Application The Expanded Carrizo for Schertz-Seguin Local Government Corporation (SSLGC)

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Legal Authority

The legal authority under which the applicant was created and operates: OTHER
Legal Authority Other Desc: Local Government Corporation
ARTICLES OF INCORPORATION

OF THE

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION

We, the undersigned natural persons, each of whom is eighteen (18) years of age or older, a resident of the City of Schertz, Texas ("Schertz") or the City of Seguin, Texas ("Seguin"), and a citizen of the State of Texas (the "State"), acting as incorporators of a nonprofit corporation (the "Corporation") created in accordance with the provisions of the Texas Transportation Corporation Act (the "Act"), Tex. Transp. Code Ann. § 431.001 et seq. and Tex. Loc. Gov't Code § 394.001 et seq. (the "Local Government Code"), hereby adopt the following articles of incorporation for such Corporation:

ARTICLE I

The name of the Corporation is the Schertz/Seguin Local Government Corporation.

ARTICLE II

The Corporation is a public, nonprofit corporation.

ARTICLE III

Subject to the provisions of Article XV hereof, the period of its duration is perpetual.

ARTICLE IV

The purposes for which the Corporation is organized are as follows:

1. to aid, assist, and act on behalf of Schertz and Seguin (collectively, the "Cities") in acquiring, constructing, leasing, improving, enlarging, extending, repairing, maintaining, and operating a water utility system (the "Project") pursuant to the provisions of Tex. Loc. Gov't Code § 402.001 et seq. ("Chapter 402") and other applicable laws of the State;

2. to aid, assist, and act on behalf of Schertz and Seguin in accomplishing a governmental purpose of Schertz and Seguin in the provision of water for public use;

3. to engage in activities permitted under the laws of the State, including, but not limited to, Chapter 402 and to own and operate all property, real, personal, or mixed, and conduct such activities as are now or hereafter permitted under the laws of the State, including, but not limited to, Chapter 402 and as are
convenient or necessary to the ownership, maintenance, and operation of the Project;

4. to receive, hold, administer, and disburse any money, securities, or other property which may be transferred to Corporation by gift, devise, bequest, or otherwise, for any of the uses or purposes set forth above, and to invest, lend, conserve, use, and disburse such money, securities, or other property, and the income derived therefrom, for the uses and purposes herein specified, in accordance with the judgment and discretion of the board of directors;

5. to purchase, exchange, contract for, lease, rent, and in any and all other ways acquire, take, own, improve, and hold, and to sell, convey, mortgage, lease, rent to others, or otherwise dispose of real estate, improvements in real estate, interests in real estate, and personal property of every kind, character, and description;

6. to borrow money or raise money and to issue notes, bills, bonds, and other obligations and to mortgage, pledge, hypothecate, or otherwise encumber any and all of the revenues and assets of the Corporation as security therefor for the purpose of carrying out the goals of the Corporation; and

7. to do any and all things necessary or convenient to the accomplishment of any of the purposes or for the exercise of any of the powers herein set forth, whether herein specified or not, either alone or in connection with other firms, individuals, or corporations, whether in the State or throughout the United States, and elsewhere.

The Corporation shall have the purposes and powers permitted by the Act, but the Corporation does not have, and shall not exercise the powers of sovereignty of the Cities, including the power to tax, eminent domain, and police power. However, for the purposes of the Texas Tort Claims Act (Subchapter A, Chapter 101, Texas Civil Practice and Remedies Code), the Corporation is a governmental unit and its actions are governmental functions.

The Corporation is formed as a local government corporation pursuant to the provisions of Subchapter D of the Act.

ARTICLE V

(a) Before the consummation of the sale and delivery of any bonds or notes, the Corporation shall obtain approval by the governing bodies of the Cities as evidenced by the adoption of a written resolution.

(b) In the exercise of the powers of the Corporation, the Corporation may enter into loan, lease, trust, or other agreements as authorized by the Act that are necessary and appropriate to the fulfillment of the public purpose of the Corporation, all of which agreements, and the specific uses, and the method of withdrawals and expenditure of the proceeds of the bonds or notes, and must be
included as a part of the approval process of the governing bodies of the Cities required by paragraph (a) above.

ARTICLE VI

The Corporation shall have no members and is a nonstock corporation.

ARTICLE VII

The City Council of Schertz and the City Council of Seguin (collectively, the "City Councils") have, by resolutions adopted on the 1st day of December, 1998, authorized the creation of the Corporation and approved the Corporation's articles of incorporation and bylaws as a local government corporation pursuant to Subchapter D of the Act.

The Corporation shall have and exercise all of the rights, powers, privileges, authority, and functions given under the Act, the Local Government Code, Chapter 402, and under the general laws of the State to nonprofit corporations incorporated under the Texas Non-Profit Corporation Act; which are consistent with the provisions of the Act with respect to the development and operation of the Project together with all powers incidental thereto or necessary therefor.

The Corporation shall have all other powers of a like or different nature not prohibited by law which are available to nonprofit corporations in Texas and which are necessary or useful for the development and operation of the Project.

The Corporation is a constituted authority and a public instrumentality within the meaning of the regulations of the United States Treasury Department and the rulings of the Internal Revenue Service prescribed and promulgated pursuant to Section 103 of the Internal Revenue Code of 1986, as amended, and the Corporation is authorized to act on behalf of Schertz and Seguin as provided in these Articles of Incorporation. However, the Corporation is not a political subdivision or political corporation of the State within the meaning of its constitution and laws, including, without limitation, Article III, Section 52 of the constitution, and no agreements, bonds, debts, or obligations of the Corporation are or shall ever be deemed to be the agreements, bonds, debts, or obligations, or the lending of credit, or a grant of public money or thing of value, of or by Schertz and Seguin or any other political corporation, subdivision, or agency of the State, or a pledge of the faith and credit of any of them.

ARTICLE VIII

These Articles of Incorporation may at any time and from time to time be amended as provided in the Local Government Code so as to make any changes therein and add any provisions thereto which might have been included in the Articles of Incorporation in the first instance. Any such amendment shall be effected in either of the following manners: (i) the members of the Board of Directors of the Corporation shall file with each City Council a written application requesting permission to amend the Articles of Incorporation, specifying in such application the amendments proposed to be made, the City Councils may consider such application and, if they shall by appropriate resolution duly find and determine that it is advisable that the proposed amendments be
made and shall approve the form of the proposed amendments, then the Board of Directors of the Corporation may amend the Articles of Incorporation by adopting such amendments at a meeting of the Board of Directors and delivering the articles of amendment to the Secretary of State, or (ii) the City Councils may, at their sole discretion, and at any time, amend these Articles of Incorporation, and change the structure, organization, programs, or activities of the Corporation, or terminate or dissolve the Corporation (subject to the provisions of the Act and any limitation provided by the constitution and laws of the State of Texas and the United States of America on the impairment of contracts entered into by the Corporation), by written resolution adopting the amendment to the Articles of Incorporation of the Corporation or articles of dissolution at a meeting of each of the City Councils and delivering articles of amendment or dissolution to the Secretary of State, as provided in the Act. Restated Articles of Incorporation may be filed with the Secretary of State as provided in the Act.

ARTICLE IX

The Corporation shall be subject to the Open Meetings Act, Tex. Gov't Code § 551.001 et seq. and the Open Records Act, Tex. Gov't Code § 552.001 et seq., in the same manner as if the Corporation were a municipality.

ARTICLE X

The street address of the initial registered office of the Corporation is 300 Convent Street, Suite 2200, San Antonio, Texas 78205 and the name of its initial registered agent at such address is W. Jeffrey Kuhn.

ARTICLE XI

The initial Bylaws of the Corporation shall be adopted by the Corporation's board of directors and shall, together with these Articles of Incorporation, govern the initial affairs of the Corporation until and unless amended in accordance with the provisions of the Act and these Articles of Incorporation. The Bylaws and each amendment and repeal of the Bylaws must be approved by each of the City Councils of the Cities by resolution.

ARTICLE XII

The number of directors constituting the initial board of directors of the Corporation is five (5). Two (2) directors shall be initially appointed by the Schertz City Council and three (3) directors shall be initially appointed by the Seguin City Council. The names and addresses of the persons who are to serve as the initial Board of Directors, each of whom is a resident of Schertz or Seguin are:

Sidney Bauer
210 East Gonzales
Seguin, Texas 78155

Robin Dwyer
210 East Gonzales
Seguin, Texas 78155
<table>
<thead>
<tr>
<th>Name</th>
<th>Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gloria Rivera</td>
<td>210 East Gonzales, Seguin, Texas 78155</td>
</tr>
<tr>
<td>Raymond Cook</td>
<td>1400 Schertz Parkway, Schertz, Texas 78154</td>
</tr>
<tr>
<td>Jim Wolverton</td>
<td>1400 Schertz Parkway, Schertz, Texas 78154</td>
</tr>
</tbody>
</table>

**ARTICLE XIII**

The name and street address of each incorporator, each of whom is a resident of Schertz or Seguin is:

<table>
<thead>
<tr>
<th>Name</th>
<th>Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jack Hamlett</td>
<td>210 East Gonzales, Seguin, Texas 78155</td>
</tr>
<tr>
<td>Mark Stautzenberger</td>
<td>210 East Gonzales, Seguin, Texas 78155</td>
</tr>
<tr>
<td>Eric Vordenbaum</td>
<td>210 East Gonzales, Seguin, Texas 78155</td>
</tr>
<tr>
<td>Steve Simonson</td>
<td>1400 Schertz Parkway, Schertz, Texas 78154</td>
</tr>
<tr>
<td>Evelyn Boggess</td>
<td>1400 Schertz Parkway, Schertz, Texas 78154</td>
</tr>
<tr>
<td>Le Roy Cinnamon</td>
<td>1400 Schertz Parkway, Schertz, Texas 78154</td>
</tr>
</tbody>
</table>

**ARTICLE XIV**

No director shall be liable to the Corporation for monetary damages for an act or omission in the director's capacity as a director, except to the extent the director is found liable: (i) for any breach of the director's duty of loyalty to the Corporation, (ii) for acts or omissions not in good faith that constitute a breach of duty or which involve intentional misconduct of the director or a knowing violation of law, (iii) for any transaction from which the director received an improper benefit, whether or not the benefit resulted from an act taken within the scope of the director's office, or (iv) for acts or omissions for which the liability of a director is expressly provided by statute. Any repeal or amendment of this Article by the board of directors shall be prospective only, and shall not adversely affect any limitation on the personal liability of a director existing at the time of such repeal or amendment. In addition to the circumstances in which a director is not personally liable as set forth in the preceding sentences, a director shall not be liable to the fullest extent permitted by an
amendment to the Texas statutes hereafter enacted that further limits the liability of a director.

ARTICLE XV

(a) The City Councils, by written resolution, may authorize and direct the dissolution of the Corporation. However, the Corporation shall not be dissolved, and its business shall not be terminated, by act of the City Councils or otherwise, so long as the Corporation shall be obligated to pay any bonds, notes, or other obligations.

(b) No action shall be taken pursuant to paragraph (a) of this Article or pursuant to paragraph (b) of Article XVII of these Articles, in any manner or at any time that would impair any contract, lease, right, or other obligation theretofore executed, granted, or incurred by the Corporation.

ARTICLE XVI

If the Corporation is ever determined to be a private foundation within the meaning of section 5.09(a) of the Internal Revenue Code of 1986, as amended (the “Code”), the Corporation:

(1) shall distribute its income for each taxable year at such time and in such manner as not to become subject to the tax on undistributed income imposed by section 4942 of the Code;

(2) shall not engage in any act of self-dealing as defined in section 4941(d) of the Code;

(3) shall not retain any excess business holdings as defined in section 4943(c) of the Code;

(4) shall not make any investments in such manner as to subject it to tax under section 4944 of the Code; and

(5) shall not make any taxable expenditures as defined in section 4945(d) of the Code.

ARTICLE XVII

(a) All properties owned by the Corporation shall be held for the use and benefit of the public on a nondiscriminatory basis. No dividends shall ever be paid by the Corporation and no part of its net earnings remaining after payment of its expenses and other obligations shall be distributed to or inure to benefit of its directors or officers, or any individual, private firm, or private corporation or association, except in reasonable amounts for services rendered.
(b) If, after the close of any fiscal year, the board of directors shall determine that sufficient provision has been made for the full payment of all current expenses, together with all amounts payable on the contracts, agreements, bonds, notes, and other obligations of the Corporation, and that all of the terms, provisions, and covenants therein have been met, then any net earnings derived from sources thereafter accruing in connection with public facilities financed pursuant to the Act, and revenues received in connection with public facilities financed pursuant to the Act shall be used solely for the purposes permitted by the Act and these Articles.

