See "THE BONDS – Optional Redemption" herein.)

^(a) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by Standard and Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the District nor the Financial Advisor is responsible for the selection or the correctness of the CUSIP numbers set forth herein.

* Preliminary, subject to change.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1

BOARD OF DIRECTORS

<u>Name</u>	<u>Position</u>	<u>Two-Year Term Expires May</u>	<u>Occupation</u>
James Moss	President	2016	Retired
Jim Hase	Vice President	2018	Retired
Kevin Carr	Secretary / Treasurer	2018	Self-Employed
James C. Thomas	Director	2016	Retired
Neil Twomey	Director	2018	Retired

DISTRICT PERSONNEL AND ADVISORS

General Manager.....	.....Jennifer McKnight
.....	..... Trophy Club, Texas
Finance Manager.....	.....Rena Gonzales
.....	..... Trophy Club, Texas
Administration Manager.....	..... Terri Sisk
.....	..... Trophy Club, Texas
Attorneys for the District .....	..... Bob West
.....	..... Whitaker Chalk Swindle & Schwartz, PLLC
.....	..... Fort Worth, Texas
.....	..... Pamela Harrell Liston
.....	..... The Liston Law Firm, P.C.
.....	..... Rowlett, Texas
Financial Advisor .....	..... Southwest Securities
.....	..... Dallas, Texas
Bond Counsel .....	..... Fulbright & Jaworski LLP
.....	..... Dallas, Texas
Independent Auditors .....	..... Lafollett and Company PLLC
.....	..... Tom Bean, Texas
Tax Assessor - Collector .....	..... Denton County, Texas
.....	..... Tarrant County, Texas
Chief Appraiser .....	..... Denton County, Texas
.....	..... Tarrant County, Texas

For Additional Information Please Contact:

Ms. Jennifer McKnight
General Manager
Trophy Club Municipal Utility District
100 Municipal Drive
Trophy Club, Texas 76262
(682) 831-4610

Mr. Dan A. Almon
Senior Vice President
Southwest Securities, Inc.
1201 Elm Street, Suite 3500
Dallas, Texas 75270
(214) 859-9452

Mr. Andrew Friedman
Vice President
Southwest Securities, Inc.
1201 Elm Street, Suite 3500
Dallas, Texas 75270
210-226-8677

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The cover page, subsequent pages hereof and the schedules and appendices attached hereto, are part of this Official Statement.

USE OF INFORMATION IN THE OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the Securities Exchange Commission (the "Rule"), this document constitutes a preliminary official statement of the Issuer with respect to the Bonds that has been deemed "final" by the Issuer as of its date except for the omission of no more than the information permitted by the Rule.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the District.

This Official Statement does not alone constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, orders, resolutions, contracts, records, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the Financial Advisor, upon the payment of reasonable duplication costs.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions, or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this "Official Statement" nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or the other matters described herein since the date hereof. However, the District has agreed to keep this "Official Statement" current by amendment or sticker to reflect material changes in the affairs of the District, and to the extent that information actually comes to its attention, other matters described in the "Official Statement" until delivery of the Bonds to the Initial Purchaser and thereafter only as specified in "OFFICIAL STATEMENT -Updating the Official Statement During Underwriting Period" and "CONTINUING DISCLOSURE OF INFORMATION."

NEITHER THE DISTRICT NOR THE FINANCIAL ADVISOR MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION WAS PROVIDED BY DTC.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES, AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE, AND ACHIEVEMENTS TO BE DIFFERENT FROM FUTURE RESULTS, PERFORMANCE, AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was tendered by _____ (the "Initial Purchaser") bearing the interest rates shown on page ii hereof, at a price of 100% of the par value thereof plus a premium of \$_____, plus accrued interest to the date of delivery which resulted in a net interest cost of _____% as calculated pursuant to Texas Government Code Chapter 1204, as amended. The initial reoffering yields were supplied to the District by the Purchasers. The initial reoffering yields shown on page ii will produce compensation to the Initial Purchasers of approximately \$_____.

Issue Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Initial Purchaser may over - allot or effect transactions which stabilize or maintain the market prices or the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made for the Bonds. In such a secondary market, the difference between the bid and asked price of utility district bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

INVESTMENT CONSIDERATIONS

The purchase and ownership of the Bonds involve certain investment considerations and all prospective purchasers are urged to examine carefully the Official Statement, including particularly the section captioned "INVESTMENT CONSIDERATIONS", with respect to the investment security of the Bonds.

SELECTED DATA FROM THE OFFICIAL STATEMENT

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

The Issuer	The Trophy Club Municipal Utility District No. 1 (the "District" or "Issuer") is a political subdivision of the State of Texas located in Denton and Tarrant Counties, Texas. The District was created as a municipal utility district pursuant to Chapter 54 of the Texas Water Code and is a conservation and reclamation district in accordance with Article XVI, Section 59 of the Texas Constitution. The District has also adopted a fire protection plan under Section 50.055 of the Texas Water Code, now codified as Subchapter L of Chapter 49 of the Texas Water Code, pursuant to the Order of the Texas Water Commission of August 22, 1983. In July of 2009, documentation was submitted to the Texas Commission on Environmental Quality ("TCEQ") regarding the consolidation of Trophy Club Municipal Utility District Nos. 1 and 2 as of a May 9, 2009 election. (See "THE DISTRICT" and "APPENDIX B - GENERAL INFORMATION REGARDING THE DISTRICT" herein.)
The Bonds	The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, including particularly Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code, as amended, an order of the Texas Commission on Environmental Quality, and an order (the "Order") to be adopted by the Board of Directors (the "Board") of the District. The Bonds were authorized by the voters of the District at elections held on October 7, 1975; April 4, 1981 and October 29, 1988. (See "THE BONDS - Authority for Issuance" herein.)
Security for Payment	The Bonds, when issued, will constitute direct and general obligations of the District, payable from the proceeds of an annual ad valorem tax levied against all taxable property located therein, without limitation as to rate or amount. None of the State of Texas, Denton or Tarrant Counties, Texas nor any political subdivision or municipality, other than the District shall be obligated to pay the principal of or interest on the Bonds. Neither the faith and credit nor the taxing power of the State of Texas or Denton or Tarrant Counties, Texas or any political subdivisions or municipality thereof, other than the District, is pledged to the payment of the principal of or interest on or the redemption price of the Bonds. (See "THE BONDS - Security for Payment" herein.)
Paying Agent/Registrar	The initial Paying Agent/Registrar for the Bonds is BOKF, NA dba Bank of Texas, Austin, Texas
Description	The Bonds in the aggregate principal amount of \$5,765,000* mature on September 1 of each year in the amounts as set forth on page ii of this Official Statement. Interest accrues from December 15, 2014 (the "Dated Date") at the rates per annum set forth page ii hereof and is payable September 1, 2015 and each March 1 and September 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. (See "THE BONDS - General Description" herein.)
Optional Redemption	Bonds maturing on and after September 1, 2025 are subject to redemption in whole or from time to time in part at the option of the District on September 1, 2024, and on any date thereafter, at par plus accrued interest from the most recent interest payment date to the date of redemption. (See "THE BONDS - Optional Redemption" herein.)
Tax Matters	In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income of the owners thereof for purposes of federal income taxation under existing law subject to matters discussed herein under "TAX MATTERS" including the alternative minimum tax on corporations. (See "TAX MATTERS" and Appendix C - "Form of Legal Opinion of Bond Counsel" herein.)
Use of Proceeds	Proceeds from the sale of the Bonds will be used to (i) make improvements to the District's wastewater treatment facilities and (ii) pay the costs related to the issuance of the Bonds. (See "THE BONDS - Use of Bond Proceeds" herein.)
Ratings	Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business ("S&P") has assigned an underlying rating "AA-" to the Bonds and to the District's outstanding tax-supporting debt. An explanation of the significance of a rating may be obtained from S&P. (See "RATINGS" herein.)
Qualified Tax Exempt Obligations	The Issuer will designate the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions" herein.)
Book-Entry-Only System	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York relating to the method and timing of payment and the method and transfer relating to the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)
Future Bond Issues	The District does not plan to issue the \$4,217 of remaining authorized but unissued unlimited tax bonds. The District is considering the issuance of approximately \$9,230,000 in water and sewer revenue bonds within the next three months.
Payment Record	The Issuer has never defaulted in the timely payment of principal of or interest on its general obligation indebtedness.
Delivery	When issued, anticipated on or about December 23, 2014.
Legality	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Fulbright & Jaworski LLP, Bond Counsel, Dallas, Texas, a member of Norton Rose Fulbright.

* Preliminary, subject to change

PRELIMINARY OFFICIAL STATEMENT
relating to

\$5,765,000*

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
(A Political Subdivision of the State of Texas Located in Denton and Tarrant Counties, Texas)
UNLIMITED TAX BONDS, SERIES 2014

INTRODUCTION

This Preliminary Official Statement provides certain information in connection with the issuance by the Trophy Club Municipal Utility District No. 1 (the "District" or "Issuer") of its \$5,765,000* Unlimited Tax Bonds, Series 2014 (the "Bonds").

The Bonds are being issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, an order of the Texas Commission on Environmental Quality, and an order (the "Order") to be adopted by the Board of Directors (the "Board") of the District, and will constitute direct and general obligations of the District, payable from the proceeds of an annual ad valorem tax levied against all taxable property located therein, without limitation as to rate or amount.

Unless otherwise indicated, capitalized terms used in this Preliminary Official Statement have the same meaning assigned to such terms in the Order.

Included in this Preliminary Official Statement are descriptions of the Bonds, the Order, and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District or Financial Advisor.

THE BONDS

General Description

The \$5,765,000* Trophy Club Municipal Utility District No. 1 Unlimited Tax Bonds, Series 2014 will bear interest from December 15, 2014 (the "Dated Date") and will mature on September 1 of the years and in the principal amounts set forth on page ii hereof.

Interest on the Bonds will accrue from the Dated Date and is payable September 1, 2015, and each March 1 and September 1 thereafter until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof within a stated maturity. The initial paying agent for the Bonds shall be BOKF, NA dba Bank of Texas, Austin, Texas ("Paying Agent"). The principal of and interest on the Bonds shall be payable without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debt due the United States of America.

If the specified date for any payment of principal (or Redemption Price) of or interest on the Bonds is a Saturday, Sunday, or legal holiday or equivalent for banking institutions generally in the city in which Designated Payment / Transfer Office of the Paying Agent is located, such payment may be made on the next succeeding day which is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payment.

Initially, the Bonds will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the beneficial owners. Principal of and interest on the Bonds will be payable by the Paying Agent to Cede & Co., which will distribute the amounts paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" HEREIN.)

Use of Bond Proceeds

Proceeds from the sale of the Bonds are being used to (i) make improvements to the District's wastewater treatment facilities and (ii) pay the costs related to the issuance of the Bonds. (See "THE PROJECT" herein.)

* Preliminary, subject to change.

Authority for Issuance

The Bonds were authorized at elections held on October 7, 1975, April 4, 1981 and October 29, 1988.

The Bonds are issued by the District pursuant to the terms and provisions of the Order, Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, and an order of the Texas Commission on Environmental Quality.

Texas Commission on Environmental Quality Approval

On February 6, 2014, the Texas Commission on Environmental Quality ("TCEQ") issued a Commission Order ("TCEQ Order") approving the project and the issuance of the Bonds. The approval order included the following information:

"...Pursuant to TEX. WATER CODE Section 49.181, the engineering project for Trophy Club Municipal Utility District No. 1 of Denton and Tarrant Counties is hereby approved together with the issuance of \$14,995,000 (\$5,765,000 in unlimited tax bonds and \$9,230,000 in revenue bonds) in bonds at a maximum net effective interest rate of 6.23%.... The District is directed not to expend \$12,991,567 (\$11,297,015 for construction plus \$1,694,552 in contingencies) of the bond issue proceeds approved herein for the wastewater treatment plant improvements pending District Board's receipt of plans and specifications approved by all entities with jurisdiction, as necessary.... The approval of the sale of these bonds herein shall be valid for one year from the date of this Order unless extended by written authorization of the Commission staff."

The TCEQ further ordered, to enable the TCEQ to carry out the responsibilities imposed by Texas Water Code Sections 49.181-182, that the District shall: (1) furnish the TCEQ copies of all bond issue project construction documentation outlined under Title 30 of the Texas Administrative Code, Section 293.62, including detailed progress reports and as-built plans required by Texas Water code Section 49.277(b), which have not already been submitted; (2) notify the Utilities and Districts Section of the TCEQ and obtain approval of the TCEQ for any substantial alterations in the engineering project approved herein before making such alterations; and (3) ensure, as required by Texas Water Code Section 49.277(b), that all construction financed with the proceeds from the sale of bonds is completed by the construction contractor according to the plans and specifications contracted.

Security for Payment

The Bonds will constitute valid and legally binding direct obligations of the District payable from the proceeds of a continuing direct annual ad valorem tax levied by the District against all taxable property located therein, without legal limit as to rate or amount. The Order irrevocably pledges such ad valorem taxes to the payment of the principal of and interest on the Bonds while the same remain outstanding. **None of the State of Texas, Denton or Tarrant Counties, Texas nor any political subdivision or municipality, other than the District shall be obligated to pay the principal of or interest on the Bonds. Neither the faith and credit nor the taxing power of the State of Texas or Denton or Tarrant Counties, Texas or any political subdivision or municipality thereof, other than the District, is pledged to the payment of the principal of or interest on or the redemption price of the Bonds.**

Tax Pledge: The Board covenants in the Order that, while any of the Bonds are outstanding and the District is in existence, it will levy and assess a continuing ad valorem tax upon each \$100 valuation of taxable property within the District at a rate from year to year sufficient, full allowance being made for anticipated delinquencies, together with revenues and receipts from other sources which are legally available for such purposes, to pay principal and interest on the Bonds as it becomes due, and to pay the expenses of assessing and collecting such tax. The Board additionally covenants in the Order to timely assess and collect such tax. The net proceeds from taxes levied to pay debt service on the Bonds are required to be placed in a special account of the District designated as its "Special Series 2014 Unlimited Tax Bond Fund" referred to hereinafter as the Debt Service Fund.

Abolition: Under Texas law, if a district is located wholly in two or more municipalities, the district may be abolished by agreement among the district and all of the municipalities in which the district is located. The abolition agreement must provide for the distribution of assets and liabilities (including the bonds) of the abolished district. The assumption by each municipality must be based on the ratio that the value of the property and other assets distributed to that municipality bears to the total value of all the property and other assets of the district. No representation is made concerning the likelihood of abolition or the ability of the municipalities which contain parts of the District to make debt service payments on the Bonds should abolition occur. (See "INVESTMENT CONSIDERATIONS - Abolition" herein.)

Consolidation: A district (such as the District) has the legal authority to consolidate with other municipal utility districts and in connection therewith, to provide for the consolidation of its assets, such as cash and the utility system, with the water and wastewater systems of districts with which it is consolidating as well as its liabilities (which would include the Bonds). The District is the resulting entity from a consolidation in May 2009 of Trophy Club Municipal Utility District No. 1 and Trophy Club Municipal Utility district No. 2 (see "THE DISTRICT").

Payment Record

The District has never defaulted on the timely payment of principal of and interest on its general obligation indebtedness.

Flow of Funds

Debt Service Fund: The Order establishes the Debt Service Fund to be kept separate and apart from all other funds of the District and shall be used to pay principal and interest on the Bonds. The Order requires that the District deposit to the credit of the Debt Service Fund (i) from the delivery of the Bonds to the initial purchaser, the amount received from proceeds of the Bonds representing accrued interest, (ii) District ad valorem taxes (and penalties and interest thereon) levied to pay debt service requirements on the Bonds, and (iii) such other funds as the Board shall, at its option, deem advisable. The Order requires that the Debt Service Fund be applied solely to provide for the payment of the principal or redemption price of and interest on the Bonds when due, and to pay fees to the Paying Agent when due.

