

**APPLICATION FOR
RESIDENTIAL UTILITIES**



District: Rolling V Ranch Water Control and Improvement District No. 2

Subdivision Name: Bluestem

Address: 153 Tanager Drive

City, State, Zip: Rhome, TX 76078

Meter Size (Please Check One): 5/8" ☐ 3/4" ☒ 1" ☐

Billing Information for Monthly Water Bill

Builder: D.R. Horton

Mailing Address: 6751 North Freeway

City, State, Zip: Fort Worth, TX 76131

Contact Person: Accounting

Contact Email: dfwwestaccounting@drhorton.com

Contact Phone: 817-230-0800

Please make check payable to the Utility District

Return Check and Application to:

INFRAMARK
Attn: Jessica Brandyberg
PO Box 1205
Brookshire, TX 77423

FOR OFFICE USE ONLY

Date Received: 4/11 Sequence Number: _____

Check Number: 1677941 Check Amount: _____

**APPLICATION FOR
RESIDENTIAL UTILITIES**



District: Rolling V Ranch Water Control and Improvement District No. 2

Subdivision Name: Bluestem

Address: 157 ATTWATER ROAD

City, State, Zip: Rhome, TX 76078

Meter Size (Please Check One): 5/8" ☐ 3/4" ☒ 1" ☐

Billing Information for Monthly Water Bill

Builder: D.R. Horton

Mailing Address: 6751 North Freeway

City, State, Zip: Fort Worth, TX 76131

Contact Person: Accounting

Contact Email: dfwwestaccounting@drhorton.com

Contact Phone: 817-230-0800

Please make check payable to the Utility District
Return Check and Application to:

INFRAMARK
Attn: Jessica Brandyberg
PO Box 1205
Brookshire, TX 77423

FOR OFFICE USE ONLY

Date Received: 6/1/15 Sequence Number: _____

Check Number: 171227 Check Amount: 850-

**APPLICATION FOR
RESIDENTIAL UTILITIES**



District: Rolling V Ranch Water Control and Improvement District No. 2

Subdivision Name: Bluestem

Address: 157 HAWKSBILL LANE

City, State, Zip: Rhome, TX 76078

Meter Size (Please Check One): 5/8" ☐ 3/4" ☒ 1" ☐

Billing Information for Monthly Water Bill

Builder: D.R. Horton

Mailing Address: 6751 North Freeway

City, State, Zip: Fort Worth, TX 76131

Contact Person: Accounting

Contact Email: dfwestaccounting@drhorton.com

Contact Phone: 817-230-0800

Please make check payable to the Utility District
Return Check and Application to:

INFRAMARK
Attn: Jessica Brandyberg
PO Box 1205
Brookshire, TX 77423

TAP W.O. SENT TO

FOR OFFICE USE ONLY SEP 7 2023
CONSTRUCTION

Date Received: _____ Sequence Number: 1265

Check Number: 1749406 Check Amount: 800

**APPLICATION FOR
RESIDENTIAL UTILITIES**



District: Rolling V Ranch Water Control and Improvement District No. 2

Subdivision Name: Bluestem

Address: 159 Tanager Drive

City, State, Zip: Rhome, TX 76078

Meter Size (Please Check One): 5/8" ☐ 3/4" ☒ 1" ☐

Billing Information for Monthly Water Bill

Builder: D.R. Horton

Mailing Address: 6751 North Freeway

City, State, Zip: Fort Worth, TX 76131

Contact Person: Accounting

Contact Email: dfwwestaccounting@drhorton.com

Contact Phone: 817-230-0800

**Please make check payable to the Utility District
Return Check and Application to:**

**INFRAMARK
Attn: Jessica Brandyberg
PO Box 1205
Brookshire, TX 77423**

FOR OFFICE USE ONLY

Date Received: 4/11 Sequence Number: _____

Check Number: 1677941 Check Amount: _____

**APPLICATION FOR
RESIDENTIAL UTILITIES**



District: Rolling V Ranch Water Control and Improvement District No. 2

Subdivision Name: Bluestem

Address: 161 ATTWATER ROAD

City, State, Zip: Rhome, TX 76078

Meter Size (Please Check One): 5/8" ☐ 3/4" ☒ 1" ☐

Billing Information for Monthly Water Bill

Builder: D.R. Horton

Mailing Address: 6751 North Freeway

City, State, Zip: Fort Worth, TX 76131

Contact Person: Accounting

Contact Email: dfwwestaccounting@drhorton.com

Contact Phone: 817-230-0800

Please make check payable to the Utility District
Return Check and Application to:

INFRAMARK
Attn: Jessica Brandyberg
PO Box 1205
Brookshire, TX 77423

FOR OFFICE USE ONLY

Date Received: 6/1/15 Sequence Number: _____

Check Number: 1712217 Check Amount: 850

**APPLICATION FOR
RESIDENTIAL UTILITIES**



District: Rolling V Ranch Water Control and Improvement District No. 2

Subdivision Name: Bluestem

Address: 161 HAWKSBILL LANE

City, State, Zip: Rhome, TX 76078

Meter Size (Please Check One): 5/8" ☐ 3/4" ☒ 1" ☐

Billing Information for Monthly Water Bill

Builder: D.R. Horton

Mailing Address: 6751 North Freeway

City, State, Zip: Fort Worth, TX 76131

Contact Person: Accounting

Contact Email: dfwwestaccounting@drhorton.com

Contact Phone: 817-230-0800

Please make check payable to the Utility District
Return Check and Application to:

INFRAMARK
Attn: Jessica Brandyberg
PO Box 1205
Brookshire, TX 77423

FOR OFFICE USE ONLY

SEP 7 2023

Date Received: CONSTRUCTION Sequence Number: 1290

Check Number: 1749404 Check Amount: 800-

**APPLICATION FOR
RESIDENTIAL UTILITIES**



District: Rolling V Ranch Water Control and Improvement District No. 2

Subdivision Name: Bluestem

Address: 165 HAWKSBILL LANE

City, State, Zip: Rhome, TX 76078

Meter Size (Please Check One): 5/8" ☐ 3/4" ☒ 1" ☐

Billing Information for Monthly Water Bill

Builder: D.R. Horton

Mailing Address: 6751 North Freeway

City, State, Zip: Fort Worth, TX 76131

Contact Person: Accounting

Contact Email: dfwwestaccounting@drhorton.com

Contact Phone: 817-230-0800

Please make check payable to the Utility District
Return Check and Application to:

INFRAMARK
Attn: Jessica Brandyberg
PO Box 1205
Brookshire, TX 77423

FOR OFFICE USE ONLY

Date Received: SEP 7 2023 Sequence Number: 1795

Check Number: 1749406 Check Amount: _____

**APPLICATION FOR
RESIDENTIAL UTILITIES**



District: Rolling V Ranch Water Control and Improvement District No. 2

Subdivision Name: Bluestem

Address: 153 ATTWATER ROAD

City, State, Zip: Rhome, TX 76078

Meter Size (Please Check One): 5/8" ☐ 3/4" ☒ 1" ☐

Billing Information for Monthly Water Bill

Builder: D.R. Horton

Mailing Address: 6751 North Freeway

City, State, Zip: Fort Worth, TX 76131

Contact Person: Accounting

Contact Email: dfwwestaccounting@drhorton.com

Contact Phone: 817-230-0800

Please make check payable to the Utility District

Return Check and Application to:

**INFRAMARK
Attn: Jessica Brandyberg
PO Box 1205
Brookshire, TX 77423**

FOR OFFICE USE ONLY

Date Received: 4/11 Sequence Number: _____

Check Number: 1677941 Check Amount: _____

**APPLICATION FOR
RESIDENTIAL UTILITIES**



District: Rolling V Ranch Water Control and Improvement District No. 2

Subdivision Name: Bluestem

Address: 153 HAWKSBILL LANE

City, State, Zip: Rhome, TX 76078

Meter Size (Please Check One): 5/8" ☐ 3/4" ☒ 1" ☐

Billing Information for Monthly Water Bill

Builder: D.R. Horton

Mailing Address: 6751 North Freeway

City, State, Zip: Fort Worth, TX 76131

Contact Person: Accounting

Contact Email: dfwwestaccounting@drhorton.com

Contact Phone: 817-230-0800

Please make check payable to the Utility District
Return Check and Application to:

INFRAMARK
Attn: Jessica Brandyberg
PO Box 1205
Brookshire, TX 77423

FOR OFFICE USE ONLY

SEP 7 2023

Date Received: CONSTRUCTION Sequence Number: 1280

Check Number: 17849406 Check Amount: 850

EXHIBIT D
OPERATING AGREEMENTS

OPERATING AGREEMENT

THIS OPERATING AGREEMENT (the "Agreement") is made and entered into as of the effective date hereinafter set forth, by and between the Rolling V Ranch Water Control and Improvement District No. 1 of Wise County ("District 1") and the Rolling V Ranch Water Control and Improvement District No. 3 of Wise County ("District 3"), political subdivisions of the State of Texas created pursuant to the provisions of Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 51 of the Texas Water Code, and Chapter 9021 of the Special District Local Laws Code. District 1 and District 3 may hereinafter be referred to individually as a "Party" or collectively as the "Parties" or "Districts".

RECITALS

WHEREAS, the Rolling V Ranch Water Control and Improvement District No. 1 of Wise County was created by H.B. 3991, 80th Regular Session of the Texas Legislature, effective September 1, 2007;

WHEREAS, Chapter 9021, Special District Local Laws Code was amended by H.B. 4642, 86th Regular Session of the Texas Legislature, effective September 1, 2019;

WHEREAS, by Order of the Board of Directors of Rolling V Ranch Water Control and Improvement District No. 1 of Wise County dated February 12, 2020, District 1 was divided into three districts, thereby creating Rolling V Ranch Water Control and Improvement District No. 3 of Wise County and Rolling V Ranch Water Control and Improvement District No. 3 of Wise County;

WHEREAS, District 1 and District 3 cover certain lands in Wise County, Texas, which lands are contiguous, similar in nature, and intended to be developed as a part of one master planned community known as Rolling V Ranch (the "Development");

WHEREAS, due to the location of the Districts and similar nature and timing of their development, it is advantageous to both District 1 and District 3 to share the costs of certain infrastructure, including water, sewer, drainage, roadway, green space, and other facilities that would typically be constructed, acquired, operated, and maintained by the Districts (collectively, the "District Facilities");

WHEREAS, it is the desire of the Parties that District 3 be given the primary responsibility as the project manager for the construction and acquisition of the District Facilities, including those that benefit District 1, on behalf of itself and District 1;

WHEREAS, the parties acknowledge and agree that the payments to be made by District 1 to District 3 pursuant to this Operating Agreement constitute charges by District 3 that do not exceed the actual costs to District 3 for all facilities and services that are necessary to provide services to District 1 and that are financed or are to be financed in part by tax supported obligations;

WHEREAS, Sections 49.211, 49.212, 49.213 and 51.149, Texas Water Code, as amended, provide authority for the execution and implementation of this Agreement;

WHEREAS, the parties have determined that it is in their best interests to execute this Agreement and implement its terms and conditions.

NOW THERE, THEREFORE, FOR AND IN CONSIDERATION OF THE MUTUAL COVENANTS HEREINAFTER SET FORTH, TOGETHER WITH TEN DOLLARS (\$10.00) AND OTHER GOOD AND VALUABLE CONSIDERATION, THE RECEIPT AND ADEQUACY OF WHICH IS HEREBY ACKNOWLEDGED, THE PARTIES HEREBY CONTRACT, COVENANT AND AGREE AS FOLLOWS:

ARTICLE I REPRESENTATIONS AND WARRANTIES

Section 1.1 Representations, Covenants and Warranties of District 1. District 1 represents, covenants and warrants as follows:

(a) District 1 is a political subdivision of the State of Texas, created and organized pursuant to Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 51 of the Texas Water Code, and Chapter 9021 of the Special District Local Laws Code, and is duly organized, validly existing and in good standing under the laws of the State of Texas; is duly qualified to transact business in the State of Texas and in every jurisdiction in which the nature of its activities requires it to be so qualified; has full and complete power to enter into this Agreement, to enter into and carry out the transactions contemplated hereby, and to carry out its obligations under this Agreement; and has duly authorized the execution and delivery of this Agreement.

(b) Neither the execution and delivery of this Agreement nor the fulfillment of or compliance with the terms and conditions hereof nor the consummation of the transactions contemplated hereby conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which District 1 is now a party or by which District 1 is bound, or constitutes a default under any of the foregoing.

Section 1.2 Representations, Covenants and Warranties of District 3. District 3 represents, covenants and warrants as follows:

(a) District 3 is a political subdivision of the State of Texas, created and organized pursuant to Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 51 of the Texas Water Code, and Chapter 9021 of the Special District Local Laws Code, is duly qualified to transact business in the State of Texas and in every jurisdiction in which the nature of its activities requires it to be so qualified; has full and complete power to enter into this Agreement, to enter into and carry out the transactions contemplated hereby, and to carry out its obligations under this Agreement; and has duly authorized the execution and delivery of this Agreement.

(b) Neither the execution and delivery of this Agreement nor the fulfillment of

or compliance with the terms and conditions hereof nor the consummation of the transactions contemplated hereby conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which District 3 is now a party or by which District 3 is bound, or constitutes a default under any of the foregoing.

Section 1.3 Representation of District 1 and District 3. The parties acknowledge and agree that all of the facts set forth in the Recitals are true and correct.

ARTICLE 2 OPERATIONAL RESPONSIBILITY AND BUDGETS

Section 2.1 Operational Responsibility. The parties acknowledge and agree that, for and in consideration of the timely receipt of the sums specified in Article 4 of this Agreement, District 3 shall be responsible for operating, maintaining, and managing the District Facilities, as such operating, maintenance, and managing responsibilities are outlined in Article 4.

Section 2.2 Facilities Operating and Maintenance Budget. The parties acknowledge that District 3 will prepare and submit to District 1 for its review on or about March 1st of each year an annual operating and maintenance budget for the District Facilities for the next fiscal year beginning April 1st of each year (the "Facilities Operating and Maintenance Budget" or "FOMB"). The FOMB shall cover all maintenance and operating expenses of the District Facilities in connection with the services to be provided pursuant to Articles 3 and 4 of this Agreement. With the exception of expenses that can be directly attributed to District 1 ("Direct Expenses") and expenses representing an increase in use of water, wastewater treatment, or trash collection services ("District Usage"), if the total actual expenses incurred on behalf of District 1 during the fiscal year do not exceed the estimated FOMB for that fiscal year by more than fifteen percent (15%), all suggestions by District 1 for revision of the next fiscal year's FOMB shall be deemed advisory only, and District 1 shall be obliged to make the payments to District 3 set forth in the next year's proposed FOMB for the operation of District Facilities. With the exception of expenses based on Direct Expenses and District Usage, if the total actual expenses incurred on behalf of District 1 during the prior fiscal year exceed the estimated FOMB for the prior fiscal year by more than fifteen percent (15%), the FOMB for the next fiscal shall not take effect until it is approved by the Board of Directors of District 1, such approval not to be unreasonably withheld, conditioned, or delayed. Until such approval, the FOMB for the preceding fiscal year shall continue in place and District 3 shall be entitled to receive the payments authorized in the FOMB for the preceding fiscal year. District 1's advisory comments on the FOMB, if any, shall be delivered to District 3 within thirty (30) days after receipt by District 1 of the proposed FOMB.

Section 2.3 Revised Operational Budget. If, during the fiscal year, District 3 anticipates increases in actual operational expenses of the District Facilities more than fifteen percent (15%) above the estimates set forth in the FOMB, District 3 shall (i) deliver written notices to District 1 of such anticipated variances specifying the reasons therefore, and (ii) concurrently therewith, submit a revised FOMB to District 1 for approval. District 1 shall approve or disapprove the revised FOMB within fifteen (15) days following the delivery to District 1 of the revised FOMB. In the event of a disapproval, the differences shall be mediated, and if not resolved, then

arbitrated pursuant to the rules of the American Arbitration Association.

Section 2.4 Budget Limitations. Any term or provision herein to the contrary notwithstanding, the approved FOMB shall constitute an authorization for District 3 to pay all operation and maintenance expenses of the District Facilities, as set forth in the FOMB. District 3 may do so without further approval from District 1 so long as District 3 does not exceed the FOMB by more than fifteen percent (15%) in total. Individual expenditures may exceed the FOMB by more than fifteen percent (15%). In addition, in any situation which District 3 deems to be an emergency, District 3 shall be authorized to make expenditures not approved in the FOMB to the extent that each such expenditure is either (i) immediately required by law, or (ii) not in excess of \$10,000; provided, however, District 3 shall attempt to notify District 1 of such emergency expenditure prior to incurring same. District 1 shall be responsible for its pro rata shares of any such emergency expenditure or expenditure below \$10,000 as though the amount expended was included in the applicable FOMB.

