

7196 9008 9111 9207 4963

TO:

IRS  
Internal Revenue Service  
Ogden, UT 84201  
US

SENDER: LR04677/11411680/Trophy Cl

REFERENCE:

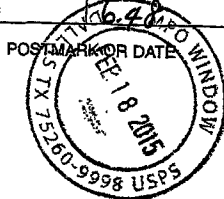


PS Form 3800, January 2005

RETURN RECEIPT SERVICE	Postage	48
	Certified Fee	3.30
	Return Receipt Fee	2.70
	Restricted Delivery	0.00
	Total Postage & Fees	6.48

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2. Article Number



7196 9008 9111 9207 4963

3. Service Type **CERTIFIED MAIL™**

4. Restricted Delivery? (Extra Fee) ☐ Yes

1. Article Addressed to:

IRS  
Internal Revenue Service  
Ogden, UT 84201  
US

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly)	B. Date of Delivery
C. Signature	<input type="checkbox"/> Agent <input checked="" type="checkbox"/> Addressee
D. Is delivery address different from item? If YES, enter delivery address below	

LR04677/11411680/Trophy Cl  
No. 1 - Feb. 2015 - Robertson  
- Trophy Club MUD No. 1  
2015



CERT00530700

FEB 18 2015

PS Form 3811, January 2005

Domestic Return Receipt

TCMUD006248

1100

500



February 12, 2015

THIS IS TO CERTIFY that Trophy Club Municipal Utility District No. 1 (the "Issuer") has submitted the Trophy Club Municipal Utility District No. 1 Water and Sewer System Revenue Bond, Series 2015 (the "Bond"), in the principal amount of \$9,230,000, for approval. The Bond is dated February 1, 2015, numbered T-1, and was authorized by Order No. 2015-0120 of the Issuer passed on January 20, 2015 (the "Order").

The Office of the Attorney General has examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Issuer contained in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

We express no opinion relating to the official statement or any other offering material relating to the Order.

On October 30, 2014, the Bond was judicially validated in cause number D-1-GN-14-001983 by the 201<sup>st</sup> Judicial District Court in Travis County, Texas.

Based on our examination, we are of the opinion, as of the date hereof and under existing law, as follows (capitalized terms, except as herein defined, have the meanings given to them in the Order):


- (1) The Bond has been issued in accordance with law and is a valid and binding special obligation of the Issuer.
- (2) The Bond is payable and secured by a lien on and pledge of the Net Revenues of the Issuer's System.
- (3) The owner of the Bond shall never have the right to demand payment of the Bond from any funds raised or to be raised by taxation.

Trophy Club Municipal Utility District No. 1 Water and Sewer System Revenue Bond, Series  
2015 - \$9,230,000

-Page 2-

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Therefore, the Bond is approved.

  
Attorney General of the State of Texas

No. 58243  
Book No. 2015-A  
JCH  
\* See attached Signature Authorization

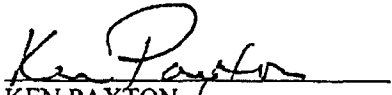
OFFICE OF THE ATTORNEY GENERAL §  
OF THE STATE OF TEXAS §

I, KEN PAXTON, Attorney General for the State of Texas, do hereby authorize the employees of the Public Finance Division of the Office of the Attorney General to affix a digital image of my signature, in my capacity as Attorney General, to the opinions issued by this office approving the issuance of public securities by the various public agencies, non-profit corporations, district, entities, bodies politic or corporate, or political subdivisions of this State as required by law, the opinions approving those contracts designated by the Legislature as requiring the approval of the Attorney General, and the obligations, proceedings and credit agreements required by law to be approved by the Attorney General. The authorized digital image of my signature is attached as Exhibit A and is hereby adopted as my own for the purposes set forth herein. This supersedes any prior signature authorizations for the same purpose.

The authority granted herein is to be exercised on those occasions when I am unavailable to personally sign said opinions, and upon the condition that the opinions to which the digital image signature is affixed have been approved by an authorized Assistant Attorney General following the completion of the Public Finance Division's review of the transcripts of proceedings to which the opinions relate.

Given under my hand and seal of office at Austin, Texas, this the 5th day of January, 2015.



  
KEN PAXTON  
Attorney General of the State of Texas

TCMUD006251

OFFICE OF COMPTROLLER

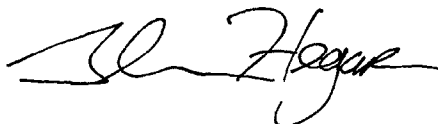
OF THE STATE OF TEXAS

I, GLENN HEGAR, Comptroller of Public Accounts of the State of Texas, do hereby certify that the attachment is a true and correct copy of the opinion of the Attorney General approving the:

Trophy Club Municipal Utility District No. 1 Water and Sewer System Revenue Bond, Series 2015

numbered T-1, of the denomination of \$ 9,230,000, dated February 1, 2015, as authorized by issuer, interest various percent, under and by authority of which said bonds/certificates were registered electronically in the office of the Comptroller, on the 12th day of February 2015, under Registration Number 84626.

Given under my hand and seal of office, at Austin, Texas, the 12th day of February 2015.

A handwritten signature in black ink, appearing to read "Glenn Hagar", is centered on the page.

GLENN HEGAR  
Comptroller of Public Accounts  
of the State of Texas

OFFICE OF COMPTROLLER  
OF THE STATE OF TEXAS

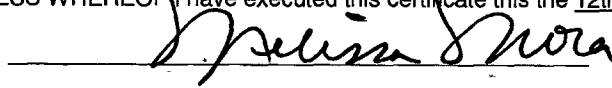
I, Melissa Mora, ☐ Bond Clerk ☒ Assistant Bond Clerk in the office of the Comptroller of the State of Texas, do hereby certify that, acting under the direction and authority of the Comptroller on the 12th day of February 2015, I signed the name of the Comptroller to the certificate of registration endorsed upon the:

Trophy Club Municipal Utility District No. 1 Water and Sewer System Revenue Bond, Series 2015,

numbered T-1, dated February 1, 2015, and that in signing the certificate of registration I used the following signature:

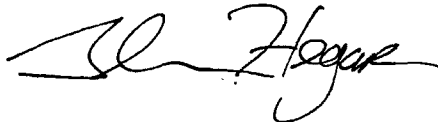


IN WITNESS WHEREOF I have executed this certificate this the 12th day of February 2015.



I, Glenn Hegar, Comptroller of Public Accounts of the State of Texas, certify that the person who has signed the above certificate was duly designated and appointed by me under authority vested in me by Chapter 403, Subchapter H, Government Code, with authority to sign my name to all certificates of registration, and/or cancellation of bonds required by law to be registered and/or cancelled by me, and was acting as such on the date first mentioned in this certificate, and that the bonds/certificates described in this certificate have been duly registered in the office of the Comptroller, under Registration Number 84626.

GIVEN under my hand and seal of office at Austin, Texas, this the 12th day of February 2015.



GLENN HEGAR  
Comptroller of Public Accounts  
of the State of Texas



Norton Rose Fulbright US LLP  
2200 Ross Avenue, Suite 2800  
Dallas, Texas 75201-2784  
United States

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

February 17, 2015

IN REGARD to the authorization and issuance of the "Trophy Club Municipal Utility District No. 1 Water and Sewer System Revenue Bonds, Series 2015," dated February 1, 2015, in the principal amount of \$9,230,000 (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 EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the United States of America and 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 and, together with the outstanding and unpaid "Parity Revenue Obligations" (identified and defined in the Order), are payable solely from and equally and ratably secured by a first lien on and pledge of the Net Revenues of the System (as defined in the Order), except to the extent

Norton Rose Fulbright US LLP is a limited liability partnership registered under the laws of Texas.

41328773.2

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TCMUD006254

Page 2 of Legal Opinion of Norton Rose Fulbright US LLP

Re: Trophy Club Municipal Utility District Water and Sewer Revenue Bonds, Series 2015, dated February 1, 2015

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 the 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.

*Norton Rose Fulbright US LLP*



**SOUTHWEST  
SECURITIES.**  
A Hilltop Holdings Company

**CLOSING MEMORANDUM**

**\$9,230,000**

**Trophy Club Municipal Utility District ("MUD") No.1  
Water and Sewer System Revenue Bonds, Series 2015 (the "Bonds")**

Date: February 9, 2015

To: Attached Distribution List

From: Dan A. Almon  
Southwest Securities  
(214) 859-9452

1. The closing time and date for the above-referenced issue is **Tuesday, February 17, 2015**, at 10:00 A.M., Central Daylight Time. A final debt service schedule is attached as Exhibit "A". This transaction will close through DTC's "Fast" Book Entry Only System.
2. **Raymond James & Associates**, as the authorized representative of a group of purchasers (the "**Purchasers**"), shall wire **\$9,245,052.22** to BOKF, NA dba Bank of Texas (the "**Paying Agent/Registrar**") ABA #103900036, Account #600024642, Wealth Management Account; Re: Trophy Club Municipal Utility District No.1, Water and Sewer System Revenue Bonds, Series 2015, Attn: Jose Gaytan (512-813-2002) calculated as follows:

Par Amount of the Bonds	\$9,230,000.00
Plus: Accrued Interest (02/01/15 - 02/17/15)	10,437.22
Plus: Bidder's Premium	<u>4,615.00</u>
Total Amount to be Wired by Raymond James & Associates	<u><b>\$9,245,052.22</b></u>

Closing Memorandum,  
Trophy Club Municipal Utility District No.1  
February 9, 2015  
Page 2

4. The **Paying Agent/Registrar** shall retain **\$400.00** in payment of the first year's Paying Agent/Registrar fee.
5. The **Paying Agent/Registrar** shall wire **\$189,869.00** from the proceeds of the Bonds, to JPMorgan Chase Bank, Houston, Texas, ABA #021000021, for credit to Southwest Securities Inc., Account #08805076955, for further credit to Trophy Club Municipal Utility District No.1 Water and Sewer System Revenue Bonds, Series 2015 (#94-9030-119042), Attn: Ms. Amanda Almanza, (214) 859-6353. Such amount is for the fees and expenses associated with the legal authorization and issuance of the Bonds. (See Cost of Issuance Breakdown, herein.)
6. The **Paying Agent/Registrar** shall wire **\$9,054,783.22**, from the proceeds of the Bonds, to TexPool per wiring instruction shown below:  
  
State Street Bank and Trust Company, Boston, MA,  
ABA (3400) 011 000 028  
BNF (4200) - TexPool Account # 67573774  
RFB (4320) - Location ID # 77384  
Participant Name - Trophy Club MUD 1  
  
For final credit by TexPool as follows:
  - a) 2014 WW Treatment Plant Construction Fund (OBI (6000) 449-0613300012)  
in the amount (2000) of \$9,039,731.00  
  
Construction Fund Deposit includes \$23,017.46 for the TCEQ  
Bond Application Processing Fee (for \$9,230,000 only) to be  
paid by the District:
  - b) Revenue Interest & Sinking Fund (OBI (6000) 449-0613300013) in \$15,052.22  
the amount (2000) of  
  
(Revenue I&S Fund Deposit includes accrued interest of \$10,437.22  
and Bid Premium of \$4,615.00)
7. Upon receipt of funds from the **Purchasers**, the good faith check in the amount of \$184,600.00 shall be returned uncashed (by a trackable method) to:

Luke Mattson  
Raymond James & Associates  
5956 Sherry Lane, 19<sup>th</sup> floor  
Dallas, TX 75225

Closing Memorandum  
Trophy Club Municipal Utility District No.1  
February 9, 2015  
Page 2

8. The Reconciliation of Receipts and Disbursements is as follows:

**Receipts:**

Par Amount of the Bonds	\$9,230,000.00
Plus: Accrued Interest (02/01/15 - 02/17/15)	10,437.22
Plus Bidder's Premium	<u>4,615.00</u>
<b>Total Receipts</b>	<b><u>\$9,245,052.22</u></b>

**Disbursements:**

Trophy Club MUD Wastewater Treatment Plant Construction Fund	\$9,039,731.00
Trophy Club MUD Interest and Sinking (Revenue Debt Service Fund)	15,052.22
First Year's Paying Agent/Registrar Fee	400.00
Costs of Issuance to be paid by Southwest Securities	<u>189,869.00</u>
	<b><u>\$9,245,052.22</u></b>

**NOTE:** Upon receipt of funds at delivery, the District will send a check in the amount of **\$23,017.46** to the Texas Commission on Environmental Quality ("TCEQ") for payment of the TCEQ Bond Application Processing Fee. Check should be sent to the address below:

Texas Commission on Environmental Quality  
Attention: Andrew Paynter  
12100 Park 35 Circle  
Bldg. F - Mail Code 152  
Austin, Texas 78753

**SOUTHWEST  
SECURITIES**  
A Hilltop Holdings Company

February 9, 2015

Ms. Jennifer McKnight  
General Manager  
Trophy Club Municipal Utility District No.1  
100 Municipal Drive  
Trophy Club, Texas 76262

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**STATEMENT**

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For services rendered and expenses incurred in connection with the legal authorization and issuance of **\$9,230,000 Trophy Club Municipal Utility District No.1 Water and Sewer System Revenue Bonds, Series 2015**  
(See Cost of Issuance Breakdown on next page.)

**\$189,869.00**

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**TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO.1**  
**\$9,230,000 WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2015**

**COST OF ISSUANCE BREAKDOWN**

<u>Expense Item:</u>	<u>UL Tax Bonds</u> <u>\$9,230,000</u>
Financial Advisory Fee / Expenses- Southwest Securities, Inc.	\$ 86,150.00
Bond Counsel Fee /Expenses- Norton Rose Fulbright	73,650.00
Attorney General Fee (Reimbursed to Norton Rose Fulbright)	9,230.00
Ratings:	
S&P	15,839.00
Paying Agent Registrar - Bank of Texas.	
First Year's Paying Agent/ Registrar Fee	400.00
Official Statement (OS) Costs:	
Preparation / Printing / Internet Posting / Electronic Distribution	5,000.00
TCEQ Fee for Processing Application (0.25% of par amount)	
(Based on TCEQ Application par amount of \$9,230,000)	<u>23,017.46</u>
Total Estimated Cost of Issuance	<u>\$ 213,286.46</u>

**COST OF ISSUANCE BREAKDOWN BY SOURCE OF PAYMENT**

Cost of Issuance Expenses Paid from Wire to Southwest Securities

Financial Advisory Fee / Expenses- Southwest Securities, Inc.	\$ 86,150.00	
Bond Counsel Fee /Expenses- Norton Rose Fulbright	73,650.00	
Attorney General Fee (Reimbursed to Norton Rose Fulbright)	9,230.00	
S&P Rating Fee	15,839.00	
Official Statement Preparation/Printing/Internet Posting/Electronic Distribution	<u>5,000.00</u>	
	<u>\$ 189,869.00</u>	\$ 189,869.00

Cost of Issuance Expenses Paid/Retained by the District from Construction Fund

TCEQ Fee for Processing Application (0.25% of par amount)		
(Based on par amount of \$9,230,000 only)	<u>23,017.46</u>	
	<u>23,017.46</u>	23,017.46

<u>Cost of Issuance Expenses Retained by Paying Agent Registrar</u>	\$ 400.00	<u>\$ 400.00</u>
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Total Cost of Issuance		<u>\$ 213,286.46</u>
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2/2/2015

TCMUD006260

1112

**\$9,230,000**  
**Trophy Club Municipal Utility District No.1**  
**Water and Sewer System Revenue Bonds, Series 2015**

**Distribution List**

**Issuer**

Ms. Jennifer McKnight  
Ms. Renae Gonzales  
Ms. Terri Sisk  
100 Municipal Drive  
Trophy Club, Texas 76262

Phone: 682-831-4610 (Jennifer)  
682-831-4611 (Renae)  
682-831-4618 (Terri)

Facsimile: 817-491-9312  
jmcknight@tcmud.org  
rgonzales@tcmud.org  
tsisk@tcmud.org

**Underwriter**

Raymond James  
5956 Sherry Lane  
19<sup>th</sup> Floor  
Dallas, TX 75225

Luke Mattson  
214-692-9866  
luke.mattson@raymondjames.com

Randall Hawkins  
214-365-5546  
randall.hawkins@raymondjames.com

**Financial Advisor**

Mr. Dan Almon  
Southwest Securities  
1201 Elm Street, Suite 3500  
Dallas, Texas 75270

Phone: 214-859-9452 (Dan)  
Facsimile: 214-859-9475  
DAlmon@swst.com

**Bond Counsel**

Mr. Bob Dransfield  
Ms. Kristen Savant  
Ms. Diane Callahan  
Norton Rose Fulbright  
2200 Ross Ave., Suite 2800  
Dallas, Texas 75201

Phone 214-855-8068 (Bob)  
214-855-8072 (Kristen)  
214-855-8024 (Diane)  
Facsimile 214-855-8200  
Robert.Dransfield@nortonrosefulbright.com  
Kristen.Savant@nortonrosefulbright.com  
Diane.Callahan@nortonrosefulbright.com

**Paying Agent/Registrar**

Mr. Jose Gaytan  
Ms. Anne-Marie Hansen  
Bank of Texas (BOKF, NA)  
Corporate Trust Services  
100 Congress Ave., Suite 250

Phone: 512-813-2002 (Jose)  
512-813-2001 (Anne-Marie)

Facsimile 512-813-2020  
JGaytan@bankoftexas.com  
AHansen@bankoftexas.com

EXHIBIT A

BOND DEBT SERVICE

\$9,230,000  
TROPHY CLUB MUD NO. 1  
(Denton & Tarrant Counties, Texas)  
Water & Sewer System Revenue Bonds, Series 2015  
Final Numbers: As of January 20, 2015

Dated Date            02/01/2015  
Delivery Date        02/17/2015

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
09/01/2015			136,988.54	136,988.54	
09/30/2015					136,988.54
03/01/2016			117,418.75	117,418.75	
09/01/2016	210,000	2.000%	117,418.75	327,418.75	
09/30/2016					444,837.50
03/01/2017			115,318.75	115,318.75	
09/01/2017	365,000	2.000%	115,318.75	480,318.75	
09/30/2017					595,637.50
03/01/2018			111,668.75	111,668.75	
09/01/2018	375,000	2.000%	111,668.75	486,668.75	
09/30/2018					598,337.50
03/01/2019			107,918.75	107,918.75	
09/01/2019	380,000	2.000%	107,918.75	487,918.75	
09/30/2019					595,837.50
03/01/2020			104,118.75	104,118.75	
09/01/2020	390,000	2.000%	104,118.75	494,118.75	
09/30/2020					598,237.50
03/01/2021			100,218.75	100,218.75	
09/01/2021	400,000	2.000%	100,218.75	500,218.75	
09/30/2021					600,437.50
03/01/2022			96,218.75	96,218.75	
09/01/2022	410,000	2.000%	96,218.75	506,218.75	
09/30/2022					602,437.50
03/01/2023			92,118.75	92,118.75	
09/01/2023	420,000	2.000%	92,118.75	512,118.75	
09/30/2023					604,237.50
03/01/2024			87,918.75	87,918.75	
09/01/2024	435,000	2.000%	87,918.75	522,918.75	
09/30/2024					610,837.50
03/01/2025			83,568.75	83,568.75	
09/01/2025	450,000	2.250%	83,568.75	533,568.75	
09/30/2025					617,137.50
03/01/2026			78,506.25	78,506.25	
09/01/2026	460,000	2.500%	78,506.25	538,506.25	
09/30/2026					617,012.50
03/01/2027			72,756.25	72,756.25	
09/01/2027	475,000	2.500%	72,756.25	547,756.25	
09/30/2027					620,512.50
03/01/2028			66,818.75	66,818.75	
09/01/2028	490,000	2.750%	66,818.75	556,818.75	
09/30/2028					623,637.50
03/01/2029			60,081.25	60,081.25	
09/01/2029	510,000	2.750%	60,081.25	570,081.25	
09/30/2029					630,162.50
03/01/2030			53,068.75	53,068.75	
09/01/2030	525,000	3.000%	53,068.75	578,068.75	
09/30/2030					631,137.50
03/01/2031			45,193.75	45,193.75	
09/01/2031	545,000	3.000%	45,193.75	590,193.75	
09/30/2031					635,387.50
03/01/2032			37,018.75	37,018.75	
09/01/2032	565,000	3.000%	37,018.75	602,018.75	
09/30/2032					639,037.50
03/01/2033			28,543.75	28,543.75	
09/01/2033	585,000	3.000%	28,543.75	613,543.75	
09/30/2033					642,087.50

**BOND DEBT SERVICE**

**\$9,230,000**

**TROPHY CLUB MUD NO. 1**

(Denton & Tarrant Counties, Texas)

**Water & Sewer System Revenue Bonds, Series 2015**

Final Numbers: As of January 20, 2015

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
03/01/2034			19,768.75	19,768.75	
09/01/2034	610,000	3.125%	19,768.75	629,768.75	
09/30/2034					649,537.50
03/01/2035			10,237.50	10,237.50	
09/01/2035	630,000	3.250%	10,237.50	640,237.50	
09/30/2035					650,475.00
	9,230,000		3,113,951.04	12,343,951.04	12,343,951.04



RECEIPT AND DISBURSEMENT OF FUNDS  
BOKF, NA dba BANK OF TEXAS, AUSTIN, TEXAS

Re: \$9,230,000 "Trophy Club Municipal Utility District No. 1 Water and Sewer System Revenue Bonds, Series 2015", dated February 1, 2015 (the "Bonds")

BOKF, NA dba Bank of Texas, Austin, Texas (the "Bank") hereby acknowledges receipt this day of the total sum of \$9,245,052.22 for the account of the Trophy Club Municipal Utility District No. 1 (the "District") from Raymond James & Associates, Inc., as underwriters of the Bonds, in payment of the purchase price for the Bonds as follows:

Principal Amount	\$9,230,000.00
Accrued Interest	10,437.22
Premium	<u>4,615.00</u>

TOTAL AMOUNT RECEIVED \$9,245,052.22

and such moneys received has been disbursed in accordance with instructions received as follows:

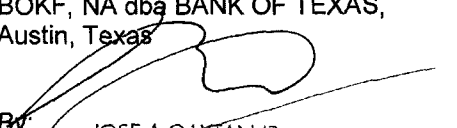
(1) Retained in payment of the first year's fee for paying agent/ registrar services for the Bonds, the sum of \$400.00

(2) Transmitted to State Street Bank and Trust Company, Boston, MA representing the (i) deposit to the credit of the District's Texpool construction fund for the Bonds, (ii) ratings fee partial reimbursement, (iii) TCEQ fees, and (iv) deposits to the Interest and Sinking Fund, the sum of \$9,054,783.22

(3) Transmitted to Southwest Securities, Inc. for the payment of costs of issuance, the sum of \$189,869.00

DATED, this February 17, 2015.

