

TO: Board Members

THROUGH: Jeff Walker, Executive Administrator
Les Trobman, General Counsel

FROM: Annette Lown Mass, Assistant General Counsel
Nancy Richards, Team Manager, East Texas Region

DATE: September 22, 2016

SUBJECT: Partial Release of Lien for Lake Livingston Water Supply and Sewer Service Corporation

ACTION REQUESTED

Consider approving by Resolution the request by Lake Livingston Water Supply and Sewer Service Corporation (Corporation) for a partial release of lien on property owned by the Corporation.

BACKGROUND

The Texas Water Development Board (TWDB) currently holds the following debt of the Corporation:

Loan ID	Original Principal	Principal Remaining Balance	Call Date	Program	Type of Proceeds
L070049	\$ 17,500,000	\$ 15,725,000	12/01/2017	DWSRF	Taxable
L1000099	\$ 3,130,000	\$ 3,080,000	12/01/2023	DWSRF	Taxable

As part of the pledged security for the loans, the TWDB holds a Deed of Trust and Security Agreement that creates a security interest in the real property of the Corporation as well as the personal property of the Corporation necessary to operate the system. The Corporation provided to the TWDB a Deed of Trust in 2007 as security for \$17,500,000 in financial assistance and a Deed of Trust in 2013 as security for financial assistance in the amount of \$3,130,000.

Section 28(a)(2) of each of the Corporation's bond resolutions for its financial assistance from the TWDB, require consent from the TWDB prior to the Corporation's encumbrance or impairment to title.

By letter dated July 13, 2016 (Attachment B), the Corporation requested that the Board release its lien on six lots of land in Tyler County. The lots are identified in the 2007 and 2013 Deeds of Trust provided by the Corporation to the TWDB.

KEY ISSUES

The Corporation is a conglomeration of many water systems spread over seven counties, serving rural subdivisions. The Corporation obtained fourteen customers in the Wayward Winds Oasis Subdivision in Tyler County as part of the Corporation's purchase of the Oakridge Water Company.¹

As explained in the Corporation's letter, the Corporation has made an agreement with Tyler County Water Supply Corporation that requires Tyler Water Supply Corporation to serve the customers that are on the subject lots of land. Further, the Corporation determined that the cost of providing service to the customers in the subdivision far exceeded the revenue derived from that service. The Corporation also stated in its letter that the lots are surplus to the Corporation's needs and are not needed to continue water service.

The remaining security pledged by the Corporation is sufficient to ensure that the TWDB will continue to be a secured creditor with respect to the remaining obligations of the Corporation. The release of the lots of land will neither compromise the security offered by the Corporation under the Deed of Trust and Security Agreement nor impair the Corporation's ability to meet its debt obligations.

The attached Resolution provides the Board's approval of the partial release of lien and authorizes the Executive Administrator to take actions necessary to give effect to this Resolution. The Resolution also requires that (1) the Corporation will pay any and all costs of documentation and filing of the Partial Release of Deed of Trust Lien; and (2) the Corporation must provide to the TWDB a file stamped copy of the Partial Release of Deed of Trust Lien.

RECOMMENDATION

The Executive Administrator recommends that the Board approve a Resolution granting the Corporation's request for partial release of its lien conditioned on the following:

1. The Corporation is responsible for paying all costs of documentation and filing of the Partial Release of Deed of Trust Lien; and

¹ The July 13, 2016 letter from Skelton, Slusher, Barnhill, Watkins, Wells (Attachment B) indicates that there were 14 customers in the Wayward Winds Oasis Subdivision, however, subsequent communication from the law firm confirms that there are actually 19 customers in the Subdivision and that the property has already been conveyed from Lake Livingston Water Supply and Sewer Service Corporation to Tyler County Water Supply Corporation.

2. The Corporation will continue to abide by all conditions and meet all obligations in accordance with the TWDB Resolutions and Bond Ordinances.

Attachments:

- A. Draft Board Resolution
- B. Letter requesting Partial Release of Lien
- C. Partial Release of Deed of Trust Lien

A RESOLUTION OF
THE TEXAS WATER DEVELOPMENT BOARD
APPROVING A REQUEST OF
LAKE LIVINGSTON WATER SUPPLY AND SEWER SERVICE CORPORATION
FOR PARTIAL RELEASE OF LIEN

(16-)

WHEREAS, the Texas Water Development Board (the "TWDB"), made a loan to the Lake Livingston Water Supply and Sewer Service Corporation (the "Corporation") through the purchase of the Corporation's \$17,500,000 Taxable Water Revenue Bonds, Series 2007 and \$3,130,000 Taxable Water Revenue Bonds, Series 2013 (the "Obligations"); and

WHEREAS, the Corporation's Obligations are secured by two Deeds of Trust and Security Agreements (the "Deeds of Trust") dated July 26, 2007 and March 15, 2013, on the Corporation's water system assets; and

WHEREAS, the Corporation has sold surplus property located in Tyler County;

WHEREAS, Section 28(a)(2) of the Corporation's bond resolutions for its \$17,500,000 Taxable Water Revenue Bonds, Series 2007, and \$3,130,000 Taxable Water Revenue Bonds, Series 2013 require TWDB consent for the encumbrance or impairment to title; and

WHEREAS, the TWDB further finds that it is in the public interest for the TWDB to grant this partial release of lien in order to permit the Corporation to release the subject tracts of land from its 2007 and 2013 Deeds of Trust.