Construction Account: The construction account (referred to herein as the "Construction Fund") is the capital improvements fund. The Order requires the District to deposit to the credit of the Construction Fund the balance of the proceeds of the Bonds remaining after the deposits to the Debt Service Fund. The Construction Fund may be applied solely to (i) pay the costs necessary or appropriate to accomplish the purposes for which the Bonds are issued, (ii) pay the costs of issuing the Bonds and (iii) the extent the proceeds of the Bonds and investment income attributable thereto are in excess of the amounts required to construct the improvements to the District's wastewater treatment facilities as approved by the TCEQ, then in the discretion of the District to transfer such unexpended proceeds or income to the Debt Service Fund.

Optional Redemption

The Bonds maturing on or after September 1, 2025, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2024, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption.

Notice of Redemption: Not less than thirty (30) days prior to a redemption date for the Bonds, the District shall cause a notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owners of each Bond or a portion thereof to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing of such notice. With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Order have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the Issuer, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the Issuer will not redeem such Bonds, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that such Bonds have not been redeemed. ANY NOTICE OF REDEMPTION SO MAILED TO THE REGISTERED OWNERS WILL BE DEEMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER RECEIVED BY ANY HOLDER OF THE BONDS, AND, SUBJECT TO PROVISION FOR PAYMENT OF THE REDEMPTION PRICE HAVING BEEN MADE, AND ANY PRECONDITIONS STATED IN THE NOTICE OF REDEMPTION HAVING BEEN SATISFIED INTEREST ON THE REDEEMED BONDS SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A BOND HAS NOT BEEN PRESENTED FOR PAYMENT. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be so redeemed. If such notice of redemption is given and if due provision for such payment is made, all as provided above, the Bonds or portion thereof which are to be redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

The Paying Agent/Registrar and the Issuer, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Bonds or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the Issuer will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the Beneficial Owners. Any such selection of Bonds to be redeemed will not be governed by the Order and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Bonds for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Termination of Book-Entry-Only System

The District is initially utilizing the book-entry-only system of the DTC. (See "BOOK-ENTRY-ONLY SYSTEM" herein.) In the event that the Book-Entry-Only System is discontinued by DTC or the District, the following provisions will be applicable to the Bonds.

Payment: Principal of the Bonds will be payable at maturity to the registered owners as shown by the registration books maintained by the Paying Agent upon presentation and surrender of the Bonds to the Paying Agent at the designated office for payment of the Paying Agent/Registrar in St. Paul, Minnesota (the "Designated Payment/Transfer Office"). Interest on the Bonds will be payable by check or draft, dated as of the applicable interest payment date, sent by the Paying Agent by United States mail, first class, postage prepaid, to the registered owners at their respective addresses shown on such records, or by such other method acceptable to the Paying Agent requested by registered owner at the risk and expense of the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, legal holiday or day on which banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent is located are required or authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or day on which banking institutions are required or authorized to close, and payment on such date shall for all purposes be deemed to have been made on the original date payment was due. Initially, the only registered owner of the Bonds will be CEDE & CO. as nominee of DTC. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Registration: The Bonds may be transferred and re-registered on the registration books of the Paying Agent only upon presentation and surrender thereof to the Paying Agent/Registrar at the Designated Payment/Transfer Office. A Bond also may be exchanged for a Bond or Bonds of like maturity and interest and having a like aggregate principal amount, upon presentation and surrender at the Designated Payment/Transfer Office. All Bonds surrendered for transfer or exchange must be endorsed for assignment by the execution by the registered owner or his duly authorized agent of an assignment form on the Bonds or other instruction of transfer acceptable to the Paying Agent. Transfer and exchange of Bonds will be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such transfer or exchange. A new Bond or Bonds, in lieu of the Bond being transferred or exchanged, will be delivered by the Paying Agent/Registrar to the registered owner, at the Designated Payment/Transfer Office of the Paying Agent/Registrar or by United States mail, first-class, postage prepaid. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the denominations of \$5,000 or any integral multiple thereof. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be initially utilized in regard to ownership and transferability of the Bonds.)

Limitations on Transfer of Bonds: Neither the District nor the Paying Agent shall be required to make any transfer, conversion or exchange to an assignee of the registered owner of the Bonds, within forty-five (45) days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

Replacement Bonds: If a Bond is mutilated, the Paying Agent will provide a replacement Bond in exchange for the mutilated bond. If a Bond is destroyed, lost or stolen, the Paying Agent will provide a replacement Bond upon (i) the filing by the registered owner with the Paying Agent of evidence satisfactory to the Paying Agent of the destruction, loss or theft of the Bond and the authenticity of the registered owner's ownership and (ii) the furnishing to the Paying Agent of indemnification in an amount satisfactory to hold the District and the Paying Agent harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Bond must be borne by the registered owner. The provisions of the Order relating to the replacement Bonds are exclusive and the extent lawful, preclude all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost or stolen Bonds.

Defeasance of Outstanding Bonds

The Order provides for the defeasance of the Bonds when payment of the principal of and premium, if any, on Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar or other authorized escrow agent, in trust (1) money sufficient to make such payment or (2) Defeasance Securities, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds. The Order provides that "Defeasance Securities" means (1) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (2) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that on the date of their acquisition or purchase by the District are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (3) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (4) any other then authorized securities or obligations under applicable Texas state law that may be used to defease obligations such as the Bonds. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Order does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that any particular rating for U.S. Treasury securities used as Defeasance Securities or the rating for any other Defeasance Security will be maintained at any particular rating category. The District has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the District to initiate proceedings to take any action amending the terms of the Bonds are extinguished.

Paying Agent/Registrar

Principal of and semiannual interest on the Bonds will be paid by BOKF, NA dba Bank of Texas, Austin, Texas, the initial Paying Agent/Registrar (the "Paying Agent"). The Paying Agent must be a bank, trust company, financial institution or other entity duly qualified and equally authorized to serve and perform the duties as paying agent and registrar for the Bonds.

Provision is made in the Order for the District to replace the Paying Agent by a resolution of the District giving notice to the Paying Agent of the termination of the appointment, stating the effective date of the termination and appointing a successor Paying Agent. If the Paying Agent is replaced by the District, the new Paying Agent shall be required to accept the previous Paying Agent's records and act in the same capacity as the previous Paying Agent. Any successor paying agent/registrar selected by the District shall be subject to the same qualification requirements as the Paying Agent. The successor paying agent/registrar, if any, shall be determined by the Board of Directors and written notice thereof, specifying the name and address of such successor paying agent/registrar will be sent by the District or the successor paying agent/registrar to each Registered Owner by first-class mail, postage prepaid.

Record Date

The record date for payment of the interest on Bonds on any regularly scheduled interest payment date is defined as the fifteenth day of the month preceding such interest payment date.

Issuance of Additional Debt

The District may issue unlimited tax bonds necessary to construct waterworks and sewer system improvements and facilities for which the District was created and to provide fire protection to the District, with the approval of the District's voters. Following the issuance of the Bonds, \$4,217 unlimited tax bonds authorized by the District's voters will remain unissued. The District does not plan to issue this remaining portion of the authorized unlimited tax bonds. In addition, voters may authorize the issuance of additional bonds or other contractual obligations secured by ad valorem taxes. Neither Texas law nor the Order imposes a limitation on the amount of additional debt which may be issued by the District. Any additional debt issued by the District may dilute the security of the Bonds. (See "INVESTMENT CONSIDERATIONS" herein.) The District may also issue bonds secured by revenues of the water and sewer system or other revenues of the District (other than ad valorem tax revenues) without voter approval. The District is considering the issuance of approximately \$9,230,000 in water and sewer system revenue bonds within the next three months to finance a portion of the costs of improvements to the District's wastewater treatment facilities.

Tax Covenants

In the Order the District has covenanted with respect to, among other matters, the use of the proceeds of the Bonds and the property financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States of arbitrage profits from the investment of proceeds, and the reporting of certain information to the United States Treasury. The District may cease to comply with any such covenant if it has received a written opinion of a nationally recognized bond counsel to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income taxation of interest on the Bonds under Section 103 of the Code.

Amendments to the Order

The District may without the consent of or notice to any Bond owners amend the Order in any manner not detrimental to the interest of the Bond owners, including the curing of an ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the owners of a majority in principal amount of the Bonds then outstanding, amend, add to, or rescind any of the provisions of the Order, except that, without the consent of the owners of all of the Bonds outstanding, no such amendment, addition, or rescission may (1) change the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof or the rate of interest thereon, change the place or places at, or the coin or currency in which, any Bond or the interest thereon is payable, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition, or rescission. In addition, a state, consistent with federal law, may in the exercise of its police powers make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of its political subdivisions as are reasonable and necessary for attainment of an important public purpose.

SOURCES AND USES OF FUNDS

The proceeds from the sale of the Bonds will be applied approximately as follows:

Sources of Funds

Par Amount of Bonds

Accrued Interest on the Bonds

Net Original Issue Premium (if any)

Total Sources of Funds

Uses of Funds

Deposit to the Construction Fund

Costs of Issuance

Accrued Interest Deposit to Interest & Sinking Fund

Contingency Amount

Total Uses of Funds

RATING

Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business ("S&P") has assigned an underlying rating "AA-" to the Bonds and to the District's outstanding tax-supporting debt. An explanation of the significance of a rating may be obtained from S&P. The rating reflects only the view of such company, and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by any such rating company, if, in the judgment of such company circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by the Depository Trust Company while the Bonds are registered in its nominee's name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Purchaser believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The District and the Purchaser cannot and do not give any assurance the (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participant, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners (hereinafter defined), or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of each maturity, and will be deposited with DTC.

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

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

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

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

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

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Paying Agent/Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, physical Bonds are required to be printed and delivered to DTC Participants or the Beneficial Owners, as the case may be.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical Bonds will be printed and delivered. (See "THE BONDS – Termination of Book-Entry-Only System" herein.)

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

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Direct or Indirect Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Order will be given only to DTC.

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations of the District and are not obligations of the Town of Trophy Club, the Town of Westlake, the State of Texas, Denton County, Tarrant County, or any other political subdivision except the District. The Bonds are payable from a continuing, direct, annual ad valorem tax, without legal limitations as to rate or amount, on all taxable property within the District. (See "THE BONDS - Security for Payment " herein.) The investment quality of the Bonds depends both on the ability of the District to collect from the property owners all taxes levied against their property or, in the event of foreclosure, the value of the taxable property with respect to taxes levied by the District and by other taxing authorities.

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon or guarantee the quality of the Bonds as an investment, nor does he pass upon the adequacy or accuracy of the information contained in this Official Statement.

Factors Affecting Taxable Values and Tax Payments

Economic Factors and Interest Rates: A substantial percentage of the taxable value of the District results from the current market value of single-family residences and developed lots. The market value of such homes and lots is related to general economic conditions affecting the demand for and taxable value of residences. Demand for lots and residential dwellings can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity, which has been experienced in the District for the last several years, tend to restrict the growth of property values in the District or could adversely impact existing values. Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers and homebuilders are able to obtain financing for development and construction costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete development activities within the District. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued development and construction within the District. In addition, the success of development within the District and growth of District's taxable property values are, to a great extent, a function of the Dallas/Fort Worth metropolitan and regional economics.

Impact on District Tax Rates: Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2014 certified net taxable assessed valuation (ARB Approved) of the District (see "APPENDIX A - ASSESSED VALUATION - TABLE 1" herein) is \$1,113,383,211. After issuance of the Bonds the projected maximum annual debt service requirement will be \$1,050,401* (2023) and the projected average annual debt service requirement will be \$743,995* (2015 through 2034, inclusive). Assuming no increase or decrease from the 2014 net taxable assessed valuation and no use of funds on hand, a tax rate of \$0.09530* per \$100 assessed valuation at a 99% collection rate would be necessary to pay the projected maximum annual debt service requirement of \$1,050,401* and a tax rate of \$0.06750* per \$100 assessed valuation at a 99% collection rate would be necessary to pay the projected average annual debt service requirement of \$743,995*. (See "APPENDIX A – TABLES 4 and 5" herein).

Tax Collections and Foreclosure Remedies

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedure against a taxpayer, or (c) market conditions limiting the proceeds from a foreclosure sale of taxable property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Because ownership of the land within the District is highly fragmented among a number of taxpayers, attorney's fees, and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over the bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer.

* Preliminary, subject to change

Consolidation

A district (such as the District) has the legal authority to consolidate with other municipal utility districts and, in connection therewith, to provide for the consolidation of its assets, such as its water and wastewater systems with the assets of the district(s) with which it is consolidating, as well as its liabilities (which would include the Bonds and other outstanding obligations of the District). The District is the resulting entity from a consolidation in May 2009 of Prior MUD 1 and Prior MUD 2 (see "THE DISTRICT"). No representation is made whether the District will consolidate again in the future with any other district.

Abolition

Under Texas law, if a municipal utility district is located wholly in two or more municipalities, the district may be abolished by agreement among the district and all of the municipalities in which the district is located. The abolition agreement must provide for the distribution among the municipalities of the property and other assets of the district and for the pro rata assumption by the municipalities of all the debts, liabilities, and obligations of the abolished district. When the pro rata share of any district bonds or other obligations payable in whole or in part from property taxes has been assumed by the municipality, the governing body of the municipality is required to levy and collect taxes on all taxable property in the municipality to pay the principal of and interest on its share as the principal and interest become due and payable.

If the abolished municipal utility district has outstanding bonds or other obligations payable in whole or in part from the net revenue from the operation of the district utility system or property, the affected municipalities are required take over and operate the system or property through a board of trustees. The municipalities are required to apply the net revenue from the operation of the system or property to the payment of outstanding revenue bonds or other obligations as if the district had not been abolished. The system or property is required to be operated in that manner until all the revenue bonds or obligations are retired in full by payment or by the refunding of the bonds or other obligations into municipal obligations. When all the revenue bonds and other obligations are retired in full, the property and other assets of the district are distributed among the municipalities as described above. On the distribution, the board of trustees is dissolved.

The District is located wholly within the municipalities of the Town of Westlake and the Town of Trophy Club. The Town of Westlake has recently proposed that it, the Town of Trophy Club and the District enter into an agreement to abolish the District with the District's assets and liabilities assumed by the two municipalities. The Board of Directors of the District has rejected that proposal and stated that the District currently intends to continue to operate as a municipal utility district. As described above, the District would have to separately agree to any abolition of the District. No representation is made concerning the ability of the Town of Trophy Club and the Town of Westlake to make debt service payments on the Bonds should abolition occur at some point in the future.

Alteration of Boundaries

In certain circumstances, under Texas law the District may alter its boundaries to: 1) upon satisfying certain conditions, annex additional territory; and 2) exclude land subject to taxation within the District that is not served by District facilities if the District simultaneously annexes land of equal acreage and value that may be practicably served by District facilities. No representation is made concerning the likelihood that the District would effect any change in its boundaries.

Registered Owners' Remedies

If the District defaults in the payment of principal, interest or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Order, or defaults in the observation or performance of any other covenants, conditions or obligations set forth in the Order, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the covenants contained in the Bonds or in the Order and the District's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles and rests with the discretion of the court. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Therefore, bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of Bondholders may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Texas law requires a municipal utility district such as the District to obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owner's claim against a district.

Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9 and such provision is subject to judicial construction. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

A district may not be forced into bankruptcy involuntarily.

The Effect of the Financial Institutions Act of 1989 on Tax Collections of the District

The "Financial Institutions Reform, Recovery and Enforcement Act of 1989" ("FIRREA"), enacted on August 9, 1989, contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens, and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (ii) the FDIC shall not be liable for any penalties or fines, including those arising from the failure to pay any real or personal property tax when due and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

There has been no definitive judicial determination of the validity of the provisions of FIRREA or how they are to be construed and reconciled with respect to conflicting state laws. However, certain federal court decisions have held that the FDIC is not liable for statutory penalties and interest authorized by State property tax law, and that although a lien for taxes may exist against real property, such lien may not be foreclosed without the consent of the FDIC, and no liens for penalties, fines, interest, attorneys fees, costs of abstract and research fees exist against the real property for the failure of the FDIC or a prior property owner to pay ad valorem taxes when due. It is also not known whether the FDIC will attempt to claim the FIRREA exemptions as to the time for contesting valuations and tax assessments made prior to and after the enactment of FIRREA. Accordingly, to the extent that the FIRREA provisions are valid and applicable to any property in the District, and to the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District, and may prevent the collection of penalties and interest on such taxes.