BOKF, NA dba BANK OF TEXAS,  
Austin, Texas

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



500 North Akard Street  
Lincoln Plaza, Suite 3200  
Dallas, TX 75201  
tel (214) 871-1400  
reference no.. 1375972

January 9, 2015

Trophy Club Municipal Utility District #1  
100 Municipal Drive  
Trophy Club, TX 76262  
Attention: Ms. Jennifer McKnight, District Manager

**Re: *US\$9,230,000 Trophy Club Municipal Utility District No. 1, Texas, Water and Sewer System Revenue Bonds, Series 2015, dated: February 1, 2015, due: September 1, 2035***

Dear Ms. McKnight:

Pursuant to your request for a Standard & Poor's Ratings Services ("Ratings Services") rating on the above-referenced obligations, Ratings Services has assigned a rating of "AA-". Standard & Poor's views the outlook for this rating as stable. A copy of the rationale supporting the rating is enclosed.

This letter constitutes Ratings Services' permission for you to disseminate the above-assigned ratings to interested parties in accordance with applicable laws and regulations. However, permission for such dissemination (other than to professional advisors bound by appropriate confidentiality arrangements) will become effective only after we have released the rating on [standardandpoors.com](http://standardandpoors.com). Any dissemination on any Website by you or your agents shall include the full analysis for the rating, including any updates, where applicable.

To maintain the rating, Standard & Poor's must receive all relevant financial and other information, including notice of material changes to financial and other information provided to us and in relevant documents, as soon as such information is available. Relevant financial and other information includes, but is not limited to, information about direct bank loans and debt and debt-like instruments issued to, or entered into with, financial institutions, insurance companies and/or other entities, whether or not disclosure of such information would be required under S.E.C. Rule 15c2-12. You understand that Ratings Services relies on you and your agents and advisors for the accuracy, timeliness and completeness of the information submitted in connection with the rating and the continued flow of material information as part of the surveillance process. Please send all information via electronic delivery to: [pubfin\\_statelocalgovt@standardandpoors.com](mailto:pubfin_statelocalgovt@standardandpoors.com). If SEC rule 17g-5 is applicable, you may post such information on the appropriate website. For any information not available in electronic format or posted on the applicable website,

Please send hard copies to:

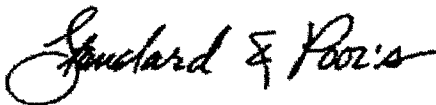
Standard & Poor's Ratings Services  
Public Finance Department  
55 Water Street

New York, NY 10041-0003

The rating is subject to the Terms and Conditions, if any, attached to the Engagement Letter applicable to the rating. In the absence of such Engagement Letter and Terms and Conditions, the rating is subject to the attached Terms and Conditions. The applicable Terms and Conditions are incorporated herein by reference.

Ratings Services is pleased to have the opportunity to provide its rating opinion. For more information please visit our website at [www.standardandpoors.com](http://www.standardandpoors.com). If you have any questions, please contact us. Thank you for choosing Ratings Services.

Sincerely yours,

A handwritten signature in black ink that reads "Standard & Poor's". The signature is written in a cursive, flowing style.

Standard & Poor's Ratings Services

dg  
enclosures

cc: Mr. Dan A. Almon  
Ms. Mary Jane Dietz



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# RatingsDirect®

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## Summary:

## Trophy Club Municipal Utility District No. 1, Texas; Water/Sewer

### Primary Credit Analyst:

James M Breeding, Dallas (1) 214-871-1407; james.breeding@standardandpoors.com

### Secondary Contact:

Scott W Sagen, New York (1) 212-438-0272; scott.sagen@standardandpoors.com

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Rationale

Outlook

Related Criteria And Research

## Summary:

# Trophy Club Municipal Utility District No. 1, Texas; Water/Sewer

### Credit Profile

US\$9.23 mil Water and Swr Sys Rev Bnds ser 2015 dtd 02/01/2015 due 09/01/2035

*Long Term Rating*

AA-/Stable

New

## Rationale

Standard & Poor's Ratings Services has assigned its 'AA-' rating to Trophy Club Municipal Utility District (MUD) No. 1, Texas' series 2015 water and sewer system revenue bonds. The bonds are secured by net revenues of the water and sewer system.

The rating reflects our assessment of the district's:

- Relatively small, but stable, customer base, with very high income levels;
- Stable and adequate water supply;
- High projected debt service coverage, coupled with good system liquidity and affordable rates; and
- Limited capital needs following the expansion of the wastewater treatment facility.

Partially offsetting these strengths is the recent volatility of pledged net revenues.

The MUD will use bond proceeds to make improvements to its wastewater treatment facilities.

The district spans approximately 2,280 acres in southern Denton County and northern Tarrant County and includes portions of the towns of Trophy Club and Westlake. The population is estimated at 7,800 and residents have good access to employment opportunities throughout the Dallas-Fort Worth metropolitan statistical area. The MUD also serves the Solana Business Complex. Income levels in Trophy Club and Westlake are very high at more than double the national levels. The district, which was created in 2009 through the consolidation of two existing utility districts, obtains water from four wells and via a pipeline connected to Fort Worth's water system. The majority of treated water is supplied from Fort Worth under a long-term contract. The contract is set to expire in 2031 and has no limits on the amount of water purchased. Wastewater is treated at a city-owned facility capable of treating 1.75 million gallons per day. Bond proceeds, used in conjunction with unlimited tax bonds that the district will also issue, will be used to expand this facility. In 2014, there were about 4,340 active water accounts with an average monthly usage of 17,000 gallons. The average monthly bill was about \$66.00 in 2014 and has ranged from \$61.00 to \$76.00 in recent years. The MUD last raised rates July 1, 2014.

Like most municipal utility districts in the state, the district charges for water and wastewater service, but also levies a property tax. Property tax revenues, however, are not pledged to the repayment of these bonds. Pledged water and wastewater charges have grown steadily from \$3.9 million in fiscal 2010 to \$5.7 million in 2014 (unaudited). After

*Summary: Trophy Club Municipal Utility District No. 1, Texas; Water/Sewer*

accounting for operating expenses, net revenues available for debt service have fluctuated, ranging from a low of \$151,830 in 2010 to a high of \$1.26 million in 2011. In 2014, net revenues totaled \$1.1 million. Once these bonds are issued, there will be about \$9.53 million of system obligations outstanding, including a \$302,000 balance on a revenue note issued in 2013. The note is scheduled to be retired in 2016, and the projected annual debt service on the series 2015 bonds will hover near \$655,000 through 2035. Based on unaudited fiscal 2014 results, coverage of future maximum annual debt service would be about 1.7x. When including fiscal 2014 connection fee revenue of \$331,200, coverage would be stronger; however, build-out is projected to occur in 2017, so the collection of these fees will diminish significantly. From a liquidity standpoint, at the end of fiscal 2014, there was approximately \$2.13 million of funds available for water and sewer operations. This equals about 160 days of operations.

## Outlook

The outlook is stable, reflecting our expectation for net revenues to result in strong debt service coverage and maintenance of good liquidity. The MUD's mature status of development will likely limit any significant debt-supported capital needs beyond the wastewater plant expansion. The rating not likely to change within the two-year outlook horizon, as revenues, expenditures, and debt service requirements should remain relatively stable.

## Related Criteria And Research

### Related Criteria

- USPF Criteria: Key Water And Sewer Utility Credit Ratio Ranges, Sept. 15, 2008
- USPF Criteria: Standard & Poor's Revises Criteria For Rating Water, Sewer, And Drainage Utility Revenue Bonds, Sept. 15, 2008

Complete ratings information is available to subscribers of RatingsDirect at [www.globalcreditportal.com](http://www.globalcreditportal.com). All ratings affected by this rating action can be found on Standard & Poor's public Web site at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.



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# The Depository Trust Company

A subsidiary of the Depository Trust & Clearing Corporation

## BLANKET ISSUER LETTER OF REPRESENTATIONS

(To be completed by Issuer and Co-Issuer(s), if applicable)

Trophy Club Municipal Utility District No.1

(Name of Issuer and Co-Issuer(s), if applicable)

March 16, 2010

(Date)

Attention: Underwriting Department  
The Depository Trust Company  
55 Water Street, 18L  
New York, NY 10041-0099

Ladies and Gentlemen:

This letter sets forth our understanding with respect to all issues (the "Securities") that Issuer shall request to be made eligible for deposit by The Depository Trust Company ("DTC").

Issuer is: (Note: Issuer shall represent one and cross out the other.)

~~[incorporated in]~~ [formed under the laws of] the State of Texas

To induce DTC to accept the Securities as eligible for deposit at DTC, and to act in accordance with DTC's Rules with respect to the Securities, Issuer represents to DTC that issuer will comply with the requirements stated in DTC's Operational Arrangements, as they may be amended from time to time.

Very truly yours,

**Note:**

Schedule A contains statements that DTC believes accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC, and certain related matters.

Received and Accepted  
THE DEPOSITORY TRUST COMPANY

By: \_\_\_\_\_



The Depository Trust &  
Clearing Corporation

Trophy Club Municipal Utility District No.1

(Issuer)

By: Robert Scott

(Authorized Officer's Signature)

Robert Scott

(Print Name)

100 Municipal Drive

(Street Address)

Trophy Club Texas USA 76262

(City)

(State)

(Country)

(Zip Code)

(682) 831-4610

(Phone Number)

rscott@ci.trophyclub.tx.us

(E-mail Address)

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TCMUD006273

1125

**SAMPLE OFFERING DOCUMENT LANGUAGE**  
**DESCRIBING BOOK-ENTRY-ONLY ISSUANCE**

(Prepared by DTC--bracketed material may be applicable only to certain issues)

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities 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 Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world's largest securities 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 securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities 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 has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Securities 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 certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

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**SCHEDULE A**  
(To Blanket Issuer Letter of Representations)

5. 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 Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities 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 notices be provided directly to them.]

[6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities 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 Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with 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, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, 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 Direct and Indirect Participants.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

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

BLOR 03/25/08

TCMUD006275

6/23/2014 11:45:07 AM

Amalia Rodriguez-Mendoza  
District Clerk  
Travis County  
D-1-GN-14-001983

NO. D-1-GN-14-001983

EX PARTE § IN THE DISTRICT COURT OF  
TROPHY CLUB MUNICIPAL UTILITY §  
DISTRICT NO. 1, § TRAVIS COUNTY, TEXAS  
§ 201ST JUDICIAL DISTRICT

**ORIGINAL PETITION FOR EXPEDITED DECLARATORY JUDGMENT AND  
MOTION FOR CONSOLIDATION**

By this action, and pursuant to Chapter 1205.001 *et. seq.* of the Texas Government Code (“Chapter 1205”), the Trophy Club Municipal Utility District No. 1 of Tarrant and Denton Counties, Texas (the “District”) seeks an expedited declaratory judgment to conclusively establish (i) the District’s authority to issue unlimited tax bonds and revenue bonds in one or more series in an aggregate principal amount not to exceed \$14,995,000 (allocated as described herein as between tax bonds and revenue bonds) pursuant to one or more bond orders (as more particularly described in Exhibits A and B hereto, the “Proposed Bonds”), (ii) the legality and validity of using funds from the Proposed Bonds to finance improvements to its existing wastewater treatment plant (the “Wastewater Plant”), (iii) the District’s authority to award contracts for the construction of such improvements, and (iv) the validity of an order issued by the Texas Commission on Environmental Quality (“TCEQ”) approving the issuance of the Proposed Bonds and the Wastewater Plant improvement project. Specifically, the District intends to use the Proposed Bonds to finance the design, planning, acquisition, construction, and equipping of necessary improvements to the Wastewater Plant and other improvements to the sewer system (the “Necessary Improvements”).<sup>1</sup>

<sup>1</sup> The Necessary Improvements include items identified in the Engineering Report (defined below). The Engineering Report is available to the public as follows — Part 1 at <http://www.tcmud.org/wp-content/uploads/2013/04/Preliminary-Engineering-Report-The-Wallace-Group-Part-1.pdf> (last visited June 19,

The District desires to proceed with confidence and certainty, assured by order of this Court that its actions, including the issuance of the Proposed Bonds and the execution of agreements associated with the construction and financing of the Necessary Improvements, are incontestable and are valid and enforceable under the laws of the State of Texas, specifically including Sections 49.152 and 54.501 of the Texas Water Code.

I.  
**INTRODUCTION/NATURE OF THE ACTION**

1. Chapter 1205 (i) entitles issuers of public securities to obtain a declaratory judgment confirming the validity of proposed public securities, public securities authorizations, expenditures of money related to public securities, and contracts related to projects funded through the issuance of public securities,<sup>2</sup> (ii) provides a statutory framework for accelerated resolution, in a single forum, of all issues that have been or could be raised that affect the validity of the public securities, authorizations, or contracts described in this Original Petition,<sup>3</sup> and (iii) *requires the Court, upon receipt of this Original Petition, to “immediately issue an order” setting the matter for trial “at 10:00 a.m. on the first Monday after the 20th day after the date of the order.”*<sup>4</sup>

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2014); and Part 2 at <http://www.tcmud.org/wp-content/uploads/2013/04/Preliminary-Engineering-Report-The-Wallace-Group-Part-2.pdf> (last visited June 19, 2014).

<sup>2</sup> Tex. Gov’t Code Ann. § 1205.021.

<sup>3</sup> *Id.* §§ 1205.025, 1205.061.

<sup>4</sup> Specifically, Tex. Gov’t Code Ann § 1205.041 provides:

- (a) The court in which an action under this chapter is brought shall, on receipt of the petition, immediately issue an order, in the form of a notice, directed to all persons who:
  - (1) reside in the territory of the issuer;
  - (2) own property located within the boundaries of the issuer;
  - (3) are taxpayers of the issuer; or
  - (4) have or claim a right, title, or interest in any property or money to be affected by a public security authorization or the issuance of the public securities.
- (b) The order must, in general terms and without naming them, advise the persons described by Subsection (a) and the attorney general of their right to:
  - (1) appear for a trial at 10 a.m. on the first Monday after the 20th day after the order; and
  - (2) show cause why the petition should not be granted and the public securities or the public security authorization validated and confirmed.

**ORIGINAL PETITION FOR EXPEDITED DECLARATORY JUDGMENT – Page 2**  
**AND MOTION FOR CONSOLIDATION**

2. The completion of the Necessary Improvements is essential for the District to be able to maintain regulatory compliance and service its increasing population. Accordingly, on September 24, 2013, pursuant to the authority of the Resolution (defined below) and Sections 5.122 and 49.181 of the Texas Water Code, the District filed an application with the TCEQ for expedited approval of a proposed engineering project and the issuance of up to \$15,000,000 in bonds. Specifically, the application requested authorization to issue up to \$5,769,217 in unlimited tax and/or combination unlimited tax and revenue bonds, and up to \$9,230,783 in revenue bonds, for the purpose of financing the Necessary Improvements. On February 6, 2014, the TCEQ entered an order approving the issuance of the Proposed Bonds for the Necessary Improvements.<sup>5</sup>

3. For reasons discussed more fully below, on March 7, 2014, Maguire Partners – Solana, L.P. (“Maguire Partners”) and the Town of Westlake (“Westlake”) each moved to overturn the TCEQ’s order, both of which motions were overruled by operation of law on May 2, 2014. Additionally, citing Section 5.351<sup>6</sup> of the Texas Water Code as the basis for the court’s jurisdiction, Maguire Partners filed two lawsuits seeking to overturn the TCEQ’s order: (i) on March 7, 2014, a lawsuit in the 126th Judicial District Court of Travis County, Texas (Cause No. D-1-GN-14-000716), and (ii) on May 30, 2014, a lawsuit in the 53rd Judicial District Court of Travis County, Texas (Cause No. D-1-GN-14-001623)—both of which are currently pending.<sup>7</sup>

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(c) The order must give a general description of the petition but it is not required to contain the entire petition or any exhibit attached to the petition. (Emphasis added).

<sup>5</sup> A true and correct copy of the TCEQ Order is attached hereto as Exhibit C.

<sup>6</sup> Tex. Water Code Ann. § 5.351 (“(a) A person affected by a ruling, order, decision, or other act of the commission may file a petition to review, set aside, modify, or suspend the act of the commission. (b) A person affected by a ruling, order, or decision of the commission must file his petition within 30 days after the effective date of the ruling, order, or decision. A person affected by an act other than a ruling, order, or decision must file his petition within 30 days after the date the commission performed the act.”).

<sup>7</sup> This lawsuit takes precedence over the two (2) lawsuits filed by Maguire Partners. See Tex. Gov’t Code Ann §§ 1205.025, 1205.061.

4. Because of those actions opposing the TCEQ's order, the Texas Attorney General may not approve the issuance of the Proposed Bonds unless the District first obtains an order from this Court validating the Proposed Bonds under Chapter 1205. Accordingly, by this action, the District seeks such an order as described more specifically herein.