(c) If the Corporation ever should be dissolved when it has, or is entitled to, any interest in any funds or property of any kind, real, personal or mixed, such funds or property or rights thereto shall not be transferred to private ownership, but shall be transferred and delivered to the Cities, on an equal basis, after satisfaction of debts and claims.

(d) No part of the Corporation's activities shall consist of the carrying on of propaganda, or otherwise attempting to influence legislation, and the Corporation shall not participate in any political campaign of or in opposition to any candidate for public office.

ARTICLE XVIII

The Corporation may indemnify any director, officer, employee or agent or former director, officer, employee or agent of the Corporation for expenses and costs, including attorney's fees, actually or necessarily incurred by the person in connection with any claim asserted against the person, by action in court or other forum, by reason of such person having been a director, officer, employee or other agent, except that the Corporation may not provide indemnity in a matter if the director, officer, employee, or agent is guilty of negligence or misconduct in relation to the matter.

[The remainder of this page intentionally left blank.]
IN WITNESS WHEREOF, we have hereunto set our hands this 1st day of December, 1998.

[Signatures]

[Signatures]

[Signatures]
THE STATE OF TEXAS

COUNTY OF

BEFORE ME, the undersigned authority, on this day personally appeared _______ known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the __ day of _____________, 1998.

Notary Public in and for the State of Texas

THE STATE OF TEXAS

COUNTY OF

BEFORE ME, the undersigned authority, on this day personally appeared _______ known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the __ day of _____________, 1998.

Notary Public in and for the State of Texas
THE STATE OF TEXAS  
COUNTY OF Guadalupe  

BEFORE ME, the undersigned authority, on this day personally appeared Eric Vorderbaum, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 10th day of December, 1998.

KAREN S. CARR  
Notary Public in and for the State of Texas

THE STATE OF TEXAS  
COUNTY OF Guadalupe  

BEFORE ME, the undersigned authority, on this day personally appeared Steven L. Semonson, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 10th day of December, 1998.

Colores Butler  
Notary Public in and for the State of Texas
THE STATE OF TEXAS

COUNTY OF Hidalgo

BEFORE ME, the undersigned authority, on this day personally appeared

Lynley Boggs, known to me to be the person whose name is subscribed to
the foregoing instrument and acknowledged to me that he executed the same for the purposes and
consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 14th day of


Dolores Butler
Notary Public in and for the
State of Texas

THE STATE OF TEXAS

COUNTY OF Hidalgo

BEFORE ME, the undersigned authority, on this day personally appeared

DeRay Comer, known to me to be the person whose name is subscribed to
the foregoing instrument and acknowledged to me that he executed the same for the purposes and
consideration therein expressed.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 14th day of


Dolores Butler
Notary Public in and for the
State of Texas
County: Guadalupe
County: Comal
County: Bexar
Name of Entity: Schertz/Seguin Local Government Corporation

System Contact Physical Address
Address 1: 108 W. Mountain
Address 2: 
City: Seguin
State: TX
Zip: 78155-5508
Phone: (830) 401-2403
Fax: (830) 401-2320
Website: www.seguintexas.gov

System Contact Mailing Address
Address 1: PO Box 833
Address 2: 
City: Seguin
State: TX
Zip: 78156-0833

Description

Brief description of the project: The Expanded Carrizo for Schertz-Seguin Local Government Corporation (SSLGC)

Officers/Members

Applicant's Officers and Members

Kenneth Greenwald
Board President

Robin Dwyer
Board Vice-President

Timothy "Jake" Jacobs
Board Secretary
Andrew Hunt  
Board Treasurer

Bob Pees  
Board Assistant Secretary

Don Keil  
Ex-officio

Jim Fowler  
Ex-officio

Primary Contact

Name: Alan Cockerell  
Title: General Manager  
Address 1: PO Box 833  
Address 2:  
City: Seguin  
State: TX  
Zip: 78156-0833  
Phone: (830) 401-2403  
Fax: (830) 401-2320  
Email: acockerell@seguintexas.gov

Applicant's Contributors

<table>
<thead>
<tr>
<th>Contributor Type</th>
<th>Firm Name</th>
<th>Contact Name</th>
<th>Address</th>
<th>Phone</th>
<th>Fax</th>
<th>Email</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applicant Engineer</td>
<td>Walker Partners</td>
<td>John F. Winkler, P.E.</td>
<td>600 Austin Ave., Suite 20, Waco, TX 76701-2018</td>
<td>254-714-1402</td>
<td>254-714-0402</td>
<td><a href="mailto:jwinkler@walkerpartners.com">jwinkler@walkerpartners.com</a></td>
</tr>
<tr>
<td>Bond Counsel</td>
<td>Norton Rose Fulbright US LLP</td>
<td>W. Jeffrey Kuhn</td>
<td>300 Convent Street, Suite 2100, San Antonio, TX 78205-3792</td>
<td>210-270-7131</td>
<td>210-270-7205</td>
<td><a href="mailto:w.jeffrey.kuhn@nortonrosefulbright.com">w.jeffrey.kuhn@nortonrosefulbright.com</a></td>
</tr>
<tr>
<td>Financial Advisor</td>
<td>SAMCO Capital Markets, Inc.</td>
<td>Mark M. McLiney</td>
<td>1020 NE Loop 410, Suite 640, San Antonio, TX 78209-1201</td>
<td>210-832-9760</td>
<td>210-832-9794</td>
<td><a href="mailto:mmcliney@samcocapital.com">mmcliney@samcocapital.com</a></td>
</tr>
<tr>
<td>Certified Public Accountant (or other appropriate rep)</td>
<td>City of Seguin</td>
<td>Susan Caddell</td>
<td>205 N. River St. Seguin TX 78155-5626</td>
<td>830-401-2450</td>
<td>830-401-2499</td>
<td><a href="mailto:scaddell@seguintexas.gov">scaddell@seguintexas.gov</a></td>
</tr>
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<td>------------------------</td>
</tr>
<tr>
<td>Legal Counsel</td>
<td>Davidso Ream &amp; Garza, PC</td>
<td>Patrick W. Lindel</td>
<td>601 NW Loop 410, Suite 100 San Antonio TX 78216-5504</td>
<td>210-349-6484</td>
<td>210-349-0041</td>
<td><a href="mailto:plinder@dtrglaw.com">plinder@dtrglaw.com</a></td>
</tr>
<tr>
<td>Any other Contributor representing the Applicant before the board</td>
<td>Crockett Camp</td>
<td>Crockett Camp</td>
<td>6105 Mountain Villa Drive Austin TX 79731-3518</td>
<td>512-623-0492</td>
<td></td>
<td><a href="mailto:crockett@me.com">crockett@me.com</a></td>
</tr>
<tr>
<td>Any other Contributor representing the Applicant before the board</td>
<td>William B. Klemt</td>
<td>William B. Klemt</td>
<td>1200 Oak Shadow Circle Austin TX 78758-2717</td>
<td>512-466-1250</td>
<td></td>
<td><a href="mailto:billklemt@yahoo.com">billklemt@yahoo.com</a></td>
</tr>
<tr>
<td>Any other Contributor representing the Applicant before the board</td>
<td>Norton Rose Fulbright US LLP</td>
<td>Lauren Ferrero</td>
<td>300 Convent Street, Suite 2100 San Antonio TX 78205-3792</td>
<td>210-270-7118</td>
<td>210-270-7205</td>
<td><a href="mailto:lauren.ferrero@nortonrosefulbright.com">lauren.ferrero@nortonrosefulbright.com</a></td>
</tr>
</tbody>
</table>

Contributor Contracts (documents follow this page)
This document has important legal consequences; consultation with an attorney is encouraged with respect to its use or modification. This document should be adapted to the particular circumstances of the contemplated Project and the Controlling Law.

STANDARD FORM OF AGREEMENT
BETWEEN OWNER AND ENGINEER
FOR
PROFESSIONAL SERVICES
TASK ORDER EDITION

Prepared by

ENGINEERS JOINT CONTRACT DOCUMENTS COMMITTEE

and

Issued and Published Jointly by

ACEC
National Society of Professional Engineers
Professional Engineers in Private Practice

ASCE
American Society of Civil Engineers

PROFESSIONAL ENGINEERS IN PRIVATE PRACTICE
a practice division of the
NATIONAL SOCIETY OF PROFESSIONAL ENGINEERS

AMERICAN COUNCIL OF ENGINEERING COMPANIES

AMERICAN SOCIETY OF CIVIL ENGINEERS

THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA

This Agreement has been prepared for use with the Standard General Conditions of the Construction Contract (No. C-700, 2002 Edition) of the Engineers Joint Contract Documents Committee. Their provisions are interrelated, and a change in one may necessitate a change in the other.

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THIS IS AN AGREEMENT effective as of March 26, 2009 ("Effective Date") between
Schertz Seguin Local Government Corporation (SSLGC) ("Owner") and
G. E. Walker & Associates, LLC ("Engineer").

From time to time Owner may request that Engineer provide professional services for Specific Projects. Each engagement will be documented by a Task Order. This Agreement sets forth the general terms and conditions which shall apply to all Task Orders duly executed under this Agreement.

Owner and Engineer hereby agree as to the following:

ARTICLE 1 – SERVICES OF ENGINEER

1.01 Scope

A. Engineer’s services will be detailed in a duly executed Task Order for each Specific Project. Each Task Order will indicate the specific tasks and functions to be performed and deliverables to be provided. Basic and Additional Services that may be included in a Task Order are set forth in Exhibit A, "Schedule of Engineer’s Services."

B. The general format of a Task Order is shown in Attachment 1 to this Agreement.

C. This Agreement is not a commitment by Owner to Engineer to issue any Task Orders.

D. Engineer shall not be obligated to perform any prospective Task Order unless and until Owner and Engineer agree as to the particulars of the Specific Project, Engineer’s services, Engineer’s compensation, and all other appropriate matters.

1.02 Task Order Procedure

A. Owner and Engineer shall agree on the scope, time for performance, and basis of compensation for each Task Order. Each duly executed Task Order shall be subject to the terms and conditions of this Agreement.

B. Engineer will commence performance as set forth in the Task Order.

ARTICLE 2 – OWNER’S RESPONSIBILITIES

2.01 General

A. Owner shall have the responsibilities set forth herein, in Exhibit B, "Schedule of Owner’s Responsibilities," and in each Task Order.

B. Owner shall pay Engineer as set forth in Exhibit C.

C. Owner shall be responsible for, and Engineer may rely upon, the accuracy and completeness of all requirements, programs, instructions, reports, data, and other information furnished by Owner to Engineer pursuant to this Agreement. Engineer may use such requirements, programs, instructions, reports, data, and information in performing or furnishing services under this Agreement.
ARTICLE 3 – TERM; TIMES FOR RENDERING SERVICES

3.01 Term

A. This Agreement shall be effective and applicable to Task Orders issued hereunder for the life of the Agreement.

B. The parties may terminate the Agreement as prescribed herein.

3.02 Times for Rendering Services

A. The times for performing services or providing deliverables will be stated in each Task Order. If no times are so stated, Engineer will perform services and provide deliverables within a reasonable time.

B. If, through no fault of Engineer, such periods of time or dates are changed, or the orderly and continuous progress of Engineer’s services is impaired, or Engineer’s services are delayed or suspended, then the time for completion of Engineer’s services, and the rates and amounts of Engineer’s compensation, shall be adjusted equitably.

C. If Owner authorizes changes in the scope, extent, or character of the Specific Project, then the time for completion of Engineer’s services, and the rates and amounts of Engineer’s compensation, shall be adjusted equitably.

D. Owner shall make decisions and carry out its other responsibilities in a timely manner so as not to delay the Engineer’s performance of its services.

E. If Engineer fails, through its own fault, to complete the performance required in a Task Order within the time set forth, as duly adjusted, then Owner shall be entitled to the recovery of direct damages resulting from such failure.