Section 2.5 First FOMB. For the purposes of the fiscal year commencing May 1, 2023 and ending April 30, 2024, an annualized FOMB shall be prepared by District 3 and submitted to District 1 in a timely manner after the execution of this Agreement. District 1 shall submit its advisory comments, if any, to District 3 within thirty (30) days of receipt of the draft annualized FOMB. For proceeding FOMBs, the procedure outlines in Section 2.3 above shall apply.

ARTICLE 3 OPERATION AND MAINTENANCE SERVICES

Section 3.1. Operation and Maintenance Services. District 3 shall perform the administrative services necessary to operate the District Facilities including, but not limited to, the following (to the extent so required) with respect to the District Facilities:

(a) Arrange for, supervise, enter into contracts and make expenditures for all aspects of the operation and maintenance of the District Facilities, including, without limitation, hiring employees, purchasing chemicals, stores, materials and supplies, measuring meters, electric power, legal fees and engineering fees relating to District Facilities (but not the legal and professional service provided directly to the Districts individually for their management), testing costs, payment of all charges or assessments for water, sewer, or solid waste collection services, handling claims, acquiring insurance for property damage and tort actions or contractual liability, acquiring other insurance deemed appropriate, making all payments (other than payments to be made directly by District 1) to third party providers for water, water treatment, sewage collection or treatment services, solid waste collection services, or for the operation and maintenance of such other persons and all other items and expenses of a like or different nature reasonably required or desirable for the efficient maintenance and operation of the District Facilities in full compliance with all regulatory requirements and the performance of this Agreement; repairs and replacements of damaged, worn-out or obsolete parts; maintain or cause to be maintained the District Facilities in proper operations to render adequate service and to comply fully with all regulatory requirements; and pay general and administrative expenses of District 3 allocable to the operation and maintenance of the District Facilities;

(b) Arrange for, supervise and enter into contracts with bookkeepers, operators, accountants and other professionals necessary or convenient for the operation and maintenance of the District Facilities, in accordance with the FOMB, and the operation of District 3;

(c) Negotiate with each of the various utility companies (including any applicable municipalities) that provide utility service to the District Facilities to obtain installation of electricity, gas, water, sewer, telephone, telecommunications, television and other facilities deemed appropriate by District 3;

(d) Coordinate with various municipal, county, and state agencies; school districts; other development districts; and District 1 with respect to the design of services required to implement this Agreement, including, without limitation, the location of schools and roads, access to existing roads, major drainage systems, and sewer and water lines;

(e) Review all statements, invoices, requests for payment of bills and expenses and draw requests for the District Facilities and arrange for the payment of approved statements, invoices, requests for payment, and draw requests;

(f) Arrange for and supervise all contractors and cause all contractors to provide all appropriate insurance, including worker's compensation insurance, public liability insurance, and other insurance protection for damages that might reasonably be expected to occur in the operation and maintenance of the District Facilities in such amounts and with such insurers as are deemed appropriate by District 3;

(g) Meet with municipal, utility, and state officials, as well as with municipal bodies such as school and park boards, planning boards, water boards, boards of equalization and appeal, and boards of assessment, regarding issues that will have an influence on maintenance and operation expenses;

(h) Establish water and sewer rates to be recommended to District 1 for its services;

(i) Perform such other reasonable services and functions that District 3 deems to be necessary for the successful operation and maintenance of the District Facilities;

(g) Issue permits for construction of homes and other improvements within District 1 and provide routine inspection of such construction, to the extent such permits and/or inspections are required or permitted by applicable law;

(k) File all claims, administrative proceedings and lawsuits necessary or appropriate to permit the District Facilities to be constructed and the proceeds of District 1 bonds to be utilized in the manner contemplated by such bonds, and defend all claims, administrative proceedings and lawsuits brought by third parties against District 1 or District 3 that arise out of or have any effect on the District Facilities; the construction, maintenance or operation of the District

Facilities; or the District 1 bonds.

ARTICLE 4

SERVICES AND PAYMENTS

Section 4.1 Inspection Fees and Services. District 3 hereby agrees to provide to District 1 the permit and inspection services required to construct the District Facilities in District 1. District 1 agrees to adopt a rate order containing permit and inspection fees no less than those shown in the rate order attached hereto as **EXHIBIT "A"**. District 3 agrees to collect the permit and inspection revenues pursuant to District 1's rate order and deposit such revenues to the credit of District 1.

Section 4.2 Water, Sewer Treatment, and Solid Waste Collection Services. District 3 agrees to provide management services to District 1 to in order to operate the water, sewer treatment, and solid waste collection system of District 1. District 3 agrees to provide, or cause to be provided, such water, sewer treatment, and solid waste collection services to the users of these services and water within District 1 (hereinafter "Customers"), including contracting for such water and such treatment and collection services, maintaining the water and sewer lines and facilities necessary to provide such services, maintaining an office near District 1, and providing other services incidental to the provision of these services to District 1's Customers. District 1's current rate order specifying water, sewer treatment, and solid waste collection rates is attached as **EXHIBIT "A"**. Such rate order shall be amended from time to time upon request by District 3 to include any and all recommendations requested by District 3. District 1 hereby authorizes District 3, and District 3 hereby agrees, to bill and attempt to collect from each Customer within District 1 in accordance with the District 1 rate order as described herein and to pay from these revenues the costs of operating the water, sewer treatment, and solid waste collection system of District 1, including the cost of water used by the residents of District 1. District 1 agrees that another of the costs of operating its water, sewer, and solid waste collection system is the payment of a pro-rata portion of overhead incurred by District 3 in order to manage and operate the District Facilities and provide services to District 1, and that such overhead shall be calculated on the basis of the estimated percentage of time spent on this function by District 3 personnel, as calculated by District 3 in its own discretion, and as it may be adjusted from time to time, and shall be paid monthly. District 3 shall use commercially reasonable efforts to collect the bills sent to District 1's users. District 1 agrees to raise its rates in an amount sufficient to cover any increases in the cost of water, sewer, or solid waste services incurred by 1. District 1 further agrees that if the revenues collected from its Customers by District 3 are insufficient to cover the costs of operating the water, sewer, and solid waste collection system of District 1, that District 1 shall timely pay District 3 such additional costs in accordance with Section 4.6 below. The cost of the maintenance of the water and sewer system facilities shall be allocated to each District on the basis of projected property values. Such costs shall be allocated among the districts that District 3 serves as managing district, currently Rolling V Ranch Water Control and Improvement Districts No. 1, No. 2, and No. 4 (the "Sub-Districts") based upon a fraction the numerator of which shall be the total projected property value on January 1 the year immediately following the completion of the fiscal year being budgeted within District 1 divided by the total projected property value on January 1 the year immediately following the completion of the fiscal year being budgeted within all of the Sub-Districts.

"Projected property values" shall be defined as the combined total value of all property that is existing on January 1 of the current fiscal year plus that which is projected to be added during the next succeeding fiscal year for the Sub-Districts. Such fraction shall be calculated as of the first day of the fiscal year in which such fraction is to be used to allocate such costs among the Sub-Districts, and shall be recalculated as of the first day of each succeeding fiscal year thereafter.

In addition, District 3 agrees to provide to builders in District 1 the services necessary to connect Customers to District 1's water and sewer system. District 3 shall bill and collect from the builders the fees therefor in accordance with District 1's rate order. The actual costs of providing these services shall be borne by District 1. District 1 agrees that one of the costs of performing the facilities connection services is the payment of a pro-rata portion of overhead incurred by District 3 in order to provide such services to District 1 and that such overhead shall be calculated on the basis of the estimated percentage of time spent on this function by District 3 personnel, as calculated by District 3, and as it may be adjusted from time to time. Any other costs therefor that are not identifiably for the benefit of a specific Sub-District shall be allocated to each Sub-District on the basis of Projected property values, as defined above.

Section 4.3 Construction and Contract Management Services. District 3 agrees to perform the construction and contract management services necessary to construct and maintain the District Facilities and any other items authorized by District 1 and agreed to by District 3. The actual costs shall be borne by District 1. District 1 agrees that the cost of performing said construction and contract management services is the payment of a pro-rata portion of overhead incurred by District 3 in order to perform such services to District 1, and that such overhead shall be calculated on the basis of the estimated percentage of time spent on this function by District 3 personnel, as calculated by District 3, and as it may be adjusted from time to time. The expenses of outside professionals such as attorneys, engineers, and consultants and other costs related to these services will be allocated to the District for which the services were provided.

Section 4.4 Miscellaneous Services. District 3 agrees to provide the following services, and District 1 agrees to bear the costs related thereto as allocated to District 1 in accordance with this Section.

(a) **Street Lighting:** District 3 shall provide the services necessary to provide and maintain the street lights within both District 3 and District 1, to the extent permitted by applicable law. The costs therefor shall be allocated to each Sub-District on the basis of Projected property values.

(b) **Landscaping of Common Areas:** District 3 shall provide the services necessary to maintain the landscaping of the common areas within all Sub-Districts, to the extent permitted by applicable law. The costs therefor shall be allocated to each Sub-District on the basis of Projected property values.

(c) **Police, Fire, EMS Services:** District 3 shall provide or contract for the provision of such services, when District 3 deems such necessary and only to such extent as is permitted by applicable law. District 1 shall be allocated its share of the fixed costs of such contract on the basis of Projected property values, and the cost of each per call charge shall be allocated to

the Sub-District in which an incident occurs. District 1 agrees to pass any necessary rate orders, or rules and regulation necessary to pass the per incident costs for EMS and other services and for false alarms to the individual residents and tenants of District 1.

(d) **Other Miscellaneous Services:** Any other services provided to District 1 by District 3 pursuant to Article 3 herein shall be allocated to District 1 and shall be paid for by District 1. To the extent such services are clearly identified as District 1 expenses, they shall be allocated in full to District 1; otherwise, such expenses shall be allocated among all Sub-Districts using Projected property values.

(e) **Miscellaneous Service Overhead:** District 1 agrees that one of the costs of performing the miscellaneous services of this section is the payment of a pro-rata portion of overhead incurred by District 3 in order to perform such services to District 1, and that such overhead shall be calculated on the basis of the estimated percentage of time spent on these miscellaneous functions by District 3 personnel, as calculated by District 3, and as it may be adjusted from time to time. District 1 further agrees that one of the costs of obtaining the miscellaneous services of this section may be cost of outside professionals and consultants, which costs will be allocated to each District for which the services are performed.

Section 4.5 Reconciliation. District 3 shall prepare a financial statement each month reconciling all expenses and revenues allocated to District 1 according to this Agreement.

Section 4.6 Payment Obligation. District 1's obligation to make payments specified in this Agreement is unconditional and not subject to off-set or counterclaim.

Section 4.7 Default of Payment. In addition to all rights and remedies provided by the laws of the State of Texas, District No. 1 covenants and agrees that in the event District 1 defaults in the payment of any of the amounts required to be paid under this Agreement when due, or defaults in the observance or performance of any of the covenants, conditions or obligations set forth in this Agreement, District 3 shall be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the Board of Directors and officers of District 1 to observe and perform any covenant, obligation or condition prescribed in this Agreement. No delay or omission to exercise any right or power accruing to District 3 shall impair any right or power, or shall be construed to be a waiver of any such default or acquiescence therein, and every such right or power may be exercised from time to time and so often as may be deemed expedient.

Section 4.8 Inspection Rights. District 1 shall at all times have the right to inspect District 3's records with respect to the services provided under this Agreement. District 3 agrees to make available to District 1 the records and accounts kept on the District Facilities, including all overhead allocations, for inspection by District 1 at the offices of District 3 during normal operating hours. District 3 agrees, for accounting purposes, to keep separate from any of District 3's other projects, all records, ledgers, invoices, receipts, and such other documents detailing the activity of the District Facilities. If District 1 disputes the overhead allocation or any other accounting, it may challenge them by following three procedures: 1) District 1 shall submit a written proposal to

District 3, stating the dispute and specifying the change in accounting or allocation which is requested to resolve the dispute; 2) if no resolution from District 3 is obtained within thirty (30) days of the submission, District 1 shall submit the matter to mediation pursuant to the mediation rules of the American Arbitration Association; and 3) if no resolution from District 3 is obtained within thirty (30) days of mediation, District 1 shall submit the matter to arbitration pursuant to the arbitration rules of the American Arbitration Association. However, during the dispute resolution process outlined herein and until final resolution, the disputed accounting or allocation shall continue to be applied. The costs of mediation and arbitration shall be borne by District 1 if the resulting change in accounting or allocation (if any) is less than 20% more favorable than the disputed accounting or allocation to District 1 for each fiscal year being disputed; otherwise, if the resulting change is at least 20% more favorable to District 1, then District 3 shall bear the costs of mediation and arbitration.

Section 4.9 Rate Order. District 1 represents to District 3 that it has adopted a rate order that complies with the requirements of this Agreement and agrees to make only such changes in the rate order as may be requested by District 3, from time to time, in order to make the payments required by this Agreement.

ARTICLE 5 MISCELLANEOUS

Section 5.1 Approvals by District 3. District 3 may take any actions reasonably contemplated and required by the approved FOMB then in effect for the day-to-day operation and maintenance of the District Facilities, without any prior approval by District 1.

Section 5.2 Capacity. The parties agree that District 1 will not transfer, assign or convey any of the unutilized capacity, if any, in the District Facilities that have been financed with bonds issued by District 1 to any party other than District 3 or an entity approved by District 3 in writing, on terms and conditions approved by District 3.

ARTICLE 6 COVENANTS

Section 6.1 Compliance with Laws and Government Regulations. District 3 shall operate and maintain the District Facilities in compliance, in all material respects, with applicable federal, state and local laws, ordinances, regulations and orders relative to the use, operation, leasing, repair, and maintenance of the District Facilities. District 3 shall, in all material respects, abide by all applicable federal, state and municipal rules and regulations applicable to the District Facilities.

Section 6.2 Liens and Encumbrances Without the prior written approval of District 3 (unless required by the FOMB), District 1 shall not do any of the following: (i) allow any encumbrance or lien to be placed against the District Facilities or any part thereof; (ii) allow any easement, right-of-way, deed restriction, building line, lease, or other cloud on title to be created with respect to the District Facilities or any part thereof; or (iii) modify any existing instrument

creating any of the rights or other matters described in clauses (i) and (ii) above.

Section 6.3 Performance District 3 shall perform and complete its obligations under this Agreement in a professional and workmanlike manner in accordance with existing industry standards and shall maintain and operate the District Facilities in a manner so as to protect the value of the District Facilities.

Section 6.4 Notices and Documents. District 3 shall promptly advise District 1 of the service upon District 3 of any summons, subpoena, or other like legal document, including any notices, letters or other communications setting out or claiming an actual or alleged potential liability of District 1 or the District Facilities and to fully cooperate with District 1 in connection with any legal or arbitration proceeding arising in connection with the District Facilities or its operation. District 3 shall also notify District 1 promptly of (i) any notice of violation or claimed violation of any governmental requirement, (ii) any material damage to the District Facilities, and (iii) any actual or alleged personal injury or property damage incurring to or claimed by any third party or employee on or with respect to the District Facilities.

Section 6.5 District 1's Insurance. District 3 shall maintain in effect at all times during the full term of this Agreement with insurers licensed to do business in the state where the District Facilities are located insurance policies of a nature and amount necessary and appropriate to adequately protect the District Facilities. All insurance policies contemplated by this Section shall be placed with such companies, in such amounts, with such beneficial interests appearing thereon and as shall be required by any outstanding bonds issued by District 1. At a minimum, this insurance shall consist of commercial and general liability insurance in the amount of \$1,000,000 per occurrence or \$3,000,000 in the aggregate.

ARTICLE 7

TERMS; DEFAULTS; TERMINATION

Section 7.1 Term. The term ("Term") of this Agreement shall commence on the date of full execution of this Agreement (the effective date hereof) and terminate on the fortieth (40th) anniversary date hereof unless sooner terminated or unless extended by mutual agreement of District 3 and District 1.

Section 7.2 Defaults.

(a) **Default by District 3.** District 3 shall be deemed to be in default under this Agreement: (i) in the event the District 3 shall fail to keep, observe or perform any material covenant, agreement, term, or provision of this Agreement to be kept, observed or performed by the District 3, and such failure shall continue for a period of thirty (30) days after written notice thereof by District 1 to the District 3, or, if such failure cannot be cured within such thirty (30) day period, then such additional period not to exceed an additional fifteen (15) days, provided District 3 has proceeded to commence the cure of such failure and diligently proceeds to prosecute such cure to its completion; (ii) the making of a general assignment by the District 3 for the benefit of its creditors or the filing by the District 3 with any bankruptcy court of competent jurisdiction of a

voluntary petition under Title 11 of the United States Code, as the same may be amended from time to time.