Continuing Compliance with Certain Covenants

The Order contains covenants by the District intended to preserve the exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes. (See "THE BONDS - Tax Covenants " herein.) Failure by the District to comply with such covenants on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. (See "TAX MATTERS " herein.)

Future Debt

The District does not plan to issue the remaining \$4,217 authorized but unissued unlimited tax bonds, following the issuance of Bonds. The District has reserved in the Order the right to issue such additional bonds as may hereafter be approved by both the Board of Directors and voters of the District. The District is considering the issuance of approximately \$9,230,000 in water and sewer revenue bonds within the next three months.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

THE DISTRICT

Creation of the District

The District was created by the consolidation of two prior municipal utility districts, being Trophy Club Municipal Utility District No. 1 ("Prior MUD 1") and Trophy Club Municipal Utility District No. 2 ("Prior MUD 2" and collectively with Prior MUD 1, the "Prior MUDs"). Prior MUD 1 was created as Denton County Municipal Utility District No. 1 by order of the Texas Water Rights Commission (the "Commission") on March 4, 1975 for the purpose of providing water and sewer facilities and other authorized services to the area within the territory of Prior MUD 1. The name of Prior MUD 1 was changed to Trophy Club Municipal Utility District No. 1 on April 1, 1983. Prior MUD 2 was created as a result of the consolidation of Denton County Municipal Utility District No. 2 and Denton County Municipal Utility District No. 3, which were created by the Texas Commission on Environmental Quality ("TCEQ") for the purpose of providing water, sewer and drainage facilities and other authorized services to the area. The creation of Prior MUD 2 was confirmed by its electorate at an election held on August 9, 1980.

On January 26, 2009, the Boards of the Prior MUDs entered into an agreement to consolidate the Prior MUDs into a single Municipal Utility District covering the territory of the Prior MUDs, subject to the approval of the consolidation by the voters at an election held for that purpose. On May 9, 2009, the voters approved the consolidation and the District became the Trophy Club Municipal Utility District No. 1. Pursuant to the consolidation agreement, the District assumed the outstanding bonds, notes and other obligations of the Prior MUDs and the authorized but unissued bonds, taxes and other obligations of the Prior MUDs and became authorized to levy a uniform tax on all taxable property within the District. The functions performed by the District include supplying water for municipal purposes; collecting, transporting, processing and disposing of wastes; establishing, operating and maintaining a fire department; and performing other functions permitted by municipal utility districts under the Texas Water Code.

Governance

The District is governed by a board of directors which has control over and management supervision of all affairs of the District. There are five elected directors that serve four-year staggered terms. Directors receive no remuneration, except a Director's per diem allowance of \$100 per day on which necessary service is performed for the District. The District and all similar districts are subject to the continuing supervision and filing requirements of the TCEQ, including the preparation and filing of an annual independent audit report. All District facility plans are submitted to the TCEQ for review and approval.

Employees

The District has nineteen (19) full-time employees for water and wastewater services. The District is required to pay 50% of the costs incurred by the Town (hereinafter defined) for salary, benefits and other compensation of employees who provide firefighting and emergency medical services to both the District and the Town. The District's liabilities under the Agreement for Fire Personnel, including pension benefits, do not have a substantial impact on the District's finances.

General

The District is comprised of 2,283.5 acres [approximately 449.9 acres in Town of Westlake (Solana)]. Of the developed acres within the District, there are approximately 2,800 existing households, 136 apartment units and 42 townhouses.

Location

The District is located in southern Denton County and northern Tarrant County partially within the Town of Trophy Club (the "Town") and partially within the Town of Westlake. The District is directly adjacent to and accessible from State Highway 114, north of and approximately mid-way between Dallas and Fort Worth. The District is approximately 27 miles from downtown Dallas, 25 miles from downtown Fort Worth, 17 miles from Denton, 8 miles from Grapevine and 14 miles from the Dallas-Fort Worth International Airport.

Major highways connecting these population centers, which will also serve the District, include State Highways 114, 170 and 377 and Interstate Highways 35E and 35W. State Highway 170 connects Trophy Club directly to Alliance Airport which is located seven miles southwest of the District. (See "Vicinity Map" herein.)

Population

According to District officials, the current population of the District is estimated to be approximately 7,843 (2,801 occupied homes times 2.8 persons per household) and the current population of the entire Town of Trophy Club, the District and the Trophy Club PID No. 1 (the "Trophy Club Development") is estimated at 11,127 (3,974 occupied homes times 2.8 persons per household).

Topography and Drainage

The land within the District has a gradual slope from the southeast to the northwest toward Marshall Creek, and from the west to the east toward Marshall Creek. Runoff water enters Grapevine Reservoir just north of the District through Marshall Creek or several other small tributaries. The maximum elevation in the area being developed is approximately 690 feet mean sea level and the minimum elevation in the area being developed is approximately 576 feet mean sea level. The soil is sandy loam and clay loam, and existing vegetation consists of native grasses and small oak trees. Areas which are subject to flooding by a 100-year frequency flood are located in the flood plan of Marshall Creek and have been delineated by the Water Resources Branch of the U.S. Geological Survey. Additional flood studies were made by the engineers to determine what areas may be subject to flooding. It was determined that the area subject to flooding within the District is approximately 58.5 acres based on 100-year flood frequency; however, 57.6 acres of this area is within the golf course area and is not intended to be developed for residential land use.

Shopping and Commercial Facilities

A shopping center within the District has a major grocery store chain, a bank, a major chain drug store, several service businesses, fast food outlets, and a beauty shop and a dry cleaners. Additionally there are several more businesses and professional offices located in the District, at the primary entrance to the Town of Trophy Club. There are additional shopping facilities in Roanoke, about two (2) miles west of the District and numerous shopping facilities in Southlake about five (5) miles east of the District and in Grapevine about eleven (11) miles east of the District. Full metropolitan shopping facilities are available in Dallas and Fort Worth, Texas which have their central business districts approximately 27 miles and 25 miles, respectively from the District.

Fire Protection

The District operates its Fire Department (the "Department") with an engine, a Quint, a brush truck and two support vehicles. Currently the Department is staffed with fourteen (15) full-time firefighter / paramedics and one full-time Fire Chief. Operations under the Department include fire suppression, fire prevention, emergency management, investigation/enforcement and emergency medical response. The new \$3.1 million fire station was completed and equipped in August 2011 with proceeds from the sale of the District's Series 2010 Bonds, replacing the previously existing facility. This Department serves the Town of Trophy Club and area in the District that is not in the Town limits, and is currently financed by a combination of a \$0.07727 maintenance tax assessment in the District, as well as a \$0.07727 Public Improvement District ("PID") assessment in Trophy Club PID No. 1. The 2014-2015 annual operating budget is \$1,383,940 with October 1, 2014 reserves of \$528,633 (subject to change).

Police Protection

Twenty-four hour security is provided by the Town of Trophy Club Police Department.

Schools

The Town is served by the Northwest Independent School District (the "School District" or "Northwest ISD"). Northwest ISD covers approximately 234.71 square miles in Denton, Wise and Tarrant Counties. In addition to serving the Town, the School District also serves the communities of Aurora, Fairview, Haslet, Justin, Newark, Northlake, Rhome, Roanoke and portions of Flower Mound, Fort Worth, Keller, Southlake and Westlake. Northwest ISD is comprised of 17 elementary schools for grades pre-kindergarten through fifth, 5 middle schools for grades sixth through eighth, 2 comprehensive high schools and one accelerated high school for grades ninth through twelfth, and 2 alternative education campuses for grades seventh through twelfth. One of the high schools, Byron Nelson High School, is located in the Town of Trophy Club. All campuses offer enriched curricula with special programs for gifted/talented students as well as students achieving below grade level, and all are equipped with computers and full cafeteria service. The School District serves a 2014-2015 estimated enrollment of 19,831 students (as of October 27, 2014).

Recreational Opportunities

Recreational opportunities in Trophy Club are afforded by Lake Grapevine and its surrounding parks, which lie two miles north and east of the District. The Town has several community parks, including facilities for soccer, baseball, softball, basketball, tennis, a competitive swimming pool and playground amenities. The Town also operates an 877 acre Corps of Engineers park, which features 100 acres of motorized trails, as well as many passive recreational opportunities such as fishing, hiking and picnicking.

Status of Development of the District

The area in the District is locally known as "Trophy Club." It is a residential and mixed-use development consisting of approximately 2,283.5 acres. The District is a mature district with approximately 146 acres undeveloped, of which approximately 96 acres are zoned residential and approximately 50 acres are available for commercial development. The majority of the acres zoned residential are located in the Canterbury Hills addition. Home construction has begun in the Canterbury Hills addition. There is substantial land left for commercial development in the Solana complex, which is located within the Town of Westlake.

Lot and custom home sales officially began in the District in mid-year 1975. Homes are currently being offered at prices ranging from \$200,000 to \$1,000,000 and lots range in price from \$35,000 to \$200,000. The status of single-family home development as of September 30, 2014 is shown below:

Status of Single-Family Home Development^(b)

<u>Houses Under Construction</u>	<u>Houses Occupied</u>	<u>Total Houses</u>	<u>Additional Developed Lots</u>	<u>Total Houses and Lots</u>	<u>Multi-Family Units Completed ^(a)</u>
24	2,801	2,825	156	2,981	178

(a) In addition to the single-family development, there are approximately 136 apartments and 42 completed townhouses, which are occupied.

(b) Figures exclude development within the Public Improvement District, which is totally located within the Town of Trophy Club and is not in the District.

Status of Business / Commercial Development

Solana business complex ("Solana"), a 900 acre tract located in the District and the Town of Westlake, has approximately 230 acres available for additional development. The existing 14 building campus style office development was originally owned by Los Angeles based Maguire Thomas Partners and IBM Corporation. In September 2014, the Maguire Thomas Partners properties in Solana were sold to BRE Solana LLC (Tarrant Appraisal District lists this taxpayer as 5 Village Circle Holding, LP.

Two other developers have bought undeveloped property in Solana and plan commercial and residential projects, which were approved by the Town of Westlake in 2013.

The District has additional commercial property available for development in the Town of Trophy Club, which is approximately 52 acres of land along Highway 114. Current development includes a medical complex, hotels, restaurants and a short-stay hospital facility. Additionally, the District currently has a small strip center along Highway 114 containing several food establishments and professional offices.

Solana remains current in the payment of their property taxes, including the amount due for Tax Year 2013. The District cannot predict the impact that any future events may have on the District's financial condition.

Public Improvement District Description

Trophy Club PID No. 1 (the "PID") consists of approximately 609.683 acres of land generally to the north of Oakmont Drive, Oak Hill Drive and the Quorum Condominiums, east of the Lakes Subdivision and Parkview Drive, south of the Corps of Engineer's property, and west of the Town's eastern limit. The PID is located entirely within the Town limits but outside the District. A master-planned residential community (the "Property") is under construction in the PID and at build-out will be comprised of approximately 1,407 residential units located within the Property, which Property is zoned to permit such use pursuant to the PID Zoning. As of September 30, 2014, 1,173 homes have been completed and are occupied and an additional 63 homes have been permitted and are currently under construction. The PID is projected to build out as early as 2017. The District provides emergency and fire protection services to the PID, and the PID pays the District an assessment for such services at the current fire tax rate of \$0.07727. The District also provides water and sewer service for the PID. The total billed for PID water and sewer for fiscal year 2013-2014 was \$1,408,037.

THE DISTRICT'S SYSTEM

The following information describes generally the water and wastewater systems for the District.

Description of the Water System

Sources of Water Supply: The present water supply is provided from two sources: (i) four ground wells which provide approximately 1,000,000 gallons per day, and (ii) a 21-inch water line which is capable of delivering 10,000,000 gallons per day of treated water from the City of Fort Worth facilities. Currently the District has a contract with the City of Fort Worth, which expires September 30, 2031, for unlimited water services. Current maximum usage is approximately 5,500,000 gallons per day (of which 4,500,000 is Fort Worth water). These sources, when combined, provide water which complies with the quality requirements of the TCEQ and needs only chlorination at the District's water plant facility.

Water Plant Facility: The present facility provides 900,000 gallons elevated and 6,000,000 gallons ground storage with pumping/chlorination capacity of 10,000,000 gallons per day.

Description of the Wastewater System

Wastewater Treatment Plant Facility: The wastewater treatment plant system has a permitted treatment/discharge capacity of 1,750,000 gallons per day from the TCEQ under TPDES Permit No. 11593-001. Although the permit authorizes the discharge of wastewater to the adjacent tributary leading to Lake Grapevine, the plant effluent is currently pumped to various holding ponds within the community of Trophy Club and is re-used for irrigating the golf course. The District's application to the Texas Commission on Environmental Quality ("TCEQ") to issue up to \$5,765,000 in Unlimited Tax Bonds and up to \$9,230,000 in water and sewer system revenue bonds for expansion of the wastewater treatment plant facility has been approved. Construction is expected to begin as soon as possible.

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE DISTRICT

Available District funds are invested as authorized by Texas law and in accordance with investment policies approved by the Board of Directors. Both State law and the District's investment policies are subject to change. Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) (i) that are issued by or through an institution that has its main office or a branch office in Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for District deposits; or (ii) where (a) the funds are invested by the District through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the District as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the District; (b) the broker or the depository institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the District appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the District with respect to the certificates of deposit; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (9) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less; (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (11) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (12) no-load money market mutual funds registered with and regulated by the United States Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share; and, (13) no-load mutual funds registered with the United States Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution. The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, the District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the District's investment officers must submit an investment report to the Board of Directors detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest for the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest District funds without express written authority from the Board of Directors.

Under State law, the District is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt by written instrument a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Board of Directors; (4) require the qualified representative of firms offering to engage in an investment transaction with the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the District and the business organization that are not authorized by the District's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the District's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the District and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the District's investment policy; (6) provide specific investment training for the Treasurer, chief financial officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the District.

Current Investments

As of September 30, 2014 (unaudited) the District's funds were invested in the District's bank accounts and TexPool as shown in the table that follows. The District does not currently own, nor does it anticipate the inclusion of long-term securities or derivative products in its portfolio.

<u>Fund and Investment Type</u>	<u>Amount</u>
Bank of the West Money Market Account - General Fund	\$1,504,702
First Financial Bank Accounts	587,297
First Financial - Debt Service	4,846
TexPool - General Fund (Includes Operating Fund / Fire Dept. / Reserves for Future Asset Replacement)	1,171,507
TexPool - Debt Service	10,406
TexPool - Capital Projects Fund	152,090
Total Investments	<u>\$3,430,848</u>

The Texas State Comptroller of Public Accounts exercises oversight responsibility over the Texas Local Government Investment Pool ("TexPool"). Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed both of participants in TexPool and of the other persons who do not have a business relationship with TexPool. The advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAA by S&P. TexPool operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. As such, TexPool uses amortized cost to report net assets and share prices since that amount approximates fair value.

TAX DATA

District Bond Tax Rate Limitation

By law the District's tax rate for debt service on the Bonds is unlimited as to rate or amount.

Maintenance and Operations Tax

The Board is also authorized to levy and collect an annual ad valorem tax for planning, constructing, acquiring, or maintaining or repairing or operating the District's improvements and facilities, if such maintenance and operations tax is authorized by a vote of the District's electors. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, and any outstanding tax bonds or tax bonds which may be issued in the future. As shown in APPENDIX A, TABLE 13 - "TAX RATE DISTRIBUTION," the District levied a 2014-2015 maintenance and operations tax for fire protection purposes of \$0.07727/\$100 assessed valuation and \$0.01486/\$100 assessed valuation for all other operations and maintenance purposes.

Overlapping Taxes

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The statement of direct and estimated overlapping ad valorem tax debt shown in APPENDIX A - TABLE 14 (page A-7) was developed from several sources, including information contained in "Texas Municipal Reports," published by the Municipal Advisory Council of Texas. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes of debt service and the tax burden for operation, maintenance and/or general purposes is not included in these figures. (See APPENDIX A - TABLES 14, 15 & 17 for information on overlapping taxing entities.)