ARTICLE 4 – PAYMENTS TO ENGINEER

4.01 Invoices

A. Preparation and Submittal of Invoices. Engineer shall prepare invoices in accordance with its standard invoicing practices, the terms of Exhibit C, and the specific Task Order. Engineer shall submit its invoices to Owner on a monthly basis. Invoices are due and payable within 30 days of receipt.

4.02 Payments

A. Application to Interest and Principal. Payment will be credited first to any interest owed to Engineer and then to principal.

B. Failure to Pay. If Owner fails to make any payment due Engineer for services and expenses within 30 days after receipt of Engineer’s invoice, then:

1. the compounded amount due Engineer will be increased at the rate of 1.0% per month (or the maximum rate of interest permitted by law, if less) from said thirtieth day; and

2. Engineer may, after giving seven days written notice to Owner, suspend services under any Task Order issued until Owner has paid in full all amounts due for services, expenses, and other related charges. Owner waives any and all claims against Engineer for any such suspension.

C. Disputed Invoices. If Owner contests an invoice, Owner may withhold only that portion so contested, and must pay the undisputed portion.

D. Legislative Actions. If after the Effective Date of a Task Order any governmental entity takes a legislative action that imposes taxes, fees, or charges on Engineer’s services or compensation under the Task Order, then the Engineer may invoice such new taxes, fees, or charges as a Reimbursable Expense to which a factor of 1.0 shall
be applied. Owner shall pay such invoiced new taxes, fees, and charges; such payment shall be in addition to the compensation to which Engineer is entitled under the terms of Exhibit C and the specific Task Order.

ARTICLE 5 – OPINIONS OF COST

5.01 Opinions of Probable Construction Cost

A. Engineer’s opinions of probable Construction Cost are to be made on the basis of Engineer’s experience and qualifications and represent Engineer’s best judgment as an experienced and qualified professional generally familiar with the construction industry. However, since Engineer has no control over the cost of labor, materials, equipment, or services furnished by others, or over contractors’ methods of determining prices, or over competitive bidding or market conditions, Engineer cannot and does not guarantee that proposals, bids, or actual Construction Cost will not vary from opinions of probable Construction Cost prepared by Engineer. If Owner wishes greater assurance as to probable Construction Cost, Owner shall employ an independent cost estimator as provided in Exhibit B.

5.02 Designing to Construction Cost Limit

A. If a Construction Cost limit is established between Owner and Engineer in a Task Order, Engineer’s rights and responsibilities with respect thereto will be governed by Exhibit F, “Construction Cost Limit,” to this Agreement.

5.03 Opinions of Total Project Costs

A. The services, if any, of Engineer with respect to Total Project Costs for a Specific Project shall be limited to assisting the Owner in collating the various cost categories which comprise Total Project Costs. Engineer assumes no responsibility for the accuracy of any opinions of Total Project Costs.

ARTICLE 6 – GENERAL CONSIDERATIONS

6.01 Standards of Performance

A. The standard of care for all professional engineering and related services performed or furnished by Engineer under this Agreement will be the care and skill ordinarily used by members of the subject profession practicing under similar circumstances at the same time and in the same locality. Engineer makes no warranties, express or implied, under this Agreement or otherwise, in connection with Engineer’s services.

B. Owner shall not be responsible for discovering deficiencies in the technical accuracy of Engineer’s services. Engineer shall correct any such deficiencies in technical accuracy without additional compensation except to the extent such corrective action is directly attributable to deficiencies in Owner-furnished information.

C. Engineer shall serve as Owner’s prime professional under each Task Order. Engineer may employ such Consultants as Engineer deems necessary to assist in the performance or furnishing of the services, subject to reasonable, timely, and substantive objections by Owner.

D. Subject to the standard of care set forth in Paragraph 6.01.A, Engineer and its Consultants may use or rely upon design elements and information ordinarily or customarily furnished by others, including, but not limited to, specialty contractors, manufacturers, suppliers, and the publishers of technical standards.

E. Engineer and Owner shall comply with applicable Laws and Regulations and the Owner-mandated standards that Owner has provided to Engineer in writing. This Agreement is based on these requirements as of the Effective Date of each Task Order. Changes to these requirements after the Effective Date of each Task Order may be the basis for modifications to Owner’s responsibilities or to Engineer’s scope of services, times of performance, and compensation.

F. Engineer shall not be required to sign any documents, no matter by who requested, that would result in Engineer having to certify, guarantee, or warrant the existence of conditions whose existence Engineer cannot ascertain within its services for that Specific Project. Owner agrees not to make resolution of any dispute with Engineer
or payment of any amount due to the Engineer in any way contingent upon Engineer signing any such certification.

G. Engineer shall not at any time supervise, direct, or have control over a Contractor's work, nor shall Engineer have authority over or responsibility for the means, methods, techniques, sequences, or procedures of construction selected or used by a Contractor, for security or safety at any Site, for safety precautions and programs incident to a Contractor's work in progress, nor for any failure of a Contractor to comply with Laws and Regulations applicable to a Contractor's furnishing and performing the Work.

H. Engineer neither guarantees the performance of any Contractor nor assumes responsibility for any Contractor's failure to furnish and perform the Work in accordance with the Contract Documents.

I. Engineer shall not be responsible for the acts or omissions of any Contractor, subcontractor, or supplier, or of any of their agents or employees or of any other persons (except Engineer's own employees and its Consultants) at a Site or otherwise furnishing or performing any of a Contractor's work; or for any decision made on interpretations or clarifications of the Contract Documents given by Owner without consultation and advice of Engineer.

J. The General Conditions for any construction contract documents prepared hereunder are to be the "Standard General Conditions of the Construction Contract" as prepared by the Engineers Joint Contract Documents Committee (Document No. C-706, 2002 Edition) unless both parties mutually agree in a Task Order to use other General Conditions.

6.02 Design Without Construction Phase Services

A. For each design performed or furnished by Engineer, if Owner does not retain Engineer, by Task Order or otherwise, for project observation, or review of a Contractor's performance, or any construction phase services, and such services will be provided by Owner or others, then (1) Engineer shall have no design or shop drawing review obligations during construction; (2) Owner assumes all responsibility for the application and interpretation of the Contract Documents, contract administration, construction observation and review, and all other necessary construction phase engineering and professional services; and (3) Owner waives any claims against the Engineer that may be in any way connected thereto. In such a case, Engineer's Basic Services under the applicable Task Order will be considered to be completed upon completion of the Final Design Phase or Bidding or Negotiating Phase as outlined in Exhibit A and the Task Order.

6.03 Use of Documents

A. All Documents are instruments of service in respect to a Specific Project, and Engineer shall retain an ownership and property interest therein (including the copyright and the right of reuse at the discretion of the Engineer) whether or not the Specific Project is completed. Owner shall not rely in any way on any Document unless it is in printed form, signed or sealed by the Engineer or one of its Consultants.

B. A party may rely that data or information set forth on paper (also known as hard copies) that the party receives from the other party by mail, hand delivery, or facsimile, are the items that the other party intended to send. Files in electronic media format of text, data, graphics, or other types that are furnished by one party to the other are furnished only for convenience, not reliance by the receiving party. Any conclusion or information obtained or derived from such electronic files will be at the user's sole risk. If there is a discrepancy between the electronic files and the hard copies, the hard copies govern.

C. Because data stored in electronic media format can deteriorate or be modified inadvertently or otherwise without authorization of the data's creator, the party receiving electronic files agrees that it will perform acceptance tests or procedures within 60 days, after which the receiving party shall be deemed to have accepted the data thus transferred. Any transmittal errors detected within the 60-day acceptance period will be corrected by the party delivering the electronic files.

D. When transferring documents in electronic media format, the transferring party makes no representations as to long term compatibility, usability, or readability of such documents resulting from the use of software application packages, operating systems, or computer hardware differing from those used by the documents' creator.
E. Owner may make and retain copies of Documents for information and reference in connection with use on the Specific Project by Owner. Engineer grants Owner a license to use the Documents on the Specific Project, extensions of the Specific Project, and other projects of Owner, subject to the following limitations: (1) Owner acknowledges that such Documents are not intended or represented to be suitable for use on the Specific Project unless completed by Engineer, or for use or reuse by Owner or others on extensions of the Specific Project or on any other project without written verification or adaptation by Engineer; (2) any such use or reuse, or any modification of the Documents, without written verification, completion, or adaptation by Engineer, as appropriate for the specific purpose intended, will be at Owner’s sole risk and without liability or legal exposure to Engineer or its Consultants; (3) Owner shall indemnify and hold harmless Engineer and Engineer’s Consultants from all claims, damages, losses, and expenses, including attorneys’ fees, arising out of or resulting from any use, reuse, or modification without written verification, completion, or adaptation by Engineer; (4) such limited license to Owner shall not create any rights in third parties.

F. If Engineer at Owner’s request verifies or adapts the Documents for extensions of the Specific Project or for any other project, then Owner shall compensate Engineer at rates or in an amount to be agreed upon by Owner and Engineer.

6.04 Insurance

A. At all times when any Task Order is under performance, Engineer shall procure and maintain insurance as set forth in Exhibit G, "Insurance." Engineer shall cause Owner to be listed as an additional insured on any applicable general liability insurance policy carried by Engineer which is applicable to a Specific Project.

B. At all times when any Task Order is under performance, Owner shall procure and maintain insurance as set forth in Exhibit G. Owner shall cause Engineer and its Consultants to be listed as additional insureds on any general liability or property insurance policies carried by Owner which are applicable to a Specific Project.

C. Owner shall require Contractors to purchase and maintain general liability and other insurance in accordance with the requirements of Paragraph 5.04 of the Standard General Conditions of the Construction Contract (No. C-700, 2002 Edition) of the Engineers Joint Contract Documents Committee, and to cause Engineer and its Consultants to be listed as additional insured with respect to such liability and other insurance purchased and maintained by Contractors.

D. Owner and Engineer shall each deliver to the other certificates of insurance evidencing the coverage indicated in Exhibit G. Such certificates shall be furnished prior to commencement of Engineer’s services under any Task Order and at renewals thereafter during the life of this Agreement.

E. All policies of property insurance relating to a Specific Project shall contain provisions to the effect that Engineer’s and its Consultants’ interests are covered and that in the event of payment of any loss or damage the insurers will have no rights of recovery against Engineer or its Consultants, or any insured or additional insured thereunder.

F. Under the terms of any Task Order, or after commencement of performance of a Task Order, Owner may request that Engineer or its Consultants, at Owner’s sole expense, provide additional insurance coverage, increased limits, or revised deductibles that are more protective than those specified in Exhibit G. If so requested by Owner, and if commercially available, Engineer shall obtain and shall require its Consultants to obtain such additional insurance coverage, different limits, or revised deductibles for such periods of time as requested by Owner.

6.05 Suspension and Termination

A. Suspension

1. By Owner: Owner may suspend a Task Order upon seven days written notice to Engineer.

2. By Engineer: If Engineer’s services are substantially delayed through no fault of Engineer, Engineer may, after giving seven days written notice to Owner, suspend services under a Task Order.
B. **Termination.** The obligation to provide further services under this Agreement, or under a Task Order, may be terminated:

1. For cause,
   
a. By either party upon 30 days written notice in the event of substantial failure by the other party to perform in accordance with the terms of this Agreement or any Task Order through no fault of the terminating party.
   
b. By Engineer:
   
   1) upon seven days written notice if Owner demands that Engineer furnish or perform services contrary to Engineer’s responsibilities as a licensed professional; or
   
   2) upon seven days written notice if the Engineer’s services under a Task Order are delayed or suspended for more than 90 days for reasons beyond Engineer’s control.
   
   3) Engineer shall have no liability to Owner on account of such termination.
   
c. Notwithstanding the foregoing, neither this Agreement nor the Task Order will terminate under Paragraph 6.05.B.1.a if the party receiving such notice begins, within seven days of receipt of such notice, to correct its substantial failure to perform and proceeds diligently to cure such failure within no more than 30 days of receipt thereof; provided, however, that if and to the extent such substantial failure cannot be reasonably cured within such 30 day period, and if such party has diligently attempted to cure the same and thereafter continues diligently to cure the same, then the cure period provided for herein shall extend up to, but in no case more than, 60 days after the date of receipt of the notice.

2. For convenience,

   a. By Owner effective upon Engineer’s receipt of notice from Owner.