(b) Default by District 1. District 1 shall be deemed to be in default under this Agreement: (i) in the event District 1 shall fail to pay or to approve for payment any sums of money due and payable pursuant to the terms of this Agreement within fifteen (15) days after written notice thereof from the District 3 to District 1; (ii) in the event District 1 shall fail to keep, observe or perform any material covenant, agreement, term or provision of this Agreement to be kept, observed or performed by District 1 (other than the payment of money to the District 3) and such failure shall continue for a period of thirty (30) days after written notice thereof by the District 3 to District 1, or, if such default cannot be cured within such thirty (30) day period, then such additional period not to exceed an additional fifteen (15) days, provided that District 1 is capable of curing same and has proceeded to commence the cure of such failure and diligently proceeds to prosecute such cure to its completion; or (iii) the making of a general assignment by District 1 for the benefit of its creditors or the filing by District 1 with any bankruptcy court of competent jurisdiction of a voluntary petition under Title 11 of the United States Code, as the same may be amended from time to time. Notwithstanding anything to the contrary in this Agreement, District 1's liability shall be limited to the payments of the amounts due by District 1 pertaining to the District Facilities, the water and sewer tap fees.

Section 7.3 Termination for Cause.

(a) Termination by District 1. This Agreement may be terminated by District 1, for Cause (hereinafter defined), at the end of the fiscal year of District 3 following District 1's delivery to the District 3 of written notice of such termination. If this Agreement is terminated pursuant to the provisions of this Section, District 1 shall pay to District 3 the sums contemplated hereby, together with any and all other sums owing by District 1 to District 3 in accordance herewith, through the date of such termination. The obligations of this Section shall survive the termination hereof.

(b) Termination by the District 3. This Agreement may be terminated by the District 3, for Cause (hereinafter defined), at any time by the District 3's delivery to District 1 of written notice of such termination, which notice shall specify in detail the reasons for such termination and any such termination shall be effective on the last day of District 1's fiscal year following delivery by District 1 of the notice of termination. Regardless of a termination of this Agreement pursuant to the provisions of this Section, District 1 shall pay to District 3 the compensation contemplated hereby, from the sources herein referenced, together with any and all other sums owing by District 1 to District 3 in accordance herewith, through the date of such termination. The obligations of this Section shall survive the termination hereof.

(c) Cause. For purposes of this Agreement, the term "Cause" shall mean and be defined herein as follows:

i. The condemnation or destruction by casualty of all or substantially all of the District Facilities;

ii. The occurrence of a default hereunder (which occurs at a time when the party giving notice of termination is not in default), and the delivery of any applicable notice and the expiration of any opportunity to cure contemplated hereby; or

iii. The incurrence of costs and expenditures in excess of one hundred percent (100%) of the costs and expenses contemplated by the FOMB (as revised in accordance with terms of this Agreement), excluding any cost or expense overruns beyond the control of the District 3 (including, without limitation, interest rate differentials, costs and expenses arising from any changes to the Operational Plan or in the construction or development of the District Facilities required by any governmental agency, and costs and expenses arising from or related to any force majeure).

Section 7.4 Delivery of Records. In the event of the termination of this Agreement (including any termination of this Agreement pursuant to Section 7.3 above), District 3 shall deliver to District 1 within thirty (30) business days after the date of such termination, all books, documents, funds, contracts, invoices, surveys, plans, receipts for payment, and the like maintained in connection with the development, marketing, and management of the Project and shall render a final accounting to District 1 within thirty (30) business days after termination reflecting all invoices outstanding, all invoices paid, and any pending contracts of sale, in addition to such other materials or actions as District 1 may request in order to effectuate an orderly and systematic termination of the District 3 duties and activities hereunder.

Section 7.5 Limit on Effect of Termination. In no event shall a termination by either party have any effect on the irrevocable transfer, assignment and conveyance by District 1 to District 3 pursuant to Section 4.1 hereof.

ARTICLE 8 GENERAL PROVISIONS

Section 8.1 Attorney's Fees. Should either party be required to employ an attorney to enforce or defend the rights of such party hereunder, the prevailing party shall be entitled to recover its reasonable attorneys' fees and expenses actually incurred in connection therewith.

Section 8.2 Governing Law. This Agreement is being executed and delivered, and is intended to be performed in the State of Texas, and the laws of such state shall govern the rights and duties of the parties hereto and the validity, construction, enforcement, and interpretation hereof.

Section 8.3 Notices. Unless specifically otherwise provided, whenever this Agreement requires or permits any consent, approval, notice, request, or demand from one party to another such communication must be in writing to be effective and shall be deemed to have been given on the day actually delivered by USPS, return receipt requested; Federal Express; or other guaranteed overnight delivery service. Until changed by notice pursuant hereto, the address for each party for purposes hereof is as follows:

District 1:

Rolling V Ranch Water Control and Improvement District No. 1 of Wise County
2728 N. Harwood St., Ste. 500
Dallas, TX 75201
Attn: Ross S. Martin

District 3:

Rolling V Ranch Water Control and Improvement District No. 3 of Wise County
2728 N. Harwood St., Ste. 500
Dallas, TX 75201
Attn: Ross S. Martin

Section 8.4 Headings; Terminology. Wherever in this Agreement the singular number is used, the same shall include the plural where appropriate, and vice versa; and words of any gender in this Agreement shall include each other gender where appropriate. The words "herein," "hereof," and "hereunder," and other words of similar import refer to this Agreement as a whole and not to any particular part of subdivision hereof. The hearings, captions, and arrangements used in this Agreement are, unless specified otherwise, for convenience only and shall not be deemed to limit, amplify, or modify the terms hereof, nor affect the meaning thereof.

Section 8.5 No Assignment. No party hereto shall have the right to assign, transfer or convey any of its rights, title or interest hereunder to any entity without the prior written consent of the other party.

Section 8.6 Invalid Provisions. If any provision of this Agreement is held to be illegal, invalid, or unenforceable under the present or future laws effective during the term hereof, such provision shall be fully severable; this Agreement shall be construed and enforced as if such illegal, invalid, or enforceable provision or by its severance here from.

Section 8.7 Multiple Counterparts. This Agreement may be executed in a number of identical counterparts, each of which shall be deemed an original for all purposes and all of which constitute, collectively, one agreement; but, in making proof of this contract, it shall not be necessary to produce or account for more than one such counterpart.

Section 8.8 Entirety and Amendments. This Agreement embodies the entire agreement between the parties, supersedes all prior agreements and understandings, if any, relating to the subject matter hereof, and may be amended only by an instrument in writing executed jointly by District 1 and the District 3, and supplemented only by documents delivered or to be delivered in accordance with the express terms hereof

Section 8.9 Binding Effect. This Agreement shall be binding, and shall inure to the benefit of, District 1, District 3, and the respective successors and assigns of each; subject to the

restrictions on assignability set forth in Section 8.5 hereof.

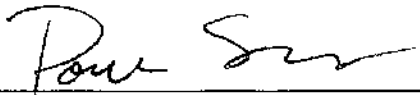
Section 8.10 Business Day. For purposes here of the term "business day" or words of like import shall mean any day of the week other than Saturday, Sunday or legal holiday.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

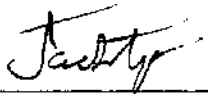
EXECUTED to be effective as of the last date of signature below.

DISTRICT 1:

ROLLING V RANCH WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 1 OF WISE
COUNTY

By: 
Powell Snelling, President, Board of Directors

ATTEST:

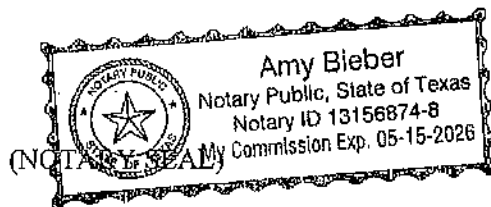

Jack Taylor, Secretary, Board of Directors



THE STATE OF TEXAS §

COUNTY OF DALLAS §

This instrument was acknowledged before me on December 5, 2023, by Powell Snelling
President of Rolling V Ranch Water Control and Improvement District No. 1 of Wise County,
a political subdivision of the State of Texas, on behalf of said District.




Notary Public in and for the State of Texas

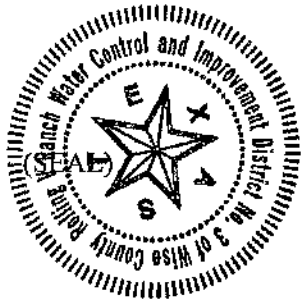
DISTRICT 3:

ROLLING V RANCH WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 3 OF WISE
COUNTY

By: *Cory Kammandel*
Cory Kammandel, President, Board of Directors

ATTEST:

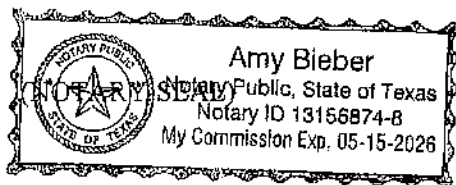
Alex Luzarraga
Alex Luzarraga, Secretary, Board of Directors



THE STATE OF TEXAS §

COUNTY OF DALLAS §

This instrument was acknowledged before me on December 5, 2023, by Cory Kammandel,
President of Rolling V Ranch Water Control and Improvement District No. 3 of Wise County,
a political subdivision of the State of Texas, on behalf of said District.



Amy Bieber
Notary Public in and for the State of Texas

OPERATING AGREEMENT

THIS OPERATING AGREEMENT (the "Agreement") is made and entered into as of the effective date hereinafter set forth, by and between the Rolling V Ranch Water Control and Improvement District No. 2 of Wise County ("District 2") and the Rolling V Ranch Water Control and Improvement District No. 3 of Wise County ("District 3"), political subdivisions of the State of Texas created pursuant to the provisions of Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 51 of the Texas Water Code, and Chapter 9021 of the Special District Local Laws Code. District 2 and District 3 may hereinafter be referred to individually as a "Party" or collectively as the "Parties" or "Districts".

RECITALS

WHEREAS, the Rolling V Ranch Water Control and Improvement District No. 2 of Wise County was created by H.B. 3991, 80th Regular Session of the Texas Legislature, effective September 1, 2007;

WHEREAS, Chapter 9021, Special District Local Laws Code was amended by H.B. 4642, 86th Regular Session of the Texas Legislature, effective September 1, 2019;

WHEREAS, by Order of the Board of Directors of Rolling V Ranch Water Control and Improvement District No. 2 of Wise County dated February 12, 2020, District 2 was divided into three districts, thereby creating Rolling V Ranch Water Control and Improvement District No. 3 of Wise County and Rolling V Ranch Water Control and Improvement District No. 3 of Wise County;

WHEREAS, District 2 and District 3 cover certain lands in Wise County, Texas, which lands are contiguous, similar in nature, and intended to be developed as a part of one master planned community known as Rolling V Ranch (the "Development");

WHEREAS, due to the location of the Districts and similar nature and timing of their development, it is advantageous to both District 2 and District 3 to share the costs of certain infrastructure, including water, sewer, drainage, roadway, green space, and other facilities that would typically be constructed, acquired, operated, and maintained by the Districts (collectively, the "District Facilities");

WHEREAS, it is the desire of the Parties that District 3 be given the primary responsibility as the project manager for the construction and acquisition of the District Facilities, including those that benefit District 2, on behalf of itself and District 2;

WHEREAS, the parties acknowledge and agree that the payments to be made by District 2 to District 3 pursuant to this Operating Agreement constitute charges by District 3 that do not exceed the actual costs to District 3 for all facilities and services that are necessary to provide services to District 2 and that are financed or are to be financed in part by tax supported obligations;

WHEREAS, Sections 49.211, 49.212, 49.213 and 51.149, Texas Water Code, as amended, provide authority for the execution and implementation of this Agreement;

WHEREAS, the parties have determined that it is in their best interests to execute this Agreement and implement its terms and conditions.

NOW THERE, THEREFORE, FOR AND IN CONSIDERATION OF THE MUTUAL COVENANTS HEREINAFTER SET FORTH, TOGETHER WITH TEN DOLLARS (\$10.00) AND OTHER GOOD AND VALUABLE CONSIDERATION, THE RECEIPT AND ADEQUACY OF WHICH IS HEREBY ACKNOWLEDGED, THE PARTIES HEREBY CONTRACT, COVENANT AND AGREE AS FOLLOWS:

ARTICLE I REPRESENTATIONS AND WARRANTIES

Section 1.1 Representations, Covenants and Warranties of District 2. District 2 represents, covenants and warrants as follows:

(a) District 2 is a political subdivision of the State of Texas, created and organized pursuant to Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 51 of the Texas Water Code, and Chapter 9021 of the Special District Local Laws Code, and is duly organized, validly existing and in good standing under the laws of the State of Texas; is duly qualified to transact business in the State of Texas and in every jurisdiction in which the nature of its activities requires it to be so qualified; has full and complete power to enter into this Agreement, to enter into and carry out the transactions contemplated hereby, and to carry out its obligations under this Agreement; and has duly authorized the execution and delivery of this Agreement.

(b) Neither the execution and delivery of this Agreement nor the fulfillment of or compliance with the terms and conditions hereof nor the consummation of the transactions contemplated hereby conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which District 2 is now a party or by which District 2 is bound, or constitutes a default under any of the foregoing.

Section 1.2 Representations, Covenants and Warranties of District 3. District 3 represents, covenants and warrants as follows:

(a) District 3 is a political subdivision of the State of Texas, created and organized pursuant to Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 51 of the Texas Water Code, and Chapter 9021 of the Special District Local Laws Code, is duly qualified to transact business in the State of Texas and in every jurisdiction in which the nature of its activities requires it to be so qualified; has full and complete power to enter into this Agreement, to enter into and carry out the transactions contemplated hereby, and to carry out its obligations under this Agreement; and has duly authorized the execution and delivery of this Agreement.

(b) Neither the execution and delivery of this Agreement nor the fulfillment of

or compliance with the terms and conditions hereof nor the consummation of the transactions contemplated hereby conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which District 3 is now a party or by which District 3 is bound, or constitutes a default under any of the foregoing.

Section 1.3 Representation of District 2 and District 3. The parties acknowledge and agree that all of the facts set forth in the Recitals are true and correct.

ARTICLE 2 OPERATIONAL RESPONSIBILITY AND BUDGETS

Section 2.1 Operational Responsibility. The parties acknowledge and agree that, for and in consideration of the timely receipt of the sums specified in Article 4 of this Agreement, District 3 shall be responsible for operating, maintaining, and managing the District Facilities, as such operating, maintenance, and managing responsibilities are outlined in Article 4.

Section 2.2 Facilities Operating and Maintenance Budget. The parties acknowledge that District 3 will prepare and submit to District 2 for its review on or about March 1st of each year an annual operating and maintenance budget for the District Facilities for the next fiscal year beginning April 1st of each year (the "Facilities Operating and Maintenance Budget" or "FOMB"). The FOMB shall cover all maintenance and operating expenses of the District Facilities in connection with the services to be provided pursuant to Articles 3 and 4 of this Agreement. With the exception of expenses that can be directly attributed to District 2 ("Direct Expenses") and expenses representing an increase in use of water, wastewater treatment, or trash collection services ("District Usage"), if the total actual expenses incurred on behalf of District 2 during the fiscal year do not exceed the estimated FOMB for that fiscal year by more than fifteen percent (15%), all suggestions by District 2 for revision of the next fiscal year's FOMB shall be deemed advisory only, and District 2 shall be obliged to make the payments to District 3 set forth in the next year's proposed FOMB for the operation of District Facilities. With the exception of expenses based on Direct Expenses and District Usage, if the total actual expenses incurred on behalf of District 2 during the prior fiscal year exceed the estimated FOMB for the prior fiscal year by more than fifteen percent (15%), the FOMB for the next fiscal shall not take effect until it is approved by the Board of Directors of District 2, such approval not to be unreasonably withheld, conditioned, or delayed. Until such approval, the FOMB for the preceding fiscal year shall continue in place and District 3 shall be entitled to receive the payments authorized in the FOMB for the preceding fiscal year. District 2's advisory comments on the FOMB, if any, shall be delivered to District 3 within thirty (30) days after receipt by District 2 of the proposed FOMB.

Section 2.3 Revised Operational Budget. If, during the fiscal year, District 3 anticipates increases in actual operational expenses of the District Facilities more than fifteen percent (15%) above the estimates set forth in the FOMB, District 3 shall (i) deliver written notices to District 2 of such anticipated variances specifying the reasons therefore, and (ii) concurrently therewith, submit a revised FOMB to District 2 for approval. District 2 shall approve or disapprove the revised FOMB within fifteen (15) days following the delivery to District 2 of the revised FOMB. In the event of a disapproval, the differences shall be mediated, and if not resolved, then

arbitrated pursuant to the rules of the American Arbitration Association.

Section 2.4 Budget Limitations. Any term or provision herein to the contrary notwithstanding, the approved FOMB shall constitute an authorization for District 3 to pay all operation and maintenance expenses of the District Facilities, as set forth in the FOMB. District 3 may do so without further approval from District 2 so long as District 3 does not exceed the FOMB by more than fifteen percent (15%) in total. Individual expenditures may exceed the FOMB by more than fifteen percent (15%). In addition, in any situation which District 3 deems to be an emergency, District 3 shall be authorized to make expenditures not approved in the FOMB to the extent that each such expenditure is either (i) immediately required by law, or (ii) not in excess of \$10,000; provided, however, District 3 shall attempt to notify District 2 of such emergency expenditure prior to incurring same. District 2 shall be responsible for its pro rata shares of any such emergency expenditure or expenditure below \$10,000 as though the amount expended was included in the applicable FOMB.