NOW THEREFORE, based on said considerations and findings, the Texas Water Development Board resolves as follows:

1. The TWDB approves a release from its lien on the following property:

Lots 136, 137, 138, 139, 140 and 141, Section No. 1 of Wayward Winds Oasis Subdivision, in Tyler County;
2. The Corporation will pay any and all costs of documentation and filing of the release of lien;
3. The Corporation must provide to the TWDB all relevant documents regarding the conveyance of the Properties; and
4. The TWDB authorizes the Executive Administrator to take all actions necessary to give effect to this Resolution.

APPROVED and ordered of record this the 5th day of October, 2016.

TEXAS WATER DEVELOPMENT BOARD

Bech K. Bruun, Chairman

DATE SIGNED: _____

ATTEST:

Jeff Walker
Executive Administrator

Skelton | Slusher
Barnhill | Watkins | Wells
PLLC
Attorneys at Law

July 13, 2016

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Ms. Annette Mass
Assistant General Counsel
Texas Water Development Board
P.O. Box 13231
Austin, Texas 78711-3231

In re: Lake Livingston Water Supply and Sewer Service
Corporation/Wayward Winds Oasis Subdivision

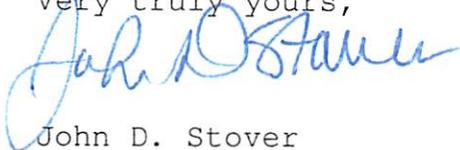
Dear Ms. Mass:

When Lake Livingston Water Supply and Sewer Service Corporation ("Corporation") obtained the water systems from Oakridge Water Company, it included service to a small subdivision in Tyler County, Texas, named Wayward Winds Oasis Subdivision. As you can see from the attached map, the subdivision is located more than 50 miles from the Corporation's office in Livingston and there are only 14 customers. The Board of Directors of the Corporation determined that the cost of providing service to the Wayward Winds Subdivision far exceeded the revenue derived. The Corporation worked out an agreement with Tyler County Water Supply Corporation ("Tyler County") in which Tyler County took over the water service and it is now providing service to those customers from water lines already in place.

Attached is a Partial Release of Lien whereby the Texas Water Development Board releases its lien on lots in Wayward Winds subdivision. The lots are surplus to the Corporation's needs and are not needed to continue water service. I have also enclosed copies of the records from the Tyler County Central Appraisal District showing the value of them.

Please let me know if you have any questions.