TAXING PROCEDURES

Authority to Levy Taxes

The Board has been authorized to levy an annual ad valorem tax on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, their pro rata share of debt service on any contract tax bonds and any additional bonds or obligations payable from taxes which the District has outstanding or may hereafter issue and to pay the expenses of assessing and collecting such taxes. The District agrees in the Order to levy such a tax from year-to-year as described more fully herein under "THE BONDS - Security for Payment." Under Texas law, the Board is also authorized to levy and collect an ad valorem tax for the operation and maintenance of the District and for the payment of certain contractual obligations, if authorized by its voters. (See "TAX DATA - District Bond Tax Rate Limitation" herein.)

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized herein.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within the county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The board of directors of the appraisal district selects a chief appraiser to manage the appraisal offices of the appraisal district. The Denton Central Appraisal District and the Tarrant Appraisal District have the responsibility for appraising property for all taxing units within Denton and Tarrant Counties, including the District. Such appraisal values are subject to review and change by the appraisal review boards of each county. The appraisal roll as approved by the appraisal review boards must be used by the District in establishing its tax roll and tax rate.

General: Except for certain exemptions provided by Texas law, all property with a tax situs in the District is subject to taxation by the District; however, no effort is made by the District to collect taxes on tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt property applicable to the District include: (i) property owned by the State of Texas or its political subdivisions if the property is used for public purposes; (ii) property exempt from ad valorem taxation by federal law; (iii) certain property owned by charitable organizations, youth development associations, religious organizations, and qualified schools; (iv) designated historical sites; and (v) solar and wind-powered energy devices.

Freeport Exemption: Article VIII, Section 1-j of the Texas Constitution authorizing an ad valorem tax exemption for "freeport property" was approved November 7, 1989. Freeport property is goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. **The District does grant this exemption but currently has no freeport property within its boundaries.**

Goods in Transit: "Goods in Transit", which are certain goods, principally inventory, that are stored, for the purposes of assembling, storing, manufacturing, processing or fabricating the goods, in a location that is not owned by the owner of the goods and are transferred from that location to another location within 175 days; a taxpayer may receive only one of the freeport exemptions or the goods-in-transit exemptions for items of personal property. Senate Bill 1, passed by the 82nd Texas Legislature, 1st Called Session, requires again that the governmental entities take affirmative action prior to January 1 of the first tax year in which the governing body proposes to tax good-in-transit to continue its taxation of good-in-transit in the 2012 tax year and beyond. **The District does not exempt Goods in Transit.**

Agricultural/Open-Land Exemption: Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Section 1-d and 1-d-1. **The District does have land that qualifies for this exemption.**

Residence Homestead Exemptions: Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant an exemption of not less than \$3,000 of market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision. Once authorized, such exemption may be repealed or decreased or increased in amount (i) by the governing body of the political subdivision or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than \$3,000 of the market value.

The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse. **The Board has granted such elderly and disabled exemptions in the amount of \$25,000 of assessed valuation.**

In addition to any other exemptions provided by the Property Tax Code, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of \$5,000. **The District does not grant the option percentage of market value exemption.**

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

Disabled/Deceased Veterans Exemption: State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse (for so long as the surviving spouse remains unmarried) or children (under 18 years of age) of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from \$5,000 to a maximum of \$12,000; provided, however, that beginning in the 2009 tax year, a disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100 percent disability compensation due to a service-connected disability and a rating of 100 percent disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. In addition, effective January 1, 2012, and subject to certain conditions, surviving spouses of a deceased veteran who had received a disability rating of 100% will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries. **The District does grant the disabled / deceased veterans exemption.**

Tax Abatement: Denton County, Tarrant County or the Town of Trophy Club may designate all or part of the area within the District as a reinvestment zone. Thereafter, the District may enter into tax abatement agreements with owners of real property within the District for up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. **A portion of the District is included in reinvestment zones designated by the Town of Trophy Club, for tax abatement purposes. The District IS NOT a participant in the Tax Abatement Reinvestment Zone agreement.**

Tax Increment Reinvestment (Financing) Zones

A city or a county may create one or more tax increment reinvestment zones ("TIRZs" or "TIFs") within the city or the county, and in doing so, other overlapping taxing entities may agree to contribute taxes levied against the "Incremental Value" in the TIRZ to finance or pay for public improvements or projects within the TIRZ. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value of taxable real property in the TIRZ is known as the "Incremental Value", and during the existence of the TIRZ, all or a portion (as determined by the city or the county) of the taxes levied by the city or the county against the Incremental Value in the TIRZ are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of the city or the county. **The District does not currently participate in a TIRZ.**

Valuation of Property for Taxation

Generally, all taxable property in the District must be appraised by the Denton Central Appraisal District and the Tarrant Appraisal District (collectively, the "Appraisal District") at one hundred percent (100%) of market value as of January 1 of each year, subject to review and approval by the Appraisal Review Board. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. In determining the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and market data comparison method of appraisal. The method considered most appropriate by the chief appraiser is to be used. State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the less of (1) the market value of the property, or (2) the sum of (a) 10% of the appraised value of the property for the last year in which the property was appraised for taxation times the number of years since the property was last appraised, plus (b) the appraised value of the property for the last year in which the property was appraised plus (c) the market value of all new improvements to the property.

Certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited to 10 percent annually regardless of the market value of the property. Upon application of a landowner, land which qualifies as "open-space land" is appraised based on the category of land, using accepted income capitalization methods applied to the average net income derived from the use of the land for agriculture and hunting or recreational leases. Upon application of a landowner, land which qualifies as "timber land" is appraised using accepted income capitalization methods applied to the average net income derived from the use of the land for production of timber. Land which qualifies as an aesthetic management zone, critical wildlife management zone, or streamside management zone or is being regenerated for timber production for 10 years after harvest is valued at one-half that amount. In the case of both open space and timber land valuations, if the use of land changes, an additional tax is generally imposed on the land equal to the difference between the taxes imposed on the land for each of the five (5) years preceding the year in which the change of use occurs and the tax that would have been imposed had the land been taxed on the basis of market value in each of those years, plus interest at an annual rate of seven percent (7%) calculated from the dates on which the differences would have become due. There are also special appraisal methods for agricultural land owned by individuals whose primary occupation and income are farming and for recreational, park, and scenic land. Also, houses or lots held for sale by a developer or builder which remain unoccupied, are not leased or rented and produce no income are required to be assessed at the price for which they would sell as a unit to a purchaser who would continue the owner's business, upon application of the owner.

Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property in the Appraisal District at least one every three (3) years. It is not know what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or countywide basis.

Notice and Hearing Procedures

The Tax Code establishes a "truth-in-taxation" process identifying increases in the effective tax rate. The rollback tax rate equals 108% of the total tax rate for the prior year. If the District decides to increase the tax rate more than eight percent (8%) above the previous year's tax rate, it must hold a public hearing and give notice to its taxpayers. If the actual tax rate adopted exceeds the rollback tax rate, taxpayers may petition to hold an election to reduce the tax rate to the rollback tax rate for the fiscal year.

The Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll

District and Taxpayer Remedies

The chief appraiser must give written notice before the Appraisal Review Board meeting to an affected owner if a reappraisal has resulted in an increase in value over the prior year or the value rendered by the owner, or if property not previously included on the appraisal roll has been appraised. Any owner who has timely filed notice with the Appraisal Review Board may appeal the final determination by the Appraisal Review Board of the owner's protest by filing suit in Texas district court. Prior to such appeal, however, the owner must pay the tax due on the amount of value of the property involved that is not in dispute or the amount of tax paid in the prior year, whichever is greater, but not to exceed the amount of tax due under the order from which the appeal is taken. In the event of such suit, the value of the property is determined by the court, or a jury if requested by any party. Additionally, the District is entitled to challenge certain matters before the Appraisal Review Board, including the level of appraisal of certain category of property, the exclusion of property from the appraisal records, or the grant in whole or in part of a partial exemption, or a determination that land qualifies for a special use appraisal (agricultural or timber classification, for example). The District may not, however, protest a valuation of individual property.

Levy and Collection of Taxes

The rate of taxation is set by the Board based upon the valuation of property within the District as of the preceding January 1 and the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations.

Unless the Board, or the qualified voters of the District or of Denton County or Tarrant County at an election held for such purpose, determines to transfer the collection of taxes to the Denton Central Appraisal District or Tarrant Appraisal District or another taxing unit, the District is responsible for the levy and collection of its taxes. **The District has contracted with the Denton County Tax Collector to collect the taxes for the District.**

Taxes are due on receipt of the tax bill and become delinquent after January 31 of the following year. The date of the delinquency may be postponed if the tax bills are mailed after January 10 of any year. Delinquent taxes are subject to a 6% penalty for the first month of delinquency, one percent (1%) for each month thereafter to July 1, and 12% total if any taxes are unpaid on July 1. Delinquent taxes also accrue interest at the rate of 1% per month during the period they remain outstanding. In addition, where a district engages an attorney for collection of delinquent taxes, the Board may impose a further penalty not to exceed twenty percent 20% on all taxes unpaid on July 1. The District may be prohibited from collection of penalties and interest on real property owned by the Federal Depository Insurance Corporation. **The District has engaged a delinquent tax attorney and has imposed such a penalty when necessary.**

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two years after the purchaser's deed issued at the

foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. (See "INVESTMENT CONSIDERATIONS - General" and "INVESTMENT CONSIDERATIONS - Tax Collections and Foreclosure Remedies".)

LEGAL MATTERS

Legal Opinions

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the initial Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the District. Issuance of the Bonds is also subject to the legal opinion of Fulbright & Jaworski LLP, a member of Norton Rose Fulbright ("Bond Counsel"), based upon examination of a transcript of the proceedings incident to authorization and issuance of the Bonds, to the effect that the Bonds are valid and binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel's legal opinion will also address the matters described below under "TAX MATTERS - Tax Exemption." Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. In its capacity as Bond Counsel, Fulbright & Jaworski LLP has reviewed the information describing the Bonds in the Official Statement to verify that such description conforms to the provisions of the Order.

The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of Bonds actually issued, sold and delivered, and therefore, such fees are contingent upon the sale and delivery of the Bonds. The legal opinion to be delivered concurrently with the delivery of the Bonds expresses the professional judgment of the attorney rendering the opinion as to the legal issue explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon; or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction. Though it represents the financial Advisor and certain entities that may bid on the Bonds from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the District in connection with the issuance of the Bonds.

Litigation

On September 24, 2013, the District filed an application with TCEQ for expedited approval of a proposed engineering project and the issuance of bonds to finance improvements to the District's wastewater treatment plant. On February 6, 2014, TCEQ issued an order approving the application and bond issuance. Seeking to overturn the order, Maguire Partners – Solana Land, L.P. ("Maguire") filed a Motion to Overturn with TCEQ, which was overruled by operation of law on May 2, 2014, and the following two lawsuits:

- (i) Maguire Partners – Solana Land, L.P. v. Texas Commission on Environmental Quality and Richard Hyde, in his official capacity as Executive Director, Cause No. D-1-GN-14-000716, filed on March 7, 2014, in the 126th Judicial District Court of Travis County, Texas (the "First State Court Action"); and
- (ii) Maguire Partners – Solana Land, L.P. v. Texas Commission on Environmental Quality and Richard Hyde, in his official capacity as Executive Director, Cause No. D-1-GN-14-001623, filed on May 30, 2014, in the 53rd Judicial District of Travis County, Texas (the "Second State Court Action"; collectively with the First State Court Action, the "Administrative Appeals").

On June 23, 2014, the District filed a lawsuit under Chapter 1205 of the Texas Government Code to obtain judicial validation of the TCEQ approved bonds. The lawsuit was styled Ex Parte Trophy Club Municipal Utility District No. 1, Cause No. D-1-GN-14-001983, and was filed in the 201st Judicial District Court of Travis County, Texas (the "Chapter 1205 Suit"). Specifically, the Chapter 1205 Suit sought an expedited declaratory judgment to conclusively establish that the District is authorized to issue and to deliver the Bonds and up to \$9,230,000 in revenue bonds to finance improvements to its wastewater treatment plant. On July 14, 2014, the Honorable Judge Lora Livingston entered an order that consolidated the Administrative Appeals with the Chapter 1205 Suit (the "Consolidated Action").

On July 14, 2014, before Judge Livingston, and October 27, 2014, before the Honorable Judge Scott Jenkins of the 53rd Judicial District Court of Travis County, Texas, a trial was conducted in the Consolidated Action. As a result, on October 29, 2014, Judge Jenkins entered an order requiring Maguire to post a \$2,300,000 before the 11th day after the entry of that order, otherwise Maguire would be dismissed from the action. Moreover, on October 30, 2014, Judge Jenkins further entered a final judgment dismissing all of Maguire's claims in the Consolidated Action with prejudice, and granting the District the relief it requested in the Chapter 1205 Suit, including a declaration that the District is authorized to issue and deliver the Bonds and up to \$9,230,000 in revenue bonds to finance improvements to its wastewater treatment plant.

On November 12, 2014, because Maguire failed to post the required bond, Judge Jenkins entered an order dismissing Maguire with prejudice from the Consolidated Action.

The deadline for Maguire to file a notice of appeal relating to the October 29, 2014 order requiring Maguire to post a bond was November 18, 2014, but Maguire has not filed a notice of appeal. Maguire has until December 3, 2014 to file a motion to extend its deadline to appeal that order. The deadline for Maguire or any other opposing party or intervenor to file a notice of appeal relating to the final judgment was November 19, 2014, but no one has filed a notice of appeal.

The District can make no representations or predictions concerning any appeals that may be filed or any other action that could be taken which could affect the District's ability to deliver the Bonds on or about December 23, 2014 as anticipated.

No-Litigation Certificate

The District will furnish to the Initial Purchaser a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature, except as disclosed in this Official Statement, has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

No Material Adverse Change

The obligations of the Initial Purchaser to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the Official Statement.

TAX MATTERS

Tax Exemption

The delivery of the Bonds is subject to the opinion of Bond Counsel to the effect that interest on the Bonds for federal income tax purposes (i) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (ii) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as herein after described, corporations. A form of Bond Counsel's opinion is reproduced as Appendix C. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

Interest on the Bonds owned by a corporation will be included in such corporation's adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporation, other than an S corporation, a qualified mutual fund, a real estate investment trust, a real estate mortgage investment conduit, or a financial asset securitization investment trust ("FASIT"). A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by Section 55 of the Code will be computed.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the District made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the District with the provisions of the Order subsequent to the issuance of the Bonds. The Order contains covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Treasury of any "arbitrage" profits from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the District as the "taxpayer," and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with "subchapter C" earnings and profits, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT and taxpayers who may be

deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Tax Accounting Treatment of Discount and Premium on Certain Bonds

The initial public offering price of certain Bonds (the "Discount Bonds") may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the alternative minimum taxable income of a corporation, for purposes of calculating a corporation's alternative minimum tax imposed by Section 55 of the Code, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Bonds (the "Premium Bonds") may be greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code generally disallows 100% of any deduction for interest expense which is incurred by "financial institutions" described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this interest disallowance rule for interest expense allocable to tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) bonds) which are designated by an issuer as "qualified tax-exempt obligations." An issuer may designate obligations as "qualified tax-exempt obligations" only if the amount of the issue of which

they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) obligations and other than certain refunding bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed \$10,000,000.

The District will designate the Bonds as "qualified tax-exempt obligations" and will certify its expectation that the above-described \$10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Bonds will not be subject to the 100% disallowance of interest expense allocable to interest on the Bonds under section 265(b) of the Code. However, the deduction for interest expense incurred by a financial institution which is allocable to the interest on the Bonds will be reduced by 20% pursuant to section 291 of the Code.