## **II.**

### **DISCOVERY LEVEL**

5. Due to the expedited nature of this action, the District does not intend to conduct discovery under the levels outlined in Rule 190 of the Texas Rules of Civil Procedure. Rather, as provided by Chapter 1205.064, the records of the District that relate to the public securities will be made open to inspection at reasonable times<sup>8</sup> to any person or entity that becomes a party to this action.<sup>9</sup> The Court may also take judicial notice of those public records not attached to this Original Petition, and the District hereby requests that the Court take such judicial notice.<sup>10</sup>

## **III.**

### **PARTIES, JURISDICTION, AND VENUE**

6. The District is a political subdivision of the State of Texas created by a March 4, 1975 Order (the "1975 Order") of the Texas Water Commission (the predecessor to the TCEQ), as a municipal utility district pursuant to Chapter 54 of the Texas Water Code. The District is also a conservation and reclamation district in accordance with Article XVI, Section 59 of the

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<sup>8</sup> *Id.* § 1205.064(a) ("Each record of an issuer relating to the public securities, a public security authorization, or an expenditure of money relating to the public securities is open to inspection at reasonable times to any party to an action under this chapter.").

<sup>9</sup> A person may become a party to this action through the procedures outlined in Tex. Gov't Code Ann. § 1205.062.

<sup>10</sup> A number of such public documents are available on the District's website at <http://www.tcmud.org/> (last visited June 19, 2014).



Texas Constitution.<sup>11</sup> The District operates pursuant to authority set forth in Chapters 49 and 54 of the Texas Water Code and certain other laws applicable to municipal utility districts.<sup>12</sup>

7. Chapter 1205 sets forth a procedure pursuant to which a court may enter a declaratory judgment with respect to the legality and validity of expenditures or proposed expenditures of money relating to public securities to be issued. The District is an “issuer” of “public securities” within the meaning of Section 1205.001(1) of Chapter 1205 because it is a political subdivision of the State of Texas, and the Proposed Bonds it intends to issue and deliver are “public securities” as defined by §1205.001(2) of Chapter 1205. The District is therefore authorized to bring this action pursuant to Chapter 1205.

8. Pursuant to Sections 49.181 and 54.501 of the Texas Water Code and Section 1202.003 of the Texas Government Code, the District is authorized, with approval from the TCEQ and the Texas Attorney General, to issue public securities within the meaning of Section 1205.001(2) of Chapter 1205.

9. The District is located entirely within Tarrant County, Texas and Denton County, Texas, and has its principal office in Denton County, Texas. However, pursuant to Texas Government Code § 1205.022, venue is proper in Travis County, Texas.

10. This action is, by statute, an *in rem* proceeding and also a class action.<sup>13</sup> All persons who reside within the territory of the issuer; who own property located within the boundaries of the issuer; who are taxpayers of the issuer; or who have or claim a right, title, or interest in any property or money to be affected by the authorization or the issuance of the public

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<sup>11</sup> A true and correct copy of the District’s formation document is attached hereto as Exhibit D.

<sup>12</sup> When originally created in the 1975 Order, the District’s official name was the Denton County Municipal Utility District No. 1 of Denton County, Texas. Subsequently, the official name of the District was changed to Trophy Club Municipal Utility District No. 1.

<sup>13</sup> *Id.* § 1205.023.

securities at issue (collectively, the “Interested Parties”) are therefore parties to this action and any judgment rendered in this action is binding upon all such Interested Parties. Any Interested Party may become a named party to this action by filing an answer to this Original Petition on or before the time set for trial, or thereafter by intervention with leave of court.<sup>14</sup>

11. Jurisdiction over the Interested Parties may be had through publication of notice as provided by Sections 1205.041 and 1205.043-.044 of Chapter 1205. Specifically, Section 1205.041 of Chapter 1205 requires that, upon receipt of this Original Petition, the clerk of the court where this Original Petition is filed issue an order, in the form of a notice, advising the Interested Parties of their right to appear for trial at 10:00 a.m. on the first Monday after the 20th day after the date of the order and show cause why this Original Petition should not be granted and why the undertaking of the Necessary Improvements and the issuance of the Proposed Bonds, together with the associated agreements, contracts, and transactions herein described, should not be adjudged to be valid, enforceable, and incontestable. Section 1205.043 of Chapter 1205 further directs that the clerk shall give notice by publishing a substantial copy of the Order in a newspaper of general circulation in Travis County, Texas, in a newspaper of general circulation in the County where the issuer has its principal office, and, if the issuer has defined boundaries, in a newspaper of general circulation in each county in which the issuer has territory. The notice shall be published once a week for two (2) consecutive calendar weeks, with the first publication not less than fourteen (14) days prior to the date set for trial. In such manner, all parties to this lawsuit, with the exception of the Attorney General, shall thereby be made parties to these proceedings, and the Court shall have jurisdiction over them to the same

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<sup>14</sup> *Id.* §1205.062.

extent as if individually named as defendants in this Original Petition and personally served with process in this cause.<sup>15</sup>

12. In accordance with § 1205.042 of Chapter 1205, the only party that must be personally served is the Attorney General of Texas, who may be served with a copy of this Original Petition (together with attached Exhibits), and a copy of the Court's Order Setting Hearing at the following address: Attorney General of Texas, Price Daniel Sr. Building, P.O. Box 12548, Capitol Station, Austin, Texas 78711-2548.

#### IV. AUTHORITY OF DISTRICT TO BRING ACTION

13. Chapter 1205 affords political subdivisions, such as the District, with an efficient method of adjudicating the validity of public securities and their associated contracts and obligations, either before or after the public securities are authorized, issued, or delivered.<sup>16</sup> An action under Chapter 1205 simultaneously provides a single forum for timely addressing and adjudicating any concerns that could conceivably be raised by the Attorney General or any Interested Party. Specifically, §1205.021 provides, in pertinent part, that an issuer of public securities may:

[B]ring an action under this chapter to obtain a declaratory judgment as to:

- (1) the authority of the issuer to issue the public securities;
- (2) the legality and validity of each public security authorization relating to the public securities, including if appropriate:
  - (A) the election at which the public securities were authorized;
  - (B) the organization or boundaries of the issuer;

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<sup>15</sup> *Id.* § 1205.044.

<sup>16</sup> *Id.* § 1204.025 ("An issuer may bring an action under this chapter: (1) concurrently with or after the use of another procedure to obtain a declaratory judgment, approval, or validation; (2) before or after the public securities are authorized, issued, or delivered; (3) before or after the attorney general approves the public securities; and (4) regardless of whether another proceeding is pending in any court relating to a matter to be adjudicated in the suit.").

- (C) the imposition of an assessment, a tax, or a tax lien;
  - (D) the execution or proposed execution of a contract;
  - (E) the imposition of a rate, fee, charge, or toll or the enforcement of a remedy relating to the imposition of that rate, fee, charge, or toll; and
  - (F) the pledge or encumbrance of a tax, revenue, receipts, or property to secure the public securities;
- (3) the legality and validity of each expenditure or proposed expenditure of money relating to the public securities; and
  - (4) the legality and validity of the public securities.

14. The Supreme Court of Texas recognizes that the Legislature intended for courts to quickly resolve any proceedings brought under Chapter 1205. *See Buckholts Indep. Sch. Dist. v. Glaser*, 632 S.W.2d 146, 150-51 (Tex. 1982); *Rio Grande Valley Sugar Growers, Inc. v. Attorney General*, 670 S.W.2d 399, 401 (Tex. App.-Austin 1984, it ref'd n.r.e.) ("The total thrust of [article 717m-1, predecessor statute to Chapter 1205] is to dispose of public securities validation litigation with dispatch.").

#### V:

### **FACTUAL BACKGROUND**

#### **A. Formation of the District**

15. Created as a municipal utility district pursuant to Chapter 54 of the Texas Water Code, the District is a political subdivision of the State of Texas; and is a conservation and reclamation district in accordance with Article XVI, Section 59 of the Texas Constitution. The District operates pursuant to authority set forth in Chapters 49 and 54 of the Texas Water Code.

16. On March 4, 1975, pursuant to the 1975 Order discussed in paragraph 6 above, the District was created as the Denton County Municipal Utility District No. 1 of Denton

County, Texas.<sup>17</sup> However, on or about January 18, 1983, the name of the District was officially changed to the Trophy Club Municipal Utility District No. 1 (“TC MUD 1”).

17. In the early 1980s, two additional municipal utility districts—Denton County Municipal Utility District No. 2 (“DC MUD 2”) and Denton County Municipal Utility District No. 3 (“DC MUD 3”)—were formed as development began in areas adjacent to the District’s boundaries, as they then existed.

18. As discussed more fully below, in 1982, the area of Westlake now known as Solana was annexed into the District’s corporate boundaries by petition of its prior owner in order to receive water, sewer, and fire protection services that Westlake did not offer at that time.

19. In 1990, DC MUD 2 and DC MUD 3 entered into a consolidation agreement and an election was held whereby voters in those two (2) districts approved, among other things, the consolidation of the districts into the Trophy Club Municipal Utility District No. 2 (“TC MUD 2”).

20. On January 26, 2009, TC MUD 1 and TC MUD 2 entered into an agreement relating to the consolidation of the districts, and the Board of Directors of each district passed an Order Calling a Consolidation Election, which scheduled an election for May 9, 2009. On March 4, 2009, the Board of Directors of each district further passed an Amended and Restated Order Calling Consolidation Election, effective retroactively to January 26, 2009, which left the scheduled May 9, 2009 election date unchanged.<sup>18</sup> As evidenced by the canvassing papers, the election was held as scheduled and, by a vote of 446 for and 303 against in TC MUD 1 and 605 for and 196 against in TC MUD 2, the voters approved the consolidation of TC MUD 1 and TC

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<sup>17</sup> By virtue of a confirmation election on October 7, 1975, the electorate of the District confirmed the District.

<sup>18</sup> True and correct copies of the Order 2009-0304 Amended and Restated Order Calling Consolidation Election passed by the Board of Directors of TC MUD 1 and TC MUD 2 are attached hereto as Exhibits E and F, respectively.

MUD 2 into the District.<sup>19</sup> The voters further specifically authorized (i) each district to assume the other district's outstanding bonds, notes, and obligations and voted but unissued bonds payable in whole or in part from taxation, (ii) the District to provide for the payment of principal of and interest on the outstanding bonds, notes and obligations of the former TC MUD 1 and TC MUD 2, through the levy and collection of a sufficient ad valorem tax upon all taxable property within the District, and (iii) the District to issue for and in the name of the District the voted but unissued bonds of former TC MUD 1 in the amount of \$3,229,217 and of the former TC MUD 2 in the amount of \$4,540,000, being assumed by the District, as may be appropriate under the specific authority and terms and conditions of the propositions submitted at the elections authorizing the same, and to provide for the payment of the principal of and interest on such bonds by the levy and collection of a sufficient tax upon all taxable property within the District.

**B. The District's Services**

21. The District encompasses approximately 2,688 acres of real property located in Denton and Tarrant Counties, Texas. It provides retail water and wastewater services to all lands within its corporate boundaries, including lands located within the Town of Trophy Club ("Trophy Club") and Westlake. The District currently provides retail water services to approximately 3,026 retail connections within the District.

22. The District also provides wholesale water and sewer services to Trophy Club for approximately 1,123 customers located in that portion of the Trophy Club that is located outside the corporate boundaries of the District, but within the area located in a public improvement district established by Trophy Club (the "Trophy Club PID") to pay for or reimburse the

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<sup>19</sup> A true and correct copy of the Trophy Club Municipal Utility District No. 1 Order 2009 – 0512 Order Canvassing Consolidation Election Returns is attached hereto as Exhibit G, and a true and correct copy of the Trophy Club Municipal Utility District No. 2 Order 2009 – 0512 Order Canvassing Consolidation Election Returns is attached hereto as Exhibit H.

developer for costs related to infrastructure improvements located within the Trophy Club PID. By contract, the District provides all water and wastewater system management, operation, and administrative services on behalf of Trophy Club to the area within the Trophy Club PID.

**C. Necessity of Repairs to the District's Wastewater Plant**

23. As set forth below, the Necessary Improvements to the Wastewater Plant are essential for the District to maintain regulatory compliance, to meet its customers' service demands as the District's population increases, to continue to support the health, safety, and welfare of the District's population, and to ensure necessary operational redundancy needed to provide continuous water and wastewater services.

**(i) The Necessary Improvements Are Required for the District to Maintain Regulatory Compliance.**

24. The Wastewater Plant was originally designed and constructed in the 1970s and subsequently expanded in the mid-1980s and in 2002, respectively. Since its most recent expansion in 2002, the TCEQ imposed more stringent permit limitations governing the discharge of treated wastewater effluent under the District's Texas Pollutant Discharge Elimination System Permit (the "Permit").<sup>20</sup> As a result, the effective treatment capacity of the District's previous plant upgrades has been significantly reduced, and the Wastewater Plant is approaching 100% of its organic loading capacity as the population within the District continues to increase. Accordingly, unless the Necessary Improvements are completed, the District will be unable to continue to comply with the more stringent Permit limitations.

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<sup>20</sup> For example, at the time of the Wastewater Plant's initial construction and expansions, the Permit limitations governing the discharge of treated wastewater effluent under the District's Permit were, in relevant part, 10 mg/L for carbonaceous oxygen demand ("CBOD"); 15 mg/L total suspended solids ("TSS"); and 3 mg/L for ammonia nitrogen ("NH<sub>3</sub>-N"). However, the District's existing Permit limits are 5 mg/L CBOD; 12 mg/L TSS; and between 1-3 mg/L NH<sub>3</sub>-N.

25. Recognizing the foregoing, the District's Board of Directors engaged The Wallace Group, Inc., a professional engineering consultant, to prepare an engineering report to identify improvements to the Wastewater Plant that are necessary for the District to maintain regulatory compliance and to meet the demands of its increasing population. The engineering report was completed in April 2013 and is available to the public as follows:

Part 1: <http://www.tcmud.org/wp-content/uploads/2013/04/Preliminary-Engineering-Report-The-Wallace-Group-Part-1.pdf> and

Part 2: <http://www.tcmud.org/wp-content/uploads/2013/04/Preliminary-Engineering-Report-The-Wallace-Group-Part-2.pdf>

(collectively, the "Engineering Report"). The discussion herein of the required improvements to the Wastewater Plant is not meant to be exhaustive and, therefore, the District incorporates by reference the Engineering Report as if fully set forth herein and requests that the Court take judicial notice of the same.

26. As indicated in the Engineering Report, the Wastewater Plant has already exceeded current Permit limitations on multiple occasions. Since the Engineering Report was prepared, the number of events in which the District has exceeded the maximum daily limitations set forth in the Permit have continued to increase. The District previously submitted a compliance schedule to the TCEQ for purposes of achieving compliance with the Permit, and that schedule provides for construction of the Necessary Improvements. As the District's service population continues to increase and/or hydraulic flows to the plant increase, the ability of the District to maintain compliance with its Permit will be further jeopardized. In sum, unless the Necessary Improvements are completed promptly, the District may be forced to impose a



moratorium on new service connections or face significant TCEQ enforcement actions for Permit violations.

**(ii) The Necessary Improvements Are Required for the District to Service Its Increasing Population.**

27. The Necessary Improvements are critical for the District to continue to support the health, safety, and welfare of its increasing population by providing it adequate services. Indeed, the TCEQ's more stringent Permit limitations have significantly reduced the Wastewater Plant's average daily flow capacity. This, together with the District's increasing population, as forecasted in the Engineering Report, has resulted in the plant approaching 100% of its wastewater treatment capacity. The wastewater effluent has in fact recently exceeded the maximum daily Permit limitations set forth in the Permit on multiple occasions. For example, the District reported a violation for ammonia (NH<sub>3</sub>-N) on its Discharge Monitoring Report for May 2014; the Permit limit for the monthly average was 1.0 mg/L, but the Wastewater Plant's monthly average was 1.78 mg/L.

**(iii) The Necessary Improvements Are Required for the District to Allow Necessary Operational Redundancy.**

28. The Necessary Improvements would also provide operational redundancy of the Wastewater Plant as and when needed. For example, if one of the facility's aeration basins needs to be taken down for necessary maintenance or repairs, the hydraulic and organic capacities of the existing treatment plant are effectively cut in half. In other words, to the extent the District temporarily takes offline a basin for required maintenance, any increase in flow would likely result in the District exceeding its Permit limitations.

29. Additionally, there are hydraulic issues within the existing Wastewater Plant that cause surcharging and short circuiting with the treatment basin. These are not easily corrected

with the existing plant processes and configuration. The end result of these problems is a further reduction in the treatment time and effective plant capacity.

30. In sum, although the District has implemented interim improvements to achieve interim compliance with its Permit limitations, the existing Wastewater Plant is reaching its capacity and the District will not be able to maintain compliance with its Permit as wastewater flows increase. The District's professional engineering consultants have evaluated the existing facility in detail, have reviewed and considered alternative solutions, and have identified the most cost effective project to maintain regulatory compliance and to serve future demands. Notably, TCEQ staff members have participated in the evaluations and concur with the District's conclusion.

**D. The TCEQ's Approval of the Necessary Improvements**

31. In furtherance of its desire to finance the Necessary Improvements through the Proposed Bonds, the District passed Resolution No. 2013-0827A (the "Resolution").<sup>21</sup> On September 24, 2013, pursuant to Sections 5.122 and 49.181 of the Texas Water Code and the Resolution,<sup>22</sup> the District filed an application with the TCEQ for expedited approval of a proposed engineering project and the issuance of up to \$15,000,000 in bonds (the "District's TCEQ Application"). The District's TCEQ Application requested authorization to issue up to \$5,769,217 in unlimited tax and/or combination unlimited tax and revenue bonds, and up to \$9,230,783 in revenue bonds, for the purposes of financing the Necessary Improvements.<sup>23</sup>

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<sup>21</sup> A true and correct copy of the Resolution is attached hereto as Exhibit I.

<sup>22</sup> The Resolution provides that a certified copy of the Resolution "shall constitute an application and request on behalf of the District to the [TCEQ] pursuant to Section 49.181, Texas Water Code, for approval of the Project described [therein] and the bonds described [therein]."

<sup>23</sup> A true and correct copy of the District's TCEQ Application is attached hereto as Exhibit J, except Exhibit J does not include the voluminous Engineering Report that was part of the application because the report is readily available to the public (as described above in footnote 1).

32. On January 31, 2014, the TCEQ issued a Technical Memorandum (“TCEQ Memorandum”) regarding the District’s TCEQ Application stating that (i) the District’s TCEQ Application supported the issuance of \$5,765,000 in unlimited tax bonds and \$9,230,000 in revenue bonds, (ii) a Water Supply Division financial analyst reviewed the financial information submitted in the District’s TCEQ Application and concluded that operating revenues appeared to be sufficient for operating expenses and the District’s current and proposed revenue debt, and (iii) based on the review of the Engineering Report and supporting documents, the bond issuance is considered feasible and meets the economic feasibility criteria established by 30 Tex. Admin. Code § 293.59.

33. On February 6, 2014, the TCEQ entered AN ORDER APPROVING (1) AN ENGINEERING PROJECT, (2) THE ISSUANCE OF \$5,765,000 IN UNLIMITED TAX BONDS, AND (3) THE ISSUANCE OF \$9,230,000 IN REVENUE BONDS FOR [THE DISTRICT] (the “TCEQ Order”). Among other things, the TCEQ Order (i) attaches and adopts the TCEQ Memorandum as written, (ii) pursuant to Section 49.181 of the Texas Water Code, approves the Necessary Improvements together with the issuance of \$14,995,000 in bonds to finance the same (\$5,765,000 in unlimited tax bonds and \$9,230,000 in revenue bonds) at a maximum net effective interest rate of 6.23%, and (iii) states that the sale of the bonds in the TCEQ Order shall be valid for one year from the date of the TCEQ Order, unless extended by written authorization of the TCEQ staff.<sup>24</sup>

**E. Opposition to the TCEQ’s Approval of the Necessary Improvements**

34. As referenced above in paragraph 18, in 1982, the property owner of the area of Westlake now known as Solana petitioned to annex the area into the District’s corporate

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<sup>24</sup> A true and correct copy of the TCEQ Order is attached hereto as Exhibit C.

boundaries in order to obtain water, sewer, and fire protection services that Westlake did not offer at that time. Westlake consented to the annexation and agreed that the District would provide such services to the Solana lands. In response, the District annexed the land and entered into one or more contracts for the provision of water and wastewater services to the annexed area. To this day, the contracts are still in full force and effect and the District owns and operates water and sewer infrastructure in the Solana area and provides active water and wastewater services to customers living in or having property in Solana.