C. **Effective Date of Termination.** The terminating party under Paragraph 6.05.B may set the effective date of termination at a time up to 30 days later than otherwise provided to allow Engineer to demobilize personnel and equipment from the Site, to complete tasks whose value would otherwise be lost, to prepare notes as to the status of completed and uncompleted tasks, and to assemble Task Order materials in orderly files.

D. **Payments Upon Termination**

1. In the event of any termination under Paragraph 6.05, Engineer will be entitled to invoice Owner and to receive full payment for all services performed or furnished and all Reimbursable Expenses incurred through the effective date of termination. Upon making such payment, Owner shall have the limited right to the use of Documents, at Owner’s sole risk, subject to the provisions of Paragraph 6.03.E.

2. In the event of termination by Owner for convenience or by Engineer for cause, Engineer shall be entitled, in addition to invoicing for those items identified in Paragraph 6.05.D.1., to invoice Owner and to payment of a reasonable amount for services and expenses directly attributable to termination, both before and after the effective date of termination, such as reassignment of personnel, costs of terminating contracts with Engineer’s Consultants, and other related close-out costs, using methods and rates for Additional Services as set forth in Exhibit C.

6.06 **Controlling Law**

A. This Agreement is to be governed by the law of the state in which the principal office of the Owner is located.

6.07 **Successors, Assigns, and Beneficiaries**

A. Owner and Engineer each is hereby bound and the partners, successors, executors, administrators and legal representatives of Owner and Engineer (and to the extent permitted by Paragraph 6.07.B the assigns of Owner
and Engineer) are hereby bound to the other party to this Agreement and to the partners, successors, executors, administrators and legal representatives (and said assigns) of such other party, in respect of all covenants, agreements and obligations of this Agreement.

B. Neither Owner nor Engineer may assign, sublet, or transfer any rights under or interest (including, but without limitation, moneys that are due or may become due) in this Agreement without the written consent of the other, except to the extent that any assignment, subletting, or transfer is mandated or restricted by law. Unless specifically stated to the contrary in any written consent to an assignment, no assignment will release or discharge the assignor from any duty or responsibility under this Agreement.

C. Unless expressly provided otherwise in this Agreement:

1. Nothing in this Agreement shall be construed to create, impose, or give rise to any duty owed by Owner or Engineer to any Contractor, Contractor's subcontractor, supplier, other individual or entity, or to any surety for or employee of any of them.

2. All duties and responsibilities undertaken pursuant to this Agreement will be for the sole and exclusive benefit of Owner and Engineer and not for the benefit of any other party.

3. The Owner agrees that the substance of the provisions of this Paragraph 6.07.C shall appear in any Contract Documents prepared for any Specific Project under this Agreement.

D. Owner agrees that the substance of the provisions of this Paragraph 6.07.C shall appear in the Contract Documents.

6.08 Dispute Resolution

A. Owner and Engineer agree to negotiate all disputes between them in good faith for a period of 30 days from the date of notice prior to invoking the procedures of Exhibit H or other provisions of this Agreement, or exercising their rights under law.

B. If the parties fail to resolve a dispute through negotiation under Paragraph 6.08.A, then either or both may invoke the procedures of Exhibit H. If Exhibit H is not included, or if no dispute resolution method is specified in Exhibit H, then the parties may exercise their rights under law.

6.09 Environmental Condition of Site

A. With respect to each Task Order, Specific Project, and Site:

1. Owner has disclosed to Engineer in writing the existence of all known and suspected Asbestos, PCBs, Petroleum, Hazardous Waste, Radioactive Material, hazardous substances, and other Constituents of Concern located at or near the Site, including type, quantity, and location.

2. Owner represents to Engineer that to the best of its knowledge no Constituents of Concern, other than those disclosed in writing to Engineer, exist at the Site.

3. If Engineer encounters an undisclosed Constituent of Concern, then Engineer shall notify (a) Owner and (b) appropriate governmental officials if Engineer reasonably concludes that doing so is required by applicable Laws or Regulations.

4. It is acknowledged by both parties that Engineer’s scope of services does not include any services related to Constituents of Concern. If Engineer or any other party encounters an undisclosed Constituent of Concern, or if investigative or remedial action, or other professional services, are necessary with respect to disclosed or undisclosed Constituents of Concern, then Engineer may, at its option and without liability for consequential or any other damages, suspend performance of services on the portion of the Specific Project affected thereby until Owner: (1) retains appropriate specialist consultant(s) or contractor(s) to identify and, as appropriate, abate, remediate, or remove the Constituents of Concern; and (2) warrants that the Site is in full compliance with applicable Laws and Regulations.
5. If the presence at the Site of undisclosed Constituents of Concern adversely affects the performance of Engineer's services under this Agreement, then the Engineer shall have the option of (a) accepting an equitable adjustment in its compensation or in the time of completion, or both; or (b) terminating this Agreement for cause on 30 days notice.

6. Owner acknowledges that Engineer is performing professional services for Owner and that Engineer is not and shall not be required to become an "owner," "arranger," "operator," "generator," or "transporter" of hazardous substances, as defined in the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), as amended, which are or may be encountered at or near the Site in connection with Engineer's activities under this Agreement.

6.10 Indemnification and Mutual Waiver

A. **Indemnification by Engineer.** To the fullest extent permitted by law, Engineer shall indemnify and hold harmless Owner, and Owner's officers, directors, partners, agents, consultants, and employees from and against any and all claims, costs, losses, and damages (including but not limited to all fees and charges of engineers, architects, attorneys, and other professionals, and all court, arbitration, or other dispute resolution costs) arising out of or relating to this Agreement, any Task Order, or any Specific Project, provided that any such claim, cost, loss, or damage is attributable to bodily injury, sickness, disease, or death, or to injury to or destruction of tangible property (other than the Work itself), including the loss of use resulting therefrom, but only to the extent caused by any negligent act or omission of Engineer or Engineer's officers, directors, partners, employees, or Consultants. The indemnification provision of the preceding sentence is subject to and limited by the provisions agreed to by Owner and Engineer in Exhibit I, "Allocation of Risks," if any.

B. **Indemnification by Owner.** To the fullest extent permitted by law, Owner shall indemnify and hold harmless Engineer, Engineer’s officers, directors, partners, agents, employees, and Consultants from and against any and all claims, costs, losses, and damages (including but not limited to all fees and charges of engineers, architects, attorneys, and other professionals, and all court, arbitration, or other dispute resolution costs) arising out of or relating to this Agreement, any Task Order, or any Specific Project, provided that any such claim, cost, loss, or damage is attributable to bodily injury, sickness, disease, or death, or to injury to or destruction of tangible property (other than the Work itself), including the loss of use resulting therefrom, but only to the extent caused by any negligent act or omission of Owner or Owner’s officers, directors, partners, agents, consultants, or employees, or others retained by or under contract to the Owner with respect to this Agreement or to the Specific Project.

C. **Environmental Indemnification.** In addition to the indemnity provided under Paragraph 6.10.B of this Agreement, and to the fullest extent permitted by law, Owner shall indemnify and hold harmless Engineer and its officers, directors, partners, agents, employees, and Consultants from and against any and all claims, costs, losses, and damages (including but not limited to all fees and charges of engineers, architects, attorneys and other professionals, and all court, arbitration, or other dispute resolution costs) caused by, arising out of, relating to, or resulting from a Constituent of Concern at, on, or under any Site, provided that (i) any such claim, cost, loss, or damage is attributable to bodily injury, sickness, disease, or death, or to injury to or destruction of tangible property (other than the Work itself), including the loss of use resulting therefrom, and (ii) nothing in this Paragraph shall obligate Owner to indemnify any individual or entity from and against the consequences of that individual's or entity's own negligence or willful misconduct.

D. **Percentage Share of Negligence.** To the fullest extent permitted by law, a party's total liability to the other party and anyone claiming by, through, or under the other party for any cost, loss, or damages caused in part by the negligence of the party and in part by the negligence of the other party or any other negligent entity or individual, shall not exceed the percentage share that the party's negligence bears to the total negligence of Owner, Engineer, and all other negligent entities and individuals.

E. **Mutual Waiver.** To the fullest extent permitted by law, Owner and Engineer waive against each other, and the other's employees, officers, directors, agents, insurers, partners, and consultants, any and all claims for or entitlement to special, incidental, indirect, or consequential damages arising out of, resulting from, or in any way related to the Specific Project.
6.11 Miscellaneous Provisions

A. Notices. Any notice required under this Agreement will be in writing, addressed to the appropriate party at its address on the signature page and given personally, by facsimile, by registered or certified mail postage prepaid, or by a commercial courier service. All notices shall be effective upon the date of receipt.

B. Survival. All express representations, waivers, indemnifications, and limitations of liability included in this Agreement will survive its completion or termination for any reason.

C. Severability. Any provision or part of the Agreement held to be void or unenforceable under any Laws or Regulations shall be deemed stricken, and all remaining provisions shall continue to be valid and binding upon Owner and Engineer, who agree that the Agreement shall be reformed to replace such stricken provision or part thereof with a valid and enforceable provision that comes as close as possible to expressing the intention of the stricken provision.

D. Waiver. A party's non-enforcement of any provision shall not constitute a waiver of that provision, nor shall it affect the enforceability of that provision or of the remainder of this Agreement.

E. Accrual of Claims. To the fullest extent permitted by law, all causes of action arising under this Agreement shall be deemed to have accrued, and all statutory periods of limitation shall commence, no later than the date of Substantial Completion.

F. Applicability to Task Orders. The terms and conditions set forth in this Agreement apply to each Task Order as if set forth in the Task Order, unless specifically modified. In the event of conflicts between this Agreement and a Task Order, the conflicting provisions of the Task Order shall take precedence for that Task Order. The provisions of this Agreement shall be modified only by a written instrument. Such amendments shall be applicable to all Task Orders issued after the effective date of the amendment if not otherwise set forth in the amendment.

G. Non-Exclusive Agreement. Nothing herein shall establish an exclusive relationship between Owner and Engineer. Owner may enter into similar agreements with other professionals for the same or different types of services contemplated hereunder, and Engineer may enter into similar or different agreements with other owners for the same or different services contemplated hereunder.

ARTICLE 7 – DEFINITIONS

7.01 Defined Terms

A. Wherever used in this Agreement (including the Exhibits hereto and any Task Order) terms (including the singular and plural forms) printed with initial capital letters have the meanings indicated in the text above, in the exhibits or Task Order, or in the following provisions:

1. Addenda – Written or graphic instruments issued prior to the opening of Bids which clarify, correct, or change the Bidding Documents.

2. Additional Services – Services to be performed for or furnished to Owner by Engineer in accordance with a Task Order which are not included in Basic Services for that Task Order.

3. Agreement – This "Standard Form of Agreement between Owner and Engineer for Professional Services – Task Order Edition" including those Exhibits listed in Article 8 and any duly executed Task Order.

4. Application for Payment – The form acceptable to Engineer which is to be used by a Contractor in requesting progress or final payments for the completion of its Work and which is to be accompanied by such supporting documentation as is required by the Contract Documents.

5. Asbestos – Any material that contains more than one percent asbestos and is friable or is releasing asbestos fibers into the air above current action levels established by the United States Occupational Safety and Health Administration.
6. **Basic Services** – Specified services to be performed for or furnished to Owner by Engineer in accordance with a Task Order.

7. **Bid** – The offer or proposal of a bidder submitted on the prescribed form setting forth the prices for the Work to be performed.

8. **Bidding Documents** – The advertisement or invitation to Bid, instructions to bidders, the Bid form and attachments, the Bid bond, if any, the proposed Contract Documents, and all Addenda, if any.

9. **Change Order** – A document recommended by Engineer, which is signed by a Contractor and Owner to authorize an addition, deletion or revision in the Work, or an adjustment in the Contract Price or the Contract Times.

10. **Constituent of Concern** – Any substance, product, waste, or other material of any nature whatsoever (including, but not limited to, Asbestos, Petroleum, Radioactive Material, and PCBs) which is or becomes listed, regulated, or addressed pursuant to (a) the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. §§9601 et seq. ("CERCLA"); (b) the Hazardous Materials Transportation Act, 49 U.S.C. §§1801 et seq.; (c) the Resource Conservation and Recovery Act, 42 U.S.C. §§6901 et seq. ("RCRA"); (d) the Toxic Substances Control Act, 15 U.S.C. §§2601 et seq.; (e) the Clean Water Act, 33 U.S.C. §§1251 et seq.; (f) the Clean Air Act, 42 U.S.C. §§7401 et seq.; and (g) any other federal, state, or local statute, law, rule, regulation, ordinance, resolution, code, order, or decree regulating, relating to, or imposing liability or standards of conduct concerning, any hazardous, toxic, or dangerous waste, substance, or material.