Section 2.5 First FOMB. For the purposes of the fiscal year commencing May 1, 2023 and ending April 30, 2024, an annualized FOMB shall be prepared by District 3 and submitted to District 2 in a timely manner after the execution of this Agreement. District 2 shall submit its advisory comments, if any, to District 3 within thirty (30) days of receipt of the draft annualized FOMB. For proceeding FOMBs, the procedure outlines in Section 2.3 above shall apply.

ARTICLE 3 OPERATION AND MAINTENANCE SERVICES

Section 3.1. Operation and Maintenance Services. District 3 shall perform the administrative services necessary to operate the District Facilities including, but not limited to, the following (to the extent so required) with respect to the District Facilities:

(a) Arrange for, supervise, enter into contracts and make expenditures for all aspects of the operation and maintenance of the District Facilities, including, without limitation, hiring employees, purchasing chemicals, stores, materials and supplies, measuring meters, electric power, legal fees and engineering fees relating to District Facilities (but not the legal and professional service provided directly to the Districts individually for their management), testing costs, payment of all charges or assessments for water, sewer, or solid waste collection services, handling claims, acquiring insurance for property damage and tort actions or contractual liability, acquiring other insurance deemed appropriate, making all payments (other than payments to be made directly by District 2) to third party providers for water, water treatment, sewage collection or treatment services, solid waste collection services, or for the operation and maintenance of such other persons and all other items and expenses of a like or different nature reasonably required or desirable for the efficient maintenance and operation of the District Facilities in full compliance with all regulatory requirements and the performance of this Agreement; repairs and replacements of damaged, worn-out or obsolete parts; maintain or cause to be maintained the District Facilities in proper operations to render adequate service and to comply fully with all regulatory requirements; and pay general and administrative expenses of District 3 allocable to the operation and maintenance of the District Facilities;

(b) Arrange for, supervise and enter into contracts with bookkeepers, operators, accountants and other professionals necessary or convenient for the operation and maintenance of the District Facilities, in accordance with the FOMB, and the operation of District 3;

(c) Negotiate with each of the various utility companies (including any applicable municipalities) that provide utility service to the District Facilities to obtain installation of electricity, gas, water, sewer, telephone, telecommunications, television and other facilities deemed appropriate by District 3;

(d) Coordinate with various municipal, county, and state agencies; school districts; other development districts; and District 2 with respect to the design of services required to implement this Agreement, including, without limitation, the location of schools and roads, access to existing roads, major drainage systems, and sewer and water lines;

(e) Review all statements, invoices, requests for payment of bills and expenses and draw requests for the District Facilities and arrange for the payment of approved statements, invoices, requests for payment, and draw requests;

(f) Arrange for and supervise all contractors and cause all contractors to provide all appropriate insurance, including worker's compensation insurance, public liability insurance, and other insurance protection for damages that might reasonably be expected to occur in the operation and maintenance of the District Facilities in such amounts and with such insurers as are deemed appropriate by District 3;

(g) Meet with municipal, utility, and state officials, as well as with municipal bodies such as school and park boards, planning boards, water boards, boards of equalization and appeal, and boards of assessment, regarding issues that will have an influence on maintenance and operation expenses;

(h) Establish water and sewer rates to be recommended to District 2 for its services;

(i) Perform such other reasonable services and functions that District 3 deems to be necessary for the successful operation and maintenance of the District Facilities;

(g) Issue permits for construction of homes and other improvements within District 2 and provide routine inspection of such construction, to the extent such permits and/or inspections are required or permitted by applicable law;

(k) File all claims, administrative proceedings and lawsuits necessary or appropriate to permit the District Facilities to be constructed and the proceeds of District 2 bonds to be utilized in the manner contemplated by such bonds, and defend all claims, administrative proceedings and lawsuits brought by third parties against District 2 or District 3 that arise out of or have any effect on the District Facilities; the construction, maintenance or operation of the District

Facilities; or the District 2 bonds.

ARTICLE 4

SERVICES AND PAYMENTS

Section 4.1 Inspection Fees and Services. District 3 hereby agrees to provide to District 2 the permit and inspection services required to construct the District Facilities in District 2. District 2 agrees to adopt a rate order containing permit and inspection fees no less than those shown in the rate order attached hereto as **EXHIBIT "A"**. District 3 agrees to collect the permit and inspection revenues pursuant to District 2's rate order and deposit such revenues to the credit of District 2.

Section 4.2 Water, Sewer Treatment, and Solid Waste Collection Services. District 3 agrees to provide management services to District 2 to in order to operate the water, sewer treatment, and solid waste collection system of District 2. District 3 agrees to provide, or cause to be provided, such water, sewer treatment, and solid waste collection services to the users of these services and water within District 2 (hereinafter "Customers"), including contracting for such water and such treatment and collection services, maintaining the water and sewer lines and facilities necessary to provide such services, maintaining an office near District 2, and providing other services incidental to the provision of these services to District 2's Customers. District 2's current rate order specifying water, sewer treatment, and solid waste collection rates is attached as **EXHIBIT "A"**. Such rate order shall be amended from time to time upon request by District 3 to include any and all recommendations requested by District 3. District 2 hereby authorizes District 3, and District 3 hereby agrees, to bill and attempt to collect from each Customer within District 2 in accordance with the District 2 rate order as described herein and to pay from these revenues the costs of operating the water, sewer treatment, and solid waste collection system of District 2, including the cost of water used by the residents of District 2. District 2 agrees that another of the costs of operating its water, sewer, and solid waste collection system is the payment of a pro-rata portion of overhead incurred by District 3 in order to manage and operate the District Facilities and provide services to District 2, and that such overhead shall be calculated on the basis of the estimated percentage of time spent on this function by District 3 personnel, as calculated by District 3 in its own discretion, and as it may be adjusted from time to time, and shall be paid monthly. District 3 shall use commercially reasonable efforts to collect the bills sent to District 2's users. District 2 agrees to raise its rates in an amount sufficient to cover any increases in the cost of water, sewer, or solid waste services incurred by 1. District 2 further agrees that if the revenues collected from its Customers by District 3 are insufficient to cover the costs of operating the water, sewer, and solid waste collection system of District 2, that District 2 shall timely pay District 3 such additional costs in accordance with Section 4.6 below. The cost of the maintenance of the water and sewer system facilities shall be allocated to each District on the basis of projected property values. Such costs shall be allocated among the districts that District 3 serves as managing district, currently Rolling V Ranch Water Control and Improvement Districts No. 2, No. 2, and No. 4 (the "Sub-Districts") based upon a fraction the numerator of which shall be the total projected property value on January 1 the year immediately following the completion of the fiscal year being budgeted within District 2 divided by the total projected property value on January 1 the year immediately following the completion of the fiscal year being budgeted within all of the Sub-Districts.

"Projected property values" shall be defined as the combined total value of all property that is existing on January 1 of the current fiscal year plus that which is projected to be added during the next succeeding fiscal year for the Sub-Districts. Such fraction shall be calculated as of the first day of the fiscal year in which such fraction is to be used to allocate such costs among the Sub-Districts, and shall be recalculated as of the first day of each succeeding fiscal year thereafter.

In addition, District 3 agrees to provide to builders in District 2 the services necessary to connect Customers to District 2's water and sewer system. District 3 shall bill and collect from the builders the fees therefor in accordance with District 2's rate order. The actual costs of providing these services shall be borne by District 2. District 2 agrees that one of the costs of performing the facilities connection services is the payment of a pro-rata portion of overhead incurred by District 3 in order to provide such services to District 2 and that such overhead shall be calculated on the basis of the estimated percentage of time spent on this function by District 3 personnel, as calculated by District 3, and as it may be adjusted from time to time. Any other costs therefor that are not identifiably for the benefit of a specific Sub-District shall be allocated to each Sub-District on the basis of Projected property values, as defined above.

Section 4.3 Construction and Contract Management Services. District 3 agrees to perform the construction and contract management services necessary to construct and maintain the District Facilities and any other items authorized by District 2 and agreed to by District 3. The actual costs shall be borne by District 2. District 2 agrees that the cost of performing said construction and contract management services is the payment of a pro-rata portion of overhead incurred by District 3 in order to perform such services to District 2, and that such overhead shall be calculated on the basis of the estimated percentage of time spent on this function by District 3 personnel, as calculated by District 3, and as it may be adjusted from time to time. The expenses of outside professionals such as attorneys, engineers, and consultants and other costs related to these services will be allocated to the District for which the services were provided.

Section 4.4 Miscellaneous Services. District 3 agrees to provide the following services, and District 2 agrees to bear the costs related thereto as allocated to District 2 in accordance with this Section.

(a) Street Lighting: District 3 shall provide the services necessary to provide and maintain the street lights within both District 3 and District 2, to the extent permitted by applicable law. The costs therefor shall be allocated to each Sub-District on the basis of Projected property values.

(b) Landscaping of Common Areas: District 3 shall provide the services necessary to maintain the landscaping of the common areas within all Sub-Districts, to the extent permitted by applicable law. The costs therefor shall be allocated to each Sub-District on the basis of Projected property values.

(c) Police, Fire, EMS Services: District 3 shall provide or contract for the provision of such services, when District 3 deems such necessary and only to such extent as is permitted by applicable law. District 2 shall be allocated its share of the fixed costs of such contract on the basis of Projected property values, and the cost of each per call charge shall be allocated to

the Sub-District in which an incident occurs. District 2 agrees to pass any necessary rate orders, or rules and regulation necessary to pass the per incident costs for EMS and other services and for false alarms to the individual residents and tenants of District 2.

(d) **Other Miscellaneous Services:** Any other services provided to District 2 by District 3 pursuant to Article 3 herein shall be allocated to District 2 and shall be paid for by District 2. To the extent such services are clearly identified as District 2 expenses, they shall be allocated in full to District 2; otherwise, such expenses shall be allocated among all Sub-Districts using Projected property values.

(e) **Miscellaneous Service Overhead:** District 2 agrees that one of the costs of performing the miscellaneous services of this section is the payment of a pro-rata portion of overhead incurred by District 3 in order to perform such services to District 2, and that such overhead shall be calculated on the basis of the estimated percentage of time spent on these miscellaneous functions by District 3 personnel, as calculated by District 3, and as it may be adjusted from time to time. District 2 further agrees that one of the costs of obtaining the miscellaneous services of this section may be cost of outside professionals and consultants, which costs will be allocated to each District for which the services are performed.

Section 4.5 Reconciliation. District 3 shall prepare a financial statement each month reconciling all expenses and revenues allocated to District 2 according to this Agreement.

Section 4.6 Payment Obligation. District 2's obligation to make payments specified in this Agreement is unconditional and not subject to off-set or counterclaim.

Section 4.7 Default of Payment. In addition to all rights and remedies provided by the laws of the State of Texas, District No. 2 covenants and agrees that in the event District 2 defaults in the payment of any of the amounts required to be paid under this Agreement when due, or defaults in the observance or performance of any of the covenants, conditions or obligations set forth in this Agreement, District 3 shall be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the Board of Directors and officers of District 2 to observe and perform any covenant, obligation or condition prescribed in this Agreement. No delay or omission to exercise any right or power accruing to District 3 shall impair any right or power, or shall be construed to be a waiver of any such default or acquiescence therein, and every such right or power may be exercised from time to time and so often as may be deemed expedient.

Section 4.8 Inspection Rights. District 2 shall at all times have the right to inspect District 3's records with respect to the services provided under this Agreement. District 3 agrees to make available to District 2 the records and accounts kept on the District Facilities, including all overhead allocations, for inspection by District 2 at the offices of District 3 during normal operating hours. District 3 agrees, for accounting purposes, to keep separate from any of District 3's other projects, all records, ledgers, invoices, receipts, and such other documents detailing the activity of the District Facilities. If District 2 disputes the overhead allocation or any other accounting, it may challenge them by following three procedures: 1) District 2 shall submit a written proposal to

District 3, stating the dispute and specifying the change in accounting or allocation which is requested to resolve the dispute; 2) if no resolution from District 3 is obtained within thirty (30) days of the submission, District 2 shall submit the matter to mediation pursuant to the mediation rules of the American Arbitration Association; and 3) if no resolution from District 3 is obtained within thirty (30) days of mediation, District 2 shall submit the matter to arbitration pursuant to the arbitration rules of the American Arbitration Association. However, during the dispute resolution process outlined herein and until final resolution, the disputed accounting or allocation shall continue to be applied. The costs of mediation and arbitration shall be borne by District 2 if the resulting change in accounting or allocation (if any) is less than 20% more favorable than the disputed accounting or allocation to District 2 for each fiscal year being disputed; otherwise, if the resulting change is at least 20% more favorable to District 2, then District 3 shall bear the costs of mediation and arbitration.

Section 4.9 Rate Order. District 2 represents to District 3 that it has adopted a rate order that complies with the requirements of this Agreement and agrees to make only such changes in the rate order as may be requested by District 3, from time to time, in order to make the payments required by this Agreement.

ARTICLE 5 MISCELLANEOUS

Section 5.1 Approvals by District 3. District 3 may take any actions reasonably contemplated and required by the approved FOMB then in effect for the day-to-day operation and maintenance of the District Facilities, without any prior approval by District 2.

Section 5.2 Capacity. The parties agree that District 2 will not transfer, assign or convey any of the unutilized capacity, if any, in the District Facilities that have been financed with bonds issued by District 2 to any party other than District 3 or an entity approved by District 3 in writing, on terms and conditions approved by District 3.

ARTICLE 6 COVENANTS

Section 6.1 Compliance with Laws and Government Regulations. District 3 shall operate and maintain the District Facilities in compliance, in all material respects, with applicable federal, state and local laws, ordinances, regulations and orders relative to the use, operation, leasing, repair, and maintenance of the District Facilities. District 3 shall, in all material respects, abide by all applicable federal, state and municipal rules and regulations applicable to the District Facilities.

Section 6.2 Liens and Encumbrances Without the prior written approval of District 3 (unless required by the FOMB), District 2 shall not do any of the following: (i) allow any encumbrance or lien to be placed against the District Facilities or any part thereof; (ii) allow any easement, right-of-way, deed restriction, building line, lease, or other cloud on title to be created with respect to the District Facilities or any part thereof; or (iii) modify any existing instrument

creating any of the rights or other matters described in clauses (i) and (ii) above.

Section 6.3 Performance District 3 shall perform and complete its obligations under this Agreement in a professional and workmanlike manner in accordance with existing industry standards and shall maintain and operate the District Facilities in a manner so as to protect the value of the District Facilities.

Section 6.4 Notices and Documents District 3 shall promptly advise District 2 of the service upon District 3 of any summons, subpoena, or other like legal document, including any notices, letters or other communications setting out or claiming an actual or alleged potential liability of District 2 or the District Facilities and to fully cooperate with District 2 in connection with any legal or arbitration proceeding arising in connection with the District Facilities or its operation. District 3 shall also notify District 2 promptly of (i) any notice of violation or claimed violation of any governmental requirement, (ii) any material damage to the District Facilities, and (iii) any actual or alleged personal injury or property damage incurring to or claimed by any third party or employee on or with respect to the District Facilities.

Section 6.5 District 2's Insurance District 3 shall maintain in effect at all times during the full term of this Agreement with insurers licensed to do business in the state where the District Facilities are located insurance policies of a nature and amount necessary and appropriate to adequately protect the District Facilities. All insurance policies contemplated by this Section shall be placed with such companies, in such amounts, with such beneficial interests appearing thereon and as shall be required by any outstanding bonds issued by District 2. At a minimum, this insurance shall consist of commercial and general liability insurance in the amount of \$1,000,000 per occurrence or \$3,000,000 in the aggregate.

ARTICLE 7 TERMS; DEFAULTS; TERMINATION

Section 7.1 Term The term ("Term") of this Agreement shall commence on the date of full execution of this Agreement (the effective date hereof) and terminate on the fortieth (40th) anniversary date hereof unless sooner terminated or unless extended by mutual agreement of District 3 and District 2.

Section 7.2 Defaults

(a) **Default by District 3** District 3 shall be deemed to be in default under this Agreement: (i) in the event the District 3 shall fail to keep, observe or perform any material covenant, agreement, term, or provision of this Agreement to be kept, observed or performed by the District 3, and such failure shall continue for a period of thirty (30) days after written notice thereof by District 2 to the District 3, or, if such failure cannot be cured within such thirty (30) day period, then such additional period not to exceed an additional fifteen (15) days, provided District 3 has proceeded to commence the cure of such failure and diligently proceeds to prosecute such cure to its completion; (ii) the making of a general assignment by the District 3 for the benefit of its creditors or the filing by the District 3 with any bankruptcy court of competent jurisdiction of a

voluntary petition under Title 11 of the United States Code, as the same may be amended from time to time.