35. Long after the District's annexation of Solana, Maguire Partners acquired an interest in certain of the annexed land. Recently, Westlake and Maguire Partners have engaged in a campaign to convince the District to release the annexed land from the District. On August 19, 2013, Westlake sent the District an unsolicited letter offering to pay \$1.8 million over a five year period in exchange for the District (i) releasing from its corporate boundaries all lands that are located within the Solana area of Westlake, including the lands owned by Maguire Partners, (ii) transferring all District assets and infrastructure in Solana to Westlake, and (iii) foregoing all future taxes and revenues that would otherwise be collected from the area (the "Offer"). On August 29, 2013, the District responded via a letter informing Westlake that the District had provided the Offer to its financial advisors.

36. On September 24, 2013, the District filed the District's TCEQ Application. The next day, Westlake sent the District a letter expressing its concern regarding the District's approval of the issuance of debt to fund the Necessary Improvements. Specifically, the letter stated that Westlake was "extremely concerned about the impact of additional debt" on the Offer and that the Offer was "based on the [District's] current debt obligations[.]"

37. On October 28, 2013, Maguire Partners filed a Petition for Exclusion of Lands from the District (the “Petition for Exclusion”). Notably, the land identified therein was the same as certain of the land identified in the Offer. On October 31, 2013, the District denied the Petition for Exclusion explaining that (i) because the District has outstanding bonds payable from taxes, Chapter 49 of the Texas Water Code does not authorize the exclusion of the land from the District’s corporate (taxing) boundaries, and (ii) the Texas Constitution does not permit the District to exempt any individual property from taxation.

38. After the District’s rejection of the Petition for Exclusion, multiple letters were exchanged between Westlake and the District, whereby it became clear that the parties were not going to reach an agreement.<sup>25</sup>

39. On March 7, 2014, in response to the TCEQ Order, Maguire Partners and Westlake each filed with the TCEQ a Motion to Overturn the TCEQ Order (collectively, the “Motions to Overturn”). After considering the Motions to Overturn and subsequent Replies that Maguire Partners and Westlake each filed, the TCEQ elected to take no action with respect to its prior order approving the Proposed Bonds and the Necessary Improvements. As a result, the Motions to Overturn were overruled by operation of law on May 2, 2014.<sup>26</sup>

40. On March 7, 2014, Maguire Partners also filed a lawsuit seeking to overturn the TCEQ’s Order; styled *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, which is currently pending in the 126th Judicial District Court of Travis County, Texas (the “First State Court Action”). On May 30, 2014, Maguire Partners filed another

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<sup>25</sup> The correspondence between the District, Westlake, and Maguire Partners discussed herein is available to the public at <http://www.tcmud.org/public-informatio/news/> (last visited June 19, 2014).

<sup>26</sup> A true and correct copy of the May 5, 2014 letter from the TCEQ confirming that the Motions to Overturn were denied by operation of law is attached hereto as Exhibit K.

lawsuit challenging the denial of its Motion to Overturn and seeking to overturn the TCEQ's Order; styled *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, which is currently pending in the 53rd Judicial District of Travis County, Texas (the "Second State Court Action").

41. As explained in the District's Response to the Motions to Overturn, the TCEQ Executive Director's Response to the Motions to Overturn, and the Office of Public Interest Counsel's Response to the Motions to Overturn, Maguire Partners' and Westlake's challenges to the Proposed Bonds and Necessary Improvements are without merit.<sup>27</sup> Upon information and belief, Maguire Partners and Westlake have opposed the Proposed Bonds and Necessary Improvements for the sole purpose of furthering their desire to have the District release Solana from its corporate boundaries — an act that the District is prohibited from doing under applicable law, and is unwilling to do to the detriment of its other taxpayers and bondholders.

## **VI.**

### **AUTHORITY OF THE DISTRICT TO ENTER INTO CONTRACTS, ISSUE THE PROPOSED BONDS, AND CONSTRUCT THE NECESSARY IMPROVEMENTS**

#### **A. The District is Authorized to Contract for the Necessary Improvements**

42. Section 54.201 of the Texas Water Code authorizes the District to own, operate, maintain, repair, and/or improve the Wastewater Plant. It provides, in pertinent part:

- (a) A district shall have the functions, powers, authority, rights, and duties which will permit accomplishment of the purposes for which it was created.
- (b) A district is authorized to purchase, construct, acquire, own, operate, maintain, repair, improve, or extend inside and outside its boundaries any and all works, improvements, facilities, plants, equipment, and appliances necessary to

<sup>27</sup> The responses to the Motions to Overturn are available to the public by going to [http://www14.tceq.texas.gov/epic/eFiling/index.cfm?fuseaction=search\\_home](http://www14.tceq.texas.gov/epic/eFiling/index.cfm?fuseaction=search_home) (last visited June 19, 2014), and inserting the following "TCEQ Docket Number" where indicated: 2014-0347-DIS.

accomplish the purposes of the district authorized by the constitution, this code, or other law, including all works, improvements, facilities, plants, equipment, and appliances incident, helpful, or necessary to: . . .

- (1) supply water for municipal uses, domestic uses, power, and commercial purposes and all other beneficial uses or controls; [and]
- (2) collect, transport, process, dispose of, and control all domestic, industrial, or communal wastes whether in fluid, solid, or composite state; . . .

Tex. Water Code Ann. § 54.201; *see also id.* § 54.012.

43. Section 49.213 of the Texas Water Code authorizes the District to enter into a contract with a public or private entity to construct improvements to the Wastewater Plant, i.e., the Necessary Improvements. It provides, in pertinent part:

- (a) A district may contract with a person or any public or private entity for the joint construction, financing, ownership, and operation of any works, improvements, facilities, plants, equipment, and appliances necessary to accomplish any purpose or function permitted by a district, or a district may purchase an interest in any project used for any purpose or function permitted by a district.
- (b) A district may enter into contracts with any person or any public or private entity in the performance of any purpose or function permitted by a district.
- (c) A district may enter into contracts, which may be of unlimited duration, with persons or any public or private entities on the terms and conditions the board may consider desirable, fair, and advantageous for: . . .
  - (2) the collection, transportation, treatment; and disposal of its domestic, industrial, and communal wastes or the collection, transportation, treatment, and disposal of domestic, industrial, and communal wastes of other persons; . . .
  - (4) the continuing and orderly development of the land and property within the district through the purchase, construction, or installation of works, improvements, facilities, plants, equipment, and appliances that the district may otherwise be empowered and authorized to do or perform so that, to the greatest extent reasonably possible, considering sound engineering and economic practices, all of the land and property may be placed in a position to ultimately receive the services of the works, improvements, plants, facilities, equipment, and appliances;

- (5) the maintenance and operation of any works, improvements, facilities, plants, equipment, and appliances of the district or of another person or public or private entity;
- (6) the collection, treatment, and disposal of municipal solid wastes; and
- (7) the exercise of any other rights, powers, and duties granted to a district.

Tex. Water Code Ann. § 49.213.

44. By passing the Resolution, the District elected to exercise its right to complete the Necessary Improvements, and to later contract with a third party to complete such improvements. Moreover, in furtherance of the same, the District filed the District's TCEQ Application, resulting in the TCEQ Order that approved the Necessary Improvements and issuance of the Proposed Bonds.

45. Additionally, the TCEQ Order discusses certain of the District's responsibilities in executing a contract for the Necessary Improvements imposed by Sections 49.181 (set forth below), 49.182,<sup>28</sup> and 49.277(b)<sup>29</sup> of the Texas Water Code. Indeed, the TCEQ Order states, in pertinent part, that the District shall:

- (1) furnish the Utilities and District's Section copies of all bond issue project construction documentation outlined under 30 Tex. Admin. Code §

<sup>28</sup> Tex. Water Code Ann. § 49.182 (“(a) During construction of projects and improvements approved by the commission under this subchapter, no substantial alterations may be made in the plans and specifications without the approval of the commission in accordance with commission rules. (b) The executive director may inspect the improvements at any time during construction to determine if the project is being constructed in accordance with the plans and specifications approved by the commission. (c) If the executive director finds that the project is not being constructed in accordance with the approved plans and specifications, the executive director shall give written notice immediately by certified mail to the district's manager and to each board member. (d) If within 10 days after the notice is mailed the board does not take steps to ensure that the project is being constructed in accordance with the approved plans and specifications, the executive director shall give written notice of this fact to the attorney general. (e) After receiving this notice, the attorney general may bring an action for injunctive relief or *quo warranto* proceedings against the directors. Venue for either suit is exclusively in a district court in Travis County.”).

<sup>29</sup> *Id.* § 49.277(b) (“During the progress of the construction work, the district engineer or other designated person shall submit to the board detailed written reports showing whether or not the contractor is complying with the contract, and when the work is completed the district engineer shall submit to the board a final detailed report including as-built plans of the facilities showing whether or not the contractor has fully complied with the contract.”).



293.62, including detailed progress reports and as-built plans required by Tex. Water Code § 49.277(b), which have not already been submitted;

- (2) notify the Utilities and District's Section 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 Tex. Water Code § 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.

See Exhibit C.<sup>30</sup> In sum, the District is authorized to contract with a third party to construct the Necessary Improvements.

**B. The District Has Authority to Issue the Proposed Bonds**

46. Sections 49.152<sup>31</sup> and 54.501 of the Texas Water Code authorize the District to issue bonds to finance the Necessary Improvements. Section 54.501 provides:

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<sup>30</sup> 30 Tex. Admin Code § 293.62 provides:

Every district required to obtain commission approval of its projects relating to the issuance and sale of bonds as indicated in § 293.41 of this title (relating to Approval of Projects and Issuance of Bonds), is required to submit the following construction related reports and/or documents:

- (1) Within 10 days after construction contract execution, the district shall furnish to the appropriate agency field office true copies of the following documents:
  - (A) notice to contractors (advertisement affidavit for bids);
  - (B) addenda to plans and specifications;
  - (C) bid tabulation;
  - (D) engineer's letter recommending award of contract;
  - (E) executed contract and bid proposal documents with bonds; and
  - (F) notice to proceed (submit copy when issued).
- (2) As the construction progresses, provide to the appropriate agency field office:
  - (A) engineer's monthly construction progress reports and monthly pay estimates for contract partial payments within 10 days after payment;
  - (B) copies of proposed change orders;
  - (C) copies of infiltration/exfiltration tests for wastewater lines and test results of water lines prior to final construction inspection;
  - (D) notice of date and time of final inspection at least five days prior to the inspection;
  - (E) engineer's certification of completion for each construction contract within 10 days of the project acceptance; and
  - (F) letter of acceptance by owner within 10 days after project acceptance.
- (3) At the time the district requests approval for funding of the project from the commission or executive director and subsequently thereafter as appropriate, the district shall provide to the executive director copies of the items listed in paragraphs (1) and (2) of this section.

The district may issue its bonds for any purpose authorized by this chapter, Chapter 49, or other applicable laws, including the purpose of purchasing, constructing, acquiring, owning, operating, repairing, improving, or extending any district works, improvements, facilities, plants, equipment, and appliances needed to accomplish the purposes set forth in Section 54.012 for which a district shall be created, including works, improvements, facilities, plants, equipment, and appliances needed to provide a waterworks system, sanitary sewer system, storm sewer system, and solid waste disposal system.

Tex. Water Code Ann. § 54.501.

47. Section 49.181 of the Texas Water Code further addresses the District's authority to issue bonds in situations requiring TCEQ approval. Section 49.181 provides, in pertinent part:

- (a) A district may not issue bonds to finance a project for which the commission has adopted rules requiring review and approval unless the commission determines that the project is feasible and issues an order approving the issuance of the bonds. This section does not apply to: . . .
- (b) A district may submit to the commission a written application for investigation of feasibility. An engineer's report describing the project, including the data, profiles, maps, plans, and specifications prepared in connection with the report, must be submitted with the application.
- (c) The executive director shall examine the application and the report and shall inspect the project area. The district shall, on request, supply the executive director with additional data and information necessary for an investigation of the application, the engineer's report, and the project.
- (d) The executive director shall prepare a written report on the project and include suggestions, if any, for changes or improvements in the project. The executive director shall retain a copy of the report and send a copy of the report to both the commission and the district.
- (e) The commission shall consider the application, the engineer's report, the executive director's report, and any other evidence allowed by commission rule to be considered in determining the feasibility of the project.
- (f) The commission shall determine whether the project to be financed by the bonds is feasible and issue an order either approving or disapproving, as appropriate, the

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<sup>31</sup> Tex. Water Code Ann. § 49.152 ("The district may issue bonds, notes, or other obligations to borrow money for any corporate purpose or combination of corporate purposes only in compliance with the methods and procedures provided by this chapter or by other applicable law.").

issuance of the bonds. The commission shall retain a copy of the order and send a copy of the order to the district.

- (g) Notwithstanding any provision of this code to the contrary, the commission may approve the issuance of bonds of a district without the submission of plans and specifications of the improvements to be financed with the bonds. The commission may condition the approval on any terms or conditions considered appropriate by the commission.

48. The District intends to finance the Necessary Improvements through the issuance and delivery of the Proposed Bonds. The Proposed Bonds shall be issued in one or more series in an aggregate principal amount not to exceed \$14,995,000, such amount consisting of the sum of up to \$5,765,000 in unlimited tax bonds and up to \$9,230,000 in revenue bonds at a maximum net effective interest rate of 6.23%.<sup>32</sup> The Proposed Bonds shall be issued pursuant to the terms and conditions specified in the bond orders, substantial copies of which are attached hereto as Exhibits A and B, respectively, with such changes and completion of blanks as are reasonably appropriate to accommodate the structure of a particular series of Proposed Bonds as each particular series of Proposed Bonds is priced and sold and in order to obtain the approval of the Texas Attorney General pursuant to Section 1202.003 of the Texas Government Code.

49. Pursuant to Section 49.181 of the Texas Water Code and other applicable law, the District filed the District's TCEQ Application requesting the TCEQ's approval to issue the Proposed Bonds. The TCEQ Order approved the application and authorized the District to issue the Proposed Bonds to finance the Necessary Improvements.

50. Other than the approval of the Texas Attorney General pursuant to Section 1202.003 of the Texas Government Code, no further governmental approvals are required for the District to issue the Proposed Bonds. Pursuant to Section 54.505 of the Texas Water Code, voter

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<sup>32</sup> *Id.* § 54.502(a) ("A district may issue its bonds in various series or issues.").

approval is not required for the District's issuance of up to \$9,230,000 in revenue bonds for the Necessary Improvements.<sup>33</sup>

51. Moreover, with respect to the District's issuance of up to \$5,765,000 in unlimited tax bonds for the Necessary Improvements, the voters within the District have approved the issuance of the previously authorized but unissued tax bonds, so no new election is required to issue those bonds.

52. As discussed above in paragraph 19, in 1990, DC MUD 2 and DC MUD 3 entered into a consolidation agreement and an election was held whereby voters approved the consolidation of the districts into the TC MUD 2.

53. Most recently, as discussed more fully above in paragraph 20, in 2009, an election was held whereby the voters for TC MUD 1 and TC MUD 2 approved the consolidation of the districts in the District, and further specifically authorized (i) each district to assume the other district's outstanding bonds, notes, and obligations and voted but unissued bonds payable in whole or in part from taxation, (ii) the District to provide for the payment of principal of and interest on the outstanding bonds, notes and obligations of the former TC MUD 1 and TC MUD 2, through the levy and collection of a sufficient ad valorem tax upon all taxable property within the District, and (iii) the District to issue for and in the name of the District the voted but unissued bonds of former TC MUD 1 in the amount of \$3,229,217 and of the former TC MUD 2 in the amount of \$4,540,000, being assumed by the District, as may be appropriate under the specific authority and terms and conditions of the propositions submitted at the elections

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<sup>33</sup>*Id.* § 54.505 ("Bonds payable solely from revenues may be issued by resolution or order of the board without an election, but no bonds, except refunding bonds, payable wholly or partially from ad valorem taxes shall be issued until authorized by a majority vote of the resident electors of the district voting in an election called and held for that purpose. An election is not required to pledge revenues to the payment of bonds."); *see also* Tex. Water Code Ann. § 49.181.

authorizing the same, and to provide for the payment of the principal of and interest on such bonds by the levy and collection of a sufficient tax upon all taxable property within the District.

54. The following table provides a summary of the District's confirmation election dates, bonds authorized, total bonds issued, and bonds authorized but unissued.

TC MUD 1 <sup>34</sup>	10/7/1975	\$12,344,217	\$11,115,000 <sup>35</sup>	\$1,229,217
DC MUD 2 <sup>36</sup>	4/4/1981	\$6,450,000	\$6,450,000 <sup>37</sup>	\$0
DC MUD 3 <sup>38</sup>	4/4/1981	\$5,800,000	\$3,760,000 <sup>39</sup>	\$2,040,000
DC MUD 3	10/29/1988	\$2,500,000	\$0	\$2,500,000
<b>Total Authorized But Unissued</b>				<b>\$5,769,217</b>

55. In sum, the District has satisfied all legal prerequisites, other than the Texas Attorney General's approval, to issue the Proposed Bonds.

## VII. MOTION/REQUEST FOR CONSOLIDATION

56. As referenced above, in an effort to prevent the District from issuing the Proposed Bonds and completing the Necessary Improvements, Maguire Partners filed the First State Court Action and Second State Court Action seeking to overturn the TCEQ's Order and the denial of its Motion to Overturn. Because the issues in this case and those two (2) actions are substantially related and, in some instances, identical, the same evidence and arguments will ultimately be

<sup>34</sup> On the date of the election, TC MUD 1 was known as the Denton County Municipal Utility District No. 1.

<sup>35</sup> Issuances were as follows: (i) \$1,530,000 on 1/15/1976, (ii) \$2,035,000 on 7/15/1980, (iii) \$3,200,000 on 3/29/1983, and (iv) \$4,350,000 on 10/17/1990.

<sup>36</sup> DC MUD 2 was later consolidated with DC MUD 3 into TC MUD 2.

<sup>37</sup> Issuances were as follows: (i) \$1,870,000 on 12/1/1988, (ii) \$3,510,000 on 6/1/2002, and (iii) \$1,070,000 on 6/18/2003.

<sup>38</sup> DC MUD 3 was later consolidated with DC MUD 2 into TC MUD 2.

<sup>39</sup> Issuances were as follows: (i) \$3,630,000 on 12/1/1988, and (ii) \$130,000 on 6/18/2003.

presented in each case. Accordingly, to preserve the Court's resources and pursuant to the express authority granted to the Court in Chapter 1205, including Section 1205.061 thereof, as well as Sections 41 and 174 of the Texas Rules of Civil Procedure, the District hereby requests that the Court consolidate the First State Court Action and Second State Court Action into this cause and hear the cases jointly.<sup>40</sup>

#### VIII.

#### PRAYER FOR ORDERS REQUIRED BY CHAPTER 1205

57. The District respectfully prays that the Court follow the procedures set forth in Chapter 1205 and further prays:

(a) that the Court, upon presentation of this Original Petition, immediately enter and issue an Order Setting Hearing (the "Order") in the form of a notice in accordance with Section 1205.041 of the Texas Government Code, directed to all Interested Parties; and that the Order require the Interested Parties, in general terms and without naming them, and the Attorney General of Texas, to appear for hearing and trial at 10:00 o'clock a.m., on the first Monday after the expiration of 20 days from the date of issuance of the Order, and to show cause why the

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<sup>40</sup> Tex. Gov't Code Ann § 1205.061 provides, in pertinent part:

- (a) On the issuer's motion, before or after the trial date set under Section 1205.041; the court may enjoin the commencement, prosecution or maintenance of any proceeding by any person that contests the validity of:
  - (1) any organizational proceeding or boundary change of the issuer;
  - (2) the public securities that are described in the petition for declaratory judgment action;
  - (3) a public security authorization relating to the public securities;
  - (4) an action or expenditure of money relating to the public securities, a proposed action or expenditure, or both;
  - (5) a tax, assessment, toll, fee, rate, or other charge authorized to be imposed or made for the payment of the public securities or interest on the public securities; or
  - (6) a pledge of any revenue, receipt, or property, or an encumbrance on a tax, assessment, toll, fee, rate, or other charge, to secure that payment.
- (b) The court may:
  - (1) order a joint trial on all issues pending in any other proceeding in a court in this state and the consolidation of the proceeding with the action under this chapter; and
  - (2) issue necessary or proper orders to effect the consolidation that will avoid unnecessary costs or delays or a multiplicity of proceedings.
- (c) An interlocutory order issued under this section is final and may not be appealed.

prayers of this Original Petition should not be granted;

(b) that the Court require any party opposing this action, or any intervener, other than the Attorney General of Texas, to post a bond for payment of all damages and costs that may accrue by reason of the delay that will be occasioned by the continued participation of the opposing party or intervener in the event that the District finally prevails and obtains substantially the judgment prayed for in this Original Petition;<sup>41</sup>

(c) that prior to the date set for hearing and trial, the Clerk of the Court give said notice by causing a substantial copy of the Order to be published in a newspaper of general circulation in Denton County, Texas, Tarrant County, Texas, and Travis County, Texas. The notice shall be published once in each of two consecutive calendar weeks, with the date of the first publication to be not less than 14 days prior to the date set for hearing and trial; and

(d) that the Court grant all proceedings, hearings, and trial on this Original Petition, priority over all other cases, causes or matters pending in the Court.