CONTINUING DISCLOSURE OF INFORMATION

In the Order, the Issuer has made the following agreement for the benefit of the holders and beneficial owners of each of the Bonds. The Issuer is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Issuer will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

Annual Reports

The Issuer will provide certain updated financial information and operating data to the MSRB. The District will provide all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement. The information to be updated includes Tables 1, 12 and 13 of Appendix A, and the annual audited financial statements of the District. The Issuer will update and provide this information within six months after the end of each fiscal year ending in and after 2014.

The financial information to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Website or filed with the SEC, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements for the Issuer, if the Issuer commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the Issuer will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the Issuer may be required to employ from time to time pursuant to State law or regulation.

The Issuer's current fiscal year end is September 30. Accordingly, it must provide updated information by the last day in March in each year, unless the Issuer changes its fiscal year. If the Issuer changes its fiscal year, it will notify the MSRB of the change.

Notice of Certain Events

The Issuer will also provide timely notices of certain events to the MSRB. The Issuer will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the Issuer, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. In addition, the Issuer will provide timely notice of any failure by the Issuer to provide annual financial information or operating data in accordance with their agreement described above under "Annual Reports". Neither the Order nor the Bonds make any provision for debt service reserves, credit enhancement, or liquidity enhancement.

For these purposes, any event described in clause (12) of the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Issuer in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

Availability of Information from MSRB

The Issuer has agreed to provide the foregoing financial information and operating data only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

Limitations and Amendments

The Issuer has agreed to update information and to provide notices of certain specified events only as described above. The Issuer has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Issuer makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The Issuer disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders or beneficial owners of Bonds may seek a writ of mandamus to compel the Issuer to comply with its agreement.

The Issuer may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Issuer, if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the Issuer (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The Issuer may also repeal or amend these provisions if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the Issuer amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

Compliance with Prior Agreements

For the last five years, the District has complied in all material respects with its previous continuing disclosure agreements made in accordance with the Rule.

FINANCIAL ADVISOR

Southwest Securities is employed as Financial Advisor to the District to assist in the issuance of the Bonds. In this capacity, the Financial Advisor has compiled certain data relating to the Bonds that is contained in this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the District to determine the accuracy or completeness of this Official Statement. Because of their limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fee of the Financial Advisor for services with respect to the Bonds is contingent upon the sale and issuance of the Bonds. In the normal course of business, the Financial Advisor may from time to time sell investment securities to the District for the investment of debt proceeds or other funds of the District, upon the request of the District.

OFFICIAL STATEMENT

Updating the Official Statement During Underwriting Period

If, subsequent to the date of the Official Statement to and including the date the Initial Purchaser is no longer required to provide an Official Statement to potential customers who request the same pursuant to Rule 15c2-12 of the federal Securities Exchange Act of 1934 (the "Rule") (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from the MSRB, but in no case less than 25 days after the "end of the underwriting period"), the District learns or is notified by the Initial Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Initial Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Initial Purchaser. (See "DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS" in the Official Notice of Sale herein.) The obligation of the District to update or change the Official Statement will terminate 25 days after the date the District delivers the Bonds to the Initial Purchaser (the "end of the underwriting period" within the meaning of the Rule), unless the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of 25 days after all of the Bonds have been sold to ultimate customers (but no longer than the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from the MSRB, but in no case less than 25 days after the "end of the underwriting period" for the Bonds). In the event the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers, the Initial Purchaser agrees to notify the District in writing following the occurrence of the "end of the underwriting period" as defined in the Rule.

Forward-Looking Statements Disclaimer

The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. The District's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the District. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

OTHER MATTERS

Legal Investment and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking fund of municipalities or other political subdivisions or public agencies of the State of Texas. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the state, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. (See "RATINGS" herein.)

No representation is made that the Bonds will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The District has made no investigation of other laws, rules, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Bonds for such purposes. The District has not made any review of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

Registration and Qualification of Bonds for Sale

No registration statement relating to the offer and sale of the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration of the Bonds under the securities laws of any other jurisdiction in which the Bonds, may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

Certification as to Official Statement

At the time of payment for and delivery of the Bonds, the Purchaser will be furnished a certificate executed by the proper officials of the District acting in their official capacity, to the effect that: (a) the descriptions and statements of or pertaining to the District contained in its Official Statement relating to the Bonds, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of the sale of said Bonds, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statement therein, in the light of the circumstances under which they were made, not misleading; (c) to the best of their knowledge, insofar as the descriptions and statements, including financial data, or pertaining to entities, other than the District and its activities, contained in such Official Statement are concerned, such statements and data have been obtained from sources which the District believes to be reliable and the District has no reason to believe that they are

untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the District since September 30, 2013, the date of the last audited financial statements of the Issuer, portions of which appear in the Official Statement.

The Official Statement will be approved as to form and content and the use thereof in the offering of the Bonds will be authorized, ratified and approved by the Board on the date of sale, and the Purchasers will be furnished, upon request, at the time of payment for and the delivery of the Bonds, a certified copy of such approval, duly executed by the proper officials of the Issuer.

Concluding Statement

The financial data and other information contained in this Official Statement have been obtained from the District's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents, orders and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents, orders and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such statutes, documents, orders and resolutions for further information. Reference is made to original documents in all respects.

This Official Statement will be approved by the Board of the Issuer for distribution in accordance with the provisions of the Rule.

President, Board of Directors
Trophy Club Municipal Utility District No. 1

Secretary, Board of Directors
Trophy Club Municipal Utility District No. 1

APPENDIX A

FINANCIAL INFORMATION OF THE ISSUER

(This appendix contains quantitative financial information and operating data with respect to the Issuer. The information is only a partial representation and does not purport to be complete. For further and more complete information, reference should be made to the original documents, which can be obtained from various sources, as noted.)

FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION

TABLE 1

2014 Actual Market Value of Taxable Property (100% of Actual) ^(a)		\$ 1,184,922,227
Less Exemptions:		
Local Optional Over-65	\$16,114,626	
Disabled and Deceased Veterans'	3,851,277	
Agricultural Productivity Loss	2,350,542	
Freeport	-	
10% Homestead Cap Value Loss	6,959,758	
Total Exempt / Prorated Property	23,336,052	
Partial Exempt Property	4,740	52,616,995
2014 Certified Net Taxable Assessed Valuation ^(b)		\$ 1,132,305,232 ^(b)
Less: Taxable Value of Accounts Incomplete/Under Review		\$ (18,922,021)
2014 Certified Net Taxable ARB Approved Assessed Valuation		\$ 1,113,383,211

^(a) See "TAXING PROCEDURES" in the Official Statement for a description of the Issuer's taxation procedures.

^(b) Includes taxable value of incomplete accounts and accounts under ARB Review.

Sources: Denton Central Appraisal District and Tarrant Appraisal District

GENERAL OBLIGATION BONDED DEBT

TABLE 2

General Obligation Debt Principal Outstanding (As of November 1, 2014):		
Unlimited Tax Bonds, Series 2010	\$	1,800,000
Unlimited Tax Refunding Bonds, Series 2012		1,980,000
Unlimited Tax Refunding Bonds, Series 2013		1,740,000
Total General Obligation Debt Principal Outstanding	\$	5,520,000
Current Issue General Obligation Debt Principal		
Unlimited Tax Bonds, Series 2014 (the "Bonds")	\$	5,765,000 *
Total General Obligation Debt Principal Outstanding (Following the Issuance of the Bonds)	\$	11,285,000
Interest and Sinking Fund Balance as of September 30, 2014 (unaudited)	\$	15,253
Ratio of General Obligation Debt Principal to 2014 Certified Net Taxable ARB Approved Assessed Valuation		1.01%
2014 Certified Net Taxable ARB Approved Assessed Valuation ^(a)	\$	1,113,383,211
Population Estimates: 2000 - 6,350; 2010 - 8,042; Current 2014 (Estimate) -		11,127
Per Capita 2014 Certified Net Taxable ARB Approved Assessed Valuation -	\$	100,061
Per Capita General Obligation Debt Principal -	\$	1,014

^(a) See "TAXING PROCEDURES" in the Official Statement for a description of the Issuer's taxation procedures.

* Preliminary, subject to change.

OTHER OBLIGATIONS

TABLE 3

Description	Year of Issue	Interest Rate Payable	Final Maturity	Average Annual Payment	Original Amount	Unaudited Principal Outstanding as of 9-30-14
Public Property Finance						
Contractual Obligations:						
Fire Truck	2007	4.33%	2014	\$ 75,404	\$ 448,000	\$ -
Capital Lease						
Fire Truck	2014	2.50%	2022	\$ 127,149	\$ 1,057,316	\$ 807,316 ^(a)
Notes Payable:						
Equipment	2010	3.90%	2015	\$ 201,318	\$ 179,955	\$ 35,991
Water/Wastewater Imprv's	2013	1.85%	2016	153,588	445,000	301,977
						\$ 337,968
Total Other Obligations						\$ 1,145,284

^(a) The District paid \$250,000 in a down payment on October 23, 2014. The Capital Lease calls for seven additional annual payments of \$127,149 scheduled for fiscal years 2016 through 2022.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

TABLE 4

Fiscal Year	Current Total	The Bonds*			Combined
	Debt Service				
Sept 30	Outstanding ^(a)	Principal	Interest	Total	Debt Service*
2015	\$ 618,507.50	\$ -	\$ 128,013.33	\$ 128,013.33	\$ 746,520.83
2016	618,657.50	235,000.00	180,018.76	415,018.76	1,033,676.26
2017	625,782.50	240,000.00	175,318.76	415,318.76	1,041,101.26
2018	622,307.50	245,000.00	170,518.76	415,518.76	1,037,826.26
2019	633,532.50	250,000.00	165,618.76	415,618.76	1,049,151.26
2020	624,082.50	255,000.00	159,368.76	414,368.76	1,038,451.26
2021	628,332.50	265,000.00	152,993.76	417,993.76	1,046,326.26
2022	631,957.50	270,000.00	145,043.76	415,043.76	1,047,001.26
2023	633,457.50	280,000.00	136,943.76	416,943.76	1,050,401.26
2024	153,182.50	290,000.00	128,543.76	418,543.76	571,726.26
2025	152,682.50	295,000.00	119,843.76	414,843.76	567,526.26
2026	148,082.50	305,000.00	110,625.00	415,625.00	563,707.50
2027	153,367.50	315,000.00	100,712.50	415,712.50	569,080.00
2028	153,242.50	325,000.00	90,475.00	415,475.00	568,717.50
2029	152,782.50	335,000.00	79,912.50	414,912.50	567,695.00
2030	152,112.50	345,000.00	69,025.00	414,025.00	566,137.50
2031	151,162.50	360,000.00	56,950.00	416,950.00	568,112.50
2032	-	370,000.00	44,350.00	414,350.00	414,350.00
2033	-	385,000.00	31,400.00	416,400.00	416,400.00
2034	-	400,000.00	16,000.00	416,000.00	416,000.00
	<u>\$ 6,853,232.50</u>	<u>\$ 5,765,000.00</u>	<u>\$ 2,261,675.93</u>	<u>\$ 8,026,675.93</u>	<u>\$ 14,879,908.43</u>

^(a) Does not include Other Obligations indebtedness (see Table 3).

* Preliminary, subject to change. Interest calculated at and average interest rate of 3.380% for illustration purposes only.

TAX ADEQUACY

TABLE 5

2014 Certified Net Taxable ARB Approved Assessed Valuation	\$ 1,113,383,211	
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-23)*	\$ 1,050,401	*
Indicated Maximum Interest and Sinking Fund Tax Rate at 99% collections	\$ 0.09530	*
Average Annual Debt Service Requirements (Fiscal Years 2015-2034)	\$ 743,995	*
Indicated Interest and Sinking Fund Tax Rate for Average Annual Debt Service at 99% collections	\$ 0.06750	*

Note: Above computation is exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.

* Preliminary, subject to change.

INTEREST AND SINKING FUND MANAGEMENT INDEX

TABLE 6

Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2014 (unaudited)	\$ 15,253	
FY 2015 Interest and Sinking Fund Tax Levy of \$0.04126 at 99% Collections based on the 2014 Certified Net Taxable Assessed Valuation of \$1,113,383,211 Produces	454,788	
FY 2015 Interest and Sinking Fund Deposit from Fire Department Rental Income	214,279	
FY 2015 Public Improvement District surcharge	65,255	
FY 2015 Budgeted Income from PID Utility Connection Fees Paid by Developer (guaranteed with bank letter of credit to be deposited to I&S Fund on or before June 2015)	16,525	
Total Available for Debt Service	<u>\$ 766,100</u>	
Less: General Obligation Debt Service Requirements, Fiscal Year Ending 9-30-15 ^(a)	746,521	*
Estimated Surplus at Fiscal Year Ending 9-30-15 ^(b)	<u>\$ 19,579</u>	(a)*

^(a) Does not include delinquent tax collections, penalties and interest on delinquent tax collections or investment earnings.

* Preliminary, subject to change.

PROJECTED GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE
TABLE 7
(As of November 1, 2014)

Fiscal Year Ending 9/30	Principal Repayment Schedule			Bonds Unpaid at End of Year*	Percent of Principal Retired (%)*
	Outstanding Bonds^(a)	The Bonds*	Total*		
2015	\$ 440,000	\$ -	\$ 440,000	\$ 10,845,000	3.90%
2016	450,000	235,000.00	685,000	10,160,000	9.97%
2017	470,000	240,000.00	710,000	9,450,000	16.26%
2018	480,000	245,000.00	725,000	8,725,000	22.68%
2019	505,000	250,000.00	755,000	7,970,000	29.38%
2020	510,000	255,000.00	765,000	7,205,000	36.15%
2021	530,000	265,000.00	795,000	6,410,000	43.20%
2022	550,000	270,000.00	820,000	5,590,000	50.47%
2023	570,000	280,000.00	850,000	4,740,000	58.00%
2024	110,000	290,000.00	400,000	4,340,000	61.54%
2025	115,000	295,000.00	410,000	3,930,000	65.18%
2026	115,000	305,000.00	420,000	3,510,000	68.90%
2027	125,000	315,000.00	440,000	3,070,000	72.80%
2028	130,000	325,000.00	455,000	2,615,000	76.83%
2029	135,000	335,000.00	470,000	2,145,000	80.99%
2030	140,000	345,000.00	485,000	1,660,000	85.29%
2031	145,000	360,000.00	505,000	1,155,000	89.77%
2032	-	370,000.00	370,000	785,000	93.04%
2033	-	385,000.00	385,000	400,000	96.46%
2034	-	400,000.00	400,000	-	100.00%
	<u>\$ 5,520,000</u>	<u>\$ 5,765,000</u>	<u>\$ 11,285,000</u>		

^(a) Excludes all PPFCO principal outstanding (see Table 3).

* Preliminary, Subject to change.

FUND BALANCES
TABLE 8

	Unaudited As of 9-30-14
General Fund	\$ 2,482,478
Debt Service Fund	15,253
Capital Projects Fund	10,268
Total	<u>\$ 2,507,999</u>

TAXABLE ASSESSED VALUATION FOR TAX YEARS 2007-2014 ^(a)
TABLE 9

Tax Year	Net Taxable Assessed Valuation	Change From Preceding Year	
		Amount (\$)	Percent (%)
2007	\$ 912,618,000	101,404,000	12.50%
2008	960,911,000	48,293,000	5.29%
2009	1,015,777,389 ^(b)	54,866,389	5.71%
2010	978,509,574 ^(b)	(37,267,815)	-3.67%
2011	954,645,475 ^(b)	(23,864,099)	-2.44%
2012	993,598,863 ^(b)	38,953,388	4.08%
2013	1,047,277,474 ^(b)	53,678,611	5.40%
2014	1,113,383,211 ^(b)	66,105,737	6.31%

^(a) Historical comparison information for Tax Years 2007-2008 represents the combined totals from two separate entities (Trophy Club MUD NO. 1 and Trophy Club MUD NO. 2).

^(b) Excludes valuation for incomplete accounts and accounts under ARB review, as of certification date.

Sources: Denton Central Appraisal District, Tarrant Appraisal District

Note: Assessed Valuations may change during the year due to various supplements and protests, and valuations on a later date or in other tables of this Official Statement may not match those shown on this table.