(b) Default by District 2. District 2 shall be deemed to be in default under this Agreement: (i) in the event District 2 shall fail to pay or to approve for payment any sums of money due and payable pursuant to the terms of this Agreement within fifteen (15) days after written notice thereof from the District 3 to District 2; (ii) in the event District 2 shall fail to keep, observe or perform any material covenant, agreement, term or provision of this Agreement to be kept, observed or performed by District 2 (other than the payment of money to the District 3) and such failure shall continue for a period of thirty (30) days after written notice thereof by the District 3 to District 2, or, if such default cannot be cured within such thirty (30) day period, then such additional period not to exceed an additional fifteen (15) days, provided that District 2 is capable of curing same and has proceeded to commence the cure of such failure and diligently proceeds to prosecute such cure to its completion; or (iii) the making of a general assignment by District 2 for the benefit of its creditors or the filing by District 2 with any bankruptcy court of competent jurisdiction of a voluntary petition under Title 11 of the United States Code, as the same may be amended from time to time. Notwithstanding anything to the contrary in this Agreement, District 2's liability shall be limited to the payments of the amounts due by District 2 pertaining to the District Facilities, the water and sewer tap fees.

Section 7.3 Termination for Cause.

(a) Termination by District 2. This Agreement may be terminated by District 2, for Cause (hereinafter defined), at the end of the fiscal year of District 3 following District 2's delivery to the District 3 of written notice of such termination. If this Agreement is terminated pursuant to the provisions of this Section, District 2 shall pay to District 3 the sums contemplated hereby, together with any and all other sums owing by District 2 to District 3 in accordance herewith, through the date of such termination. The obligations of this Section shall survive the termination hereof.

(b) Termination by the District 3. This Agreement may be terminated by the District 3, for Cause (hereinafter defined), at any time by the District 3's delivery to District 2 of written notice of such termination, which notice shall specify in detail the reasons for such termination and any such termination shall be effective on the last day of District 2's fiscal year following delivery by District 2 of the notice of termination. Regardless of a termination of this Agreement pursuant to the provisions of this Section, District 2 shall pay to District 3 the compensation contemplated hereby, from the sources herein referenced, together with any and all other sums owing by District 2 to District 3 in accordance herewith, through the date of such termination. The obligations of this Section shall survive the termination hereof.

(c) Cause. For purposes of this Agreement, the term "Cause" shall mean and be defined herein as follows:

i. The condemnation or destruction by casualty of all or substantially all of the District Facilities;

ii. The occurrence of a default hereunder (which occurs at a time when the party giving notice of termination is not in default), and the delivery of any applicable notice and the expiration of any opportunity to cure contemplated hereby; or

iii. The incurrence of costs and expenditures in excess of one hundred percent (100%) of the costs and expenses contemplated by the FOMB (as revised in accordance with terms of this Agreement), excluding any cost or expense overruns beyond the control of the District 3 (including, without limitation, interest rate differentials, costs and expenses arising from any changes to the Operational Plan or in the construction or development of the District Facilities required by any governmental agency, and costs and expenses arising from or related to any force majeure).

Section 7.4 Delivery of Records. In the event of the termination of this Agreement (including any termination of this Agreement pursuant to Section 7.3 above), District 3 shall deliver to District 2 within thirty (30) business days after the date of such termination, all books, documents, funds, contracts, invoices, surveys, plans, receipts for payment, and the like maintained in connection with the development, marketing, and management of the Project and shall render a final accounting to District 2 within thirty (30) business days after termination reflecting all invoices outstanding, all invoices paid, and any pending contracts of sale, in addition to such other materials or actions as District 2 may request in order to effectuate an orderly and systematic termination of the District 3 duties and activities hereunder.

Section 7.5 Limit on Effect of Termination. In no event shall a termination by either party have any effect on the irrevocable transfer, assignment and conveyance by District 2 to District 3 pursuant to Section 4.1 hereof.

ARTICLE 8 GENERAL PROVISIONS

Section 8.1 Attorney's Fees. Should either party be required to employ an attorney to enforce or defend the rights of such party hereunder, the prevailing party shall be entitled to recover its reasonable attorneys' fees and expenses actually incurred in connection therewith.

Section 8.2 Governing Law. This Agreement is being executed and delivered, and is intended to be performed in the State of Texas, and the laws of such state shall govern the rights and duties of the parties hereto and the validity, construction, enforcement, and interpretation hereof.

Section 8.3 Notices. Unless specifically otherwise provided, whenever this Agreement requires or permits any consent, approval, notice, request, or demand from one party to another such communication must be in writing to be effective and shall be deemed to have been given on the day actually delivered by USPS, return receipt requested; Federal Express; or other guaranteed overnight delivery service. Until changed by notice pursuant hereto, the address for each party for purposes hereof is as follows:

District 2:

Rolling V Ranch Water Control and Improvement District No. 2 of Wise County
2728 N. Harwood St., Ste. 500
Dallas, TX 75201
Attn: Ross S. Martin

District 3:

Rolling V Ranch Water Control and Improvement District No. 3 of Wise County
2728 N. Harwood St., Ste. 500
Dallas, TX 75201
Attn: Ross S. Martin

Section 8.4 Headings; Terminology. Wherever in this Agreement the singular number is used, the same shall include the plural where appropriate, and vice versa; and words of any gender in this Agreement shall include each other gender where appropriate. The words "herein," "hereof," and "hereunder," and other words of similar import refer to this Agreement as a whole and not to any particular part of subdivision hereof. The hearings, captions, and arrangements used in this Agreement are, unless specified otherwise, for convenience only and shall not be deemed to limit, amplify, or modify the terms hereof, nor affect the meaning thereof.

Section 8.5 No Assignment. No party hereto shall have the right to assign, transfer or convey any of its rights, title or interest hereunder to any entity without the prior written consent of the other party.

Section 8.6 Invalid Provisions. If any provision of this Agreement is held to be illegal, invalid, or unenforceable under the present or future laws effective during the term hereof, such provision shall be fully severable; this Agreement shall be construed and enforced as if such illegal, invalid, or enforceable provision or by its severance here from.

Section 8.7 Multiple Counterparts. This Agreement may be executed in a number of identical counterparts, each of which shall be deemed an original for all purposes and all of which constitute, collectively, one agreement; but, in making proof of this contract, it shall not be necessary to produce or account for more than one such counterpart.

Section 8.8 Entirety and Amendments. This Agreement embodies the entire agreement between the parties, supersedes all prior agreements and understandings, if any, relating to the subject matter hereof, and may be amended only by an instrument in writing executed jointly by District 2 and the District 3, and supplemented only by documents delivered or to be delivered in accordance with the express terms hereof

Section 8.9 Binding Effect. This Agreement shall be binding, and shall inure to the benefit of, District 2, District 3, and the respective successors and assigns of each; subject to the

restrictions on assignability set forth in Section 8.5 hereof.


Section 8.10 Business Day. For purposes here of the term "business day" or words of like import shall mean any day of the week other than Saturday, Sunday or legal holiday.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

EXECUTED to be effective as of the last date of signature below.

DISTRICT 2:

ROLLING V RANCH WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 2 OF WISE
COUNTY

By: 
Taylor Shaw, President

ATTEST:


Ramsey Bell, Secretary



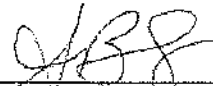
STATE OF TEXAS

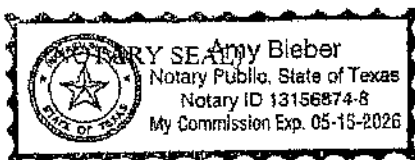
§

COUNTY OF DALLAS

§

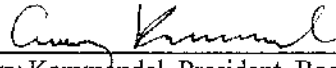
This instrument was acknowledged before me on December 5, 2023, by Taylor Shaw,
President of Rolling V Ranch Water Control and Improvement District No. 2 of Wise County,
a political subdivision of the State of Texas, on behalf of said District.


Notary Public in and for the State of Texas

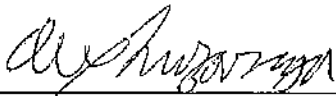


DISTRICT 3:

ROLLING V RANCH WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 3 OF WISE
COUNTY

By: 
Cory Kammandel, President, Board of Directors

ATTEST:



Alex Luzarraga, Secretary, Board of Directors

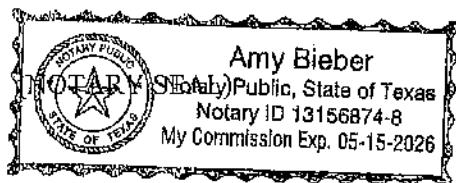


THE STATE OF TEXAS §

COUNTY OF DALLAS §

This instrument was acknowledged before me on December 5, 2023, by Cory Kammandel,
President of Rolling V Ranch Water Control and Improvement District No. 3 of Wise County,
a political subdivision of the State of Texas, on behalf of said District.


Notary Public in and for the State of Texas



OPERATING AGREEMENT

THIS OPERATING AGREEMENT (the "Agreement") is made and entered into as of the effective date hereinafter set forth, by and between the Rolling V Ranch Water Control and Improvement District No. 4 of Wise County ("District 4") and the Rolling V Ranch Water Control and Improvement District No. 3 of Wise County ("District 3"), political subdivisions of the State of Texas created pursuant to the provisions of Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 51 of the Texas Water Code, and Chapter 9021 of the Special District Local Laws Code. District 4 and District 3 may hereinafter be referred to individually as a "Party" or collectively as the "Parties" or "Districts".

RECITALS

WHEREAS, the Rolling V Ranch Water Control and Improvement District No. 4 of Wise County was created by H.B. 3991, 80th Regular Session of the Texas Legislature, effective September 1, 2007;

WHEREAS, Chapter 9021, Special District Local Laws Code was amended by H.B. 4642, 86th Regular Session of the Texas Legislature, effective September 1, 2019;

WHEREAS, by Order of the Board of Directors of Rolling V Ranch Water Control and Improvement District No. 4 of Wise County dated January 11, 2022, District 4 was divided into three districts, thereby creating Rolling V Ranch Water Control and Improvement District No. 3 of Wise County and Rolling V Ranch Water Control and Improvement District No. 3 of Wise County;

WHEREAS, District 4 and District 3 cover certain lands in Wise County, Texas, which lands are contiguous, similar in nature, and intended to be developed as a part of one master planned community known as Rolling V Ranch (the "Development");

WHEREAS, due to the location of the Districts and similar nature and timing of their development, it is advantageous to both District 4 and District 3 to share the costs of certain infrastructure, including water, sewer, drainage, roadway, green space, and other facilities that would typically be constructed, acquired, operated, and maintained by the Districts (collectively, the "District Facilities");

WHEREAS, it is the desire of the Parties that District 3 be given the primary responsibility as the project manager for the construction and acquisition of the District Facilities, including those that benefit District 4, on behalf of itself and District 4;

WHEREAS, the parties acknowledge and agree that the payments to be made by District 4 to District 3 pursuant to this Operating Agreement constitute charges by District 3 that do not exceed the actual costs to District 3 for all facilities and services that are necessary to provide services to District 4 and that are financed or are to be financed in part by tax supported obligations;

WHEREAS, Sections 49.211, 49.212, 49.213 and 51.149, Texas Water Code, as amended, provide authority for the execution and implementation of this Agreement;

WHEREAS, the parties have determined that it is in their best interests to execute this Agreement and implement its terms and conditions.

NOW THERE, THEREFORE, FOR AND IN CONSIDERATION OF THE MUTUAL COVENANTS HEREINAFTER SET FORTH, TOGETHER WITH TEN DOLLARS (\$10.00) AND OTHER GOOD AND VALUABLE CONSIDERATION, THE RECEIPT AND ADEQUACY OF WHICH IS HEREBY ACKNOWLEDGED, THE PARTIES HEREBY CONTRACT, COVENANT AND AGREE AS FOLLOWS:

ARTICLE I REPRESENTATIONS AND WARRANTIES

Section 1.1 Representations, Covenants and Warranties of District 4. District 4 represents, covenants and warrants as follows:

(a) District 4 is a political subdivision of the State of Texas, created and organized pursuant to Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 51 of the Texas Water Code, and Chapter 9021 of the Special District Local Laws Code, and is duly organized, validly existing and in good standing under the laws of the State of Texas; is duly qualified to transact business in the State of Texas and in every jurisdiction in which the nature of its activities requires it to be so qualified; has full and complete power to enter into this Agreement, to enter into and carry out the transactions contemplated hereby, and to carry out its obligations under this Agreement; and has duly authorized the execution and delivery of this Agreement.

(b) Neither the execution and delivery of this Agreement nor the fulfillment of or compliance with the terms and conditions hereof nor the consummation of the transactions contemplated hereby conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which District 4 is now a party or by which District 4 is bound, or constitutes a default under any of the foregoing.

Section 1.2 Representations, Covenants and Warranties of District 3. District 3 represents, covenants and warrants as follows:

(a) District 3 is a political subdivision of the State of Texas, created and organized pursuant to Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 51 of the Texas Water Code, and Chapter 9021 of the Special District Local Laws Code, is duly qualified to transact business in the State of Texas and in every jurisdiction in which the nature of its activities requires it to be so qualified; has full and complete power to enter into this Agreement, to enter into and carry out the transactions contemplated hereby, and to carry out its obligations under this Agreement; and has duly authorized the execution and delivery of this Agreement.

(b) Neither the execution and delivery of this Agreement nor the fulfillment of

or compliance with the terms and conditions hereof nor the consummation of the transactions contemplated hereby conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which District 3 is now a party or by which District 3 is bound, or constitutes a default under any of the foregoing.

Section 1.3 Representation of District 4 and District 3. The parties acknowledge and agree that all of the facts set forth in the Recitals are true and correct.

ARTICLE 2 OPERATIONAL RESPONSIBILITY AND BUDGETS

Section 2.1 Operational Responsibility. The parties acknowledge and agree that, for and in consideration of the timely receipt of the sums specified in Article 4 of this Agreement, District 3 shall be responsible for operating, maintaining, and managing the District Facilities, as such operating, maintenance, and managing responsibilities are outlined in Article 4.

Section 2.2 Facilities Operating and Maintenance Budget. The parties acknowledge that District 3 will prepare and submit to District 4 for its review on or about March 1st of each year an annual operating and maintenance budget for the District Facilities for the next fiscal year beginning April 1st of each year (the "Facilities Operating and Maintenance Budget" or "FOMB"). The FOMB shall cover all maintenance and operating expenses of the District Facilities in connection with the services to be provided pursuant to Articles 3 and 4 of this Agreement. With the exception of expenses that can be directly attributed to District 4 ("Direct Expenses") and expenses representing an increase in use of water, wastewater treatment, or trash collection services ("District Usage"), if the total actual expenses incurred on behalf of District 4 during the fiscal year do not exceed the estimated FOMB for that fiscal year by more than fifteen percent (15%), all suggestions by District 4 for revision of the next fiscal year's FOMB shall be deemed advisory only, and District 4 shall be obliged to make the payments to District 3 set forth in the next year's proposed FOMB for the operation of District Facilities. With the exception of expenses based on Direct Expenses and District Usage, if the total actual expenses incurred on behalf of District 4 during the prior fiscal year exceed the estimated FOMB for the prior fiscal year by more than fifteen percent (15%), the FOMB for the next fiscal shall not take effect until it is approved by the Board of Directors of District 4, such approval not to be unreasonably withheld, conditioned, or delayed. Until such approval, the FOMB for the preceding fiscal year shall continue in place and District 3 shall be entitled to receive the payments authorized in the FOMB for the preceding fiscal year. District 4's advisory comments on the FOMB, if any, shall be delivered to District 3 within thirty (30) days after receipt by District 4 of the proposed FOMB.

Section 2.3 Revised Operational Budget. If, during the fiscal year, District 3 anticipates increases in actual operational expenses of the District Facilities more than fifteen percent (15%) above the estimates set forth in the FOMB, District 3 shall (i) deliver written notices to District 4 of such anticipated variances specifying the reasons therefore, and (ii) concurrently therewith, submit a revised FOMB to District 4 for approval. District 4 shall approve or disapprove the revised FOMB within fifteen (15) days following the delivery to District 4 of the revised FOMB. In the event of a disapproval, the differences shall be mediated, and if not resolved, then

arbitrated pursuant to the rules of the American Arbitration Association.

Section 2.4 Budget Limitations. Any term or provision herein to the contrary notwithstanding, the approved FOMB shall constitute an authorization for District 3 to pay all operation and maintenance expenses of the District Facilities, as set forth in the FOMB. District 3 may do so without further approval from District 4 so long as District 3 does not exceed the FOMB by more than fifteen percent (15%) in total. Individual expenditures may exceed the FOMB by more than fifteen percent (15%). In addition, in any situation which District 3 deems to be an emergency, District 3 shall be authorized to make expenditures not approved in the FOMB to the extent that each such expenditure is either (i) immediately required by law, or (ii) not in excess of \$10,000; provided, however, District 3 shall attempt to notify District 4 of such emergency expenditure prior to incurring same. District 4 shall be responsible for its pro rata shares of any such emergency expenditure or expenditure below \$10,000 as though the amount expended was included in the applicable FOMB.