11. **Construction Agreement** – The written instrument which is evidence of the agreement, contained in the Contract Documents, between Owner and a Contractor covering the Work.

12. **Construction Contract** – The entire and integrated written agreement between Owner and a Contractor concerning the Work.

13. **Construction Cost** – The cost to Owner of those portions of an entire Specific Project designed or specified by Engineer. Construction Cost does not include costs of services of Engineer or other design professionals and consultants, cost of land, rights-of-way, or compensation for damages to properties, or Owner's costs for legal, accounting, insurance counseling or auditing services, or interest and financing charges incurred in connection with a Specific Project, or the cost of other services to be provided by others to Owner. Construction Cost is one of the items comprising Total Project Costs.

14. **Consultants** – Individuals or entities having a contract with Engineer to furnish services with respect to a Specific Project as Engineer's independent professional associates, consultants, subcontractors, or vendors. The term Engineer includes Engineer's Consultants.

15. **Contract Documents** – Documents that establish the rights and obligations of the parties engaged in construction and include the Construction Agreement between Owner and a Contractor, Addenda (which pertain to the Contract Documents), a contractor's Bid (including documentation accompanying the Bid and any post-Bid documentation submitted prior to the notice of award) when attached as an exhibit to the Construction Agreement, the notice to proceed, the bonds, appropriate certifications, the General Conditions, the Supplementary Conditions, the Specifications and the Drawings as the same are more specifically identified in the Construction Agreement, together with all Written Amendments, Change Orders, Work Change Directives, Field Orders, and Engineer's written interpretations and clarifications issued on or after the Effective Date of the Construction Agreement. Approved Shop Drawings and the reports and drawings of subsurface and physical conditions are not Contract Documents.

16. **Contract Price** – The moneys payable by Owner to a Contractor for completion of the Work in accordance with the Contract Documents and as stated in the Construction Agreement.

17. **Contract Times** – The numbers of days or the dates stated in a Construction Agreement to: (i) achieve Substantial Completion, and (ii) complete the Work so that it is ready for final payment as evidenced by Engineer's written recommendation of final payment.
18. Contractor – An individual or entity with whom Owner enters into a Construction Agreement for a Specific Project.

19. Correction Period – The time after Substantial Completion during which a Contractor must correct, at no cost to Owner, any Defective Work, normally one year after the date of Substantial Completion or such longer period of time as may be prescribed by Laws or Regulations or by the terms of any applicable special guarantee or specific provision of the Contract Documents.

20. Defective – An adjective which, when modifying the word Work, refers to Work that is unsatisfactory, faulty, or deficient, in that it does not conform to the Contract Documents, or does not meet the requirements of any inspection, reference standard, test, or approval referred to in the Contract Documents, or has been damaged prior to Engineer's recommendation of final payment.

21. Documents – Data, reports, Drawings, Specifications, Record Drawings, and other deliverables, whether in printed or electronic media format, provided or furnished in appropriate phases by Engineer to Owner pursuant to this Agreement.

22. Drawings – That part of the Contract Documents prepared or approved by Engineer which graphically shows the scope, extent, and character of the Work to be performed by a Contractor. Shop Drawings are not Drawings as so defined.

23. Effective Date of the Construction Agreement – The date indicated in a Construction Agreement on which it becomes effective, but if no such date is indicated, it means the date on which the Construction Agreement is signed and delivered by the last of the two parties to sign and deliver.

24. Effective Date of the Agreement – The date indicated in this Agreement on which it becomes effective, but if no such date is indicated, it means the date on which the Agreement is signed and delivered by the last of the two parties to sign and deliver.

25. Effective Date of the Task Order – The date indicated in the Task Order on which it becomes effective, but if no such date is indicated, it means the date on which the Task Order is signed and delivered by the last of the two parties to sign and deliver.

26. Field Order – A written order issued by Engineer which directs minor changes in the Work but which does not involve a change in the Contract Price or the Contract Times.

27. General Conditions – That part of the Contract Documents which sets forth terms, conditions, and procedures that govern the Work to be performed or furnished by a Contractor with respect to a Specific Project.

28. Hazardous Waste – The term Hazardous Waste shall have the meaning provided in Section 1004 of the Solid Waste Disposal Act (42 USC Section 6903) as amended from time to time.

29. Laws and Regulations; Laws or Regulations – Any and all applicable laws, rules, regulations, ordinances, codes, standards, and orders of any and all governmental bodies, agencies, authorities, and courts having jurisdiction.

30. PCBs – Polychlorinated biphenyls.

31. Petroleum – Petroleum, including crude oil or any fraction thereof which is liquid at 32 degrees Fahrenheit and 14.7 pounds per square inch absolute, such as fuel oil, oil sludge, oil refuse, gasoline, kerosene, and oil mixed with other non-Hazardous Waste and crude oils.

32. Radioactive Materials – Source, special nuclear, or byproduct material as defined by the Atomic Energy Act of 1954 (42 USC Section 2011 et seq.) as amended from time to time.

33. Record Drawings – The Drawings as issued for construction on which Engineer, upon completion of the Work, has shown changes due to Addenda or Change Orders and other information which
Engineer considers significant based on record documents furnished by Contractor to Engineer and which were annotated by Contractor to show changes made during construction.

34. **Reimbursable Expenses** – The expenses incurred directly by Engineer in connection with the performing or furnishing of Basic and Additional Services for a Specific Project for which Owner shall pay Engineer as indicated in Exhibit C.

35. **Resident Project Representative** – The authorized representative, if any, of Engineer assigned to assist Engineer at the Site of a Specific Project during the Construction Phase. The Resident Project Representative will be Engineer's agent or employee and under Engineer's supervision. As used herein, the term Resident Project Representative includes any assistants of Resident Project Representative agreed to by Owner. The duties and responsibilities of the Resident Project Representative will be as set forth in each Task Order.

36. **Samples** – Physical examples of materials, equipment, or workmanship that are representative of some portion of the Work and which establish the standards by which such portion of the Work will be judged.

37. **Shop Drawings** – All drawings, diagrams, illustrations, schedules, and other data or information which are specifically prepared or assembled by or for a Contractor and submitted by a Contractor to Engineer to illustrate some portion of the Work.

38. **Site** – Lands or areas indicated in the Contract Documents for a Specific Project as being furnished by Owner upon which the Work is to be performed, rights-of-way and easements for access thereto, and such other lands furnished by Owner which are designated for use of a Contractor.

39. **Specifications** – That part of the Contract Documents prepared by Engineer consisting of written technical descriptions of materials, equipment, systems, standards, and workmanship as applied to the Work to be performed by a Contractor and certain administrative details applicable thereto.

40. **Specific Project** – An undertaking of Owner as set forth in a Task Order.

41. **Substantial Completion** – The time at which the Work (or a specified part thereof) has progressed to the point where, in the opinion of Engineer, the Work (or a specified part thereof) is sufficiently complete, in accordance with the Contract Documents, so that the Work (or a specified part thereof) can be utilized for the purposes for which it is intended. The terms "substantially complete" and "substantially completed" as applied to all or part of the Work refer to Substantial Completion thereof.

42. **Supplementary Conditions** – That part of the Contract Documents which amends or supplements the General Conditions.

43. **Task Order** – A document executed by Owner and Engineer, including amendments if any, stating the scope of services, Engineer's compensation, times for performance of services and other relevant information for a Specific Project.

44. **Total Project Costs** – The sum of the Construction Cost, allowances for contingencies, the total costs of services of Engineer or other design professionals and consultants, cost of land, rights-of-way, or compensation for damages to properties, or Owner's costs for legal, accounting, insurance counseling, or auditing services, or interest and financing charges incurred in connection with a Specific Project, or the cost of other services to be provided by others to Owner pursuant to Exhibit B of this Agreement.

45. **Work** – The entire completed construction or the various separately identifiable parts thereof required to be provided by a Contractor under Contract Documents for a Specific Project. Work includes and is the result of a Contractor performing or furnishing labor, services, and documentation necessary to produce such construction and furnishing, installing, and incorporating all materials and all equipment into such construction, all as required by the applicable Contract Documents.

46. **Work Change Directive** – A written directive to a Contractor signed by Owner upon recommendation of the Engineer, ordering an addition, deletion, or revision in the Work, or responding to differing or
unforeseen subsurface or physical conditions under which the Work is to be performed or to emergencies. A Work Change Directive will not change the Contract Price or the Contract Times but is evidence that the parties expect that the change directed or documented by a Work Change Directive will be incorporated in a subsequently issued Change Order following negotiations by the parties as to its effect, if any, on the Contract Price or Contract Times.

47. Written Amendment – A written amendment of the Contract Documents signed by Owner and a Contractor on or after the Effective Date of a Construction Agreement and normally dealing with the non-engineering or non-technical rather than strictly construction-related aspects of the Contract Documents.

ARTICLE 8 – EXHIBITS AND SPECIAL PROVISIONS

8.01 Exhibits

<table>
<thead>
<tr>
<th>Included? (Yes or No)</th>
<th>Number of Pages</th>
<th>Exhibit Letter</th>
<th>Exhibit Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>3</td>
<td>A</td>
<td>Schedule of Engineer's Services</td>
</tr>
<tr>
<td>Yes</td>
<td>8</td>
<td>B</td>
<td>Schedule of Owner's Responsibilities</td>
</tr>
<tr>
<td>Yes</td>
<td>2</td>
<td>C</td>
<td>Payments to Engineer for Services and Reimbursable Expenses</td>
</tr>
<tr>
<td>Yes</td>
<td>4</td>
<td>D</td>
<td>Schedule of Duties, Responsibilities and Limitations of Authority of Resident Project Representative</td>
</tr>
<tr>
<td>Yes</td>
<td>2</td>
<td>E</td>
<td>Notice of Acceptability of Work (Form)</td>
</tr>
<tr>
<td>Yes</td>
<td>1</td>
<td>F</td>
<td>Construction Cost Limit</td>
</tr>
<tr>
<td>Yes</td>
<td>1</td>
<td>G</td>
<td>Insurance</td>
</tr>
<tr>
<td>No</td>
<td>-</td>
<td>H</td>
<td>Dispute Resolution</td>
</tr>
<tr>
<td>Yes</td>
<td>1</td>
<td>I</td>
<td>Allocation of Risks</td>
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<tr>
<td>No</td>
<td>-</td>
<td>J</td>
<td>Reserved</td>
</tr>
<tr>
<td>Yes</td>
<td>2</td>
<td>K</td>
<td>Amendment to Task Order (Form)</td>
</tr>
</tbody>
</table>

8.02 Total Agreement

A. This Agreement (consisting of pages 1 to 14 inclusive, together with the Exhibits identified as included above) constitutes the entire agreement between Owner and Engineer and supersedes all prior written or oral understandings. This Agreement may only be amended, supplemented, modified, or canceled by a duly executed written instrument. Amendments to Task Orders shall be in writing, based upon the format provided in Exhibit K, "Amendment to Task Order."

8.03 Designated Representatives

A. With the execution of this Agreement, Engineer and Owner shall designate specific individuals to act as Engineer's and Owner's representatives with respect to the services to be performed or furnished by Engineer and responsibilities of Owner under this Agreement. Such individuals shall have authority to transmit instructions, receive information, and render decisions relative to the Agreement on behalf of each respective party. Each Task Order shall likewise designate representatives of the two parties.
IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

OWNER: Schertz Seguin Local Government Corporation (SSLGC)

By: Alan Cockerell
Name:
Title: General Manager

Date Signed: 30 Mar 09
Address for giving notices:
P. O. Box 633
Seguin, TX 78156

ENGINEER: G. E. Walker & Associates, LLC

By: John Winkler, P. E.
Name:
Title: Manager

Date Signed: 3/27/09
Address for giving notices:
6034 West Courtyard Drive, Suite 135
Austin, TX 78730

DESIGNATED REPRESENTATIVE:

Alan Cockerell
Title: General Manager
Phone Number: 830-401-2423
Facsimile Number: 830-401-2481
E-Mail: sslgc@ci.seguin.tx.us
Address: 

DESIGNATED REPRESENTATIVE:

John Winkler, P. E.
Title: Project Manager
Phone Number: 512-633-5138
Facsimile Number: 512-382-0042
E-Mail: jwinkler@gewalker.com
Address: 
In accordance with paragraph 1.01 of the Standard Form of Agreement Between Owner and Engineer for Professional Services — Task Order Edition, dated _______ ("Agreement"), Owner and Engineer agree as follows:

1. **Specific Project Data**
   A. **Title:**
   
   B. **Description:**

2. **Services of Engineer**

   [Incorporate applicable text or paragraphs from Exhibit A, Schedule of Engineer’s Services — either by reference or by insertion here. Incorporate Exhibits D and/or F if applicable — either by reference or by insertion here. Supplement or modify as needed for this specific Task Order.]