Very truly yours,

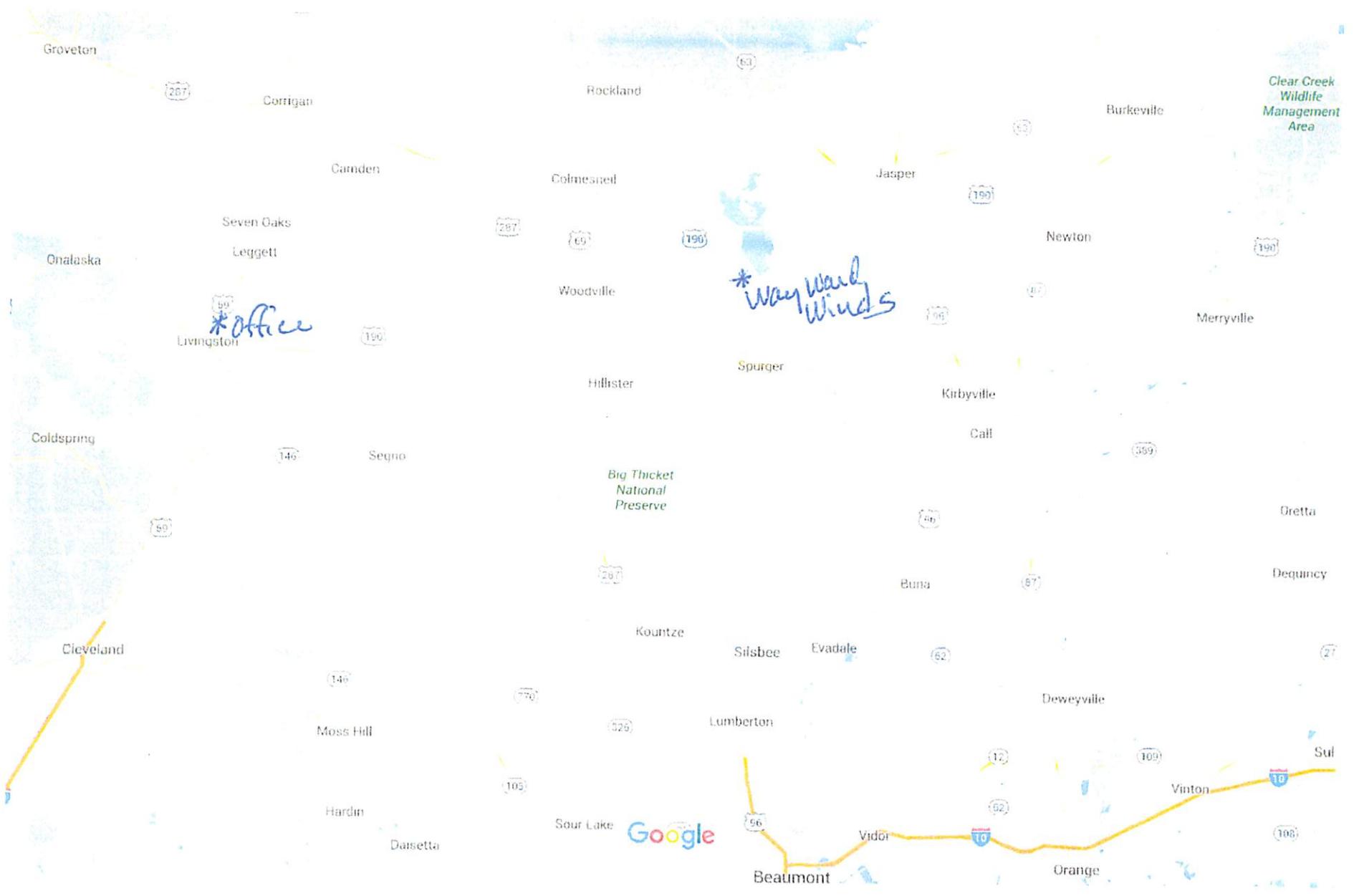


John D. Stover

JDS/rc

ND 4852-7256-9236, v. 1

Google Maps





Tyler County Appraisal District

Account Details for R051486

Ownership

Owner Name: Tyler County Water Supply Corp
 Owner Address: P O Box 138, Spurger, TX 776600000

Property Location:

Ownership Interest: 1.000000

Description: WAYWARD WINDS (A29)
 LOT 136,137,138,139,140,141

Deed Date: 2015-08-27

Deed Type:

Page #: 432

Volume #: 1132

Instrument #:

Exemptions Total Exemption

Tax Entities Tyler County
 Woodville ISD
 Hospital
 County Special
 Emergency Services Dist #5

Improvement State Code:

Land State Code: XR - NONPROFIT WATER [11.30]

**Productivity
State Code:**

Last Update: Jun 26 2016 7:22PM

Value

Improvement Value \$0

Land Market Value: \$6,000

AG Market Value: \$0

AG Value: \$0

Total Market Value: \$6,000

Appraised Value: \$6,000

Land Acres .0000

Impr Area Size 0

Year Built 0

Land Detail

Description	Acres	Land Type	Market Value
1	.0000	LT	\$6,000

Improvement Detail

Description	Area Size	Year Built	Value
	0	0	\$0

Appraisal History +

* This information is intended for reference only and is subject to change. It may not accurately reflect the complete status of the account as actually carried in Tyler County Appraisal District's database and may not be used as a basis of protest or appeal.

**Values are not certified.

WHEREAS, at the request of Lake Livingston Water Supply and Sewer Service Corporation, Texas Water Development Board ("TWDB") has agreed to release the lien evidenced by said Real Estate Deed of Trust and Security Agreement insofar as it covers and is against the property hereinafter described, without prejudice to the lien(s) of TWDB upon and against the remainder of the properties described in the above-referenced Real Estate Deed of Trust and Security Agreement and any amendments thereto.

NOW, THEREFORE, in return for good and valuable consideration from Lake Livingston Water Supply and Sewer Service Corporation, the receipt and sufficiency of which is hereby acknowledged, TWDB HAS RELEASED and by these presents DOES RELEASE each and all of the liens owned, held and possessed by said TWDB by virtue of the above-described Real Estate Deed of Trust and Security Agreement and any amendments thereto, only insofar as they cover and are against the following described property located in Tyler County, Texas:

Lots 136, 137, 138, 139, 140 and 141, Section No. 1 of Wayward Winds Oasis Subdivision, in Tyler County Texas, according to the map or plat thereof filed in Plat File No. 98 of the Plat Records in the Office of the County Clerk of Tyler County, Texas.

It is distinctly understood and stipulated, however, that this is a partial release and is limited to those tracts of land described above. Nothing herein shall in any manner affect or impair the liens of TWDB upon and against the remainder of the properties described in and covered by the above-described Real Estate Deed of Trust and Security Agreement and any amendments thereto, which liens shall be and remain in full force and effect as they now are as to such remaining property.

EXECUTED this _____ day of _____, 2016.

TEXAS WATER DEVELOPMENT BOARD

By: _____
Name: _____
Title: _____

STATE OF TEXAS §
 §
COUNTY OF _____ §

Before me, the undersigned authority, on this day personally appeared _____, _____ of Texas Water Development Board, known to me to be the person and officer whose name is subscribed to the foregoing instrument, and acknowledged to me that he/she executed the same for the purposes and consideration therein expressed, and in the capacity stated therein.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this _____ day of _____, 2016.

Notary Public in and for
the State of Texas