CLASSIFICATION OF ASSESSED VALUATION

TABLE 10

Category (a)	2014	% of Total	2013	% of Total	2012	% of Total	2011	% of Total	2010	% of Total
Land - Homesite	\$ 226,842,778	19.14%	\$ 203,037,867	18.32%	\$ 196,695,860	18.43%	\$ 193,352,075	18.57%	\$ 189,642,427	18.32%
Land - Non Homesite	244,868,556	20.67%	232,983,787	21.02%	231,311,751	21.68%	236,144,259	22.68%	248,891,821	24.04%
Land - Agricultural	2,356,216	0.20%	3,476,928	0.31%	3,304,866	0.31%	3,304,866	0.32%	3,957,829	0.38%
Improvements (a)		0.00%		0.00%		0.00%		0.00%		0.00%
Improvements - Homesite	598,292,096	50.49%	544,853,380	49.15%	521,613,241	48.89%	497,180,522	47.75%	498,665,743	48.16%
Improvements - Non Homesite	31,956,877	2.70%	28,600,784	2.58%	29,521,628	2.77%	19,001,251	1.82%	19,724,323	1.90%
Personal Property	80,544,647	6.80%	95,502,232	8.62%	84,437,150	7.91%	91,866,777	8.82%	73,302,378	7.08%
Mineral Property	61,057	0.01%	95,857	0.01%	111,186	0.01%	444,407	0.04%	1,263,858	0.12%
Total Appraised Value	\$ 1,184,922,227	100.00%	\$ 1,108,550,835	100.00%	\$ 1,066,995,682	100.00%	\$ 1,041,294,157	100.00%	\$ 1,035,448,379	100.00%
Less Exemptions:										
Exemptions (a)										
Optional Over-65	\$ 16,114,626		\$ 15,664,714		\$ 14,745,603		\$ 13,436,103		\$ 12,886,387	
Disabled and Deceased Veterans'	3,851,277		3,245,975		3,118,815		2,864,298		1,805,306	
Agricultural Productivity Loss	2,350,542		3,467,784		3,296,413		3,296,361		3,949,539	
Freepoint	-		-		-		-		-	
Homestead Cap Adjustment	6,959,758		1,559,493		2,224,166		1,127,925		1,391,082	
Total Exempt Property	23,336,052		21,205,523		23,398,421		22,745,880		22,572,987	
Partial Exempt Property	4,740		6,515		4,406		5,894		131,554	
Total Exemptions	\$ 52,616,995		\$ 45,150,004		\$ 46,787,824		\$ 43,476,461		\$ 42,736,855	
Certified Net Taxable Assessed Valuation	\$ 1,132,305,232	(b)	\$ 1,063,400,831	(b)	\$ 1,020,207,858	(b)	\$ 997,817,696		\$ 992,711,524	
Less: Taxable Value of Accounts Incomplete/Under Review										
	\$ (18,922,021)		\$ (16,123,357)		\$ (26,608,995)		\$ (43,172,221)		\$ (14,201,850)	
Certified Net Taxable ARB Approved Assessed Valuation	\$ 1,113,383,211		\$ 1,047,277,474		\$ 993,598,863		\$ 954,645,475		\$ 978,509,674	

Source: Denton Central Appraisal District, Tarrant Appraisal District

Note: Assessed Valuations may change during the year due to various supplements and protests, and valuations on a later date or in other tables of this Official Statement may not match those shown on this table.

Note: Appraised figures for Tarrant County already reflect the loss for Homestead Cap Value

PRINCIPAL TAXPAYERS 2014-2015
TABLE 11

<u>Name</u>		% of Total 2014	
		2014 Net Taxable Assessed Valuation	Assessed Valuation
5 Village Circle Holdings, LP ^(a)	Commercial Office Complex	\$ 140,344,165	12.61%
Marsh USA Inc.	Insurance Consultant / Data Center	21,098,171	1.89%
CNL RETMT CRSI Trophy Club Texas LP	Medical Plaza / Hospital	18,000,000	1.62%
Trophy Club 12 LLC	Commercial Real Estate	14,481,513	1.30%
Corelogic Solutions LLC	Commercial Real Estate	14,473,635	1.30%
Armored Trophy Club LLC	Real Estate Development	8,950,000	0.80%
Hydra Hotels LLC	Hotel (Hampton Inn)	6,520,997	0.59%
Levi Strauss & Co.	Commercial Office	5,903,735	0.53%
Trophy Club Medical Center	Healthcare Services	5,563,287	0.50%
4663 Okeechobee Blvd & Palm Beach Holdings	Real Estate Development	5,352,159	0.48%
Total		\$ 240,687,662	21.62% ^(b)

* Based on a 2014 Certified Net Taxable ARB Approved Assessed Valuation of \$ 1,113,383,211

^(a) Taxpayer formerly Maguire Thomas Partners ETAL. Name shown above is name listed on Tarrant Appraisal District records. Current owner also known as BRE Solana LLC.

^(b) Based on the 2014 Certified Net Taxable ARB Approved Assessed Valuation, which excludes taxable values for incomplete accounts and accounts under ARB Review.

Source: Texas Municipal Report published by the Municipal Advisory Council of Texas, Denton Central Appraisal District and the Issuer.

PROPERTY TAX RATES AND COLLECTIONS ^{(a) (b)}
TABLE 12

<u>Tax Year</u>	<u>Net Taxable Assessed Valuation</u>	<u>Tax Rate</u>	<u>Adjusted Tax Levy</u>	<u>% Collections</u>		<u>Fiscal Year Ended</u>
				<u>Current</u>	<u>Total</u>	
2006	\$ 811,214,000	\$ 0.280000	\$ 2,191,536	100.62%	100.36%	9-30-07
2007	912,618,000	0.230000	2,234,909	100.62%	100.36%	9-30-08
2008	960,911,000	0.244615	2,380,679	98.94%	99.58%	9-30-09
2009	1,015,777,389 ^(c)	0.205000	2,091,414	99.66%	100.75%	9-30-10
2010	978,509,574 ^(c)	0.195000	2,047,972	99.58%	100.36%	9-30-11
2011	954,645,475 ^(c)	0.175000	1,714,788	99.49%	99.60%	9-30-12
2012	993,598,863 ^(c)	0.133390	1,581,619	99.72%	100.63%	9-30-13
2013	1,047,277,474 ^(c)	0.133390	1,417,771	99.32% ^(d)	99.43% ^(d)	9-30-14

^(a) See "TAXING PROCEDURES - Levy and Collection of Taxes" in the body of the Official Statement for a complete discussion of the District's provisions.

^(b) Historical comparison information for Tax Years 2006-2008 represents the combined totals from two separate entities (Trophy Club MUD NO. 1 and Trophy Club MUD NO. 2).

^(c) Excludes value of incomplete accounts and accounts under ARB review, as of certification

^(d) As of September 30, 2014 (unaudited).

Source: Texas Municipal Report published by the Municipal Advisory Council of Texas, the Denton Central Appraisal District and the Issuer

Note: Assessed Valuations may change during the year due to various supplements and protests, and valuations on a later date or in other tables of this Official Statement may not match those shown on this table.

TAX RATE DISTRIBUTION**TABLE 13**

	<u>2014-2015</u>	<u>2013-2014</u>	<u>2012-2013</u>	<u>2011-2012</u>	<u>2010-2011</u>
Operations	\$0.01486	\$0.00935	\$0.00989	\$0.00989	\$0.00879
Fire Protection	0.07727	0.08738	0.10400	0.10925	0.10925
Debt Service	0.04126	0.03666	0.01950	0.05586	0.07696
TOTAL	\$0.13339	\$0.13339	\$0.13339	\$0.17500	\$0.19500

Sources: Texas Municipal Report published by the Municipal Advisory Council of Texas

DIRECT AND OVERLAPPING DEBT DATA INFORMATION**TABLE 14**

(As of November 1, 2014)

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the District and the estimated percentages and amounts of such indebtedness attributable to property within the District. This information is based upon data secured from the individual jurisdictions and/or the Texas Municipal Reports published by the Texas Municipal Advisory Council. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the date stated, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined.

<u>Taxing Body</u>	<u>Gross Debt Principal</u>	<u>% Overlapping</u>	<u>Amount Overlapping</u>
Carroll Independent School District	\$ 226,024,791	3.30%	\$ 7,458,818
Denton County	614,975,000	1.15%	7,072,213
Northwest Independent School District	737,438,319	5.72%	42,181,472
Tarrant County	317,820,000	0.20%	635,640
Tarrant County College District	7,935,000	0.20%	15,870
Tarrant County Hospital District	24,425,000	0.20%	48,850
Town of Trophy Club	14,727,000	80.13%	11,800,745
Westlake, Town of	29,304,000	18.35%	5,377,284
Total Net Overlapping Debt	\$1,972,649,110		\$ 74,590,892
Trophy Club MUD No. 1	11,285,000 ^(a)	100.00%	11,285,000 ^(a)
Total Gross Direct Principal and Overlapping Debt	\$1,983,934,110		\$ 85,875,892 ^(a)

Ratio of Direct and Overlapping Debt to 2014 Certified Net Taxable ARB Approved Assessed Valuation	7.71% ^(a)
Ratio of Direct and Overlapping Debt to 2014 Market Value	7.25% ^(a)
Per Capita Direct and Overlapping Debt	\$7,718 ^(a)

^(a) Includes the Bonds.

Source: Most Recent Texas Municipal Reports published by the Municipal Advisory Council of Texas.

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ENTITIES**TABLE 15**

<u>Governmental Entity</u>	<u>2014 Net Taxable Assessed Valuation</u>	<u>% of Actual</u>	<u>2014 Tax Rate^(a)</u>
Carroll Independent School District	\$ 3,274,504,723	100%	\$ 1.400000
Denton County	63,594,441,842	100%	0.272200
Northwest Independent School District	11,075,535,331	100%	1.452500
Tarrant County	132,971,955,288	100%	0.264000
Tarrant County College District	133,754,637,419	100%	0.149500
Tarrant County Hospital District	133,230,920,130	100%	0.227897
Town of Trophy Club	1,225,516,256	100%	0.490000
Westlake, Town of	904,126,123	100%	0.156340

Source: Most recent Texas Municipal Reports published by The Municipal Advisory Council of Texas and Denton and Tarrant County Appraisal Districts

AUTHORIZED BUT UNISSUED DIRECT GENERAL OBLIGATION BONDS
TABLE 16

<u>Taxing Body</u>	<u>Date of Authorization</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued To Date</u>	<u>This Issue</u>	<u>Unissued</u>
Trophy Club MUD No. 1	10-07-75	Water & Sewer	\$ 12,344,217	\$ 11,115,000	\$ 1,229,217	\$ -
	04-04-81	Water & Sewer	6,450,000	6,450,000	-	-
	04-04-81	Water & Sewer	5,800,000	3,760,000	2,040,000	-
	10-29-88	Water & Sewer	2,500,000	-	2,495,783	4,217 (a)
	05-10-08	Fire Station	2,000,000	2,000,000	-	-
			<u>\$ 27,094,217</u>	<u>\$ 21,325,000</u>	<u>\$ 5,765,000</u>	<u>\$ 4,217 (a)</u>

(a) The District does not plan to issue these remaining authorized bonds.

**AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS
OF OVERLAPPING GOVERNMENTAL ENTITIES**
TABLE 17

<u>Taxing Body</u>	<u>Date of Authorization</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued To Date</u>	<u>Unissued</u>
Carroll ISD	None				
Denton County	01-16-99	Road	\$ 85,320,000	\$ 77,629,375	\$ 7,690,625
	05-15-04	Road	186,970,000	186,970,000	-
	05-15-04	County Offices	17,900,000	17,900,000	-
	05-15-04	Equipment	2,000,000	-	2,000,000
	11-04-08	Road	310,000,000	231,225,532	78,774,468
	11-04-08	County Buildings	185,000,000	118,593,406	66,406,594
			<u>\$ 787,190,000</u>	<u>\$632,318,313</u>	<u>\$154,871,687</u>
Northwest I S D	05-10-08	School Buildings	\$ 260,000,000	\$ 215,000,000	\$ 45,000,000
	11-06-12	School Buildings	255,000,000	125,000,000	130,000,000
			<u>\$ 515,000,000</u>	<u>\$ 340,000,000</u>	<u>\$ 175,000,000</u>
Tarrant County	04-04-87	Courthouse Improv.	\$ 47,000,000	\$ 46,500,000	\$ 500,000 (a)
	08-08-98	Law Enforcement C	70,600,000	63,100,000	7,500,000
	08-08-98	Healthcare Facility	9,100,000	1,000,000	8,100,000
	08-08-98	Jail	14,600,000	14,600,000	-
	05-13-06	Road & Bridge	200,000,000	166,700,000	33,300,000
	05-13-06	Jail	108,000,000	108,000,000	-
	05-13-06	County Buildings	62,300,000	47,300,000	15,000,000
	05-13-06	Juvenile Deten. Ctr.	36,320,000	4,200,000	32,120,000
	05-13-06	County Offices	26,500,000	26,500,000	-
			<u>\$ 574,420,000</u>	<u>\$477,900,000</u>	<u>\$ 96,520,000</u>
Tarrant Co. College Disl	None				
Tarrant Co. Hospital Dis	None				
Trophy Club, Town of	None				
Westlake, Town of	None				

(a) The County will not issue authorization due to age.

Source: Most recent Texas Municipal Reports published by The Municipal Advisory Council of Texas and the Issuer.

**GENERAL FUND COMPARATIVE SCHEDULES OF
REVENUES AND EXPENDITURES**

TABLE 18

	Fiscal Year Ended September 30				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenue and Other Financing Sources:					
Ad Valorem Property Taxes	\$ 1,426,185	\$ 1,374,808	\$ 1,311,296	\$ 1,491,564	\$ 1,283,705
Water & Wastewater Charges	5,467,371	5,210,077	5,323,244	3,919,084	3,721,868
Utility Fees	508,300	647,080	165,600	80,500	515,200
Inspection and Tap Fees	9,600	9,009	8,560	5,775	4,975
Investment Income	4,641	5,706	5,534	6,171	20,755
Other Financing Sources - Debt Issue	-	1,100,000	-	-	330,000
Miscellaneous and Other	214,294	215,227	240,831	191,498	199,780
Total Revenues and Other Financing Sources:	\$ 7,630,391	\$ 8,561,907	\$ 7,055,065	\$ 5,694,592	\$ 6,076,283
Expenditures and Other Financing Uses:					
Administrative and Other	\$ 1,476,467	\$ 1,097,547	\$ 1,042,073	\$ 993,986	\$ 1,297,613
Water Operations	2,623,822	2,503,331	2,271,490	1,882,511	1,811,385
Transfers Out and Debt Service	1,115,390	1,011,260	1,130,123	558,000	383,009
Wastewater Operations	896,538	614,102	598,465	711,382	999,388
Wastewater Collection System	322,017	260,895	277,775	308,798	294,869
Information Systems	-	173,386	123,605	182,658	175,698
Contribution to Trophy Club Fire Dept.	790,779	822,307	770,123	876,521	783,736
Capital Outlay	462,876	1,562,809	515,884	-	-
Total Expenditures and Other Financing Uses:	\$ 7,687,889	\$ 8,045,637	\$ 6,729,538	\$ 5,513,856	\$ 5,745,698
Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	\$ (57,498)	\$ 516,270	\$ 325,527	\$ 180,736	\$ 330,585
Beginning Fund Balance - October 1 (Restated)	3,854,711	3,338,441	3,012,914	2,832,178	2,501,593
Ending Fund Balance - September 30	\$ 3,797,213 ^(a)	\$ 3,854,711	\$ 3,338,441	\$ 3,012,914	\$ 2,832,178
Total Active Retail Connections					
Water and/or Wastewater Connections	3,096 ^(b)	3,887	3,554	3,361	3,161

^(a) The District anticipates that the General Fund balance for Fiscal Year 2014 will be approximately \$2,482,478. Reduction in the General Fund Balance was due to (1) funding of engineering cost for wastewater treatment plant expansion to be reimbursed from Bond proceeds and (2) legal fees associated with the Bond Validation Lawsuit.