Section 2.5 First FOMB. For the purposes of the fiscal year commencing May 1, 2023 and ending April 30, 2024, an annualized FOMB shall be prepared by District 3 and submitted to District 4 in a timely manner after the execution of this Agreement. District 4 shall submit its advisory comments, if any, to District 3 within thirty (30) days of receipt of the draft annualized FOMB. For proceeding FOMBs, the procedure outlines in Section 2.3 above shall apply.

ARTICLE 3 OPERATION AND MAINTENANCE SERVICES

Section 3.1. Operation and Maintenance Services. District 3 shall perform the administrative services necessary to operate the District Facilities including, but not limited to, the following (to the extent so required) with respect to the District Facilities:

(a) Arrange for, supervise, enter into contracts and make expenditures for all aspects of the operation and maintenance of the District Facilities, including, without limitation, hiring employees, purchasing chemicals, stores, materials and supplies, measuring meters, electric power, legal fees and engineering fees relating to District Facilities (but not the legal and professional service provided directly to the Districts individually for their management), testing costs, payment of all charges or assessments for water, sewer, or solid waste collection services, handling claims, acquiring insurance for property damage and tort actions or contractual liability, acquiring other insurance deemed appropriate, making all payments (other than payments to be made directly by District 4) to third party providers for water, water treatment, sewage collection or treatment services, solid waste collection services, or for the operation and maintenance of such other persons and all other items and expenses of a like or different nature reasonably required or desirable for the efficient maintenance and operation of the District Facilities in full compliance with all regulatory requirements and the performance of this Agreement; repairs and replacements of damaged, worn-out or obsolete parts; maintain or cause to be maintained the District Facilities in proper operations to render adequate service and to comply fully with all regulatory requirements; and pay general and administrative expenses of District 3 allocable to the operation and maintenance of the District Facilities;

(b) Arrange for, supervise and enter into contracts with bookkeepers, operators, accountants and other professionals necessary or convenient for the operation and maintenance of the District Facilities, in accordance with the FOMB, and the operation of District 3;

(c) Negotiate with each of the various utility companies (including any applicable municipalities) that provide utility service to the District Facilities to obtain installation of electricity, gas, water, sewer, telephone, telecommunications, television and other facilities deemed appropriate by District 3;

(d) Coordinate with various municipal, county, and state agencies; school districts; other development districts; and District 4 with respect to the design of services required to implement this Agreement, including, without limitation, the location of schools and roads, access to existing roads, major drainage systems, and sewer and water lines;

(e) Review all statements, invoices, requests for payment of bills and expenses and draw requests for the District Facilities and arrange for the payment of approved statements, invoices, requests for payment, and draw requests;

(f) Arrange for and supervise all contractors and cause all contractors to provide all appropriate insurance, including worker's compensation insurance, public liability insurance, and other insurance protection for damages that might reasonably be expected to occur in the operation and maintenance of the District Facilities in such amounts and with such insurers as are deemed appropriate by District 3;

(g) Meet with municipal, utility, and state officials, as well as with municipal bodies such as school and park boards, planning boards, water boards, boards of equalization and appeal, and boards of assessment, regarding issues that will have an influence on maintenance and operation expenses;

(h) Establish water and sewer rates to be recommended to District 4 for its services;

(i) Perform such other reasonable services and functions that District 3 deems to be necessary for the successful operation and maintenance of the District Facilities;

(g) Issue permits for construction of homes and other improvements within District 4 and provide routine inspection of such construction, to the extent such permits and/or inspections are required or permitted by applicable law;

(k) File all claims, administrative proceedings and lawsuits necessary or appropriate to permit the District Facilities to be constructed and the proceeds of District 4 bonds to be utilized in the manner contemplated by such bonds, and defend all claims, administrative proceedings and lawsuits brought by third parties against District 4 or District 3 that arise out of or have any effect on the District Facilities; the construction, maintenance or operation of the District

Facilities; or the District 4 bonds.

ARTICLE 4

SERVICES AND PAYMENTS

Section 4.1 Inspection Fees and Services. District 3 hereby agrees to provide to District 4 the permit and inspection services required to construct the District Facilities in District 4. District 4 agrees to adopt a rate order containing permit and inspection fees no less than those shown in the rate order attached hereto as **EXHIBIT "A"**. District 3 agrees to collect the permit and inspection revenues pursuant to District 4's rate order and deposit such revenues to the credit of District 4.

Section 4.2 Water, Sewer Treatment, and Solid Waste Collection Services. District 3 agrees to provide management services to District 4 to in order to operate the water, sewer treatment, and solid waste collection system of District 4. District 3 agrees to provide, or cause to be provided, such water, sewer treatment, and solid waste collection services to the users of these services and water within District 4 (hereinafter "Customers"), including contracting for such water and such treatment and collection services, maintaining the water and sewer lines and facilities necessary to provide such services, maintaining an office near District 4, and providing other services incidental to the provision of these services to District 4's Customers. District 4's current rate order specifying water, sewer treatment, and solid waste collection rates is attached as **EXHIBIT "A"**. Such rate order shall be amended from time to time upon request by District 3 to include any and all recommendations requested by District 3. District 4 hereby authorizes District 3, and District 3 hereby agrees, to bill and attempt to collect from each Customer within District 4 in accordance with the District 4 rate order as described herein and to pay from these revenues the costs of operating the water, sewer treatment, and solid waste collection system of District 4, including the cost of water used by the residents of District 4. District 4 agrees that another of the costs of operating its water, sewer, and solid waste collection system is the payment of a pro-rata portion of overhead incurred by District 3 in order to manage and operate the District Facilities and provide services to District 4, and that such overhead shall be calculated on the basis of the estimated percentage of time spent on this function by District 3 personnel, as calculated by District 3 in its own discretion, and as it may be adjusted from time to time, and shall be paid monthly. District 3 shall use commercially reasonable efforts to collect the bills sent to District 4's users. District 4 agrees to raise its rates in an amount sufficient to cover any increases in the cost of water, sewer, or solid waste services incurred by 1. District 4 further agrees that if the revenues collected from its Customers by District 3 are insufficient to cover the costs of operating the water, sewer, and solid waste collection system of District 4, that District 4 shall timely pay District 3 such additional costs in accordance with Section 4.6 below. The cost of the maintenance of the water and sewer system facilities shall be allocated to each District on the basis of projected property values. Such costs shall be allocated among the districts that District 3 serves as managing district, currently Rolling V Ranch Water Control and Improvement Districts No. 4, No. 4, and No. 4 (the "Sub-Districts") based upon a fraction the numerator of which shall be the total projected property value on January 1 the year immediately following the completion of the fiscal year being budgeted within District 4 divided by the total projected property value on January 1 the year immediately following the completion of the fiscal year being budgeted within all of the Sub-Districts.

"Projected property values" shall be defined as the combined total value of all property that is existing on January 1 of the current fiscal year plus that which is projected to be added during the next succeeding fiscal year for the Sub-Districts. Such fraction shall be calculated as of the first day of the fiscal year in which such fraction is to be used to allocate such costs among the Sub-Districts, and shall be recalculated as of the first day of each succeeding fiscal year thereafter.

In addition, District 3 agrees to provide to builders in District 4 the services necessary to connect Customers to District 4's water and sewer system. District 3 shall bill and collect from the builders the fees therefor in accordance with District 4's rate order. The actual costs of providing these services shall be borne by District 4. District 4 agrees that one of the costs of performing the facilities connection services is the payment of a pro-rata portion of overhead incurred by District 3 in order to provide such services to District 4 and that such overhead shall be calculated on the basis of the estimated percentage of time spent on this function by District 3 personnel, as calculated by District 3, and as it may be adjusted from time to time. Any other costs therefor that are not identifiably for the benefit of a specific Sub-District shall be allocated to each Sub-District on the basis of Projected property values, as defined above.

Section 4.3 Construction and Contract Management Services. District 3 agrees to perform the construction and contract management services necessary to construct and maintain the District Facilities and any other items authorized by District 4 and agreed to by District 3. The actual costs shall be borne by District 4. District 4 agrees that the cost of performing said construction and contract management services is the payment of a pro-rata portion of overhead incurred by District 3 in order to perform such services to District 4, and that such overhead shall be calculated on the basis of the estimated percentage of time spent on this function by District 3 personnel, as calculated by District 3, and as it may be adjusted from time to time. The expenses of outside professionals such as attorneys, engineers, and consultants and other costs related to these services will be allocated to the District for which the services were provided.

Section 4.4 Miscellaneous Services. District 3 agrees to provide the following services, and District 4 agrees to bear the costs related thereto as allocated to District 4 in accordance with this Section.

(a) Street Lighting: District 3 shall provide the services necessary to provide and maintain the street lights within both District 3 and District 4, to the extent permitted by applicable law. The costs therefor shall be allocated to each Sub-District on the basis of Projected property values.

(b) Landscaping of Common Areas: District 3 shall provide the services necessary to maintain the landscaping of the common areas within all Sub-Districts, to the extent permitted by applicable law. The costs therefor shall be allocated to each Sub-District on the basis of Projected property values.

(c) Police, Fire, EMS Services: District 3 shall provide or contract for the provision of such services, when District 3 deems such necessary and only to such extent as is permitted by applicable law. District 4 shall be allocated its share of the fixed costs of such contract on the basis of Projected property values, and the cost of each per call charge shall be allocated to

the Sub-District in which an incident occurs. District 4 agrees to pass any necessary rate orders, or rules and regulation necessary to pass the per incident costs for EMS and other services and for false alarms to the individual residents and tenants of District 4.

(d) **Other Miscellaneous Services:** Any other services provided to District 4 by District 3 pursuant to Article 3 herein shall be allocated to District 4 and shall be paid for by District 4. To the extent such services are clearly identified as District 4 expenses, they shall be allocated in full to District 4; otherwise, such expenses shall be allocated among all Sub-Districts using Projected property values.

(e) **Miscellaneous Service Overhead:** District 4 agrees that one of the costs of performing the miscellaneous services of this section is the payment of a pro-rata portion of overhead incurred by District 3 in order to perform such services to District 4, and that such overhead shall be calculated on the basis of the estimated percentage of time spent on these miscellaneous functions by District 3 personnel, as calculated by District 3, and as it may be adjusted from time to time. District 4 further agrees that one of the costs of obtaining the miscellaneous services of this section may be cost of outside professionals and consultants, which costs will be allocated to each District for which the services are performed.

Section 4.5 Reconciliation. District 3 shall prepare a financial statement each month reconciling all expenses and revenues allocated to District 4 according to this Agreement.

Section 4.6 Payment Obligation. District 4's obligation to make payments specified in this Agreement is unconditional and not subject to off-set or counterclaim.

Section 4.7 Default of Payment. In addition to all rights and remedies provided by the laws of the State of Texas, District No. 4 covenants and agrees that in the event District 4 defaults in the payment of any of the amounts required to be paid under this Agreement when due, or defaults in the observance or performance of any of the covenants, conditions or obligations set forth in this Agreement, District 3 shall be entitled to a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the Board of Directors and officers of District 4 to observe and perform any covenant, obligation or condition prescribed in this Agreement. No delay or omission to exercise any right or power accruing to District 3 shall impair any right or power, or shall be construed to be a waiver of any such default or acquiescence therein, and every such right or power may be exercised from time to time and so often as may be deemed expedient.

Section 4.8 Inspection Rights. District 4 shall at all times have the right to inspect District 3's records with respect to the services provided under this Agreement. District 3 agrees to make available to District 4 the records and accounts kept on the District Facilities, including all overhead allocations, for inspection by District 4 at the offices of District 3 during normal operating hours. District 3 agrees, for accounting purposes, to keep separate from any of District 3's other projects, all records, ledgers, invoices, receipts, and such other documents detailing the activity of the District Facilities. If District 4 disputes the overhead allocation or any other accounting, it may challenge them by following three procedures: 1) District 4 shall submit a written proposal to

District 3, stating the dispute and specifying the change in accounting or allocation which is requested to resolve the dispute; 2) if no resolution from District 3 is obtained within thirty (30) days of the submission, District 4 shall submit the matter to mediation pursuant to the mediation rules of the American Arbitration Association; and 3) if no resolution from District 3 is obtained within thirty (30) days of mediation, District 4 shall submit the matter to arbitration pursuant to the arbitration rules of the American Arbitration Association. However, during the dispute resolution process outlined herein and until final resolution, the disputed accounting or allocation shall continue to be applied. The costs of mediation and arbitration shall be borne by District 4 if the resulting change in accounting or allocation (if any) is less than 20% more favorable than the disputed accounting or allocation to District 4 for each fiscal year being disputed; otherwise, if the resulting change is at least 20% more favorable to District 4, then District 3 shall bear the costs of mediation and arbitration.

Section 4.9 Rate Order. District 4 represents to District 3 that it has adopted a rate order that complies with the requirements of this Agreement and agrees to make only such changes in the rate order as may be requested by District 3, from time to time, in order to make the payments required by this Agreement.

ARTICLE 5 MISCELLANEOUS

Section 5.1 Approvals by District 3. District 3 may take any actions reasonably contemplated and required by the approved FOMB then in effect for the day-to-day operation and maintenance of the District Facilities, without any prior approval by District 4.

Section 5.2 Capacity. The parties agree that District 4 will not transfer, assign or convey any of the unutilized capacity, if any, in the District Facilities that have been financed with bonds issued by District 4 to any party other than District 3 or an entity approved by District 3 in writing, on terms and conditions approved by District 3.

ARTICLE 6 COVENANTS

Section 6.1 Compliance with Laws and Government Regulations. District 3 shall operate and maintain the District Facilities in compliance, in all material respects, with applicable federal, state and local laws, ordinances, regulations and orders relative to the use, operation, leasing, repair, and maintenance of the District Facilities. District 3 shall, in all material respects, abide by all applicable federal, state and municipal rules and regulations applicable to the District Facilities.

Section 6.2 Liens and Encumbrances Without the prior written approval of District 3 (unless required by the FOMB), District 4 shall not do any of the following: (i) allow any encumbrance or lien to be placed against the District Facilities or any part thereof; (ii) allow any easement, right-of-way, deed restriction, building line, lease, or other cloud on title to be created with respect to the District Facilities or any part thereof; or (iii) modify any existing instrument

creating any of the rights or other matters described in clauses (i) and (ii) above.

Section 6.3 Performance District 3 shall perform and complete its obligations under this Agreement in a professional and workmanlike manner in accordance with existing industry standards and shall maintain and operate the District Facilities in a manner so as to protect the value of the District Facilities.

Section 6.4 Notices and Documents. District 3 shall promptly advise District 4 of the service upon District 3 of any summons, subpoena, or other like legal document, including any notices, letters or other communications setting out or claiming an actual or alleged potential liability of District 4 or the District Facilities and to fully cooperate with District 4 in connection with any legal or arbitration proceeding arising in connection with the District Facilities or its operation. District 3 shall also notify District 4 promptly of (i) any notice of violation or claimed violation of any governmental requirement, (ii) any material damage to the District Facilities, and (iii) any actual or alleged personal injury or property damage incurring to or claimed by any third party or employee on or with respect to the District Facilities.

Section 6.5 District 4's Insurance. District 3 shall maintain in effect at all times during the full term of this Agreement with insurers licensed to do business in the state where the District Facilities are located insurance policies of a nature and amount necessary and appropriate to adequately protect the District Facilities. All insurance policies contemplated by this Section shall be placed with such companies, in such amounts, with such beneficial interests appearing thereon and as shall be required by any outstanding bonds issued by District 4. At a minimum, this insurance shall consist of commercial and general liability insurance in the amount of \$1,000,000 per occurrence or \$3,000,000 in the aggregate.

ARTICLE 7 TERMS; DEFAULTS; TERMINATION

Section 7.1 Term. The term ("Term") of this Agreement shall commence on the date of full execution of this Agreement (the effective date hereof) and terminate on the fortieth (40th) anniversary date hereof unless sooner terminated or unless extended by mutual agreement of District 3 and District 4.

Section 7.2 Defaults.

(a) **Default by District 3.** District 3 shall be deemed to be in default under this Agreement: (i) in the event the District 3 shall fail to keep, observe or perform any material covenant, agreement, term, or provision of this Agreement to be kept, observed or performed by the District 3, and such failure shall continue for a period of thirty (30) days after written notice thereof by District 4 to the District 3, or, if such failure cannot be cured within such thirty (30) day period, then such additional period not to exceed an additional fifteen (15) days, provided District 3 has proceeded to commence the cure of such failure and diligently proceeds to prosecute such cure to its completion; (ii) the making of a general assignment by the District 3 for the benefit of its creditors or the filing by the District 3 with any bankruptcy court of competent jurisdiction of a

voluntary petition under Title 11 of the United States Code, as the same may be amended from time to time.