**IX.**  
**PRAYER FOR DECLARATORY JUDGMENT**

58. The District has brought this Chapter 1205 action to provide standing to all Interested Parties and to put to rest any current or future legal challenges concerning (i) the District's authority to issue the Proposed Bonds, (ii) the legality and validity of using funds from the Proposed Bonds to finance the Necessary Improvements, and (iii) the District's authority to award contracts for the construction of the Necessary Improvements. Accordingly, the District seeks a declaration by this Court that:

(a) the District is an "issuer" of "public securities" within the meaning of Section 1205.001(1) of the Texas Government Code;

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<sup>41</sup> Tex. Gov't Code Ann. § 1205.101.

(b) the TCEQ Order is a valid and final order of the TCEQ that may not be challenged in this Court or any other court, agency, or forum;

(c) the District is authorized to enter into contracts for the Necessary Improvements through any method authorized by Chapters 49 and/or 54 of the Texas Water Code;

(d) the District is authorized to issue and to deliver up to \$5,765,000 in principal amount of its unlimited tax bonds and up to \$9,230,000 in revenue bonds to finance the Necessary Improvements, in one or more series pursuant to the terms and conditions specified in the bond orders, substantial copies of which are attached as Exhibits A and B to this Original Petition, with such changes and completion of blanks as are reasonably appropriate to accommodate the structure of a particular series of the Proposed Bonds as each particular series of Proposed Bonds is priced and sold and in order to obtain the approval of the Attorney General of Texas pursuant to Tex. Gov. Code §1202.003;

(e) the actions taken or to be taken by the District, including regarding the issuance and delivery of the Proposed Bonds pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code are valid, binding, and incontestable under Texas law;

(f) the contracts and agreements executed or proposed to be executed by the District in connection with completing the Necessary Improvements are valid and legally binding contracts and agreements, and are incontestable under Texas law; and

(g) the Proposed Bonds and each installment thereof, when issued and executed pursuant to the procedural requirements provided by law, including approval by the Attorney General of Texas, will constitute lawful and valid obligations and contracts of the District, enforceable according to their respective terms, and that all provisions for the payment of, and



pledges, liens and security provided for such debt and the interest thereon will constitute valid and binding obligations and contracts of the District under the laws of the State of Texas.

59. The District further requests the Court to proceed expeditiously in accordance with Chapter 1205 and, upon trial and final hearing, to quickly resolve all matters listed above in the District's favor.

**X.  
PRAYER FOR CONSOLIDATION**

60. The District respectfully prays that the Court exercise its authority set forth in Chapter 1205, including Section 1205.061 thereof, and Sections 41 and 174 of the Texas Rules of Civil Procedure, and consolidate the First State Court Action and Second State Court Action into this cause and that said cases be heard jointly before this Court. The District further prays that the District Clerk of this Court and the District Clerk of Travis County, Texas take all necessary steps to consolidate the First State Court Action and Second State Court Action into this case without delay and, in any case, prior to 10:00 a.m. on Monday, July 14, 2014.

**XI.  
PRAYER FOR ADDITIONAL RELIEF**

61. The District further respectfully prays that the Court, upon trial and final hearing, award the following additional relief:

(a) decree that the declaratory judgment herein prayed shall, as to all matters adjudicated, be forever binding and conclusive against the District, the Attorney General of Texas, and all Interested Parties, irrespective of whether such parties filed an answer or otherwise appeared herein; and

(b) such other and further relief and orders to which the District may show itself justly entitled at law or in equity.

Dated: June 23, 2014

FULBRIGHT & JAWORSKI LLP

/s/ Norlynn B. Price

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**Attorneys for Plaintiff Trophy Club  
Municipal Utility District No. 1**

# **EXHIBIT LIST**

A	Bond Order on Unlimited Tax Bonds
B	Bond Order on Revenue Bonds
C	TCEQ Order Approving the Issuance of the Proposed Bonds and Completion of the Necessary Improvements
D	The District's Formation Documents
E	TC MUD 1's Order 2009-0304 Amended and Restated Order Calling Consolidation Election
F	TC MUD 2's Order 2009-0304 Amended and Restated Order Calling Consolidation Election
G	Trophy Club Municipal Utility District No. 1 Order 2009 – 0512 Order Canvassing Consolidation Election Returns
H	Trophy Club Municipal Utility District No. 2 Order 2009 – 0512 Order Canvassing Consolidation Election Returns
I	Resolution No. 2013-0827A
J	The District's Application to the TCEQ
K	Letter of Notification from the TCEQ that Westlake and Maguire Partners' Motions to Overturn Were Overruled by Operation of Law

# EXHIBIT A

AN ORDER authorizing the issuance of "Trophy Club Municipal Utility District No. 1 Unlimited Tax Bonds, Series 2014"; specifying the terms and features of said bonds; levying a continuing direct annual ad valorem tax for the payment of said bonds; resolving other matters incident and related to the issuance, sale, payment and delivery of said Bonds, including the approval and execution of a Paying Agent/Registrar Agreement and the approval and distribution of an Official Statement; and providing an effective date.

WHEREAS, Trophy Club Municipal Utility District No. 1 (the "District") is a conservation and reclamation district, a body corporate and politic and governmental agency of the State of Texas, created as a municipal utility district pursuant to Article 16, Section 59, of the Texas Constitution by Order of the Texas Commission on Environmental Quality ("TCEQ"), the successor in interest to the Texas Water Commission (collectively, the "Commission"), and the District operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended (the "Act"); and

WHEREAS, the District is the successor by merger and consolidation of Trophy Club Municipal Utility District No. 1 ("Prior TCMUD 1") and Trophy Club Municipal Utility District No. 2 ("Prior TCMUD 2" and with Prior TCMUD 1, the "Prior TCMUDs") pursuant to a consolidation election held in the District on May 9, 2009 (the "Consolidation Election") by which the District consolidated the Prior TCMUDs into the District and assumed all outstanding and voted but unissued bonds and taxes of the Prior TCMUDs; and

WHEREAS, Prior TCMUD 2 was the successor by merger and consolidation of Denton County Municipal Utility District No. 2 ("Prior DCMUD 2") and Denton County Municipal Utility District No. 3 ("Prior DCMUD 3") pursuant to a consolidation election held on May 5, 1990; and

WHEREAS, the District is authorized by the Act to purchase, construct, acquire, own, operate, maintain, repair, improve, or extend inside or outside its boundaries any and all works, improvements, facilities, plants, equipment and appliances necessary to accomplish the purposes of its creation, all in accordance with the Act; and

WHEREAS, at an election held within and for Prior TCMUD 1 on October 7, 1975 (the "Prior TCMUD 1 Election"), Prior TCMUD 1 was authorized to issue the bonds of the District in the maximum aggregate principal amount of \$12,344,217 for the purchase, acquisition and construction of a waterworks and sanitary sewer system and additions, extensions and improvements thereto for said District including necessary administrative facilities, and for the further purpose of the purchase, acquisition and construction of works, improvements, facilities, plants, equipment and appliances necessary for the drainage of lands within said District, and to provide for the payment of the principal of and interest on such bonds by the levy and collection of ad valorem taxes upon all taxable property within the District; and

WHEREAS, at elections held within and for Prior DCMUD 3 on April 4, 1981 (the "Prior DCMUD 3 1981 Election") and on October 29, 1988 (the "Prior DCMUD 3 1988 Election"), Prior DCMUD 3 was authorized to issue the bonds of the District in the maximum principal amount of \$5,800,000 and \$2,500,000, respectively, for purchasing, constructing, acquiring, owning, operating, repairing, improving or extending a waterworks system, sanitary sewer system and drainage and storm sewer system, including, but not limited to, all additions to such systems and all works, improvements, facilities, plants, equipment, appliances, interests in property, and contract rights needed therefor and administrative facilities needed in connection therewith, and

to provide for the payment of principal of and interest on such bonds by the levy and collection of a sufficient tax upon all taxable property within said District; and

WHEREAS, the elections described above were called and held under and in strict conformity with the Constitution and laws of the State of Texas and of the United States of America, and the respective Boards of Directors of the Prior TCMUD 1 and the Prior DCMUD 3 have heretofore officially declared the results of said elections and declared that the Prior TCMUD 1 and the Prior DCMUD 3 were legally authorized to issue the bonds as described above; and

WHEREAS, pursuant to the authority of the Prior TCMUD 1 Election, the District has heretofore issued \$11,115,000 of its unlimited tax bonds for authorized purposes, and pursuant to the authority of the Prior DCMUD 3 1981 Election, the District has heretofore issued \$3,760,000 of its unlimited tax bonds for authorized purposes; and

WHEREAS, the District has not heretofore issued any bonds pursuant to the authority of the Prior DCMUD 3 1988 Election; and

WHEREAS, there remains voted and unissued of the District's unlimited tax bonds, a total of \$5,769,217 from the Consolidation Election of May 5, 1990, consisting of \$1,229,217 from the voted authorization of Prior TCMUD 1 Election, \$2,040,000 from the voted authorization of Prior DCMUD 3 1981 Election, and \$2,500,000 from the voted authorization of the Prior DCMUD 3 1988 Election; and

WHEREAS, the issuance of \$5,765,000 in principal amount of Bonds pursuant to this Order will be from the original voted bond authorization of Prior TCMUD 1 Election, Prior DCMUD 3 1981 Election and Prior DCMUD 3 1988 Election, leaving voted and unissued, after the delivery of these bonds, \$4,217 from the Prior TCMUD 1 Election, \$0 from the Prior DCMUD 3 1981 Election, and \$-0- from the Prior DCMUD 3 1988 Election; and

WHEREAS, the Commission has approved the issuance by the District of up to \$5,765,000 in unlimited tax bonds pursuant to an order dated February 6, 2014 (the "Commission Order") upon the terms and conditions stated in the Commission Order; and

WHEREAS, the Board of the District deems it necessary and advisable at this time to issue \$5,765,000 of bonds pursuant to the Act and the Prior TCMUD 1 Election, Prior DCMUD 3 1981 Election and Prior DCMUD 3 1988 Election as described above.

NOW, THEREFORE, BE IT ORDERED BY THE BOARD OF DIRECTORS OF THE TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1:

SECTION 1: Definitions and Interpretations.

(a) When used in this Order, except in Section 12, and in any resolution or order amendatory or supplemental hereto, the terms listed below shall have the meanings specified below, unless it is otherwise expressly provided or unless the context otherwise requires:

"Additional Bonds" shall mean the additional bonds payable from ad valorem taxes which the Board expressly reserves the right to issue in Section 32 of this Order.

"Authorized Investments" shall mean authorized investments as set forth in the Public Funds Investment Act, Chapter 2256, Texas Government Code and the District's Investment Policy.

"Board" or "Board of Directors" shall mean the governing body of the District.

"Bondholders" or "Registered Owner" shall mean the registered owners of any Bonds. Any reference to a particular percentage or portion of the Bondholders shall mean the registered owners at the particular time of the specified percentage or portion in aggregate principal amount of all Bonds then outstanding exclusive of Bonds held by the District.

"Bonds" shall mean the Bonds initially issued and delivered pursuant to this Order and all substitute Bonds exchanged therefor, as well as all other substitute bonds and replacement bonds issued pursuant hereto, and the term "Bond" shall mean any of the Bonds.

"Order" shall mean this Order of the Board of Directors authorizing the issuance of the Bonds.

"Commission" shall mean the Texas Commission on Environmental Quality or its successor.

"Commission Order" shall mean the order of the Commission signed February 6, 2014 approving the issuance of the Bonds upon the terms and conditions as outlined in such order.

"Designated Payment/Transfer Office" means (i) with respect to the initial Paying Agent/Registrar named herein, its designated office in \_\_\_\_\_, Texas, and (ii) with respect to any successor Paying Agent/Registrar, the office of such successor designated and located as may be agreed upon by the District and such successor.

"District" shall mean Trophy Club Municipal Utility District No. 1 and any other public agency succeeding to the powers, rights, privileges, and functions of the District, and shall mean, when appropriate, the Board of Directors of the District.

"DTC" shall mean The Depository Trust Company of New York.

"Fiscal Year" shall mean the twelve-month accounting period for the District, as may be changed from time to time by the Board of Directors.

"Interest and Sinking Fund" shall mean the Interest and Sinking Fund created and established in Section 11 of this Order.

"Interest Payment Date" shall mean a date on which interest on the Bonds is due and payable. Interest on the Bonds is due and payable on \_\_\_\_\_, 201\_\_\_\_, and semi-annually on each \_\_\_\_\_ and \_\_\_\_\_ thereafter until the earlier of maturity or redemption.

"Paying Agent/Registrar" shall mean \_\_\_\_\_, and such other bank or trust company as may hereafter be appointed in substitution therefor or in addition thereto to perform the duties of Paying Agent/Registrar in accordance with this Order.

"Project" shall mean the acquisition, construction and equipment of improvements to the District's wastewater treatment facilities.

"Record Date" shall mean, with respect to each interest payment date, the \_\_\_\_\_ day of the month immediately preceding each Interest Payment Date, whether or not such date is a business day.

"System" shall mean the works, improvements, facilities, plants, equipment, and appliances comprising the waterworks, sanitary sewer, and drainage system of the District now owned or to be hereafter purchased, constructed, or otherwise acquired whether by deed, contract, or otherwise, together with any additions or extensions thereto or improvements and replacements thereof.

The titles and headings of the articles and sections of this Order have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof. This Order and all the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to sustain the validity of the Bonds and the validity of the lien on and pledge of the taxes pledged to the payment of the Bonds.

SECTION 2: Authorization - Series Designation - Principal Amount-Purpose. Unlimited tax bonds of the District shall be and are hereby authorized to be issued in the aggregate principal amount of \$5,765,000, to be designated and bear the title "TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1 UNLIMITED TAX BONDS, SERIES 2014" (hereinafter referred to as the "Bonds") for (i) the following purposes, to wit: \$1,225,000 for the purchase, acquisition and construction of a waterworks and sanitary sewer system and additions, extensions and improvements thereto for said District including necessary administrative facilities, and for the further purpose of the purchase, acquisition and construction of works, improvements, facilities, plants, equipment and appliances necessary for the drainage of lands within said District and \$4,540,000 for purchasing, constructing, acquiring, owning, operating, repairing, improving or extending a waterworks system, sanitary sewer system and drainage and storm sewer system, including, but not limited to, all additions to such systems and all works, improvements, facilities, plants, equipment, appliances; interests in property, and contract rights needed therefor and administrative facilities needed in connection therewith, and (ii) paying the costs related to the issuance of the Bonds, pursuant to authority conferred by and in conformity with the Constitution and laws of the State of Texas, including Article XVI, Section 59 of the Texas Constitution and Texas Water Code, Chapters 49 and 54, as amended.

SECTION 3: Fully Registered Obligations - Bond Date - Authorized Denominations - Stated Maturities - Interest Rates. The Bonds shall be issued as fully registered obligations, shall be dated \_\_\_\_\_, 2014 (the "Bond Date"), shall be in denominations of \$5,000 or any integral multiple (within a Stated Maturity) thereof, and shall become due and payable on \_\_\_\_\_ in each of the years and in principal amounts (the "Stated Maturities") and bear interest at the rate(s) per annum in accordance with the following schedule:



YEAR OF  
STATED MATURITY

PRINCIPAL  
AMOUNT

INTEREST  
RATE(S)

The Bonds shall bear interest on the unpaid principal amounts from the Bond Date at the rate(s) per annum shown above in this Section (calculated on the basis of a 360-day year of twelve 30-day months), and such interest shall be payable on \_\_\_\_\_ and \_\_\_\_\_ in each year, commencing \_\_\_\_\_, 201\_\_\_\_, until maturity or prior redemption.

SECTION 4: Terms of Payment - Paying Agent/Registrar. The principal of, premium, if any, and the interest on the Bonds, due and payable by reason of maturity, redemption or otherwise, shall be payable only to the registered owners or holders of the Bonds (hereinafter called the "Holders") appearing on the registration and transfer books maintained by the Paying Agent/Registrar and the payment thereof shall be in any coin or currency of the United States of America, which at the time of payment is legal tender for the payment of public and private debts, and shall be without exchange or collection charges to the Holders.

The selection and appointment of \_\_\_\_\_ to serve as Paying Agent/Registrar for the Bonds is hereby approved and confirmed. Books and records relating to the registration, payment, exchange and transfer of the Bonds (the "Security Register") shall at all times be kept and maintained on behalf of the District by the Paying Agent/Registrar, all as provided herein, in accordance with the terms and provisions of a "Paying Agent/Registrar Agreement", substantially in the form attached hereto as Exhibit A and such reasonable rules and regulations as the Paying Agent/Registrar and the District may prescribe. The President and Secretary of the Board of Directors are hereby authorized to execute and deliver such Agreement in connection with the delivery of the Bonds. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are paid and discharged, and any successor Paying Agent/Registrar 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. Upon any change in the Paying Agent/Registrar for the Bonds, the District

agrees to promptly cause a written notice thereof to be sent to each Holder by United States Mail, first class postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Principal of and premium, if any, on the Bonds shall be payable at the Stated Maturities or redemption thereof only upon presentation and surrender of the Bonds to the Paying Agent/Registrar at the Designated Payment/Transfer Office. Interest on the Bonds shall be paid to the Holder whose name appears in the Security Register at the close of business on the Record Date and shall be paid by the Paying Agent/Registrar (i) by check sent United States Mail, first class postage prepaid, to the address of the Holder recorded in the Security Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Holder. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

In the event of a nonpayment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States Mail, first class postage prepaid, to the address of each Holder appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

#### SECTION 5: Redemption.

(a) Optional Redemption. The Bonds maturing on and after \_\_\_\_\_, 20\_\_ shall be subject to redemption prior to maturity, at the option of the District, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof (and if within a Stated Maturity selected by lot by the Paying Agent/Registrar), \_\_\_\_\_, 20\_\_, or on any date thereafter at the redemption price of par plus accrued interest to the date of redemption.

At least forty-five (45) days prior to a redemption date for the Bonds (unless a shorter notification period shall be satisfactory to the Paying Agent/Registrar), the District shall notify the Paying Agent/Registrar of the decision to redeem Bonds, the principal amount of each Stated Maturity to be redeemed; and the date of redemption therefor. The decision of the District to exercise the right to redeem Bonds shall be entered in the minutes of the governing body of the District.