^(b) Excludes approximately 1,223 Public Improvement District ("PID") customers. Under the terms of a 2013 revised contract with the Town of Trophy Club, water and sewer customers located in the PID will be wholesale customers of the District and therefore will be excluded from the District's total customer count.

Source: The Issuer's Audited Financial Statements

**DEBT SERVICE FUND COMPARATIVE SCHEDULES OF
REVENUES AND EXPENDITURES**

TABLE 19

	Fiscal Year Ended September 30				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenue and Other Financing Sources:					
Ad Valorem Property Taxes	\$ 201,207	\$ 547,587	\$ 771,631	\$ 740,420	\$ 1,100,115
Penalties and Interest	1,688	3,226	6,018	-	11,885
Intergovernmental	503,000	308,000	554,100	653,000	383,009
Interest Earned	11,900	1,294	985	4,848	4,105
Miscellaneous and Other	-	10,782	-	1,000	-
Total Revenues and Other Financing Sources:	<u>\$ 717,795</u>	<u>\$ 870,889</u>	<u>\$ 1,332,734</u>	<u>\$ 1,399,268</u>	<u>\$ 1,499,114</u>
Expenditures and Other Financing Uses:					
Principal Retirement	\$ 605,000	\$ 565,000	\$ 1,115,000	\$ 1,055,000	\$ 1,025,000
Interest and Fiscal Charges	<u>231,333</u>	<u>277,319</u>	<u>382,019</u>	<u>311,570</u>	<u>352,194</u>
Total Expenditures and Other Financing Uses:	<u>\$ 836,333</u>	<u>\$ 842,319</u>	<u>\$ 1,497,019</u>	<u>\$ 1,366,570</u>	<u>\$ 1,377,194</u>
Excess (Deficit) of Revenues and Other Financing Sources Over (Under)					
Expenditures and Other Financing Uses	\$ (118,538)	\$ 28,570	\$ (164,285)	\$ 32,698	\$ 121,920
Beginning Fund Balance - October 1(Restated) (Restated)	<u>136,417</u>	<u>107,847</u>	<u>272,132</u>	<u>239,434</u>	<u>117,514</u>
Ending Fund Balance - September 30	<u>\$ 17,879</u>	<u>\$ 136,417</u>	<u>\$ 107,847</u>	<u>\$ 272,132</u>	<u>\$ 239,434</u>

Source: The Issuer's Audited Financial Statements

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APPENDIX B

GENERAL INFORMATION REGARDING THE TOWN OF TROPHY CLUB AND DENTON COUNTY, TEXAS

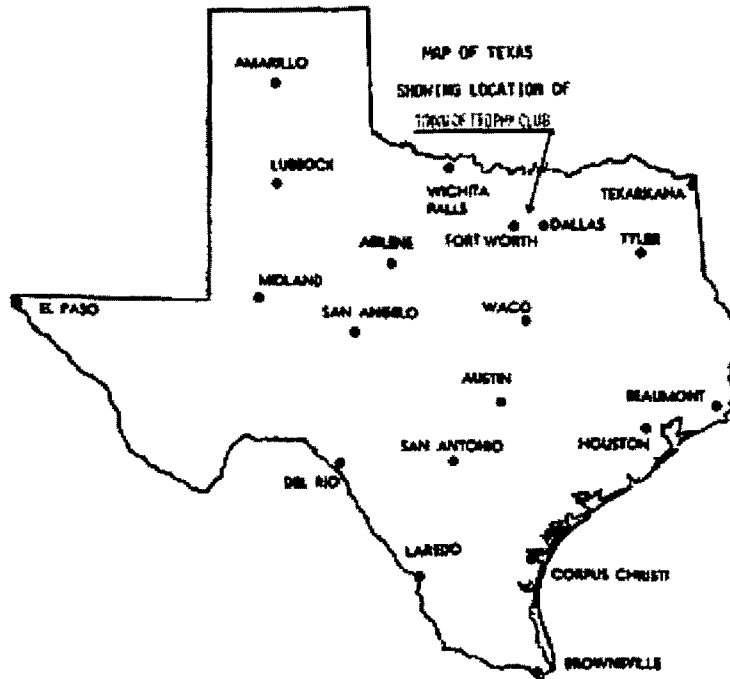
**GENERAL INFORMATION REGARDING THE TOWN OF TROPHY CLUB
AND DENTON COUNTY, TEXAS**

TOWN OF TROPHY CLUB

General

The Town of Trophy Club (the "Town"), incorporated in January of 1985, is Texas's first premiere planned residential and country-club community. The Town is located in the southern portion of the Denton County (the "County") on State Highway 114 approximately 8 miles west of the City of Grapevine, 17 miles south of the City of Denton and 14 miles northwest of the Dallas-Fort Worth International Airport. Lake Grapevine is located approximately 2 miles north and east of the Town. The majority of property within the Town consists of single-family and multi-family housing. The Solana Business Complex is located adjacent to the Town's eastern border in the cities of Westlake and Southlake. Both residents and businesses of the Town are furnished water and wastewater treatment from Trophy Club Municipal Utility District No. 1. The Town's 2010 Census was 8,024, which is a 26.65% increase over the 2000 Census. The Town's 2014 population estimate is 10,866.

Source: Latest Texas Municipal Report published by the Municipal Advisory Council of Texas, U.S. Census Report, North Central Texas Council of Governments and the Town of Trophy Club.



Population:

<u>Year</u>	<u>Town of Trophy Club</u>	<u>Denton County</u>
Current Estimate	10,866	728,799
2010 Census	8,024	662,614
2000 Census	6,350	423,976
1990 Census	3,922	273,525
1980 Census	N/A	143,126

Sources: United States Bureau of the Census and the Town of Trophy Club

Leading Employers in the District:

<u>Employer</u>	<u>Type of Business</u>	<u>Estimated Number of Employees</u>
BRE Solana, LLC	Commercial Office Complex	3,531 ^(a)
Northwest Independent School District	Public School District	341
Trophy Club Country Club	Country Club	150
Baylor Medical Center at Trophy Club	Healthcare Services	125
Town of Trophy Club & Trophy Club MUD #1	Municipal Governmental Entities	93
Tom Thumb	Retail Grocery	90
Christina's Mexican Restaurant	Restaurant	45
Fellowship United Methodist Church	Church	39
Church at Trophy Lake	Church	30
Walgreen's	Retail Sales	23
Bank of America	Financial Services	11

^(a) Employees for combined businesses.

Source: Information from the Issuer

DENTON COUNTY

General

Denton County (the "County") is located in north central Texas. The County was created in 1846. It is the ninth most populous county in the state occupying a land area of 911 square miles. The population of the County has grown over 50% since the 2000 census. The County seat is the City of Denton.

The economy is diversified by manufacturing, state supported institutions, and agriculture. The Texas Almanac designates cattle, horses, poultry, hay, wheat and sorghum as the principal sources of agricultural income. Minerals produced in Denton County include natural gas and clay. Institutions of higher education include the University of North Texas and Texas Woman's University with a combined enrollment of over 50,000.

Nearby Lake Lewisville attracts over 3,000,000 visitors annually.

Alliance Airport, the largest industrial airport in the world is located in the county and continues to attract new transportation, distribution, and manufacturing tenants. The Texas Motor Speedway, a major NASCAR race track, was completed in 1997 and has had a positive impact on employment and recreational spending for the area. A major Wal-Mart distribution center located in Sanger is adding to the growth of the northern portion of the County. Large housing developments that were begun several years ago have been completed and new developments such as Rayzor Ranch, the Hills of Denton, Hunter Ranch and Cole Ranch are expected to add over 28,000 new housing units in the next 20 years.

Source: Texas Municipal Report and information from the County.

Labor Force Statistics

	<u>Denton County</u>	
	<u>September 2014</u>	<u>September 2013</u>
Civilian Labor Force	407,027	399,115
Total Employed	388,860	377,579
Total Unemployed	18,167	21,536
% Unemployed	4.5%	5.4%
% Unemployed (Texas)	5.0%	6.2%
% Unemployed (United States)	5.7%	7.0%

Source: Texas Workforce Commission, Labor Market Information Department.

Major Employers in Denton County

Employer	Principal Line of Business	Number of Employees
University of North Texas	Higher Education	8,887
Lewisville Independent School District	Public School Education	6,312
Wal-Mart	Retail Sales	3,900
Denton Independent School District	Public School Education	3,067
Nationstar Mortgage	Real Estate Loans	2,810
Peterbilt Motors	Heavy Duty Truck Manufacturing	2,100
Texas Woman's University	Higher Education	1,787
Northwest Independent School District	Public School Education	1,638
Denton State School	State Mental Health Facility / Services	1,600
Denton County	County Government	1,490
City of Denton	City Government	1,300
Texas Health Presbyterian Hospital	Hospital	1,074

Source: North Central Texas Council of Governments

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APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

NORTON ROSE FULBRIGHT

Fulbright & Jaworski LLP
2200 Ross Avenue, Suite 2800
Dallas, Texas 75201-2784
United States

Tel +1 214 855 8000
Fax +1 214 855 8200
nortonrosefulbright.com

[Closing Date]

IN REGARD to the authorization and issuance of the "Trophy Club Municipal Utility District No. 1 Unlimited Tax Bonds, Series 2014", dated December 15, 2014, in the aggregate principal amount of \$_____ (the "Bonds"), we have examined into their issuance by the Trophy Club Municipal Utility District No. 1 (the "District") solely to express legal opinions as to the validity of the Bonds and the exclusion of the interest on the Bonds from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the District, the disclosure of any financial or statistical information or data pertaining to the District and used in the sale of the Bonds, or the sufficiency of the security for or the value or marketability of the Bonds.

THE BONDS are issued in fully registered form only and in denominations of \$5,000 or any integral multiple thereof (within a maturity). The Bonds mature on September 1 in each of the years specified in the order adopted by the Board of Directors of the District authorizing the issuance of the Bonds (the "Order"), unless redeemed prior to maturity in accordance with the terms stated on the Bonds. The Bonds accrue interest from the dates, at the rates, and in the manner and interest is payable on the dates, all as provided in the Order.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings relating to the issuance of the Bonds, including the Order, and an examination of the initial Bond executed and delivered by the District (which we found to be in due form and properly executed), (ii) certifications of officers of the District relating to the expected use and investment of proceeds of the sale of the Bonds and certain other funds of the District and (iii) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Bonds, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such documents and certifications.

BASED ON OUR EXAMINATION, we are of the opinion that, under applicable laws of the State of Texas in force and effect on the date hereof:

1. The Bonds have been duly authorized by the District and, when issued in compliance with the provisions of the Order, are valid, legally binding, and enforceable obligations of the District, payable from the proceeds of an ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the District, except to the extent that

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Fulbright & Jaworski LLP is a limited liability partnership registered under the laws of Texas.

Fulbright & Jaworski LLP, Norton Rose Fulbright LLP, Norton Rose Fulbright Australia, Norton Rose Fulbright Canada LLP, Norton Rose Fulbright South Africa (incorporated as Denys Reitz, Inc.), each of which is a separate legal entity, are members of Norton Rose Fulbright Verein, a Swiss Verein. Details of each entity, with certain regulatory information, are at nortonrosefulbright.com. Norton Rose Fulbright Verein helps coordinate the activities of the members but does not itself provide legal services to clients.

TCMUD005427

Page 2 of Legal Opinion of Fulbright & Jaworski LLP

Re: "Trophy Club Municipal Utility District No. 1 Unlimited Tax Bonds, Series 2014", dated
December 15, 2014

the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity.

2. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the District with the provisions of the Order relating to sections 141 through 150 of the Code, interest on the Bonds for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) will not be included in computing the alternative minimum taxable income of individuals or, except as hereinafter described, corporations. Interest on the Bonds owned by a corporation will be included in such corporation's adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporations, other than an S corporation, a qualified mutual fund, a real estate mortgage investment conduit, a real estate investment trust, or a financial asset securitization investment trust ("FASIT"). A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

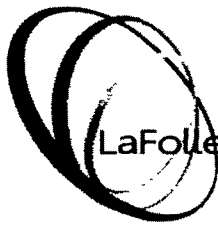
WE EXPRESS NO OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

APPENDIX D

EXCERPTS FROM THE DISTRICT'S AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

(Independent Auditor's Report, Management's Discussion and Analysis, General Financial Statements and Notes to the Financial Statements - not intended to be a complete statement of the Issuer's financial condition. Reference is made to the complete Annual Financial Report for further information.)



LaFollett and Abbott PLLC
Certified Public Accountants

Susan LaFollett, CPA – Partner
Rod Abbott, CPA – Partner

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Trophy Club Municipal Utility District No. 1
Trophy Club, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Trophy Club Municipal Utility District No. 1, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Trophy Club Municipal Utility District No. 1, as of September 30, 2013, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-10 and 35-36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Trophy Club Municipal Utility District No. 1's basic financial statements. The accompanying individual schedules and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying individual schedules and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying individual schedules and other supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2014, on our consideration of Trophy Club Municipal Utility District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Trophy Club Municipal Utility District No. 1's internal control over financial reporting and compliance.



Tom Bean, Texas
January 21, 2014

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2013

Trophy Club Municipal Utility District No. 1, Texas (the "District") Management's Discussion and Analysis (MD&A) is a narrative overview and analysis designed to provide the reader a means to identify and understand the financial activity of the District and changes in the District's financial position during the fiscal year ended September 30, 2013.

The Management's Discussion and Analysis is supplemental to, and should be considered along with, the District's financial statements.

Financial Highlights

At the close of the fiscal year, the assets of the District exceeded its liabilities by \$15,127,431. Of this amount, \$4,240,735 is unrestricted net position and may be used to meet the District's ongoing commitments.

The District's net position increased by \$987,371 as a result of operations.

At the end of the fiscal year, the District's governmental type funds reported a combined fund balance of \$4,060,192.

As of September 30, 2013, the unassigned fund balance of the General Fund was \$2,996,343, which is equal to 42% of total General Fund expenditures.

Long-term debt activity for the District included a new \$445,000 note payable and a \$1,905,000 Series 2013 refunding bonds.

Overview of the Financial Statements

The MD&A is intended to introduce the reader to the District's basic financial statements, which are comprised of three components: 1. Government-Wide Financial Statements, 2. Fund Financial Statements, and 3. Notes to Basic Financial Statements. The report also contains other required supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements – the government wide financial statements are designed to provide the reader with a general overview of the District's finances in a way that is comparable with financial statements from the private sector.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2013

Overview of the Financial Statements – continued

The government-wide financial statements consist of two statements:

1. The Statement of Net Position – (Page 11) this statement presents information on all of the District's assets and liabilities; the difference between the two is reported as net position. Over an extended period, the increase or decrease in net position will serve as a good indicator of whether the financial position of the District is improving or deteriorating.
2. The Statement of Activities – (Page 12) gives information showing how the District's net position has changed during the fiscal year. All revenues and expenses are reported on the full accrual basis.

Fund Financial Statements - Fund financial statements provide detailed information about the most important funds and not about the District as a whole as in the government-wide financial statements.

The District uses fund accounting to demonstrate compliance with finance related legal requirements which can be categorized as governmental fund activities.

Governmental Funds – All of the District's activities are reported in governmental funds. They are used to account for those functions known as governmental activities. But unlike government-wide financial statements, governmental fund financial statements focus on how monies flow into and out of those funds and their resulting balances at the end of the fiscal year. Statements of governmental funds provide a detailed short-term view of the District's general government operations and the basic services it provides. Such information can be useful in evaluating a government's short-term financing requirements.

The District maintains three governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, Debt Service Fund and Capital Projects Fund.

The District adopts annual appropriated budgets for the General Fund and Debt Service Funds. A budgetary comparison statement is provided for each annually budgeted fund to demonstrate compliance with its budget.

Notes to the Basic Financial Statements – The notes provide additional information that is essential to a full understanding of the data presented in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 17-34.