(b) Default by District 4. District 4 shall be deemed to be in default under this Agreement: (i) in the event District 4 shall fail to pay or to approve for payment any sums of money due and payable pursuant to the terms of this Agreement within fifteen (15) days after written notice thereof from the District 3 to District 4; (ii) in the event District 4 shall fail to keep, observe or perform any material covenant, agreement, term or provision of this Agreement to be kept, observed or performed by District 4 (other than the payment of money to the District 3) and such failure shall continue for a period of thirty (30) days after written notice thereof by the District 3 to District 4, or, if such default cannot be cured within such thirty (30) day period, then such additional period not to exceed an additional fifteen (15) days, provided that District 4 is capable of curing same and has proceeded to commence the cure of such failure and diligently proceeds to prosecute such cure to its completion; or (iii) the making of a general assignment by District 4 for the benefit of its creditors or the filing by District 4 with any bankruptcy court of competent jurisdiction of a voluntary petition under Title 11 of the United States Code, as the same may be amended from time to time. Notwithstanding anything to the contrary in this Agreement, District 4's liability shall be limited to the payments of the amounts due by District 4 pertaining to the District Facilities, the water and sewer tap fees.

Section 7.3 Termination for Cause.

(a) Termination by District 4. This Agreement may be terminated by District 4, for Cause (hereinafter defined), at the end of the fiscal year of District 3 following District 4's delivery to the District 3 of written notice of such termination. If this Agreement is terminated pursuant to the provisions of this Section, District 4 shall pay to District 3 the sums contemplated hereby, together with any and all other sums owing by District 4 to District 3 in accordance herewith, through the date of such termination. The obligations of this Section shall survive the termination hereof.

(b) Termination by the District 3. This Agreement may be terminated by the District 3, for Cause (hereinafter defined), at any time by the District 3's delivery to District 4 of written notice of such termination, which notice shall specify in detail the reasons for such termination and any such termination shall be effective on the last day of District 4's fiscal year following delivery by District 4 of the notice of termination. Regardless of a termination of this Agreement pursuant to the provisions of this Section, District 4 shall pay to District 3 the compensation contemplated hereby, from the sources herein referenced, together with any and all other sums owing by District 4 to District 3 in accordance herewith, through the date of such termination. The obligations of this Section shall survive the termination hereof.

(c) Cause. For purposes of this Agreement, the term "Cause" shall mean and be defined herein as follows:

i. The condemnation or destruction by casualty of all or substantially all of the District Facilities;

ii. The occurrence of a default hereunder (which occurs at a time when the party giving notice of termination is not in default), and the delivery of any applicable notice and the expiration of any opportunity to cure contemplated hereby; or

iii. The incurrence of costs and expenditures in excess of one hundred percent (100%) of the costs and expenses contemplated by the FOMB (as revised in accordance with terms of this Agreement), excluding any cost or expense overruns beyond the control of the District 3 (including, without limitation, interest rate differentials, costs and expenses arising from any changes to the Operational Plan or in the construction or development of the District Facilities required by any governmental agency, and costs and expenses arising from or related to any force majeure).

Section 7.4 Delivery of Records. In the event of the termination of this Agreement (including any termination of this Agreement pursuant to Section 7.3 above), District 3 shall deliver to District 4 within thirty (30) business days after the date of such termination, all books, documents, funds, contracts, invoices, surveys, plans, receipts for payment, and the like maintained in connection with the development, marketing, and management of the Project and shall render a final accounting to District 4 within thirty (30) business days after termination reflecting all invoices outstanding, all invoices paid, and any pending contracts of sale, in addition to such other materials or actions as District 4 may request in order to effectuate an orderly and systematic termination of the District 3 duties and activities hereunder.

Section 7.5 Limit on Effect of Termination. In no event shall a termination by either party have any effect on the irrevocable transfer, assignment and conveyance by District 4 to District 3 pursuant to Section 4.1 hereof.

ARTICLE 8 GENERAL PROVISIONS

Section 8.1 Attorney's Fees. Should either party be required to employ an attorney to enforce or defend the rights of such party hereunder, the prevailing party shall be entitled to recover its reasonable attorneys' fees and expenses actually incurred in connection therewith.

Section 8.2 Governing Law. This Agreement is being executed and delivered, and is intended to be performed in the State of Texas, and the laws of such state shall govern the rights and duties of the parties hereto and the validity, construction, enforcement, and interpretation hereof.

Section 8.3 Notices. Unless specifically otherwise provided, whenever this Agreement requires or permits any consent, approval, notice, request, or demand from one party to another such communication must be in writing to be effective and shall be deemed to have been given on the day actually delivered by USPS, return receipt requested; Federal Express; or other guaranteed overnight delivery service. Until changed by notice pursuant hereto, the address for each party for purposes hereof is as follows:

District 4:

Rolling V Ranch Water Control and Improvement District No. 4 of Wise County
2728 N. Harwood St., Ste. 500
Dallas, TX 75201
Attn: Ross S. Martin

District 3:

Rolling V Ranch Water Control and Improvement District No. 3 of Wise County
2728 N. Harwood St., Ste. 500
Dallas, TX 75201
Attn: Ross S. Martin

Section 8.4 Headings; Terminology. Wherever in this Agreement the singular number is used, the same shall include the plural where appropriate, and vice versa; and words of any gender in this Agreement shall include each other gender where appropriate. The words "herein," "hereof," and "hereunder," and other words of similar import refer to this Agreement as a whole and not to any particular part of subdivision hereof. The hearings, captions, and arrangements used in this Agreement are, unless specified otherwise, for convenience only and shall not be deemed to limit, amplify, or modify the terms hereof, nor affect the meaning thereof.

Section 8.5 No Assignment. No party hereto shall have the right to assign, transfer or convey any of its rights, title or interest hereunder to any entity without the prior written consent of the other party.

Section 8.6 Invalid Provisions. If any provision of this Agreement is held to be illegal, invalid, or unenforceable under the present or future laws effective during the term hereof, such provision shall be fully severable; this Agreement shall be construed and enforced as if such illegal, invalid, or enforceable provision or by its severance here from.

Section 8.7 Multiple Counterparts. This Agreement may be executed in a number of identical counterparts, each of which shall be deemed an original for all purposes and all of which constitute, collectively, one agreement; but, in making proof of this contract, it shall not be necessary to produce or account for more than one such counterpart.

Section 8.8 Entirety and Amendments. This Agreement embodies the entire agreement between the parties, supersedes all prior agreements and understandings, if any, relating to the subject matter hereof, and may be amended only by an instrument in writing executed jointly by District 4 and the District 3, and supplemented only by documents delivered or to be delivered in accordance with the express terms hereof

Section 8.9 Binding Effect. This Agreement shall be binding, and shall inure to the benefit of, District 4, District 3, and the respective successors and assigns of each; subject to the

restrictions on assignability set forth in Section 8.5 hereof.

Section 8.10 Business Day. For purposes here of the term "business day" or words of like import shall mean any day of the week other than Saturday, Sunday or legal holiday.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

EXECUTED to be effective as of the last date of signature below.

DISTRICT 4:

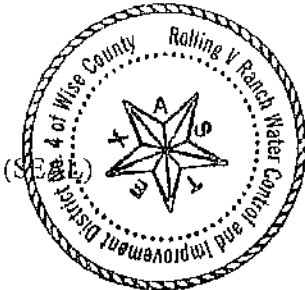
ROLLING V RANCH WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 4 OF WISE
COUNTY

By:

Alexander Ainley
Alexander Ainley, President, Board of Directors

ATTEST:

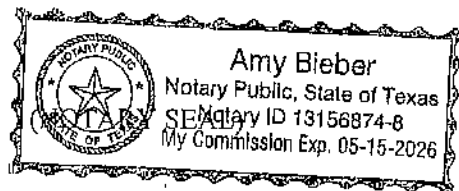
Ben Shipley
Ben Shipley, Secretary, Board of Directors



THE STATE OF TEXAS §

COUNTY OF DALLAS §

This instrument was acknowledged before me on January 9, 2024, by Alexander Ainley,
President of Rolling V Ranch Water Control and Improvement District No. 4 of Wise County,
a political subdivision of the State of Texas, on behalf of said District.



Amy Bieber
Notary Public in and for the State of Texas

DISTRICT 3:

ROLLING V RANCH WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 3 OF WISE
COUNTY

By: *Cory Kammandel*
Cory Kammandel, President, Board of Directors

ATTEST:

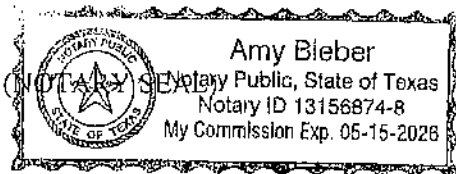
Alex Luzarraga
Alex Luzarraga, Secretary, Board of Directors



THE STATE OF TEXAS §

COUNTY OF DAWAS §

This instrument was acknowledged before me on December 5, 2023, by Cory Kammandel,
President of Rolling V Ranch Water Control and Improvement District No. 3 of Wise County,
a political subdivision of the State of Texas, on behalf of said District.



Amy Bieber
Notary Public in and for the State of Texas

EXHIBIT E
CAPITAL IMPROVEMENTS PLAN

Rhome - Rolling V Water System Capital Improvement Plan - 5 Year Projection

Year Completed	Project No.	Project Description	Allocated Rolling V Project Cost	Cumulative Allocated Rolling V Total Project Cost
2024	2 & 3	16" Water Line from Elevation Storage Tank & 3433 Booster Pump Station Distribution Piping	\$ 1,673,936	\$ 1,673,936
2025	R1	Groundwater Wells, GST, Pump Station & Treatment	\$ 6,000,000	\$ 7,673,936
2026	5	3433 Pump Station Improvements	\$ 389,868	\$ 8,063,804
2027	7	Rolling V West Phase 1	\$ 1,028,000	\$ 9,091,804
2028	9	Rolling V West Extension	\$ 380,000	\$ 9,471,804
2029	11	Rolling V Central Water System	\$ 3,687,230	\$ 13,159,034

EXHIBIT E-1

MAP SHOWING FACILITIES LISTED ON CAPITAL IMPROVEMENTS PLAN

EXHIBIT F
LENDER LETTER VANTAGE BANK

VANTAGE BANK

T E X A S

November 8, 2022

Public Utility Commission of Texas
Attn: Fred Bednarski III
1701 N. Congress Avenue
PO Box 13326
Austin, TX 78711-3326

VIA EMAIL
Fred.bednarski@puc.texas.gov

Re: That certain Application to Obtain or Amend a Water or Sewer Certificate of Convenience and Necessity (the "**CCN Application**") filed with the Public Utility Commission of Texas on September 23, 2022 as Docket No. 54147, being jointly made by Rolling V Ranch Water Control and Improvement District No. 3 of Wise County, a political subdivision of the State of Texas, operating as a water control and improvement district pursuant to Chapter 9021, Special District Local Laws Code, and Chapters 49 and 51 of the Texas Water Code ("**RVR WCID No. 3**") and The City of Rhome, Texas, a Texas municipality ("**Rhome**"; together with RVR WCID No. 3, collectively, "**Applicant**"), regarding that certain property located in the City of Rhome and its extraterritorial jurisdiction, Wise County, State of Texas and described in the Application (the "**Property**")

Dear Mr. Bednarski:

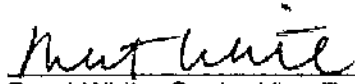
I am writing this letter on behalf of Vantage Bank Texas, a Texas state bank ("**Vantage Bank**"). Vantage Bank regularly conducts business with PMB Rolling V Land LP, a Texas limited partnership ("**Developer**") and its affiliates. Developer is the developer under to that certain Agreement for the Construction of Improvements and Reimbursement of Advances between Rolling V Ranch Water Control and Improvement District No. 3 of Wise County and PMB Rolling V Land LP dated January 21, 2021 and recorded on February 2, 2021 as Instrument No. 202101667 in the Official Public Records of Wise County, Texas (the "**District Agreement**").

In the opinion of Vantage Bank, Developer is in a satisfactory financial position to construct the Improvements (as defined in the District Agreement) as required in connection with the CCN Application. Pursuant to the loans described in that certain Deed of Trust, Security Agreement, Assignment of Rents and Leases and Financing Statement executed by Developer, as Grantor, for the benefit of Vantage Bank, as Beneficiary, dated January 27, 2021 and recorded on February 2, 2021 as Instrument No. 202101672 in the Official Public Records of Wise County, Texas (the "**DOT**"), together with the Loan Documents described in the DOT, Vantage Bank has loaned funds in the aggregate amount of \$44,900,000.00 (the "**Funds**") for the development of the Property by Developer and its affiliates (collectively, the "**Development**"), and Developer and its affiliates have the right to utilize a portion of the Funds for the construction of the Improvements.

Should you have any questions, please feel free to contact me at (817) 953-6717.

Best Regards,

VANTAGE BANK TEXAS

A handwritten signature in cursive script, appearing to read "Brent White", written over a horizontal line.

Brent White, Senior Vice President

EXHIBIT G
AUDITED FINANCIALS FOR RVR WCID NO. 3

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 3 OF WISE COUNTY**

WISE COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

APRIL 30, 2023

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 3 OF WISE COUNTY**

WISE COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

APRIL 30, 2023

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-7
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET	8
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION	9
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE	10
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES	11
NOTES TO THE FINANCIAL STATEMENTS	12-21
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND	23
SUPPLEMENTARY INFORMATION – REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)	
SERVICES AND RATES	25-27
GENERAL FUND EXPENDITURES	28
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND – TWO YEARS	29-30
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	31-32

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708

PO Box 29584
Austin, Texas 78755-5126
(512) 610-2209
E-Mail: mgsb@mgsbpllc.com
www.mgsbpllc.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Rolling V Ranch Water Control and Improvement
District No. 3 of Wise County
Wise County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of Rolling V Ranch Water Control and Improvement District No. 3 of Wise County (the "District") as of and for the year ended April 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District as of April 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Board of Directors
Rolling V Ranch Water Control and Improvement
District No. 3 of Wise County

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide an assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

October 3, 2023

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 3 OF WISE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2023**

Management's discussion and analysis of Rolling V Ranch Water Control and Improvement District No. 3 of Wise County's (the "District") financial performance provides an overview of the District's financial activities for the year ended April 30, 2023. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Fund Balance Sheet and (2) the Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all the District's assets, liabilities and, if applicable, deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the current year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has one governmental fund type. The General Fund accounts for service revenues, developer advances, operating costs and general expenditures.

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 3 OF WISE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2023**

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI") and other supplementary information. The budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by \$163,343 as of April 30, 2023. The following table provides a comparative analysis of government-wide changes in net position:

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 3 OF WISE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2023**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2023	2022	Change Positive (Negative)
Current and Other Assets	\$ 202,780	\$ 50,872	\$ 151,908
Right-of-Use Asset (Net of Accumulated Amortization)	1,085,107		1,085,107
Intangible Assets (Net of Accumulated Amortization)	968,646	990,868	(22,222)
Total Assets	<u>\$ 2,256,533</u>	<u>\$ 1,041,740</u>	<u>\$ 1,214,793</u>
Due to Developer	\$ 1,197,093	\$ 1,085,391	\$ (111,702)
Lease Payable	1,075,878	-	(1,075,878)
Other Liabilities	146,905	3,413	(143,492)
Total Liabilities	<u>\$ 2,419,876</u>	<u>\$ 1,088,804</u>	<u>\$ (1,331,072)</u>
Net Position:			
Net Investment in Capital Assets	\$ (22,126)	\$ (9,132)	\$ (12,994)
Unrestricted	<u>(141,217)</u>	<u>(37,932)</u>	<u>(103,285)</u>
Total Net Position	<u>\$ (163,343)</u>	<u>\$ (47,064)</u>	<u>\$ (116,279)</u>

The following table provides a summary of the District's operations for the years ended April 30, 2023, and April 30, 2022.

	Summary of Changes in the Statement of Activities		
	2023	2022	Change Positive (Negative)
Total Revenues	\$ 327,862	\$ 7	\$ 327,855
Expenses for Services	444,141	40,165	(403,976)
Change in Net Position	\$ (116,279)	\$ (40,158)	\$ (76,121)
Net Position, Beginning	<u>(47,064)</u>	<u>(6,906)</u>	<u>(40,158)</u>
Net Position, Ending	<u>\$ (163,343)</u>	<u>\$ (47,064)</u>	<u>\$ (116,279)</u>

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 3 OF WISE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2023**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND

The District's General Fund fund balance as of April 30, 2023, was a balance of \$55,875, an increase of \$8,416 from the previous fiscal year, primarily due to service revenues and developer advances exceeding operating and lease costs.

INTANGIBLE ASSETS

As of April 30, 2023, the District has recorded \$968,646 of water system costs, net of accumulated amortization, which reflect payments made by the District's Developer to the City of Rhome, Texas for water capacity for Rolling V Ranch Water Control and Improvement Districts Nos. 1 and 2.

The District has also entered into a lease agreement for a wastewater treatment plant which is recorded as a right-of-use asset in the government-wide financial statements. See Note 11 for further information.