(b) Mandatory Redemption. The Bonds maturing on \_\_\_\_\_, 20\_\_ and \_\_\_\_\_, 20\_\_ (the "Term Bonds") shall be subject to mandatory redemption prior to maturity at the price of par plus accrued interest to the mandatory redemption date on the respective dates and in principal amounts as follows:

Term Bonds due  
Redemption Date

Principal Amount

Term Bonds due  
Redemption Date

Principal Amount

Approximately forty-five (45) days prior to each mandatory redemption date for the Term Bonds, the Paying Agent/Registrar shall select by lot the numbers of the Term Bonds within the applicable Stated Maturity to be redeemed on the next following \_\_\_\_\_ from moneys set aside for that purpose in the Interest and Sinking Fund (as hereinafter defined). Any Term Bonds not selected for prior redemption shall be paid on the date of their Stated Maturity.

The principal amount of the Term Bonds for a Stated Maturity required to be redeemed on a mandatory redemption date 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 the mandatory redemption date, (1) shall have been acquired by the District at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation or (2) shall have been redeemed pursuant to the optional redemption provisions set forth in paragraph (a) of this Section and not theretofore credited against a mandatory redemption requirement.

(c) Selection of Bonds for Redemption. If less than all Outstanding Bonds of the same Stated Maturity are to be redeemed on a redemption date, the Paying Agent/Registrar shall treat such Bonds as representing the number of Bonds Outstanding which is obtained by dividing the principal amount of such Bonds by \$5,000 and shall select the Bonds, or principal amount thereof, to be redeemed within such Stated Maturity by lot.

(d) Notice of Redemption. Not less than thirty (30) days prior to a redemption date for the Bonds, a notice of redemption shall be sent by United States Mail, first class postage prepaid, in the name of the District and at the District's expense, to each Holder of a Bond to be redeemed in whole or in part at the address of the Holder appearing on the Security Register at the close of business on the business day next preceding the date of mailing such notice, and any notice of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by the Holder.

All notices of redemption shall (i) specify the date of redemption for the Bonds, (ii) identify by number the Bonds to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state that the Bonds, or the portion of the principal amount thereof to be redeemed, shall become due and payable on the redemption date specified, and the interest thereon, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify that payment of the redemption price for the Bonds, or the principal amount thereof to be redeemed, shall be made at the Designated Payment/Transfer Office of the Paying Agent/Registrar only upon presentation and surrender thereof by the Holder. If a Bond is subject by its terms to prior redemption and has been called for redemption and notice of redemption thereof has been duly given as hereinabove provided, such Bond (or the principal amount thereof to be redeemed) shall become due and payable and interest thereon shall cease to accrue from and after the redemption date therefor; provided moneys sufficient for the payment of such Bond (or of the principal amount thereof to be redeemed) at

the then applicable redemption price are held for the purpose of such payment by the Paying Agent/Registrar.

(e) Conditional Notice of Redemption. With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by this Order have been met and moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent prior to the giving of such notice of redemption, such notice may state that said redemption is conditional upon the satisfaction of such prerequisites and receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not satisfied or sufficient moneys are not received, such notice shall be of no force and effect, the District shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

SECTION 6: Registration - Transfer - Exchange of Bonds - Predecessor Bonds. The Paying Agent/Registrar shall obtain, record, and maintain in the Security Register the name and address of each and every owner of the Bonds issued under and pursuant to the provisions of this Order, or if appropriate the nominee thereof. Any Bond may be transferred or exchanged for Bonds of like maturity and amount and in authorized denominations by the Holder, in person or by his duly authorized agent, upon surrender of such Bond to the Designated Payment/Transfer Office of the Paying Agent/Registrar for cancellation, accompanied by a written instrument of transfer or request for exchange duly executed by the Holder or by his duly authorized agent, in form satisfactory to the Paying Agent/Registrar.

Upon surrender of any Bond (except for the single Initial Bond hereinafter referenced) for transfer at the Designated Payment/Transfer Office of the Paying Agent/Registrar, one or more new Bonds shall be registered and issued to the assignee or transferee of the previous Holder; such Bonds to be in authorized denominations, of like Stated Maturity and of a like aggregate principal amount as the Bond or Bonds surrendered for transfer.

At the option of the Holder, Bonds (except for the single Initial Bond hereinafter referenced) may be exchanged for other Bonds of authorized denominations and having the same Stated Maturity, bearing the same rate of interest and of like aggregate principal amount as the Bonds surrendered for exchange, upon surrender of the Bonds to be exchanged at the Designated Payment/Transfer Office of the Paying Agent/Registrar. Whenever any Bonds are surrendered for exchange, the Paying Agent/Registrar shall register and deliver new Bonds to the Holder requesting the exchange.

All Bonds issued in any transfer or exchange of Bonds shall be delivered to the Holders at the Designated Payment/Transfer Office of the Paying Agent/Registrar or sent by United States Mail, first class, postage prepaid to the Holders, and, upon the registration and delivery thereof, the same shall be the valid obligations of the District, evidencing the same obligation to pay, and entitled to the same benefits under this Order, as the Bonds surrendered in such transfer or exchange.

All transfers or exchanges of Bonds pursuant to this Section shall be made without expense or service charge to the Holders, except as otherwise herein provided, and except that the Paying Agent/Registrar shall require payment by the Holder requesting such transfer or exchange of any tax or other governmental charges required to be paid with respect to such transfer or exchange.

Bonds cancelled by reason of an exchange or transfer pursuant to the provisions hereof are hereby defined to be "Predecessor Bonds," evidencing all or a portion, as the case may be, of the same obligation to pay evidenced by the new Bond or Bonds registered and delivered in the exchange or transfer therefor. Additionally, the term "Predecessor Bonds" shall include any mutilated, lost, destroyed, or stolen Bond for which a replacement Bond has been issued, registered and delivered in lieu thereof pursuant to the provisions of Section 13 hereof and such new replacement Bond shall be deemed to evidence the same obligation as the mutilated, lost, destroyed, or stolen Bond.

Neither the District nor the Paying Agent/Registrar shall be required to issue or transfer to an assignee of a Holder any Bond called for redemption, in whole or in part, within 45 days of the date fixed for the redemption of such Bond; provided, however, such limitation on transferability shall not be applicable to an exchange by the Holder of the unredeemed balance of a Bond called for redemption in part.

**SECTION 7: Book-Entry-Only Transfers and Transactions.** Notwithstanding the provisions contained in Sections 4, 5 and 6 hereof relating to the payment, redemption and transfer/exchange of the Bonds, the District hereby approves and authorizes the use of "Book Entry Only" securities clearance, settlement and transfer system provided by The Depository Trust Company (DTC), a limited purpose trust company organized under the laws of the State of New York, in accordance with the operational arrangements referenced in the Blanket Issuer Letter of Representations, by and between the District and DTC (the "Depository Agreement").

Pursuant to the Depository Agreement and the rules of DTC, the Bonds shall be deposited with DTC who shall hold said Bonds for its participants (the "DTC Participants"). While the Bonds are held by DTC under the Depository Agreement, the Holder of the Bonds on the Security Register for all purposes, including payment and notices, shall be Cede & Co., as nominee of DTC, notwithstanding the ownership of each actual purchaser or owner of each Bond (the "Beneficial Owners") being recorded in the records of DTC and DTC Participants.

In the event DTC determines to discontinue serving as securities depository for the Bonds or otherwise ceases to provide book entry clearance and settlement of securities transactions in general or the District determines that DTC is incapable of properly discharging its duties as securities depository for the Bonds, the District covenants and agrees with the Holders of the Bonds to cause Bonds to be printed in definitive form and provide for the Bond certificates to be issued and delivered to DTC Participants and Beneficial Owners, as the case may be. Thereafter, the Bonds in definitive form shall be assigned, transferred and exchanged on the Security Register maintained by the Paying Agent/Registrar and payment of such Bonds shall be made in accordance with the provisions of Sections 4, 5 and 6 hereof.

**SECTION 8: Execution - Registration.** The Bonds shall be executed on behalf of the District by the President or Vice President of the Board of Directors under its seal reproduced or impressed thereon and attested by the Secretary of the Board of Directors. The signature of said officers on the Bonds may be manual or facsimile. Bonds bearing the manual or facsimile signatures of individuals who are or were the proper officers of the Board on the date of adoption of this Order shall be deemed to be duly executed on behalf of the District, notwithstanding that such individuals or either of them shall cease to hold such offices at the time of delivery of the Bonds to the initial purchaser(s) and with respect to Bonds delivered in subsequent exchanges and transfers, all as authorized and provided in Texas Government Code, Chapter 1201, as amended.

No Bond shall be entitled to any right or benefit under this Order, or be valid or obligatory for any purpose, unless there appears on such Bond either a certificate of registration substantially in the form provided in Section 10(c), manually executed by the Comptroller of Public Accounts of the State of Texas, or his duly authorized agent, or a certificate of registration substantially in the form provided in Section 10(d), manually executed by an authorized officer, employee or representative of the Paying Agent/Registrar, and either such certificate duly signed upon any Bond shall be conclusive evidence, and the only evidence, that such Bond has been duly certified, registered and delivered.

SECTION 9: Initial Bond(s). The Bonds herein authorized shall be initially issued either (i) as a single fully registered bond in the total principal amount stated in Section 2 hereof with principal installments to become due and payable as provided in Section 3 hereof and numbered T-1, or (ii) as multiple fully registered bonds, being one bond for each year of maturity in the applicable principal amount and denomination and to be numbered consecutively from T-1 and upward (hereinafter called the "Initial Bond(s)") and, in either case, the Initial Bond(s) shall be registered in the name of the initial purchaser(s) or the designee thereof. The Initial Bond(s) shall be the Bonds submitted to the Office of the Attorney General of the State of Texas for approval, certified and registered by the Office of the Comptroller of Public Accounts of the State of Texas and delivered to the initial purchaser(s). Any time after the delivery of the Initial Bond(s), the Paying Agent/Registrar, pursuant to written instructions from the initial purchaser(s), or the designee thereof, shall cancel the Initial Bond(s) delivered hereunder and exchange therefor definitive Bonds of authorized denominations, Stated Maturities, principal amounts and bearing applicable interest rates for transfer and delivery to the Holders named at the addresses identified therefor; all pursuant to and in accordance with such written instructions from the initial purchaser(s), or the designee thereof, and such other information and documentation as the Paying Agent/Registrar may reasonably require.

SECTION 10: Forms.

(a) Forms Generally. The Bonds, the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the Registration Certificate of Paying Agent/Registrar, and the form of Assignment to be printed on each of the Bonds, shall be substantially in the forms set forth in this Section with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by this Order and may have such letters, numbers, or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and such legends and endorsements (including insurance legends on insured Bonds and any reproduction of an opinion of counsel) thereon as may, consistently herewith, be established by the District or determined by the officers executing such Bonds as evidenced by their execution. Any portion of the text of any Bonds may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Bond.

The definitive Bonds and the Initial Bond(s) shall be printed, lithographed, or engraved, typewritten, photocopied or otherwise reproduced in any other similar manner, all as determined by the officers executing such Bonds as evidenced by their execution.

(b) Form of Definitive Bonds.

REGISTERED  
NO. \_\_\_\_\_

REGISTERED  
PRINCIPAL AMOUNT  
\$ \_\_\_\_\_

UNITED STATES OF AMERICA  
STATE OF TEXAS  
TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1  
UNLIMITED TAX BOND, SERIES 2014

Bond Date: \_\_\_\_\_, 2014    Interest Rate: \_\_\_\_\_%    Stated Maturity: \_\_\_\_\_, 20\_\_\_\_    CUSIP NO: \_\_\_\_\_    Delivery Date: \_\_\_\_\_, 2014

Registered Owner:

Principal Amount:

DOLLARS

The Trophy Club Municipal Utility District No. 1 (hereinafter referred to as the "District"), a body corporate and political subdivision in the Counties of Denton and Tarrant, State of Texas, for value received, acknowledges itself indebted to and hereby promises to pay to the Registered Owner named above, or the registered assigns thereof, on the Stated Maturity date specified above (or so much thereof as shall not have been paid upon prior redemption) the Principal Amount hereinabove stated, and to pay interest on the unpaid principal amount hereof from the interest payment date next preceding the "Registration Date" of this Bond appearing below (unless this Bond bears a "Registration Date" as of an interest payment date, in which case it shall bear interest from such date, or unless the "Registration Date" of this Bond is prior to the initial interest payment date in which case it shall bear interest from the Bond Date) at the per annum rate of interest specified above computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on \_\_\_\_\_ and \_\_\_\_\_ in each year, commencing \_\_\_\_\_, 201 \_\_\_\_\_. Principal of this Bond is payable at its Stated Maturity or redemption to the registered owner hereof, upon presentation and surrender, at the Designated Payment/Transfer Office of the Paying Agent/Registrar executing the registration certificate appearing hereon, or its successor; provided, however, while this Bond is registered to Cede & Co., the payment of principal upon a partial redemption of the principal amount hereof may be accomplished without presentation and surrender of this Bond. Interest is payable to the registered owner of this Bond (or one or more Predecessor Bonds, as defined in the Order hereinafter referenced) whose name appears on the "Security Register" maintained by the Paying Agent/Registrar at the close of business on the "Record Date", which is the \_\_\_\_\_ day next preceding each interest payment date, and interest shall be paid by the Paying Agent/Registrar by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and 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, a legal holiday, or a day when banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are authorized by

law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. All payments of principal of, premium, if any, and interest on this Bond shall be without exchange or collection charges to the owner or holder hereof and in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

This Bond is one of the series specified in its title issued in the aggregate principal amount of \$5,765,000 (herein referred to as the "Bonds") for (i) the following purposes, to wit: \$1,225,000 for the purchase, acquisition and construction of a waterworks and sanitary sewer system and additions, extensions and improvements thereto for said District including necessary administrative facilities, and for the further purpose of the purchase, acquisition and construction of works, improvements, facilities, plants, equipment and appliances necessary for the drainage of lands within said District and \$4,540,000 for purchasing, constructing, acquiring, owning, operating, repairing, improving or extending a waterworks system, sanitary sewer system and drainage and storm sewer system, including, but not limited to, all additions to such systems and all works, improvements, facilities, plants, equipment, appliances, interests in property, and contract rights needed therefor and administrative facilities needed in connection therewith, and (ii) paying the costs related to the issuance of the Bonds, under and in strict conformity with the Constitution and laws of the State of Texas, including Texas Water Code, Chapters 49 and 54, as amended, elections held for such purposes, and pursuant to an Order adopted by the Board of Directors of the District (herein referred to as the "Order").

The Bonds maturing on the dates identified below (the "Term Bonds") shall be subject to mandatory redemption prior to maturity with funds on deposit in the Interest and Sinking Fund established and maintained for the payment thereof in the Order, and shall be redeemed in part prior to maturity at the price of par plus accrued interest thereon to the mandatory redemption date on the respective dates and in the principal amounts as follows:

<u>Term Bonds due</u>		<u>Term Bonds due</u>	
<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>

The particular Term Bonds to be redeemed on each redemption date shall be chosen by lot by the Paying Agent/Registrar; provided, however, that the principal amount of Term Bonds for a Stated Maturity required to be redeemed on a mandatory redemption date may be reduced, at the option of the District, by the principal amount of Term Bonds of like maturity which, at least 50 days prior to the mandatory redemption date, (1) shall have been acquired by the District at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation or (2) shall have been redeemed pursuant to the optional redemption provisions appearing below and not theretofore credited against a mandatory redemption requirement.

The Bonds maturing on and after \_\_\_\_\_, 20\_\_ may be redeemed prior to their Stated Maturities, at the option of the District, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof (and if within a Stated Maturity selected by lot by the Paying Agent/Registrar), on \_\_\_\_\_, 20\_\_ or on any date thereafter at the redemption price of par, together with accrued interest to the date of redemption.



At least thirty (30) days prior to a redemption date, the District shall cause a written notice of such redemption to be sent by United States Mail, first class postage prepaid, to the registered owners of the Bonds to be redeemed in whole or in part, and subject to the terms and provisions relating thereto contained in the Order. If a Bond (or any portion of its principal sum) shall have been duly called for redemption and notice of such redemption duly given, then upon such redemption date such Bond (or the portion of its principal sum to be redeemed) shall become due and payable, and interest thereon shall cease to accrue from and after the redemption date therefor, provided moneys for the payment of the redemption price and the interest on the principal amount to be redeemed to the date of redemption are held for the purpose of such payment by the Paying Agent/Registrar.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Order have been met and moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption is conditional upon the satisfaction of such prerequisites and receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not satisfied or sufficient moneys are not received, such notice shall be of no force and effect, the District shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

In the event a portion of the principal amount of a Bond is to be redeemed and the registered owner hereof is someone other than Cede & Co., payment of the redemption price of such principal amount shall be made to the registered owner only upon presentation and surrender of this Bond to the Designated Payment/Transfer Office of the Paying Agent/Registrar, and a new Bond or Bonds of like maturity and interest rate in any authorized denominations provided by the Order for the then unredeemed balance of the principal sum thereof will be issued to the registered owner, without charge. If a Bond is selected for redemption, in whole or in part, the District and the Paying Agent/Registrar shall not be required to transfer such Bond to an assignee of the registered owner within 45 days of the redemption date therefor; provided, however, such limitation on transferability shall not be applicable to an exchange by the registered owner of the unredeemed balance of a Bond redeemed in part.

The Bonds are payable (until all the territory within the District is annexed, all properties and assets of the District are taken over, and all debts, liabilities and obligations of the District, including this Bond, are assumed by one or more cities and the District is abolished pursuant to the laws of the State of Texas) from the proceeds of an ad valorem tax levied, without limit as to rate or amount, upon all taxable property in the District. The District covenants to levy a continuing direct annual ad valorem tax, without legal limit as to rate or amount, on all taxable property within the District, for each year while any part of the Bonds are considered outstanding under the provisions of the Order, in sufficient amount, together with revenues and receipts available from other sources which are available for such purposes, to pay interest on the Bonds as it becomes due, to provide a sinking fund for the payment of the principal of the Bonds when due or the redemption price at any earlier required redemption date with respect to the Bonds, and to pay the expenses of assessing and collecting such tax, all as more specifically provided in the Order. Reference is hereby made to the Order, a copy of which is on file in the Designated Payment/Transfer Office of the Paying Agent/Registrar, and to all of the provisions of which the owner or holder of this Bond by the acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the tax levied for the

payment of the Bonds; the terms and conditions relating to the transfer or exchange of this Bond; the conditions upon which the Order may be amended or supplemented with or without the consent of the Holders; the rights, duties, and obligations of the District and the Paying Agent/Registrar; the terms and provisions upon which this Bond may be discharged at or prior to its maturity, and deemed to be no longer Outstanding thereunder; and for other terms and provisions contained therein. Capitalized terms used herein have the meanings assigned in the Order.

No other entity, including the State of Texas, any political subdivision thereof other than the District, or any other public or private body, is obligated, directly, indirectly, contingently, or in any other manner, to pay the principal of or the interest on this Bond from any source whatsoever. No part of the physical properties of the District, including the properties provided by the proceeds of the Bonds of the series of which this Bond is a part, is encumbered by any lien for the benefit of the Registered Owner of this Bond.

This Bond, subject to certain limitations contained in the Order, may be transferred on the Security Register only upon its presentation and surrender at the Designated Payment/Transfer Office of the Paying Agent/Registrar, with the Assignment hereon duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Paying Agent/Registrar duly executed by, the registered owner hereof, or his duly authorized agent. When a transfer on the Security Register occurs, one or more new fully registered Bonds of the same Stated Maturity, of authorized denominations, bearing the same rate of interest, and of the same aggregate principal amount will be issued by the Paying Agent/Registrar to the designated transferee or transferees.

The District and the Paying Agent/Registrar, and any agent of either, shall treat the registered owner whose name appears on the Security Register (i) on the Record Date as the owner entitled to payment of interest hereon, (ii) on the date of surrender of this Bond as the owner entitled to payment of principal at the Stated Maturity, or its redemption, in whole or in part, and (iii) on any other date as the owner for all other purposes, and neither the District nor the Paying Agent/Registrar, or any agent of either, shall be affected by notice to the contrary. In the event of nonpayment of interest on a scheduled payment date and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States Mail, first class postage prepaid, to the address of each Holder of a Bond appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

It is hereby certified, recited, represented and declared that the District is a body corporate and political subdivision duly organized and legally existing under and by virtue of the Constitution and laws of the State of Texas; that the issuance of the Bonds is duly authorized by law; that all acts, conditions and things required to exist and be done precedent to and in the issuance of the Bonds to render the same lawful and valid obligations of the District have been properly done, have happened and have been performed in regular and due time, form and manner as required by the Constitution and laws of the State of Texas, and the Order; that the Bonds do not exceed any Constitutional or statutory limitation; and that due provision has been made for the payment of the principal of and interest on the Bonds by the levy of a tax as aforesated. In case any provision in this Bond 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. The terms and provisions of this Bond and the Order shall be construed in accordance with and shall be governed by the laws of the State of Texas.