3. **Owner’s Responsibilities**

   Owner shall have those responsibilities set forth in Article 2 and in Exhibit B, subject to the following: [Here state any additions or modifications to Exhibit B, for this Specific Project.]

4. **Times for Rendering Services**

<table>
<thead>
<tr>
<th>Phase</th>
<th>Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
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</tr>
</tbody>
</table>
5. **Payments to Engineer**

A. Owner shall pay Engineer for services rendered as follows:

<table>
<thead>
<tr>
<th>Category of Services</th>
<th>Compensation Method</th>
<th>Lump Sum, or Estimate of Compensation for Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Services (Study and Report, Preliminary Design, Final Design, Bidding or Negotiating, Construction Phase)</td>
<td>Choose One:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>A. Lump Sum</td>
<td></td>
</tr>
<tr>
<td></td>
<td>B. Standard Hourly Rates</td>
<td></td>
</tr>
</tbody>
</table>

Resident Project Representative and Post-Construction Phase Services

Additional Services

Choose One:

A. Lump Sum
B. Standard Hourly Rates

C. The terms of payment are set forth in Article 4 of the Agreement and in Exhibit C.

6. **Consultants:**

7. **Other Modifications to Agreement:**

   [Supplement or modify Agreement and Exhibits, if appropriate.]

8. **Attachments:**

9. **Documents Incorporated By Reference:**
TASK ORDER FORM
SSLGC
Project Name

Terms and Conditions: Execution of this Task Order by Owner and Engineer shall make it subject to the terms and conditions of the Agreement (as modified above), which Agreement is incorporated by this reference. Engineer is authorized to begin performance upon its receipt of a copy of this Task Order signed by Owner.

The Effective Date of this Task Order is ________________.

OWNER:
By: ____________________________
Name: __________________________
Title: ____________________________

ENGINEER:
By: ____________________________
Name: __________________________
Title: ____________________________

Engineer License or Firm’s Certificate No. ____________________________
State of: ____________________________

DESIGNATED REPRESENTATIVE FOR TASK ORDER:
Name: __________________________
Title: ____________________________
Address: ____________________________
E-Mail Address: ____________________________
Phone: ____________________________
Fax: ____________________________

DESIGNATED REPRESENTATIVE FOR TASK ORDER:
Name: __________________________
Title: ____________________________
Address: ____________________________
E-Mail Address: ____________________________
Phone: ____________________________
Fax: ____________________________
Schedule of Engineer's Services

Services to be provided under a Task Order may include the following:

PART 1 – BASIC SERVICES

A.1.01 Study and Report Phase (if applicable)

A. The Engineer shall:

1. Consult with Owner to define and clarify Owner's requirements for a Specific Project and available data.

2. Advise Owner as to the necessity of Owner's providing data or services of the types described in Exhibit B which are not part of Engineer's Basic Services, and, if requested, assist Owner in obtaining such data and services.

3. Identify, consult with, and analyze requirements of governmental authorities having jurisdiction to approve the portions of a Specific Project designed or specified by Engineer, including but not limited to mitigating measures identified in the environmental assessment.

4. Identify and evaluate the number of alternate solutions available to Owner listed in the Task Order for a Specific Project, and, after consultation with Owner, recommend to Owner those solutions which in Engineer's judgment meet Owner's requirements for a Specific Project.

5. Prepare a report (the "Report") which will, as appropriate, contain schematic layouts, sketches and conceptual design criteria with appropriate exhibits to indicate the agreed-to requirements, considerations involved, and those alternate solutions available to Owner which Engineer recommends. This Report will be accompanied by Engineer's opinion of Total Project Costs for each solution which is so recommended for a Specific Project with each component separately itemized, including the following, which will be separately itemized: opinion of probable Construction Cost, allowances for contingencies and for the estimated total costs of design, professional, and related services provided by Engineer and, on the basis of information furnished by Owner, allowances for other items and services included within the definition of Total Project Costs.

6. Furnish the number of review copies of the Report to Owner within the time period set forth in the Task Order and review it with Owner.

7. Revise the Report in response to Owner's and other parties' comments, as appropriate, and furnish the number of final copies of the revised Report to the Owner within the time period set forth in the Task Order.

B. Engineer's services under the Study and Report Phase will be considered complete on the date when the final copies of the revised Report have been delivered to Owner.

A.1.02 Preliminary Design Phase (if applicable)

A. After determination by Owner of the scope, extent, character or design requirements of a Specific Project, including the acceptance with any specific modifications by Owner of Engineer's Report, if any, from a preceding phase or Specific Project, Engineer shall:

1. On the basis of the above acceptance, selection, and authorization, prepares Preliminary Design Phase documents consisting of final design criteria, preliminary drawings, outline specifications and written descriptions of a Specific Project.
2. Provide necessary field surveys and topographic and utility mapping for design purposes. Utility mapping will be based upon information obtained from utility owners.

3. Advise Owner if additional reports, data, information, or services of the types described in Exhibit B are necessary and assist Owner in obtaining such reports, data, information, or services.

4. Based on the information contained in the Preliminary Design Phase documents, submit a current opinion of probable Construction Cost and any adjustments to Total Project Costs known to Engineer, which will be itemized as provided in paragraph A.1.01.A.5.

5. Furnish the Preliminary Design Phase documents to and review them with Owner.

6. Submit to Owner the number of final copies of the Preliminary Design Phase documents and revised opinion of probable Construction Cost within the time period set forth in the Task Order.

B. Engineer's services under the Preliminary Design Phase will be considered complete on the date when final copies of the Preliminary Design Phase documents have been delivered to Owner.

Final Design Phase (if applicable)

A. After determination by Owner of the scope, extent, character, or design requirements of a Specific Project, including the acceptance of any specific modifications by Owner of a preceding phase or Specific Project, Engineer shall:

1. On the basis of the above acceptance, direction, and authorization, prepares final Drawings indicating the scope, extent, and character of the Work to be performed and furnished by Contractor. Specifications will be prepared, where appropriate, in general conformance with the 16-division format of the Construction Specifications Institute.

2. Provide technical criteria, written descriptions, and design data for Owner's use in filing applications for permits from or approvals of governmental authorities having jurisdiction to review or approve the final design of a Specific Project and assist Owner in consultations with appropriate authorities.

3. Provide Owner a current opinion of probable Construction Cost and any adjustments to Total Project Costs known to Engineer, itemized as provided in paragraph A.1.01.A.5.

4. Prepare and furnish Bidding Documents for review and approval by Owner, its legal counsel, and other advisors, as appropriate, and assist Owner in the preparation of other related documents.

5. Submit the number of final copies of the Bidding Documents and a current opinion of probable Construction Cost to Owner within the time period set forth in the Task Order.

B. In the event that the Work designed or specified by Engineer is to be performed or furnished under more than one prime contract, or if Engineer's services are to be separately sequenced with the work of one or more prime Contractors (such as in the case of fast-tracking), Owner and Engineer shall, prior to commencement of the Final Design Phase, develop a schedule for performance of Engineer's services during the Final Design, Bidding or Negotiating, Construction, and Post-Construction Phases in order to sequence and coordinate properly such services as are applicable to the work under such separate prime contracts. This schedule is to be prepared and included in or become an amendment to the Task Order whether or not the work under such contracts is to proceed concurrently.

C. The number of prime contracts for Work designed or specified by Engineer upon which the Engineer's compensation has been established is identified in the Task Order.

D. Engineer's services under the Final Design Phase will be considered complete on the date when the submittals required by paragraph A.1.03.A.5 have been delivered to Owner.
Bidding or Negotiating Phase (if applicable)

A. The Engineer shall:

1. Assist Owner in advertising for and obtaining bids or negotiating proposals for the Work and, where applicable, maintain a record of prospective bidders to whom Bidding Documents have been issued, attend pre-Bid conferences, if any, and receive and process Contractor deposits or charges for the Bidding Documents.

2. Issue Addenda as appropriate to clarify, correct, or change the Bidding Documents.

3. Consult with Owner as to the acceptability of subcontractors, suppliers, and other individuals and entities proposed by Contractor for those portions of the Work as to which such acceptability is required by the Bidding Documents.

4. Attend the Bid opening, prepare Bid tabulation sheets, and assist Owner in evaluating Bids or proposals and in assembling and awarding contracts for the Work.

B. The Bidding or Negotiating Phase will be considered complete upon commencement of the Construction Phase or upon cessation of negotiations with prospective Contractors (except as may be required if Exhibit F is a part of the Task Order).

Construction Phase (if applicable)

A. Engineer shall:

1. General Administration of Construction Contract. Consult with Owner and act as Owner's representative as provided in the General Conditions. The extent and limitations of the duties, responsibilities and authority of Engineer as assigned in said General Conditions shall not be modified, except as Engineer may otherwise agree in writing. All of Owner's instructions to Contractor will be issued through Engineer, who shall have authority to act on behalf of Owner in dealings with Contractor to the extent provided in this Agreement and said General Conditions except as otherwise provided in writing.

2. Resident Project Representative (RPR). Provide the services of an RPR at the Site of the Specific Project to assist the Engineer and to provide more extensive observation of Contractor's work. Duties, responsibilities, and authority of the RPR are as set forth in the Task Order and in Exhibit D, "Duties, Responsibilities and Limitations of Authority of Resident Project Representative." The furnishing of such RPR's services will not limit, extend, or modify Engineer's responsibilities or authority except as expressly set forth in Exhibit D. [Note: For those Specific Projects for which Engineer will not be providing the services of an RPR, do not incorporate this paragraph A.1.05.A.2, and do not include Exhibit D.]

3. Selecting Independent Testing Laboratory. Assist Owner in the selection of an independent testing laboratory to perform the services identified in paragraph B.2.01.0.

4. Pre-Construction Conference. Participate in a pre-construction conference prior to commencement of Work at the Site.

5. Baselines and Benchmarks. As appropriate, establish baselines and benchmarks for locating the Work which in Engineer's judgment are necessary to enable Contractor to proceed.

6. Visits to Site and Observation of Construction. In connection with observations of Work in progress:

a. Make visits to the Site at intervals appropriate to the various stages of construction, as Engineer deems necessary, in order to observe as an experienced and qualified design professional the progress and quality of the Work. Such visits and observations by Engineer, and the Resident Project Representative, if any, are not intended to be exhaustive or to extend to every aspect of the Work in progress or to involve detailed inspections of the Work in progress beyond the responsibilities specifically assigned to Engineer in the Task Order and the Contract Documents, but rather are to be limited to spot checking, selective sampling, and similar methods of general observation of the Work based on Engineer's exercise of professional
judgment as assisted by the Resident Project Representative, if any. Based on information obtained during such visits and such observations, Engineer will determine in general if Contractor's work is proceeding in accordance with the Contract Documents, and Engineer shall keep Owner informed of the progress of the Work.

b. The purpose of Engineer's visits to, and representation by the Resident Project Representative, if any, at the Site of the Specific Project, will be to enable Engineer to better carry out the duties and responsibilities assigned to and undertaken by Engineer during the Construction Phase, and, in addition, by the exercise of Engineer's efforts as an experienced and qualified design professional, to provide for Owner a greater degree of confidence that the completed Work will conform in general to the Contract Documents and that the integrity of the design concept of the completed project as a functioning whole as indicated in the Contract Documents has been implemented and preserved by Contractor. Engineer shall not, during such visits or as a result of such observations of Contractor's work in progress, supervise, direct, or have control over the Work, nor shall Engineer have authority over or responsibility for the means, methods, techniques, sequences, or procedures of construction selected by Contractor, for safety precautions and programs incident to the Work, or for any failure of Contractor to comply with Laws and Regulations applicable to Contractor's furnishing and performing the Work. Accordingly, Engineer neither guarantees the performance of any Contractor nor assumes responsibility for any Contractor's failure to furnish and perform its work in accordance with the Contract Documents.