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS**

September 30, 2013

Overview of the Financial Statements - continued

Government-wide Financial Analysis

The Management's Discussion and Analysis highlights the information provided in both the Statement of Net Position and Statement of Activities in the government-wide financial statements. It may serve over an extended period of time, as a useful indicator of the District's financial position. At the end of the fiscal year, the District's assets exceeded liabilities by \$15,127,431. Of this amount \$10,886,696 (72%) reflects the District's investment in capital assets (e.g., land, buildings, machinery and equipment, net of accumulated depreciation), less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide service to the community; therefore these assets are not available for future spending.

Table 1
Condensed Statements of Net Position

	Governmental Activities 2013	Governmental Activities 2012
Current and other	\$ 5,111,997	\$ 5,441,743
Capital assets	18,047,016	17,740,507
Total Assets	<u>23,159,013</u>	<u>23,182,250</u>
Long-term liabilities	6,101,472	6,641,531
Other liabilities	1,930,110	2,400,669
Total liabilities	<u>8,031,582</u>	<u>9,042,200</u>
Net Position:		
Invested in capital assets, net of related debt	10,886,696	10,009,038
Restricted	-	130,297
Unrestricted	4,240,735	4,000,715
Total Net Position	<u>\$ 15,127,431</u>	<u>\$ 14,140,050</u>

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2013

Overview of the Financial Statements - continued

District operational analysis – The following table provides a summary analysis of the District's consolidated operations for the fiscal years ended September 30, 2013 and 2012. Governmental activities have increased the District's net position by \$987,381, which amounts to a 6.9% increase in net position for the year ended September 30, 2013.

Table 2
Changes in Net Position

	Governmental Activities 2013	Governmental Activities 2012
Revenue:		
Program revenue		
Charges for services	\$ 6,070,147	\$ 5,981,722
Grants and Contributions	284,684	70,512
General Revenue		
Ad valorem taxes	1,619,051	1,931,167
Unrestricted investment earnings	16,649	7,000
Miscellaneous	114,036	123,024
Total Revenue	<u>8,104,567</u>	<u>8,113,425</u>
Expenses:		
Water & Wastewater operations	3,759,269	3,703,498
General government	2,290,093	1,658,228
Fire	811,552	843,542
Interest charges	256,272	290,151
Total Expenses	<u>7,117,186</u>	<u>6,495,419</u>
Increase in net position	<u>\$ 987,381</u>	<u>\$ 1,618,006</u>

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2013

Financial analysis of the District's funds

Governmental Funds - the main focus of the District's governmental funds is to provide information on the flow of monies to and from the funds, and to note the unassigned fund balance, which is a good indicator of resources available for spending in the near term. The information derived from these funds is highly useful in assessing the District's financial requirements. The unassigned fund balance may serve as a useful measure of the government's net resources available for use at the fiscal year-end.

At the end of the fiscal year, the District's governmental funds reported combined ending fund balances of \$4,060,192, of which 74%, or \$2,996,343, is unassigned and available to the District for future spending.

General Fund budgetary highlights

Significant amendments to the General Fund 2013 budget involved the addition of \$130,304 of administrative department expenditures and a \$221,716 decrease in water department expenditures.

Revenue: Revenues were \$40,191 (.5%) more than budgeted

- Water and wastewater charges were \$113,659 (2.1%) more than budgeted.

Expenses: Expenses were \$215,078 (2.9%) less than budgeted

- Water operations expenditures were \$377,055 less than budgeted.
- Non-departmental expenditures were \$208,394 more than budgeted and mostly attributable to non-budgeted legal expenses.

Debt Service Fund:

- Debt Service Fund reserves decreased \$118,538 due to an overall \$141,063 unfavorable budget variance. A budgeted \$150,000 transfer in was not done since the fund had reserves adequate to meet 2013 debt service requirements.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2013

Capital Asset and Debt Administration

The District's investment in capital assets for its governmental activities as of September 30, 2013 amounted to \$18,047,016, net of accumulated depreciation. This represents a broad range of capital assets including, but not limited to land, buildings, improvements, machinery and equipment, vehicles, and water, wastewater treatment, and wastewater collection systems.

Capital assets increased approximately 1.7% during 2013 primarily due to approximately \$400,000 of land purchased. The District also received \$274,684 of capital contributions. Additional information about capital assets may be found in Note 5 in the notes to financial statements.

Debt administration

Long-Term Debt – at the end of the current fiscal year, the District had \$7,160,320 of general obligation bonds, contractual obligation bonds, notes payable, and accrued compensated absences, a decrease of 7.4% from the previous fiscal year. Of this amount, \$7,065,539 is backed by the full faith and credit of the government. New debt for the District included a \$445,000 note payable and a \$1,905,000 Series 2013 refunding bonds that fully defeased outstanding Series 2003 and Series 2005 bond debt.

General debt currently outstanding

Table 3
Outstanding Debt at Year-end

	Governmental Activities 2013	Governmental Activities 2012
General obligation bonds	\$ 6,111,557	\$ 6,717,270
Contractual obligations	70,000	137,000
Notes payable	883,982	840,973
Compensated absences	94,781	36,226
Total	<u>\$ 7,160,320</u>	<u>\$ 7,731,469</u>

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2013

Economic factors and next year's budgets and rates:

General fund fiscal year 2014 budgetary highlights:

Revenue: The District's 2014 operational revenue is budgeted to increase by \$86,597.

- Property tax revenue is budgeted to decrease by \$81,785 due to a decrease in the property tax rate.
- Water and wastewater revenue is budgeted to increase by \$143,444 due to an increase in the number of utility customers.
- Utility fee revenue is budgeted to increase by \$73,809 due to expected new home construction.
- Reserve funds of \$16,526 will be allocated to the Debt Service fund.

Expenses: The District's 2014 operational expense is budgeted to increase by \$606,330.

- The wholesale water expense will increase by \$310,024 due to an increase in the cost of water purchased from wholesaler.

Overall:

The District's 2014 operational budget is anticipated to have expenses of \$7,678,887 and revenues of \$7,678,887.

Debt Service Fund 2014 budget:

- Debt service revenues are budgeted to decrease from \$717,794 in fiscal year 2013 to \$624,495 in fiscal year 2014. This is a decrease of \$93,299.
- Debt service appropriations will decrease from \$836,333 to \$624,495 due to the 2013 refinancing of existing bond issues. This is a decrease of \$211,838.
- Property tax revenues are budgeted to increase by \$186,322 due to a tax rate increase.
- Reserve funds of \$16,526 will be allocated to the Debt Service fund in fiscal year 2014.

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2013

Economic factors and next year's budgets and rates: (Continued)

The consolidated District's overall budget for revenue decreased from \$8,310,084 in fiscal year 2013 to \$8,303,382 in fiscal year 2014, which is a 0.0807% decrease. The overall appropriations increased from \$7,908,890 to \$8,303,382, which is a 4.99% increase.

Although the O&M tax rate decreased and the debt service tax rate increased, the overall tax rate remained the same for fiscal year 2014 as was assessed in fiscal year 2013.

Requests for information

This financial report is designed to provide a general overview of the District's consolidated finances for all interested parties. Questions concerning any of the information in this report or requests for additional information should be directed to the Trophy Club Municipal Utility District No. 1, Finance Manager, 100 Municipal Drive, Trophy Club, Texas 76262.

BASIC FINANCIAL STATEMENTS

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

ASSETS	Governmental Activities
Cash and cash equivalents	\$ 3,954,832
Receivables	
Accounts receivable, net	832,861
Taxes	28,137
Due from other governments	94,936
Prepays	31,664
Deferred charges	169,567
Non-depreciable capital assets:	
Land	648,178
Construction in progress	169,536
Depreciable capital assets: (net)	
Buildings and other improvements	3,176,717
Machinery, vehicles, and other equipment	1,482,267
Water system	12,468,512
Organization costs	101,806
TOTAL ASSETS	\$ 23,159,013
LIABILITIES	
Accounts payable	\$ 572,414
Accrued liabilities	40,836
Accrued interest payable	17,160
Customer deposits	240,852
Noncurrent liabilities:	
Debt due within one year	1,058,848
Debt due in more than one year	6,101,472
TOTAL LIABILITIES	8,031,582
NET POSITION	
Invested in capital assets, net of related debt	10,886,696
Unrestricted	4,240,735
TOTAL NET POSITION	\$ 15,127,431

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

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2013

	Governmental Activities				Net (Expenses) Revenue and Changes in Net Assets
		Program Revenues		Capital Grants and Contributions	
Program Activities	Expenses	Charges for Services	Operating Grants and Contributions	Contributions	Governmental Activities
Governmental Activities					
General government	\$ 1,530,396	\$ 602,776	\$ -	\$ -	\$ (927,620)
Water operations	2,773,409	3,513,485	-	165,339	905,415
Wastewater operations	985,860	1,953,886	-	109,345	1,077,371
Wastewater collection system	385,037	-	-	-	(385,037)
Non-Departmental	351,784	-	-	-	(351,784)
Directors	22,876	-	-	-	(22,876)
Fire	811,552	-	10,000	-	(801,552)
Interest on long term debt	256,272	-	-	-	(256,272)
Total governmental activities	\$ 7,117,186	\$ 6,070,147	\$ 10,000	\$ 274,684	\$ (762,355)

General Revenues:	
Ad valorem taxes	1,619,051
Investment income	16,649
Miscellaneous	114,036
Total general revenues	<u>1,749,736</u>
Change in net position	987,381
Net Position - beginning of year	<u>14,140,050</u>
Net Position - end of year	<u>\$ 15,127,431</u>

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

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO.1
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2013

	ASSETS			
	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 3,606,382	\$ 17,879	\$ 330,571	\$ 3,954,832
Receivables:				
Accounts receivables, net	832,861	-	-	832,861
Taxes	16,274	11,863	-	28,137
Due from other governments	94,936	-	-	94,936
Due from other funds	37,580	-	-	37,580
Prepays	31,664	-	-	31,664
TOTAL ASSETS	<u>\$ 4,619,697</u>	<u>\$ 29,742</u>	<u>\$ 330,571</u>	<u>\$ 4,980,011</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 524,522	\$ -	\$ 47,891	\$ 572,414
Accrued liabilities	40,836	-	-	40,836
Customer deposits	240,852	-	-	240,852
Due to other funds	-	-	37,580	37,580
Deferred revenue	16,274	11,863	-	28,137
Total liabilities	<u>822,484</u>	<u>11,863</u>	<u>85,471</u>	<u>919,819</u>
Fund Balances				
Non-spendable prepaids	31,664	-	-	31,664
Assigned-Budgetary deficits	456,156	-	-	456,156
Assigned-Other	313,050	17,879	245,100	576,029
Unassigned	2,996,343	-	-	2,996,343
Total fund balances	<u>3,797,213</u>	<u>17,879</u>	<u>245,100</u>	<u>4,060,192</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,619,697</u>	<u>\$ 29,742</u>	<u>\$ 330,571</u>	<u>\$ 4,980,011</u>

The notes to financial statements are an integral part of this statement.

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
SEPTEMBER 30, 2013**

Total fund balances - governmental funds	\$ 4,060,192
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	18,047,016
Costs associated with the issuance of long-term debt are expensed when incurred in governmental funds. These costs are capitalized and amortized over the life of the debt in the government wide financial statements.	169,566
Revenue reported as deferred revenue in the governmental funds balance sheet is recognized as revenue in the government wide statement financial statements.	28,137
Interest payable on long term debt does not require current financial resources; therefore interest payable is not reported as a liability in the governmental funds balance sheet.	(17,160)
Accrued compensated absences does not require the use of current financial resources; therefore accrued vacation is not reported as a liability in the governmental funds balance sheet.	(94,781)
Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported in the fund financial statements.	<u>(7,065,539)</u>
Net position of governmental activities	<u>\$ 15,127,431</u>

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

TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO.1
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2013

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
Water and wastewater charges	\$ 5,467,371	\$ -	\$ -	\$ 5,467,371
Taxes	1,426,185	202,894	-	1,629,079
Utility Fees	508,300	-	-	508,300
Oversize meter reimbursements	84,876	-	-	84,876
Miscellaneous	81,317	-	-	81,317
Investment income	4,641	11,900	108	16,649
Intergovernmental revenues	10,000	-	-	10,000
Inspection and tap fees	9,600	-	-	9,600
Total Revenues:	<u>7,592,291</u>	<u>214,794</u>	<u>108</u>	<u>7,807,193</u>
Expenditures				
Water	2,623,822	-	-	2,623,822
Administration	1,135,098	-	-	1,135,098
Wastewater	896,538	-	-	896,538
Fire	790,779	-	-	790,779
Collections	322,017	-	-	322,017
Non-Departmental	318,494	-	-	318,494
Board of Directors	22,876	-	-	22,876
Capital Outlay	462,876	-	200,008	662,884
Debt Service				
Principal	468,991	605,000	-	1,073,991
Interest and fiscal charges	31,066	229,033	-	260,098
Bond Administrative Fees	-	2,300	-	2,300
Total Expenditures:	<u>7,072,557</u>	<u>836,333</u>	<u>200,008</u>	<u>8,108,897</u>
Excess (deficiency) of revenues over (under) expenditures	<u>519,734</u>	<u>(621,538)</u>	<u>(199,899)</u>	<u>(301,704)</u>
Other Financing Sources (Uses)				
Issuance of refunding bonds	-	1,905,000	-	1,905,000
Refunding bond	-	(1,913,666)	-	(1,913,666)
Payment to refunding bond escrow agent	-	(54,390)	-	(54,390)
Issuance of notes	-	-	445,000	445,000
Premium on bonds	-	63,056	-	63,056
Transfers in	38,101	503,000	112,333	653,434
Transfers out	(615,333)	-	(38,101)	(653,434)
Total Other Financing Sources (Uses):	<u>(577,232)</u>	<u>503,000</u>	<u>519,232</u>	<u>445,000</u>
Net change in fund balance	(57,498)	(118,538)	319,332	143,296
Fund Balances - beginning of year	3,854,711	136,417	(74,232)	3,916,896
Fund Balances - end of year	<u>\$ 3,797,213</u>	<u>\$ 17,879</u>	<u>\$ 245,100</u>	<u>\$ 4,060,192</u>

The notes to financial statements are an integral part of this statement.

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2013**

Net change in fund balances - total governmental funds	\$ 143,296
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Depreciation expense on capital assets reported in the statement of activities does not require the use of current financial resources, therefore, depreciation expense is not reported as expenditures in the governmental funds.	(663,778)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period.	662,884
Governmental funds reflect the proceeds of notes payable as other financing sources. However, in the government-wide statements, the proceeds are reflected as increases in long-term liabilities.	(445,000)
Debt principal payments reduces long-term liabilities in the statement of net position, but it is recorded as an expenditure in the governmental funds	1,073,991
Current year contributions of capital assets are not recorded in the governmental funds, but are recognized for the government-wide financial statements.	274,684
Governmental funds report the effects of issuance costs, premiums, and deferred losses on refunding when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities.	(52,494)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing the change in deferred revenue and various other items. The net effect of these reclassifications is to decrease net position.	(10,028)
Current year changes in accrued interest payable do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	3,826
Change in net position of governmental activities	<u>\$ 987,381</u>

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

**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

Denton County Municipal Utility District No. 1 (the District) was created by the Texas Water Rights Commission (later known as Texas Commission on Environmental Quality (TCEQ)) on March 4, 1975 and confirmed by the electorate of the District at a confirmation election on October 7, 1975. The Board of Director's held its first meeting on April 24, 1975. The Bonds were first sold on June 8, 1976. The District operates pursuant to Article XVI, Chapter 59 of the Texas Constitution and Chapter 54 of the Texas Water Code, as amended. Effective April 1, 1983, the District's name was officially changed by order from Denton County Municipal Utility District No. 1 to Trophy Club Municipal Utility District No. 1.

On May 9, 2009, citizens voted to consolidate the District and Trophy Club Municipal Utility District No. 2 (MUD2). As a result, the District reports consolidated activity and balances for the District and the entities formerly known as MUD2 and the Trophy Club Master District Joint Venture (a joint venture of MUD1 and MUD2).

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for the District. The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units.

B. Financial Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements include the activities of the District and any organizations for which the District is financially accountable or for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization. Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes, set