IN WITNESS WHEREOF, the Board of Directors of the District has caused this Bond to be duly executed under the official seal of the District.

TROPHY CLUB MUNICIPAL UTILITY  
DISTRICT NO. 1

\_\_\_\_\_  
President, Board of Directors

ATTEST:

\_\_\_\_\_  
Secretary, Board of Directors

(SEAL)

(c) Form of Registration Certificate of Comptroller of Public Accounts to appear on Initial Bond(s) only.

REGISTRATION CERTIFICATE OF  
COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER  
OF PUBLIC ACCOUNTS  
THE STATE OF TEXAS

(  
( REGISTER NO. \_\_\_\_\_  
(

I HEREBY CERTIFY that this Bond has been examined, certified as to validity and approved by the Attorney General of the State of Texas, and duly registered by the Comptroller of Public Accounts of the State of Texas.

WITNESS my signature and seal of office this \_\_\_\_\_.

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

(SEAL)

(d) Form of Certificate of Paying Agent/Registrar to appear on Definitive Bonds only.

REGISTRATION CERTIFICATE OF PAYING AGENT/REGISTRAR

This Bond has been duly issued and registered under the provisions of the within-mentioned Order; the bond or bonds of the above entitled and designated series originally delivered having been approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts, as shown by the records of the Paying Agent/Registrar.

The designated offices of the Paying Agent/Registrar in \_\_\_\_\_, is the Designated Payment/Transfer Office for this Bond.

\_\_\_\_\_  
as Paying Agent/Registrar

Registration date: \_\_\_\_\_

By \_\_\_\_\_  
Authorized Signature

(e) Form of Assignment.

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns, and transfers unto  
(Print or typewrite name, address, and zip code of transferee): \_\_\_\_\_

\_\_\_\_\_  
(Social Security or other identifying number: \_\_\_\_\_)  
\_\_\_\_\_ the within Bond and all rights thereunder, and hereby  
irrevocably constitutes and appoints \_\_\_\_\_

attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

DATED: \_\_\_\_\_

Signature guaranteed:  
\_\_\_\_\_

NOTICE: The signature on this assignment must correspond with the name of the registered owner as it appears on the face of the within Bond in every particular.

(f) The Initial Bond(s) shall be in the form set forth in paragraph (b) of this Section, except that the form of the single fully registered Initial Bond shall be modified as follows:

REGISTERED  
NO. T-1

REGISTERED  
PRINCIPAL AMOUNT  
\$5,765,000

UNITED STATES OF AMERICA  
STATE OF TEXAS  
TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1  
UNLIMITED TAX BOND, SERIES 2014

Bond Date:  
\_\_\_\_\_, 2014

Registered Owner:

Principal Amount: FIVE MILLION SEVEN HUNDRED SIXTY-FIVE THOUSAND DOLLARS

The Trophy Club Municipal Utility District No. 1 (hereinafter referred to as the "District"), a body corporate and political subdivision in the Denton and Tarrant Counties, State of Texas, for value received, acknowledges itself indebted to and hereby promises to pay to the Registered Owner named above, or the registered assigns thereof, the Principal Amount hereinabove stated on \_\_\_\_\_ in each of the years and in principal installments in accordance with the following schedule:

<u>YEAR OF</u> <u>MATURITY</u>	<u>PRINCIPAL</u> <u>INSTALLMENTS</u>	<u>INTEREST</u> <u>RATE</u>
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(Information to be inserted from schedule in Section 2 hereof).

(or so much principal thereof as shall not have been prepaid prior to maturity) and to pay interest on the unpaid principal installments hereof from the Bond Date at the per annum rates of interest specified above computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on \_\_\_\_\_ and \_\_\_\_\_ in each year, commencing \_\_\_\_\_, 201\_\_\_\_. Principal installments of this Bond are payable in the year of maturity or on a redemption date to the registered owner hereof by \_\_\_\_\_ (the "Paying Agent/Registrar"), upon presentation and surrender, at its designated offices in \_\_\_\_\_ (the "Designated Payment/Transfer Office"). Interest is payable to the registered owner of this Bond whose name appears on the "Security Register" maintained by the Paying Agent/Registrar at the close of business on the "Record Date", which is the \_\_\_\_\_ day next preceding each interest payment date, and interest shall be paid by the Paying Agent/Registrar by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner.

SECTION 11: Levy of Taxes. To provide for the payment of Bonds, there is hereby levied, and there shall be annually assessed and collected in due time, form, and manner, a tax on all taxable property in the District, without limit as to rate or amount, sufficient to pay the principal of and interest on the Bonds as the same becomes due and payable; and such tax hereby levied on each one hundred dollars' valuation of taxable property in the District for the payment of the Bonds shall be at a rate from year to year as will be ample and sufficient to provide funds each year to pay the principal of and interest on said Bonds while Outstanding; full allowance being made for delinquencies and costs of collection. The taxes levied, assessed, and collected for and on account of the Bonds shall be accounted for separate and apart from all other funds of the District and the taxes assessed and collected for the Bonds shall be deposited in the "Special Series 2014 Unlimited Tax Bond Fund" (hereinafter called the "Interest and Sinking Fund") to be maintained at an official depository of the District's funds; and such taxes hereby levied, and to be assessed and collected annually, for the Bonds are hereby pledged to the payment of the Bonds. In determining the rate of tax to be levied, assessed and collected, the District may take into account the amount in the Interest and Sinking Fund from the deposit of Bond proceeds on deposit in said fund for the payment of interest and whether the District reasonably expects to have revenue or receipts available from other sources which are legally available to pay debt service on the Bonds.

The President, Vice President and Secretary of the Board of Directors, the District Manager and the Director of Finance of the District, individually or jointly, are hereby authorized and directed to cause to be transferred to the Paying Agent/Registrar for the Bonds, from funds on deposit in the Interest and Sinking Fund, amounts sufficient to fully pay and discharge promptly each installment of interest and principal of the Bonds as the same shall become payable or matures; such transfers to be made in such manner as will cause collected funds to be deposited with the Paying Agent/Registrar on or before each principal and interest payment date for the Bonds.

SECTION 12: Consolidation and Dissolution of District. To the extent provided by law, the pledge of taxes set forth in Section 11 hereof will terminate if one or more cities takes over all properties and assets, assumes all debts, liabilities, and obligations, and performs all functions and services of the District, and the District is abolished pursuant to law.

The laws of the State of Texas permit the District to be consolidated with one or more conservation and reclamation districts. In the event the District is consolidated with another district or districts, the District reserves the right to:

(a) Consolidate the System with a similar system of one or more districts with which the District is consolidating and operate and maintain the systems as one consolidated system (herein for purposes of this section the "Consolidated System").

(b) Apply the net revenues from the operation of the Consolidated System to the payment of principal, interest, redemption price and bank charges on the revenue bonds or the combination tax and revenue bonds (herein for purposes of this section the "Revenue Bonds") of the District and of the district or districts with which the District is consolidating (herein collectively the "Consolidating Districts") without preference to any series of bonds (except subordinate lien revenue bonds which shall continue to be subordinate to the first lien Revenue Bonds of the Consolidating Districts).

(c) Pledge the net revenues of the Consolidated System to the payment of principal, interest, redemption price and bank charges on Revenue Bonds which may be issued by the

Consolidating Districts on a parity with the outstanding first lien Revenue Bonds of the Consolidating Districts.

**SECTION 13: Mutilated, Destroyed, Lost and Stolen Bonds.** In case any Bond shall be mutilated, or destroyed, lost or stolen, the Paying Agent/Registrar may execute and deliver a replacement Bond of like form and tenor, and in the same denomination and bearing a number not contemporaneously outstanding, in exchange and substitution for such mutilated Bond; and with respect to a lost, destroyed or stolen Bond a replacement Bond may be issued only upon the approval of the District and after (i) the filing by the Holder with the Paying Agent/Registrar of evidence satisfactory to the Paying Agent/Registrar of the destruction, loss or theft of such Bond, and of the authenticity of the ownership thereof and (ii) the furnishing to the Paying Agent/Registrar of indemnification in an amount satisfactory to hold the District and the Paying Agent/Registrar harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Bond shall be borne by the Holder of the Bond mutilated, or destroyed, lost or stolen.

Every replacement Bond issued pursuant to this Section shall be a valid and binding obligation, and shall be entitled to all the benefits of this Order equally and ratably with all other Outstanding Bonds; notwithstanding the enforceability of payment by anyone of the destroyed, lost, or stolen Bonds.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost or stolen Bonds.

**SECTION 14: Satisfaction of Obligation of District.** If the District shall pay or cause to be paid, or there shall otherwise be paid to the Holders, the principal of, premium, if any, and interest on the Bonds, at the times and in the manner stipulated in this Order, then the pledge of taxes levied under this Order and all covenants, agreements, and other obligations of the District to the Holders shall thereupon cease, terminate, and be discharged and satisfied.

Bonds or any principal amount(s) thereof shall be deemed to have been paid within the meaning and with the effect expressed above in this Section when (i) money sufficient to pay in full such Bonds or the principal amount(s) thereof at maturity or to the redemption date therefor, together with all interest due thereon, shall have been irrevocably deposited with and held in trust by the Paying Agent/Registrar, or an authorized escrow agent, or (ii) Government Securities shall have been irrevocably deposited in trust with the Paying Agent/Registrar, or an authorized escrow agent, which Government Securities have been certified by an independent accounting firm to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any moneys deposited therewith, if any, to pay when due the principal of and interest on such Bonds, or the principal amount(s) thereof, on and prior to the Stated Maturity thereof or (if notice of redemption has been duly given or waived or if irrevocable arrangements therefor acceptable to the Paying Agent/Registrar have been made) the redemption date thereof. The District covenants that no deposit of moneys or Government Securities will be made under this Section and no use made of any such deposit which would cause the Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or regulations adopted pursuant thereto.

Any moneys so deposited with the Paying Agent/Registrar, or an authorized escrow agent, and all income from Government Securities held in trust by the Paying Agent/Registrar,

or an authorized escrow agent, pursuant to this Section which is not required for the payment of the Bonds, or any principal amount(s) thereof, or interest thereon with respect to which such moneys have been so deposited shall be remitted to the District or deposited as directed by the District. Furthermore, any money held by the Paying Agent/Registrar for the payment of the principal of and interest on the Bonds and remaining unclaimed for a period of three (3) years after the Stated Maturity, or applicable redemption date, of the Bonds such moneys were deposited and are held in trust to pay shall upon the request of the District be remitted to the District against a written receipt therefor. Notwithstanding the above and foregoing, any remittance of funds from the Paying Agent/Registrar to the District shall be subject to any applicable unclaimed property laws of the State of Texas.

The term "Government Securities", as used herein, shall mean (i) direct noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations unconditionally guaranteed or insured by the agency or instrumentality and 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, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and 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, and (iv) any other then authorized securities or obligations under applicable law that may be used to defease obligations such as the Bonds.

SECTION 15: Order a Contract - Amendments - Outstanding Bonds. This Order shall constitute a contract with the Holders from time to time, be binding on the District, and shall not be amended or repealed by the District so long as any Bond remains Outstanding except as permitted in this Section and in Section 31 hereof. The District may, without the consent of or notice to any Holders, from time to time and at any time, amend this Order in any manner not detrimental to the interests of the Holders, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the District may, with the written consent of Holders holding a majority in aggregate principal amount of the Bonds then Outstanding affected thereby, amend, add to, or rescind any of the provisions of this Order; provided that, without the consent of all Holders of Outstanding Bonds, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Bonds, reduce the principal amount thereof, the redemption price therefor, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, 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 to be held by Holders for consent to any such amendment, addition, or rescission.

The term "Outstanding" when used in this Order with respect to Bonds means, as of the date of determination, all Bonds theretofore issued and delivered under this Order, except:

- (1) those Bonds cancelled by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation;
- (2) those Bonds deemed to be duly paid by the District in accordance with the provisions of Section 14 hereof; and



(3) those mutilated, destroyed, lost, or stolen Bonds which have been replaced with Bonds registered and delivered in lieu thereof as provided in Section 13 hereof.

SECTION 16: Covenants to Maintain Tax-Exempt Status.

(a) Definitions. When used in this Section, the following terms shall have the following meanings:

"Closing Date" means the date on which the Bonds are first authenticated and delivered to the initial purchasers against payment therefor.

"Code" means the Internal Revenue Code of 1986, as amended by all legislation, if any, effective on or before the Closing Date.

"Computation Date" has the meaning set forth in Section 1.148-1(b) of the Regulations.

"Gross Proceeds" means any proceeds as defined in Section 1.148-1(b) of the Regulations, and any replacement proceeds as defined in Section 1.148-1(c) of the Regulations, of the Bonds.

"Investment" has the meaning set forth in Section 1.148-1(b) of the Regulations.

"Nonpurpose Investment" means any investment property, as defined in section 148(b) of the Code, in which Gross Proceeds of the Bonds are invested and which is not acquired to carry out the governmental purposes of the Bonds.

"Rebate Amount" has the meaning set forth in Section 1.148-1(b) of the Regulations.

"Regulations" means any proposed, temporary, or final Income Tax Regulations issued pursuant to Sections 103 and 141 through 150 of the Code, and 103 of the Internal Revenue Code of 1954, which are applicable to the Bonds. Any reference to any specific Regulation shall also mean, as appropriate, any proposed, temporary or final Income Tax Regulation designed to supplement, amend or replace the specific Regulation referenced.

"Yield" of (1) any Investment has the meaning set forth in Section 1.148-5 of the Regulations and (2) the Bonds has the meaning set forth in Section 1.148-4 of the Regulations.

(b) Not to Cause Interest to Become Taxable. The District shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner which, if made or omitted, respectively, would cause interest on any Bond to become includable in the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the District receives a written opinion of counsel nationally recognized in the field of municipal bond law to the effect that failure to comply with such covenant will not

adversely affect the exemption from federal income tax of the interest on any Bond, the District shall comply with each of the specific covenants in this Section.

(c) No Private Use or Private Payments. Except as permitted by section 141 of the Code and the Regulations and rulings thereunder, the District shall at all times prior to the last Stated Maturity of Bonds:

(1) exclusively own, operate and possess all property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds of the Bonds, and not use or permit the use of such Gross Proceeds (including all contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

(2) not directly or indirectly impose or accept any charge or other payment by any person or entity who is treated as using Gross Proceeds of the Bonds or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds, other than taxes of general application within the District or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

(d) No Private Loan. Except to the extent permitted by section 141 of the Code and the Regulations and rulings thereunder, the District shall not use Gross Proceeds of the Bonds to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be "loaned" to a person or entity if: (1) property acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction which creates a debt for federal income tax purposes; (2) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (3) indirect benefits, or burdens and benefits of ownership, of such Gross Proceeds or any property acquired, constructed or improved with such Gross Proceeds are otherwise transferred in a transaction which is the economic equivalent of a loan.

(e) Not to Invest at Higher Yield. Except to the extent permitted by section 148 of the Code and the Regulations and rulings thereunder, the District shall not at any time prior to the final Stated Maturity of the Bonds directly or indirectly invest Gross Proceeds in any investment (or use Gross Proceeds to replace money so invested), if as a result of such investment the Yield from the Closing Date of all investments acquired with Gross Proceeds (or with money replaced thereby), whether then held or previously disposed of, exceeds the Yield of the Bonds.

(f) Not Federally Guaranteed. Except to the extent permitted by section 149(b) of the Code and the Regulations and rulings thereunder, the District shall not take or omit to take any action which would cause the Bonds to be federally guaranteed within the meaning of section 149(b) of the Code and the Regulations and rulings thereunder.

(g) Information Report. The District shall timely file the information required by section 149(e) of the Code with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary may prescribe.

(h) Rebate of Arbitrage Profits. Except to the extent otherwise provided in section 148(f) of the Code and the Regulations and rulings thereunder:

(1) The District shall account for all Gross Proceeds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after the day on which the last Outstanding Bond is discharged. However, to the extent permitted by law, the District may commingle Gross Proceeds of the Bonds with other money of the District, provided that the District separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(2) Not less frequently than each Computation Date, the District shall calculate the Rebate Amount in accordance with rules set forth in section 148(f) of the Code and the Regulations and rulings thereunder. The District shall maintain such calculations with its official transcript of proceedings relating to the issuance of the Bonds until six years after the final Computation Date.

(3) As additional consideration for the purchase of the Bonds by the Purchasers and the loan of the money represented thereby and in order to induce such purchase by measures designed to insure the excludability of the interest thereon from the gross income of the owners thereof for federal income tax purposes, the District shall pay to the United States from the construction fund, other appropriate fund, or if permitted by applicable Texas statute, regulation or opinion of the Attorney General of the State of Texas, the Interest and Sinking Fund, the amount that when added to the future value of previous rebate payments made for the Bonds equals (i) in the case of a Final Computation Date as defined in Section 1.148-3(e)(2) of the Regulations, one hundred percent (100%) of the Rebate Amount on such date; and (ii) in the case of any other Computation Date, ninety percent (90%) of the Rebate Amount on such date. In all cases, the rebate payments shall be made at the times, in the installments, to the place and in the manner as is or may be required by section 148(f) of the Code and the Regulations and rulings thereunder, and shall be accompanied by Form 8038-T or such other forms and information as is or may be required by Section 148(f) of the Code and the Regulations and rulings thereunder.

(4) The District shall exercise reasonable diligence to assure that no errors are made in the calculations and payments required by paragraphs (2) and (3), and if an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter (and in all events within one hundred eighty (180) days after discovery of the error), including payment to the United States of any additional Rebate Amount owed to it, interest thereon, and any penalty imposed under Section 1.148-3(h) of the Regulations.

(i) Not to Divert Arbitrage Profits. Except to the extent permitted by section 148 of the Code and the Regulations and rulings thereunder, the District shall not, at any time prior to the earlier of the Stated Maturity or final payment of the Bonds, enter into any transaction that reduces the amount required to be paid to the United States pursuant to Subsection (h) of this Section because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Yield of the Bonds not been relevant to either party.

(j) Elections. The District hereby directs and authorizes the President of the Board of Directors, District Manager and Director of Finance, individually or jointly, to make elections permitted or required pursuant to the provisions of the Code or the Regulations, as they deem necessary or appropriate in connection with the Bonds, in the Certificate as to Tax Exemption or similar or other appropriate certificate, form or document.

SECTION 17: Sale of the Bonds. The Bonds are hereby sold, pursuant to the taking of public bids therefor, on this date, and shall be delivered to [ ] (the "Purchaser") at a price of par plus a \$[ ] cash premium plus accrued interest. The Board hereby finds and determines that the net effective interest rate on the Bonds, as calculated pursuant to Texas Government Code, Chapter 1204, as amended is [ ]%. It is hereby officially found, determined and declared that the terms of this sale are the most advantageous reasonably obtainable and the Purchaser's sealed bid produced the lowest net effective interest rate to the District as required by Section 49.183, Texas Water Code. The Initial Bond(s) shall be registered in the name of the Purchaser.