7. Defective Work. Have authority to disapprove or reject Contractor's work while it is in progress if, on the basis of such observations, Engineer believes that such work will not produce a completed project that conforms generally to the Contract Documents or that it will prejudice the integrity of the design concept of the completed project as a functioning whole as indicated in the Contract Documents.

8. Clarifications and Interpretations; Field Orders. The Engineer shall issue necessary clarifications and interpretations of the Contract Documents as appropriate to the orderly completion of the Work. Such clarifications and interpretations will be consistent with the intent of and reasonably inferable from the Contract Documents. Engineer may issue Field Orders authorizing minor variations from the requirements of the Contract Documents.

9. Change Orders and Work Change Directives. Recommend Change Orders and Work Change Directives to Owner, as appropriate, and prepare Change Orders and Work Change Directives as required.

10. Shop Drawings and Samples. Review and approve or take other appropriate action in respect to Shop Drawings and Samples and other data which Contractor is required to submit, but only for conformance with the information given in the Contract Documents and compatibility with the design concept of the completed project as a functioning whole as indicated in the Contract Documents. Such reviews and approvals or other action will not extend to means, methods, techniques, sequences or procedures of construction or to safety precautions and programs incident thereto. Engineer has an obligation to meet any Contractors submittal schedule that has earlier been acceptable to Engineer.

11. Substitutes and "or-equal." Evaluate and determine the acceptability of substitute or "or-equal" materials and equipment proposed by Contractor, but subject to the provisions of paragraph A.2.01.A.23 of this Exhibit A.

12. Inspections and Tests. Require such special inspections or tests of the Work as deemed reasonably necessary, and receive and review all certificates of inspections, tests, and approvals required by Laws and Regulations or the Contract Documents. Engineer's review of such certificates will be for the purpose of determining that the results certified indicate compliance with the Contract Documents and will not constitute an independent evaluation that the content or procedures of such inspections, tests, or approvals comply with the requirements of the Contract Documents. Engineer shall be entitled to rely on the results of such tests.

13. Disagreements between Owner and Contractor. Render formal written decisions on all claims of Owner and Contractor relating to the acceptability of the Work or the interpretation of the requirements of the Contract Documents pertaining to the execution and progress of the Work. In rendering such decisions, Engineer shall be fair and not show partiality to Owner or Contractor and shall not be liable in connection with any decision rendered in good faith in such capacity.
14. *Applications for Payment.* Based on Engineer's observations as an experienced and qualified design professional and on review of Applications for Payment and accompanying supporting documentation:

a. Determine the amounts that Engineer recommends Contractor be paid. Such recommendations of payment will be in writing and will constitute Engineer's representation to Owner, based on such observations and review, that, to the best of Engineer's knowledge, information and belief, the Work has progressed to the point indicated, the quality of such is generally in accordance with the Contract Documents (subject to an evaluation of the Work as a functioning whole prior to or upon Substantial Completion, to the results of any subsequent tests called for in the Contract Documents and to any other qualifications stated in the recommendation), and the conditions precedent to Contractor's being entitled to such payment appear to have been fulfilled in so far as it is Engineer's responsibility to observe the Work. In the case of unit price work, Engineer's recommendations of payment will include final determinations of quantities and classifications of the Work (subject to any subsequent adjustments allowed by the Contract Documents). The responsibilities of Engineer contained in paragraph A.1.05.A.6.a are expressly subject to the limitations set forth in paragraph A.1.05.A.6.b and other express or general limitations in this Agreement and elsewhere.

b. By recommending any payment, Engineer shall not thereby be deemed to have represented that observations made by Engineer to check the quality or quantity of the Work as it is performed and furnished have been exhaustive, extended to every aspect of the Work in progress, or involved detailed inspections of the Work beyond the responsibilities specifically assigned to Engineer in this Agreement and the Contract Documents. Neither Engineer's review of the Work for the purposes of recommending payments nor Engineer's recommendation of any payment including final payment will impose on Engineer responsibility to supervise, direct, or control the Work in progress or for the means, methods, techniques, sequences, or procedures of construction or safety precautions or programs incident thereto, or Contractor's compliance with Laws and Regulations applicable to the Work. It will also not impose responsibility on Engineer to make any examination to ascertain how or for what purposes Contractor has used the moneys paid on account of the Contract Price, or to determine that title to any portion of the work in progress, materials, or equipment has passed to Owner free and clear of any liens, claims, security interests, or encumbrances, or that there may not be other matters at issue between Owner and Contractor that might affect the amount that should be paid.

15. *Contractor's Completion Documents.*

a. Receive and review maintenance and operating instructions, schedules, and guarantees.

b. Receive bonds, certificates, or other evidence of insurance not previously submitted and required by the Contract Documents, certificates of inspection, tests and approvals, Shop Drawings, Samples and other data approved as provided under paragraph A.1.05.A.10, and the annotated record documents which are to be assembled by Contractor in accordance with the Contract Documents to obtain final payment. The extent of such Engineer's review will be limited as provided in paragraph A.1.05.A.10.

c. Engineer shall transmit these documents to Owner.

16. *Completion.* Promptly after notice from Contractor that Contractor considers the entire Work ready for its intended use, in company with Owner and Contractor, conduct an inspection to determine if the Work is Substantially Complete. If after considering any objections of Owner, Contractor considers the Work Substantially Complete, Engineer shall deliver a certificate of Substantial Completion to Owner and Contractor.

17. *Final Notice of Acceptability of the Work.* Conduct a final payment inspection to determine if the completed Work of Contractor is acceptable so that Engineer may recommend, in writing, final payment to Contractor. Accompanying the recommendation for final payment, Engineer shall also provide a notice in the form attached hereto as Exhibit E ("Notice of Acceptability of Work") that the Work is acceptable (subject to the provisions of paragraph A.1.05.A.14.b) to the best of Engineer's knowledge, information, and belief and based on the extent of the services provided by Engineer under this Agreement.

B *Duration of Construction Phase.* The Construction Phase will commence with the execution of the first Construction Agreement for a Specific Project or any part thereof and will terminate upon written recommendation by Engineer.
for final payment to Contractors. If a Specific Project involves more than one prime contract as indicated in the Task Order, Construction Phase services may be rendered at different times in respect to the separate contracts.

C. Limitation of Responsibilities. Engineer shall not be responsible for the acts or omissions of any Contractor, or of any of their subcontractors, suppliers, or of any other individual or entity performing or furnishing any of the Work. Engineer shall not be responsible for failure of any Contractor to perform or furnish the Work in accordance with the Contract Documents.

A.1.03 Post-Construction Phase (if applicable)

A. Engineer shall:

1. Provide assistance in connection with the testing and adjusting of Specific Project equipment or systems.

2. Assist Owner in training Owner's staff to operate and maintain Specific Project, equipment, and systems.

3. Assist Owner in developing procedures for control of the operation and maintenance of, and record keeping for, equipment and systems for the Specific Project.

4. Together with Owner, visit the Specific Project to observe any apparent defects in the Work, assist Owner in consultations and discussions with Contractor concerning correction of any such defects, and make recommendations as to replacement or correction of Defective Work, if present.

5. In company with Owner or Owner's representative, provide an inspection of the Specific Project within one month before the end of the Correction Period to ascertain whether any portion of the Work is subject to correction.

B. The Post-Construction Phase services may commence during the Construction Phase and, if not otherwise modified in the Task Order, will terminate at the end of the Correction Period.

PART 2 – ADDITIONAL SERVICES

A.2.01 Additional Services Requiring Owner's Authorization in Advance

A. If authorized in writing by Owner, Engineer shall furnish or obtain from others Additional Services of the types listed below. These services will be paid for by Owner as indicated in a Task Order.

1. Preparation of applications and supporting documents (in addition to those furnished under Basic Services) for private or governmental grants, loans or advances in connection with a Specific Project; preparation or review of environmental assessments and impact statements; review and evaluation of the effects on the design requirements for a Specific Project of any such statements and documents prepared by others; and assistance in obtaining approvals of authorities having jurisdiction over the anticipated environmental impact of a Specific Project.

2. Services to make measured drawings of or to investigate existing conditions or facilities, or to verify the accuracy of drawings or other information furnished by Owner.

3. Services resulting from significant changes in the scope, extent, or character of the portions of a Specific Project designed or specified by Engineer or its design requirements including, but not limited to, changes in size, complexity, Owner's schedule, character of construction, or method of financing; and revising previously accepted studies, reports, Drawings, Specifications, or Contract Documents when such revisions are required by changes in Laws and Regulations enacted subsequent to the Effective Date of the Task Order or are due to any other causes beyond Engineer's control.

4. Services resulting from Owner's request to evaluate additional Study and Report Phase alternative solutions beyond those identified in paragraph A.1.01.A.4.
5. Services required as a result of Owner's providing incomplete or incorrect project information with respect to Exhibit B.

6. Providing renderings or models for Owner's use.

7. Undertaking investigations and studies including, but not limited to, detailed consideration of operations, maintenance, and overhead expenses; the preparation of feasibility studies, cash flow and economic evaluations, rate schedules, and appraisals; assistance in obtaining financing for a Specific Project; evaluating processes available for licensing, and assisting Owner in obtaining process licensing; detailed quantity surveys of materials, equipment, and labor; and audits or inventories required in connection with construction performed by Owner.

8. Furnishing services of Engineer's Consultants for other than Basic Services.

9. Services attributable to more prime construction contracts than specified in the Task Order.

10. Services during out-of-town travel required of Engineer other than for visits to the Specific Project Site or Owner's office.

11. Preparing for, coordinating with, participating in and responding to structured independent review processes, including, but not limited to, construction management, cost estimating, project peer review, value engineering, and constructability review requested by Owner; and performing or furnishing services required to revise studies, reports, Drawings, Specifications, or other Bidding Documents as a result of such review processes.

12. Preparing additional Bidding Documents or Contract Documents for alternate bids or prices requested by Owner for the Work or a portion thereof.

13. Determining the acceptability of substitute materials and equipment proposed during the Bidding or Negotiating Phase when substitution prior to the award of contracts is allowed by the Bidding Documents.

14. Assistance in connection with Bid protests, rebidding, or renegotiating contracts for construction, materials, equipment, or services, except when such assistance is required by Exhibit F.

15. Providing construction surveys and staking to enable a Contractor to perform its work other than as required under paragraph A1.05.A.5, and any type of property surveys or related engineering services needed for the transfer of interests in real property; and providing other special field surveys.


17. Providing assistance in responding to the presence of any Constituent of Concern at any Site, in compliance with current Laws and Regulations.

18. Preparing and furnishing to Owner, in the format agreed to, Record Drawings showing appropriate record information based on project annotated record documents received from Contractor.

19. Preparation of operation and maintenance manuals.

20. Preparing to serve or serving as a consultant or witness for Owner in any litigation, arbitration or other dispute resolution process related to a Specific Project.

21. Providing more extensive services required to enable Engineer to issue notices or certifications requested by Owner under paragraph 6.01.G of the Agreement or a Task Order.

22. Services in connection with Work Change Directives and Change Orders to reflect changes requested by Owner so as to make the compensation commensurate with the extent of the Additional Services rendered.

23. Services in making revisions to Drawings and Specifications occasioned by the acceptance of substitute materials or equipment other than "or-equal" items; and services after the award of any Construction Agreement
in evaluating and determining the acceptability of a substitution which is found to be inappropriate for a Specific Project or an excessive number of substitutions.

24. Services resulting from significant delays, changes, or price increases occurring as a direct or indirect result of materials, equipment, or energy shortages.

25. Additional or extended services during construction made necessary by (a) a significant amount of defective, neglected or delayed Work by a Contractor, or (b) default by a Contractor.

26. Services (other than Basic Services during the Post-Construction Phase) in connection with any partial utilization of any part of the Work on a Specific Project by Owner prior to its Substantial Completion.

27. Evaluating an unreasonable claim or an excessive number of claims or requests for information submitted by a Contractor or others in connection with the Work on a Specific Project.