LONG-TERM DEBT

As of April 30, 2023, the District recorded an amount due to Developer of \$1,197,093 which consists of payments for operating advances and water capacity payments to the City of Rhome, Texas made by the Developer since creation of the District. Additionally, the District has recorded a lease liability of \$1,075,878 for the wastewater treatment plant. See Note 11.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget for the current fiscal year. Actual revenues were \$132,244 higher than budgeted, actual expenditures were \$1,275,045 higher than budgeted and other financing sources were \$1,151,217 higher than budgeted. This resulted in a positive budget variance of \$8,416. See the budget to actual comparison for further information.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Rolling V Ranch Water Control and Improvement District No. 3 of Wise County, c/o Winstead PC, 2728 N. Harwood Street, Suite 500, Dallas, Texas 75201.

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 3 OF WISE COUNTY
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
APRIL 30, 2023**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash	\$ 3,340	\$	\$ 3,340
Receivables:			
Other	376		376
Prepaid Costs	45,500		45,500
Due from Other Governmental Units	153,564		153,564
Right-of-Use-Asset (Net of Accumulated Amortization)		1,085,107	1,085,107
Intangible Assets - Capacity Interest (Net of Accumulated Amortization)		968,646	968,646
TOTAL ASSETS	<u>\$ 202,780</u>	<u>\$ 2,053,753</u>	<u>\$ 2,256,533</u>
LIABILITIES			
Accounts Payable	\$ 146,905	\$	\$ 146,905
Due to Developer		1,197,093	1,197,093
Long-Term Liabilities:			
Lease Payable, Due Within One Year		193,938	193,938
Lease Payable, Due After One Year		881,940	881,940
TOTAL LIABILITIES	<u>\$ 146,905</u>	<u>\$ 2,272,971</u>	<u>\$ 2,419,876</u>
FUND BALANCE			
Nonspendable:			
Prepaid Costs	\$ 45,500	\$ (45,500)	\$
Unassigned	10,375	(10,375)	
TOTAL FUND BALANCE	<u>\$ 55,875</u>	<u>\$ (55,875)</u>	<u>\$ -0-</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 202,780</u>		
NET POSITION			
Net Investment in Capital Assets		\$ (22,126)	\$ (22,126)
Unrestricted		(141,217)	(141,217)
TOTAL NET POSITION		<u>\$ (163,343)</u>	<u>\$ (163,343)</u>

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

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 3 OF WISE COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
APRIL 30, 2023**

Total Fund Balance - Governmental Fund	\$ 55,875
--	-----------

Amounts reported for governmental activities in the Statement of Net Position are different because:

Intangible assets and leased assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	2,053,753
---	-----------

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year-end consist of:

Due to Developer	\$ (1,197,093)	
Lease Payable	<u>(1,075,878)</u>	<u>(2,272,971)</u>
Total Net Position - Governmental Activities		<u>\$ (163,343)</u>

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

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 3 OF WISE COUNTY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED APRIL 30, 2023**

	General Fund	Adjustments	Statement of Activities
REVENUES			
Wastewater Service	\$ 153,564	\$	\$ 153,564
Permit Revenue	174,250		174,250
Investment Revenues	48		48
TOTAL REVENUES	<u>\$ 327,862</u>	<u>\$ - 0 -</u>	<u>\$ 327,862</u>
EXPENDITURES/EXPENSES			
Service Operations:			
Professional Fees	\$ 46,099	\$	\$ 46,099
Contracted Services	38,722		38,722
Utilities	3,492		3,492
Repairs and Maintenance	96,622		96,622
Amortization		59,109	59,109
Other	177,963		177,963
Capital Outlay	1,121,994	(1,121,994)	
Debt Service:			
Lease Principal	46,116	(46,116)	
Lease Interest	22,134		22,134
TOTAL EXPENDITURES/EXPENSES	<u>\$ 1,553,142</u>	<u>\$ (1,109,001)</u>	<u>\$ 444,141</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (1,225,280)</u>	<u>\$ 1,109,001</u>	<u>\$ (116,279)</u>
OTHER FINANCING SOURCES (USES)			
Lease Proceeds	\$ 1,121,994	\$ (1,121,994)	\$
Developer Advances	111,702	(111,702)	
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 1,233,696</u>	<u>\$ (1,233,696)</u>	<u>\$ -0-</u>
NET CHANGE IN FUND BALANCE	\$ 8,416	\$ (8,416)	\$
CHANGE IN NET POSITION		(116,279)	(116,279)
FUND BALANCE/NET POSITION - MAY 1, 2022	<u>47,459</u>	<u>(94,523)</u>	<u>(47,064)</u>
FUND BALANCE/NET POSITION - APRIL 30, 2023	<u>\$ 55,875</u>	<u>\$ (219,218)</u>	<u>\$ (163,343)</u>

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

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 3 OF WISE COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2023**

Net Change in Fund Balance - Governmental Fund	\$	8,416
--	----	-------

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds do not account for amortization. However, in the Statement of Net Position, intangible assets and leased assets are amortized, and the amortization expense is recorded in the Statement of Activities.		(59,109)
--	--	----------

Governmental funds report the repayment of leases as expenditures. However, in the Statement of Net Position, lease principal payments are reported as decreases in long-term liabilities.		46,116
--	--	--------

Governmental funds report developer advances as other financing sources. However, in the Statement of Net Position, developer advances, net any amount paid to the developer, are recorded as a liability.		(111,702)
--	--	-----------

Change in Net Position - Governmental Activities	\$	<u>(116,279)</u>
--	----	------------------

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

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 3 OF WISE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2023**

NOTE 1. CREATION OF DISTRICT

Rolling V Ranch Water Control and Improvement District No. 1 of Wise County ("District No.1") was created pursuant to House Bill No. 3991, 80th Regular Session of the Texas Legislature, Regular Session, codified as Chapter 9021, Texas Special District Local Laws Code, effective September 1, 2007, as a water control and improvement district operating pursuant to Article III, Section 52 and Article XVI, Section 59, of the Texas Constitution and Chapters 49 and 51 of the Texas Water Code, as amended. On February 12, 2020, the Board of Directors of District No. 1 elected to divide the district into three districts and created Rolling V Ranch Water Control and Improvement District No. 2 of Wise County ("District No. 2") and Rolling V Ranch Water Control and Improvement District No. 3 of Wise County (the "District"). On January 11, 2022, the District elected to divide into two new districts and created Rolling V Ranch Water Control and Improvement District No. 4 of Wise County ("District No. 4"). The District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, wastewater service, storm sewer drainage, irrigation, and construct roads for the residents of the District. The Board of Directors held its first meeting on January 21, 2021.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Texas Commission on Environmental Quality.

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District's financial statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting ("GASB Codification").

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 3 OF WISE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2023**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it's the District's policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated to obtain net total revenues and expenses of the government-wide Statement of Activities.

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 3 OF WISE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2023**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance.

Governmental Fund

The District has one governmental fund and considers it to be a major fund.

General Fund - To account for service revenues, developer advances, operating costs and general expenditures.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Capital, Intangible and Right-of-Use Assets

Capital assets include utility and roads infrastructure which are reported in the government-wide Statement of Net Position at historical cost or estimated historical cost if actual historical cost is not available. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset. Assets are capitalized if they have an original cost greater than \$5,000 and a useful life over 2 years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation over 40 to 45 years.

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 3 OF WISE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2023**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital, Intangible and Right-of-Use Assets (Continued)

Intangible assets are reported in the government-wide Statement of Net Position and consist of the capacity interest in the water supply to be received from the City of Rhome, Texas, see Note 9 for additional information. Amortization is calculated using the straight-line method over 45 years.

In accordance with GASB Statement No. 87, the District has recorded its leased wastewater treatment plant as a right-of-use asset (see Note 11). The right-of-use asset is being amortized over 5 years using the straight-line of amortization.

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual -- General Fund presents the original budget amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

A pension plan has not been established. The District does not have employees, except that the Internal Revenue Service has determined that directors are considered "employees" for federal payroll tax purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 3 OF WISE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2023**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally. The District does not have any restricted fund balances.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 3 OF WISE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2023**

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$3,340 and the bank balance was \$16,332. The District was not exposed to custodial credit risk.

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

As of April 30, 2023, the District did not have any investments.

NOTE 4. MAINTENANCE TAX

The District has not authorized a maintenance tax levy.

All property values and exempt status, if any, are determined by the appraisal district. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 3 OF WISE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2023**

NOTE 5. INTANGIBLE ASSETS

Intangible asset activity for the year ended April 30, 2023:

	May 1, 2022	Increases	Decreases	April 30, 2023
Intangible Assets Subject to Amortization				
Capacity Interest	\$ 1,000,000	\$ -0-	\$ -0-	\$ 1,000,000
Accumulated Amortization				
Capacity Interest	\$ 9,132	\$ 22,222	\$ -0-	\$ 31,354
Total Intangible Assets, Net of Accumulated Amortization	<u>\$ 990,868</u>	<u>\$ (22,222)</u>	<u>\$ -0-</u>	<u>\$ 968,646</u>

NOTE 6. UNREIMBURSED COSTS

The District has entered into financing agreements with a Developer which calls for the Developer to fund operating advances as well as costs associated with the construction of roads, water, wastewater, and drainage infrastructure. The District has an obligation to reimburse the Developer for these costs from future bond issues or other lawfully available funds. The following table summarizes the current activity related to unreimbursed costs:

Due to Developers, May 1, 2022	\$ 1,085,391
Add: Current Year Additions	<u>111,702</u>
Due to Developers, April 30, 2023	<u>\$ 1,197,093</u>

NOTE 7. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the District carries commercial insurance. There have been no significant changes in coverage from the prior year and settlements have not exceeded coverage in the past two years.

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 3 OF WISE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2023**

NOTE 8. BOND AUTHORIZATION

The District has not authorized the issuance of bonds.

NOTE 9. WHOLESALE WATER SUPPLY AGREEMENT AND COST SHARING AGREEMENT

District No. 1 and District No. 2 entered into a Wholesale Water Supply Agreement with the City of Rhomc, Texas (the "City") effective December 10, 2021, setting forth the terms whereby the City will provide wholesale water to serve development within each district. The City agrees to provide and the districts agree to purchase 409 gallons per minute of water capacity, sufficient to serve a maximum of 683 Living Unit Equivalents ("LUEs") of water capacity with the districts requiring service no later than August 1, 2022. After the effective date, the districts may elect to add LUEs to the contract quantity if the City acquires or contracts for additional water capacity from Walnut Creek Special Utility District ("Walnut Creek SUD") in an amount not to exceed 50 percent of the additional water capacity available to the City from Walnut Creek SUD. Any additional water will be added to the 683 LUEs of contract quantity and increase the contract quantity by the amount of such additional water.

On the effective date of this agreement, the City required the districts to pay a capacity reservation fee of \$1,000,000 in consideration for and to secure the 683 LUEs and any additional water provided to the City from Walnut Creek SUD. As such, District No. 1 and District No. 2 entered into a Cost Sharing Agreement on December 7, 2021, setting forth the proportions each district was required to make in capacity payments. District No. 1 made a payment to the City of \$571,000 and District No. 2 made a payment to the City of \$429,000 for their respective pro rata shares of capacity.

On August 15, 2022, District No. 1 and on August 2, 2022, District No. 2 approved an assignment of the Water Supply Agreement to the District which is going to eventually serve as the Master District of the whole development. A Master District Agreement is currently being drafted. This Agreement will also set forth the terms of how wastewater treatment services provided by the District are to be billed to District No. 1 and District No. 2. During the current fiscal year, wastewater services costs incurred by these districts were allocated and billed based on their respective connection counts. District No. 1 was billed \$66,994 and District No. 2 was billed \$86,570.

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 3 OF WISE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2023**

**NOTE 10. INTERLOCAL COOPERATION AGREEMENT FOR LAW
ENFORCEMENT, FIRE PROTECTION AND EMERGENCY MEDICAL
SERVICES**

Effective July 1, 2022, District No. 1 entered into Interlocal Cooperation Agreement for Law Enforcement and Fire Protection and Emergency Medical Services with the City. The Agreement covers the entire development and has been approved by the District. In exchange for providing one licensed and certified peace officer, the District has agreed to reimburse the City for the one-time capital cost for the purchase of one patrol vehicle not to exceed \$85,000 and pay for the reasonable and necessary costs of police services in an amount not to exceed an annual fee of \$77,000, plus \$15,000 for indirect costs and \$3,557 for workers compensation insurance costs.

In exchange for providing fire protection and emergency medical services, District No. 1 has agreed to pay the reasonable and necessary costs for such services in an amount not to exceed an annual fee of \$80,000, plus \$1,089 for workers compensation insurance costs. Additionally, District No. 1 agreed to provide a one-time capital contribution of \$100,000 to the City within 30 days of the execution of this Agreement.

The initial term of the Agreement began on July 1, 2022 and will continue in force through September 30, 2023, unless otherwise terminated in accordance with the terms of the Agreement. The Agreement will automatically renew annually unless District No. 1 or the City notifies the other party in writing not less than 90 days prior to the expiration of the applicable term of its desire to terminate.

NOTE 11. WASTEWATER TREATMENT PLANT LEASE

On May 25, 2021, the District entered into a lease agreement with AUC Group for a 150,000 GPD wastewater treatment plant. The initial term of this lease is 60 months. Monthly payments in the amount of \$22,750 are due for the 60-month term of the lease. Payments are due the first day of each month. The District has the option to purchase the wastewater treatment plant commencing on the 60th month per the agreement but does not currently plan to purchase the plant. First and last month lease payments totaling \$45,500 were paid in the prior year. The plant was placed into service during the current fiscal year and the first month of prepaid lease costs were expensed.

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 3 OF WISE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2023**

NOTE 11. WASTEWATER TREATMENT PLANT LEASE (Continued)

Right-of-use assets, current year amortization expense and accumulated amortization is summarized below:

	<u>May 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>April 30, 2023</u>
Right-of-use Asset Subject to Amortization				
Wastewater Treatment Plant	\$ -0-	\$ 1,121,994	\$ -0-	\$ 1,121,994
Less Accumulated Amortization				
Wastewater Treatment Plant	\$ -0-	\$ 36,887	\$ -0-	\$ 36,887
Right-of-use Asset Net of Accumulated Amortization	<u>\$ -0-</u>	<u>\$ 1,085,107</u>	<u>\$ -0-</u>	<u>\$ 1,085,107</u>

The 60-month lease accrues interest at 8% annually with monthly payments of \$22,750. The District recorded three lease payments during the current fiscal year (beginning with the February 2023 payment) which totaled \$68,250 of which \$46,116 applied to principal and \$22,134 applied to interest. The changes in lease liability during the current fiscal year are summarized as follows:

Lease Payable, May 1, 2022	\$ -0-
Add: Lease Proceeds	1,121,994
Less: Lease Principal Paid	<u>(46,116)</u>
Lease Payable, April 30, 2023	<u>\$ 1,075,878</u>

Future lease payments are summarized below:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 193,938	\$ 79,062	\$ 273,000
2025	210,035	62,965	273,000
2026	227,468	45,532	273,000
2027	246,348	26,652	273,000
2028	198,089	6,662	204,751
	<u>\$ 1,075,878</u>	<u>\$ 220,873</u>	<u>\$ 1,296,751</u>

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 3 OF WISE COUNTY
REQUIRED SUPPLEMENTARY INFORMATION**

APRIL 30, 2023

**ROLLING V RANCH WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 3 OF WISE COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2023**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Wastewater Service	\$	\$ 153,564	\$ 153,564
Permit Revenue	195,600	174,250	(21,350)
Investment Revenues	<u>18</u>	<u>48</u>	<u>30</u>
TOTAL REVENUES	<u>\$ 195,618</u>	<u>\$ 327,862</u>	<u>\$ 132,244</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 30,225	\$ 46,099	\$ (15,874)
Contracted Services	17,006	38,722	(21,716)
Utilities		3,492	(3,492)
Repairs and Maintenance	14,626	96,622	(81,996)
Other	216,240	177,963	38,277
Lease Principal and Interest		68,250	(68,250)
Capital Outlay		<u>1,121,994</u>	<u>(1,121,994)</u>
TOTAL EXPENDITURES	<u>\$ 278,097</u>	<u>\$ 1,553,142</u>	<u>\$ (1,275,045)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (82,479)</u>	<u>\$ (1,225,280)</u>	<u>\$ (1,142,801)</u>
OTHER FINANCING SOURCES(USES)			
Lease Proceeds	\$	\$ 1,121,994	1,121,994
Developer Advances	<u>82,479</u>	<u>111,702</u>	<u>29,223</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 82,479</u>	<u>\$ 1,233,696</u>	<u>\$ 1,151,217</u>
NET CHANGE IN FUND BALANCE	\$ -0-	\$ 8,416	\$ 8,416
FUND BALANCE - MAY 1, 2022	<u>47,459</u>	<u>47,459</u>	<u></u>
FUND BALANCE - APRIL 30, 2023	<u>\$ 47,459</u>	<u>\$ 55,875</u>	<u>\$ 8,416</u>

THIS PAGE INTENTIONALLY LEFT BLANK