SECTION 18: Official Statement. The use of the Preliminary Official Statement by the Purchaser in connection with the public offering and sale of the Bonds is hereby ratified, confirmed and approved in all respects. The final Official Statement, being a modification and amendment of the Preliminary Official Statement to reflect the terms of sale (together with such changes approved by the President and Secretary of the Board of Directors, the District Manager and the Director of Finance, any one or more of said officials), shall be and is hereby in all respects approved and the Purchaser is hereby authorized to use and distribute said final Official Statement, dated \_\_\_\_\_, 2014, in the reoffering, sale and delivery of the Bonds to the public. The President and Secretary of the Board of Directors are further authorized and directed to deliver for and on behalf of the District copies of said Preliminary Official Statement and Official Statement in final form as may be required by the Purchaser, and such final Official Statement in the form and content approved by the President or Secretary of the Board, District Manager or Director of Finance (one or more of said officials) shall be deemed to be approved by the Board of Directors and constitute the Official Statement authorized for distribution and use by the Purchaser.

SECTION 19: Control and Custody of Bonds. The President of the Board of Directors of the District shall be and is hereby authorized to take and have charge of all necessary orders and records pending investigation by the Attorney General of the State of Texas, including the printing and supply of definitive Bonds, and shall take and have charge and control of the Initial Bond(s) pending the approval thereof by the Attorney General, the registration thereof by the Comptroller of Public Accounts and the delivery thereof to the Purchasers.

Furthermore, the President and Secretary of the Board of Directors, the District Manager and Director of Finance of the District, any one or more of said officials, are hereby authorized and directed to furnish and execute such documents and certifications relating to the District and the issuance of the Bonds, including certifications as to facts, estimates, circumstances and

reasonable expectations pertaining to the use, expenditure and investment of the proceeds of the Bonds, as may be necessary for the approval of the Attorney General, the registration by the Comptroller of Public Accounts and the delivery of the Bonds to the Purchasers and, together with the District's financial advisor, bond counsel and the Paying Agent/Registrar, make the necessary arrangements for the delivery of the Initial Bond(s) to the Purchasers and the initial exchange thereof for definitive Bonds.

SECTION 20: Proceeds of Sale. The proceeds of sale of the Bonds, less amounts to pay costs of issuance and premium in the amount of \$\_\_\_\_\_, shall be deposited to the credit of a construction account maintained on the books and records of the District and, if not immediately invested, in a fund kept at a depository bank of the District. Pending expenditure for the Project, such proceeds of sale may be invested in Authorized Investments, including guaranteed investment contracts permitted in Texas Section 2256.015, et seq, and any investment earnings realized may be expended for the Project or deposited in the Interest and Sinking Fund as shall be determined by the Board of Directors. Accrued interest and premium in the above amount received from the sale of the Bonds and any excess bond proceeds, including investment earnings, remaining after completion of all authorized projects or purposes shall be deposited to the credit of the Interest and Sinking Fund.

Pursuant to the Commission Order, the District will not expend \$4,936,795.46 (\$4,292,865.70 for construction plus \$643,929.76 in contingencies) for the Project until receipt by the Board of plans and specifications approved by all entities with jurisdiction and construction documents.

SECTION 21: Notices to Holders - Waiver. Wherever this Order provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and sent by United States Mail, first class postage prepaid, to the address of each Holder appearing in the Security Register at the close of business on the business day next preceding the mailing of such notice.

In any case where notice to Holders is given by mail, neither the failure to mail such notice to any particular Holders, nor any defect in any notice so mailed, shall affect the sufficiency of such notice with respect to all other Bonds. Where this Order provides for notice in any manner, such notice may be waived in writing by the Holder entitled to receive such notice, either before or after the event with respect to which such notice is given, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Paying Agent/Registrar, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 22: Cancellation. All Bonds surrendered for payment, redemption, transfer, exchange, or replacement, if surrendered to the Paying Agent/Registrar, shall be promptly cancelled by it and, if surrendered to the District, shall be delivered to the Paying Agent/Registrar and, if not already cancelled, shall be promptly cancelled by the Paying Agent/Registrar. The District may at any time deliver to the Paying Agent/Registrar for cancellation any Bonds previously certified or registered and delivered which the District may have acquired in any manner whatsoever, and all Bonds so delivered shall be promptly cancelled by the Paying Agent/Registrar. All cancelled Bonds held by the Paying Agent/Registrar shall be returned to the District.

SECTION 23: Legal Opinion. The obligation of the Purchasers to accept delivery of the Bonds is subject to being furnished a final opinion of Fulbright & Jaworski LLP, Attorneys,

Dallas, Texas, approving such Bonds as to their validity, said opinion to be dated and delivered as of the date of delivery and payment for the Bonds. A true and correct reproduction of said opinion or an executed counterpart thereof is hereby authorized to be either printed on definitive printed obligations or deposited with DTC along with the global certificates for the implementation and use of the Book Entry Only System used in the settlement and transfer of the Bonds.

SECTION 24: CUSIP Numbers. CUSIP numbers may be printed or typed on the definitive Bonds. It is expressly provided, however, that the presence or absence of CUSIP numbers on the definitive Bonds shall be of no significance or effect as regards the legality thereof and neither the District nor attorneys approving the Bonds as to legality are to be held responsible for CUSIP numbers incorrectly printed or typed on the definitive Bonds.

SECTION 25: Benefits of Order. Nothing in this Order, expressed or implied, is intended or shall be construed to confer upon any person other than the District, the Paying Agent/Registrar and the Holders, any right, remedy, or claim, legal or equitable, under or by reason of this Order or any provision hereof, this Order and all its provisions being intended to be and being for the sole and exclusive benefit of the District, the Paying Agent/Registrar and the Holders.

SECTION 26: Inconsistent Provisions. All orders or resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Order are hereby repealed to the extent of such conflict, and the provisions of this Order shall be and remain controlling as to the matters contained herein.

SECTION 27: Governing Law. This Order shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

SECTION 28: Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

SECTION 29: Construction of Terms. If appropriate in the context of this Order, words of the singular number shall be considered to include the plural, words of the plural number shall be considered to include the singular, and words of the masculine, feminine or neuter gender shall be considered to include the other genders.

SECTION 30: Severability. If any provision of this Order or the application thereof to any circumstance shall be held to be invalid, the remainder of this Order and the application thereof to other circumstances shall nevertheless be valid, and the Board of Directors hereby declares that this Order would have been enacted without such invalid provision.

SECTION 31: Continuing Disclosure Undertaking.

(a) Definitions. As used in this Section, the following terms have the meanings ascribed to such terms below:

"MSRB" means the Municipal Securities Rulemaking Board.

"Rule" means SEC Rule 15c2-12, as amended from time to time or officially interpreted by the SEC.

"SEC" means the United States Securities and Exchange Commission.

(b) Annual Reports. The District shall provide annually to the MSRB (1) within six months after the end of each fiscal year ending in or after 2014, financial information and operating data with respect to the District of the general type included in the final Official Statement authorized by Section 18 of this Order, being the information described in **Exhibit B** hereto, and (2) if not provided as part such financial information and operating data, audited financial statements of the District, when and if available. Any financial statements so to be provided shall be prepared in accordance with the accounting principles described in **Exhibit B** hereto, or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited, if the District commissions an audit of such statements and the audit is completed within the period during which they must be provided. If audited financial statements are not available by the required time, the District will provide unaudited financial information and operating data of the general type included in the Official Statement as Appendix \_\_\_ by the required time and audited financial statements when and if such audited financial statements become available.

If the District changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the District otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the SEC.

(c) Notice of Certain Events. The District shall provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner and not more than 10 business days after occurrence of the event:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) Modifications to rights of holders of the Bonds, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;

(x) Release, substitution, or sale of property securing repayment of the Bonds, if material;

(xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below;

(xiii) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

For these purposes, any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District 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 District, 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 District.

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

(d) Filings with the MSRB. All financial information, operating data, financial statements, notices, and other documents provided to the MSRB in accordance with this Section shall be provided in an electronic format prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

(e) Limitations, Disclaimers and Amendments. The District shall be obligated to observe and perform the covenants specified in this Section with respect to the District and the Bonds while, but only while, the District remains an "obligated person" with respect to the Bonds within the meaning of the Rule, except that the District in any event will give the notice required by subsection (c) hereof of any Bond calls and/or defeasances that cause the District to no longer be such an "obligated person".

The provisions of this Section are for the sole benefit of the Holders and beneficial owners of the Bonds, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The District undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the financial results, condition, or prospects of the District or the State of Texas



or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The District does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

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

No default by the District in observing or performing its obligations under this Section shall constitute a breach of or default under this Order for purposes of any other provision of this Order.

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

Notwithstanding anything herein to the contrary, the provisions of this Section may be amended by the District from time to time to adapt to changed circumstances resulting from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the Holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Order that authorizes such an amendment) of the Outstanding Bonds consent to such amendment or (b) a Person that is unaffiliated with the District (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Holders and beneficial owners of the Bonds. The provisions of this Section may also be amended from time to time or repealed by the District if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid, but only if and to the extent that reservation of the District's right to do so would not prevent underwriters of the initial public offering of the Bonds from lawfully purchasing or selling Bonds in such offering. If the District so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with subsection (b) an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

#### SECTION 32: Additional Bonds and Refunded Bonds.

(a) The District expressly reserves the right to issue, in one or more installments, for the purpose of purchasing, constructing, acquiring, owning, operating, maintaining, repairing, improving, or extending the System, or for any other lawful purpose:

(1) the unissued unlimited tax bonds which remain authorized but unissued; and

(2) such other unlimited tax bonds as may hereafter be authorized at subsequent elections.

(b) The District further reserves the right to issue combination unlimited tax and revenue bonds, if authorized by election, and such other bonds or other obligations as may be lawfully issued by the District including any obligations issued for special projects or defined areas.

(c) The District further reserves the right to issue refunding bonds in any manner permitted by law to refund the Bonds, any Additional Bonds or any other bonds issued by the District, at or prior to their respective dates of maturity or redemption.

SECTION 33: Further Procedures. Any one or more of the President, Vice President and Secretary of the Board of Directors, the District Manager and Director of Finance of the District are hereby expressly authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and on behalf of the District all agreements, instruments, certificates or other documents, whether mentioned herein or not, as may be necessary or desirable in order to carry out the terms and provisions of this Order and the issuance of the Bonds. In addition, prior to the initial delivery of the Bonds, the President and Vice President of the Board of Directors, the District Manager, Director of Finance or Bond Counsel to the District are each hereby authorized and directed to approve any changes or corrections to this Order or to any of the documents authorized and approved by this Order: (i) in order to cure any ambiguity, formal defect, or omission in the Order or such other document; or (ii) as requested by the Attorney General of the State of Texas or his representative to obtain the approval of the Bonds by the Attorney General. In the event that any officer of the District whose signature shall appear on any document shall cease to be such officer before the delivery of such document, such signature nevertheless shall be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

SECTION 34: Incorporation of Findings and Determinations. The findings and determinations of the Board of Directors of the District contained in the preamble hereof are hereby incorporated by reference and made a part of this Order for all purposes as if the same were restated in full in this Section.

SECTION 35: No Recourse Against District Officials. No recourse shall be had for the payment of principal of, premium, if any, or interest on any Bond or for any claim based thereon or on this Order against any official of the District or any person executing any Bond.

SECTION 36: Authorization of Escrow Agreement; Payment of TCEQ Fee. The Board hereby finds and determines that it is in the best interest of the District to authorize the execution of an Escrow Agreement to comply with the TCEQ's rules and regulations and other applicable law. A copy of the Escrow Agreement is attached hereto, in substantially final form, as Exhibit C and is incorporated by reference to the provisions of this Order. The President, Vice President and Secretary of the Board, District Manager or Director of Finance (one or more of said officials), or the designee thereof, are authorized to execute the Escrow Agreement as the act and deed of the District.

SECTION 37: Public Meeting. It is officially found, determined, and declared that the meeting at which this Order is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Order, was given, all as required by Texas Government Code, Chapter 551, as amended, and Texas Water Code, Sections 49.063 and 49.064, as amended.

SECTION 38: Effective Date. This Order shall be in force and effect from and after its passage on the date shown below.

*[Remainder of page left blank intentionally]*

PASSED AND ADOPTED, this \_\_\_\_\_, 2014.

TROPHY CLUB MUNICIPAL UTILITY  
DISTRICT NO. 1

\_\_\_\_\_  
President, Board of Directors

ATTEST:

\_\_\_\_\_  
Secretary, Board of Directors

(District Seal

EXHIBIT A  
PAYING AGENT/REGISTRAR AGREEMENT

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 \_\_\_\_ for the most recently concluded fiscal year.
2. The information in Tables 1 through \_\_\_\_ in 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.

EXHIBIT C  
ESCROW AGREEMENT

# EXHIBIT B



AN ORDER authorizing the issuance of "Trophy Club Municipal Utility District No. 1 Revenue Bonds, Series 2014"; specifying the terms and features of said bonds; pledging the net revenues of the District's Water and Sewer System for the payment of the principal of and interest on the Bonds; resolving other matters incident and related to the issuance, sale, payment and delivery of said Bonds, including the approval and execution of a Paying Agent/Registrar Agreement and the approval and distribution of an Official Statement; and providing an effective date.

WHEREAS, Trophy Club Municipal Utility District No. 1 (the "District") is a conservation and reclamation district, a body corporate and politic and governmental agency of the State of Texas, created as a municipal utility district pursuant to Article 16, Section 59, of the Texas Constitution by Order of the Texas Commission on Environmental Quality ("TCEQ"), the successor in interest to the Texas Water Commission (collectively, the "Commission"), and the District operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended (the "Act"); and

WHEREAS, the Board of Directors (the "Board of Directors") of Trophy Club Municipal Utility District No. 1 (the "District") hereby finds and determines that it is necessary, useful and appropriate for the District's public purposes to authorize and provide for the issuance and sale of revenue bonds of the District for the purposes hereinafter provided, as authorized by the Act; and

WHEREAS, the Board of Directors hereby further finds and determines that such revenue bonds can and should be issued on a parity with the District's outstanding revenue obligations (hereinafter defined and identified as "Existing Obligations") payable from and equally secured by a first lien on and pledge of the Net Revenues of the District's Water and Sewer System (the "System") in that (i) the District Manager of the District and the President of the Board of Directors will execute a certificate to the effect that no default exists in connection with any of the covenants or requirements of the orders or resolutions authorizing the issuance of the Existing Obligations, (ii) the District Manager of the District and the President of the Board of Directors will execute a certificate to the effect that the interest and sinking funds for the Existing Obligations contain the amount of money now required to be on deposit therein and (iii) the District will secure a certificate of a Certified Public Accountant to the effect that in his opinion the Net Earnings of the System for the [last completed fiscal year of the District] [the twelve month period ending \_\_\_\_\_] are at least equal to 1.00 times the average annual principal and interest requirements for the then outstanding Parity Revenue Obligations and the Bonds herein authorized;

NOW, THEREFORE, BE IT ORDERED BY THE BOARD OF DIRECTORS OF THE TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1:

SECTION 1: Definitions and Interpretations.

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

"Additional Parity Obligations" means the additional parity obligations permitted to be issued by Section 18 of this Order.

"Average Annual Debt Service Requirements" means that average amount which, at the time of computation, will be required to pay the Debt Service Requirement on all outstanding Bonds and Additional Parity Obligations when due (either at Stated Maturity or mandatory redemption) and derived by dividing the total of such Debt Service Requirement by the number of Fiscal Years then remaining before Stated Maturity of such Bonds and Additional Parity Obligations. For purposes of this definition, a fractional period of a Fiscal Year shall be treated as an entire Fiscal Year. Capitalized interest payments provided from bond proceeds and accrued interest on the Parity Revenue Obligations be excluded in making the aforementioned computation.

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

"Code" means the Internal Revenue Code of 1986, as amended, including applicable regulations, published rulings and court decisions relating thereto.

"Construction Fund" means the construction fund established by Section 12 of this Order.

"Debt Service Requirements" means as of any particular date of computation, with respect to any obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the District as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on such obligations; assuming, in the case of obligations without a fixed numerical rate, that such obligations bear interest calculated by assuming (i) that the interest rate for every 12-month period on such bonds is equal to the rate of interest reported in the most recently published edition of *The Bond Buyer* (or its successor) at the time of calculation as the "Revenue Bond Index" or, if such Revenue Bond Index is no longer being maintained by *The Bond Buyer* (or its successor) at the time of calculation, such interest rate shall be assumed to be 80% of the rate of interest then being paid on United States Treasury obligations of like maturity and (ii) that the principal of such bonds is amortized such that annual debt service is substantially level over the remaining stated life of such bonds, and further assuming in the case of obligations required to be redeemed or prepaid as to principal prior to Stated Maturity, the principal amounts thereof will be redeemed prior to Stated Maturity in accordance with the mandatory redemption provisions applicable thereto.

"Designated Payment/Transfer Office" means (i) with respect to the initial Paying Agent/Registrar named herein, its designated office in \_\_\_\_\_, Texas, and (ii) with respect to any successor Paying Agent/Registrar, the office of such successor designated and located as may be agreed upon by the District and such successor.

"Event of Default" means any Event of Default as defined in Section 20 of this Order.

"Existing Obligations" means the outstanding Trophy Club Municipal Utility District No. 1 Revenue Note, Series 2012 and Trophy Club Municipal Utility District No. 1 Revenue Note, Series 2013.

"Fiscal Year" means the twelve-month accounting period used by the District currently ending on \_\_\_\_\_ of each year.

"Government Securities" (i) direct noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations unconditionally guaranteed or insured by the agency or instrumentality and 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, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and 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 and (iv) any other then authorized securities or obligations under applicable law that may be used to defease obligations such as the Bonds.

"Initial Bond" means the Bond described in Section 9.

"Interest and Sinking Fund" means the interest and sinking fund established by Section 12 of this Order.

"Interest Payment Date" means the date or dates upon which interest on the Bonds is scheduled to be paid until the maturity of the Bonds, such dates being \_\_\_\_\_ and \_\_\_\_\_ of each year commencing \_\_\_\_\_.

"Net Revenues" and "Net Revenues of the System" mean all of the revenues of every kind and nature received through the operation of the System, less the expenses of operation and maintenance paid thereof, including salaries, labor, materials, repairs and extensions necessary to render efficient service; provided, however, that only such repairs and extensions as in the judgment of the Board, reasonably and fairly exercised, are necessary to keep the System in operation and render adequate service to the District and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which would otherwise impair the security of the Bond or the Additional Parity Obligations shall be deducted in determining "Net Revenues".

"Bonds" means the District's revenue bond entitled "Trophy Club Municipal Utility District No. 1 Revenue Bonds, Series 2014" authorized to be issued by this Order.

"Order" means this Order.

"Outstanding" - When used in this Order with respect to Bonds or Parity Revenue Obligations means, as of the date of determination, all Bonds theretofore issued and delivered, except:

(1) those Bonds or Parity Revenue Obligations cancelled by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation;

(2) those Bonds or Parity Revenue Obligations paid or deemed to be paid in accordance with the provisions of Section 22 hereof, or substantially similar provisions with respect to Parity Revenue Obligations; and

(3) those Bonds or Parity Revenue Obligations that have been mutilated, destroyed, lost, or stolen and replacement Bonds have been registered and delivered in lieu thereof as provided in Section 21 hereof or similar provisions with respect to Parity Revenue Obligations.

"Parity Revenue Obligations" means the Bonds, the Existing Obligations, and Additional Parity Obligations.

"Paying Agent/Registrar" means \_\_\_\_\_, any successor thereto or an entity which is appointed as and assumes the duties of paying agent/registrar as provided in this Order.

"Project" shall mean the acquisition, construction and equipment of improvements to the District's wastewater treatment facilities.

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

"Reserve Fund" means the fund established in Section 12 of this Order.

"Required Reserve" means the amount required to be deposited and maintained in the Reserve Fund under the provisions of Section 15 of this Order.

"System" means the District's water and sewer system, including all present and future extensions, additions, replacements and improvements thereto.

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

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

**SECTION 2: Authorization - Series Designation - Principal Amount-Purpose.** Revenue bonds of the District shall be and are hereby authorized to be issued in the aggregate principal amount of \$9,230,000, to be designated and bear the title "TROPHY CLUB MUNICIPAL UTILITY DISTRICT NO. 1 REVENUE BONDS, SERIES 2014" (hereinafter referred to as the "Bonds") for (i) acquiring, constructing and equipping improvements to the District's wastewater