28. Other services performed or furnished by Engineer not otherwise provided for in this Agreement or a Task Order.

A. 2.02 Additional Services Not Requiring Owner’s Authorization in Advance

1. Engineer shall perform or furnish, without requesting or receiving specific advance authorization from Owner, the Additional Services of the types listed below. Engineer shall advise Owner in writing within seven days after beginning any such Additional Services. If Owner does not want Engineer to continue to perform or furnish the services, Owner shall notify Engineer in writing to cease, and Engineer shall comply.

a. Additional or extended services during construction made necessary by (a) emergencies or acts of God endangering the Work, (b) the presence at the site of any Constituent of Concern, (c) Work damaged by fire or other cause during construction, or (d) acceleration of the progress schedule involving services beyond normal working hours.
Schedule of Owner’s Responsibilities

Article 2 of the Agreement is amended and supplemented to include the following responsibilities unless expressly stated otherwise in a Task Order.

A. Provide Engineer with all criteria and full information as to Owner's requirements for the Specific Project, including design objectives and constraints, space, capacity and performance requirements, flexibility, and expandability, and any budgetary limitations; and furnish copies of all design and construction standards which Owner will require to be included in the Drawings and Specifications; and furnish copies of Owner's standard forms, conditions, and related documents for Engineer to include in the Bidding Documents, when applicable.

B. Furnish to Engineer any other available information pertinent to the Specific Project including reports and data relative to previous designs, or investigation at or adjacent to the Site of the Specific Project.

C. Following Engineer's assessment of initially-available Specific Project information and data and upon Engineer's request, furnish or otherwise make available such additional Specific Project related information and data as is reasonably required to enable Engineer to complete its Basic and Additional Services. Such additional information or data would generally include the following:

1. Property descriptions, zoning, deed, and other land use restrictions.

2. Property, boundary, easement, right-of-way, and other special surveys or data, including establishing relevant reference points.

3. Explorations and tests of subsurface conditions at or contiguous to the Site, drawings of physical conditions in or relating to existing surface or subsurface structures at or contiguous to the Site, or hydrographic surveys, with appropriate professional interpretation thereof.

4. Environmental assessments, audits, investigations and impact statements, and other relevant environmental or cultural studies as to a Specific Project, the Site and adjacent areas.

5. Data or consultations as required for a Specific Project but not otherwise identified in the Agreement, the Exhibits thereto, or the Task Order.

D. Give prompt written notice to Engineer whenever Owner observes or otherwise becomes aware of the presence at the Site of any Constituent of Concern, or of any other development that affects the scope or time of performance of Engineer's services, or any defect or nonconformance in Engineer's services, the Work, or in the performance of any Contractor.

E. Authorize Engineer to provide Additional Services as set forth in the Task Order as required.

F. Arrange for safe access to and make all provisions for Engineer to enter upon public and private property as required for Engineer to perform services under the Task Order.

G. Examine all alternate solutions, studies, reports, sketches, Drawings, Specifications, proposals, and other documents presented by Engineer for the Specific Project (including obtaining advice of an attorney, insurance counselor, and other advisors or consultants as Owner deems appropriate with respect to such examination) and render in writing timely decisions pertaining thereto.
H. Provide reviews, approvals, and permits from all governmental authorities having jurisdiction to approve all phases of the Specific Project designed or specified by Engineer and such reviews, approvals, and consents from others as may be necessary for completion of each phase of the Specific Project.

I. Provide, as required for the Specific Project:
   1. Accounting, bond and financial advisory, independent cost estimating, and insurance counseling services.
   2. Legal services with regard to issues pertaining to the Specific Project as Owner requires, a Contractor raises, or Engineer reasonably requests.
   3. Such auditing services as Owner requires to ascertain how or for what purpose a Contractor has used the moneys paid.
   4. Placement and payment for advertisement for Bids in appropriate publications.

J. Advise Engineer of the identity and scope of services of any independent consultants employed by Owner to perform or furnish services in regard to the Specific Project, including, but not limited to, cost estimating, project peer review, value engineering, and constructability review.

K. Furnish to Engineer data as to Owner's anticipated costs for services to be provided by others (including, but not limited to, accounting, bond and financial, independent cost estimating, insurance counseling and legal advice) for Owner so that Engineer may assist the Owner in collating the various cost categories which comprise Total Project Costs.

L. If Owner designates a construction manager or an individual or entity other than, or in addition to, Engineer to represent Owner at the Site, define and set forth in the Task Order the duties, responsibilities, and limitations of authority of such other party and the relation thereof to the duties, responsibilities, and authority of Engineer.

M. If more than one prime contract is to be awarded for the Work of the Specific Project designed or specified by Engineer, designate in the Task Order a person or entity to have authority and responsibility for coordinating the activities among the various prime Contractors. Define and set forth in the Task Order the duties, responsibilities, and limitations of authority of such individual or entity and the relation thereof to the duties, responsibilities, and authority of Engineer.

N. Attend the pre-bid conference; bid opening, pre-construction conferences, construction progress and other job related meetings, and Substantial Completion and final payment inspections.

O. Provide the services of an independent testing laboratory to perform all inspections, tests, and approvals of Samples, materials, and equipment required by the Contract Documents, or to evaluate the performance of materials, equipment, and facilities of Owner, prior to their incorporation into the Work for the Specific Project with appropriate professional interpretation thereof.

P. Provide Engineer with the findings and reports generated by any independent testing laboratory, if Engineer is required to review such documents.

Q. Additional Owner responsibilities:
Payments to Engineer for Services

ARTICLE 1 - OWNER'S RESPONSIBILITIES

C.1.01  Method of Payment

A. Owner shall pay Engineer for services in accordance with one or both of the following methods as identified in each Task Order:

1. Method A: Lump Sum

2. Method B: Standard Hourly Rates

C.1.02  Explanation of Methods

A. Method A – Lump Sum

1. Owner shall pay Engineer a Lump Sum amount for the specified category of services.

2. The Lump Sum will include compensation for Engineer's services and services of Consultants, if any. Appropriate amounts will be incorporated in the Lump Sum to account for labor, overhead, profit, and Reimbursable Expenses.

3. The portion of the Lump Sum amount billed for Engineer's services will be based upon Engineer's estimate of the proportion of the total services actually completed during the billing period to the Lump Sum.

B. Method B – Standard Hourly Rates

1. For the specified category of services, the Owner shall pay Engineer an amount equal to the cumulative hours charged to the Specific Project by each class of Engineer's employees times Standard Hourly Rates for each applicable billing class for all services performed on the Specific Project, plus Reimbursable Expenses and Consultant's charges, if any.

2. Standard Hourly Rates include salaries and wages paid to personnel in each billing class plus the cost of customary and statutory benefits, general and administrative overhead, non-project operating costs, and operating margin or profit.

3. Engineer's Standard Hourly Rates are attached to this Exhibit as Appendix 1.

4. The total estimated compensation for the specified category of services shall be stated in the Task Order. This total estimated compensation will incorporate all labor at Standard Hourly Rates, Reimbursable Expenses, and Consultants' charges, if any.

5. The amounts billed will be based on the cumulative hours charged to the specified category of services on the Specific Project during the billing period by each class of Engineer's employees times Standard Hourly Rates for each applicable billing class, plus Reimbursable Expenses and Engineer's Consultant's charges, if any.

6. The Standard Hourly Rates and Reimbursable Expenses Schedule may be adjusted annually to reflect equitable changes in the compensation payable to Engineer.
C.1.03 Reimbursable Expenses

Costs incurred by Engineer in the performance of the Task Order in the following categories constitute Reimbursable Expenses:

A. Transportation and subsistence incidental thereto; advertisements, postage, and shipping costs; providing and maintaining field office facilities including furnishings and utilities; subsistence and transportation of Resident Project Representative and their assistants; toll telephone calls, faxes, and telegrams; and reproduction of reports, Drawings, Specifications, Bidding Documents, and similar Specific Project-related items. If authorized in advance by Owner, Reimbursable Expenses will also include expenses incurred for the use of highly specialized equipment.

B. The amounts payable to Engineer for Reimbursable Expenses will be the project-specific internal expenses actually incurred or allocated by Engineer, plus all invoiced external Reimbursable Expenses allocable to a Specific Project, the latter multiplied by a Factor of 1.1.

C.1.04 Serving as a Witness

A. For services performed by Engineer's employees as witnesses giving testimony in any litigation, arbitration or other legal or administrative proceeding under Paragraph A2.01.A.20, at the witness's standard hourly rate. Compensation for Consultants for such services will be by reimbursement of Consultants' reasonable charges to Engineer for such services.

C.1.05 Other Provisions Concerning Payment

A. Extended Contract Times. Should the Contract Times to complete the Work be extended beyond the period stated in the Task Order, payment for Engineer's services shall be continued based on the Standard Hourly Rates Method of Payment.

B. Estimated Compensation Amounts (Hourly Task Orders)

1. Engineer's estimate of the amounts that will become payable for services are only estimates for planning purposes, are not binding on the parties, and are not the minimum or maximum amounts payable to Engineer under the Agreement.

2. When estimated compensation amounts have been stated in a Task Order and it subsequently becomes apparent to Engineer that a compensation amount thus estimated will be exceeded, Engineer shall give Owner written notice thereof. Promptly thereafter Owner and Engineer shall review the matter of services remaining to be performed and compensation for such services. Owner shall either agree to such compensation exceeding said estimated amounts or Owner and Engineer shall agree to a reduction in the remaining services to be rendered by Engineer so that total compensation for such services will not exceed said estimated amount when such services are completed.
This is **APPENDIX 1 to EXHIBIT C**, consisting of 1 page, referred to in and part of the Agreement between Owner and Engineer for Professional Services dated March 26, 2009.

### Standard Hourly Rates Schedule

Standard Hourly Rates are subject to annual review and adjustment. Hourly rates for services in effect on the date of the Agreement are:

<table>
<thead>
<tr>
<th>Position</th>
<th>Hourly Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal</td>
<td>$200/hour</td>
</tr>
<tr>
<td>Senior Project Manager</td>
<td>$150/hour</td>
</tr>
<tr>
<td>Project Manager</td>
<td>$120/hour</td>
</tr>
<tr>
<td>Professional VI</td>
<td>$100/hour</td>
</tr>
<tr>
<td>Professional V</td>
<td>$80/hour</td>
</tr>
<tr>
<td>Professional IV</td>
<td>$70/hour</td>
</tr>
<tr>
<td>Professional III</td>
<td>$65/hour</td>
</tr>
<tr>
<td>Professional II</td>
<td>$60/hour</td>
</tr>
<tr>
<td>Technician IV</td>
<td>$80/hour</td>
</tr>
<tr>
<td>Technician III</td>
<td>$65/hour</td>
</tr>
<tr>
<td>Technician II</td>
<td>$45/hour</td>
</tr>
<tr>
<td>Technician I</td>
<td>$35/hour</td>
</tr>
<tr>
<td>Support Staff</td>
<td>$30/hour</td>
</tr>
</tbody>
</table>

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*Appendix 1 – Standard Hourly Rates Schedule*
Schedule of Duties, Responsibilities, and Limitations of Authority of Resident Project Representative (RPR)

A RPR shall be provided by the Engineer on the project, if specifically authorized and approved by the Owner in the individual Task Order for that Specific Project. The following duties, responsibilities, and limitations of authority may be incorporated in the Task Order for a Specific Project:

D.1.01 Resident Project Representative

A. Engineer shall furnish a Resident Project Representative ("RPR"), assistants, and other field staff to assist Engineer in observing progress and quality of the Work. The RPR, assistants, and other field staff under this Exhibit D may provide full time representation or may provide representation to a lesser degree.

B. Through such additional observations of Contractor's work in progress and field checks of materials and equipment by the RPR and assistants, Engineer shall endeavor to provide further protection for Owner against defects and deficiencies in the Work. However, Engineer shall not, during such visits or as a result of such observations of Contractor's work in progress, supervise, direct, or have control over Contractor's work nor shall Engineer have authority over or responsibility for the means, methods, techniques, sequences, or procedures selected or used by Contractor, for security or safety at the Site, for safety precautions and programs incident to Contractor's work in progress, for any failure of Contractor to comply with Laws and Regulations applicable to Contractor's performing and furnishing the Work, or responsibility for Contractor's failure to furnish and perform the Work in accordance with the Contract Documents. In addition, the specific limitations set forth in Paragraph A.1.05 of Exhibit A as incorporated in the Task Order are applicable.

C. The duties and responsibilities of the RPR are limited to those of Engineer in the Agreement with the Owner and in the Contract Documents, and are further limited and described as follows:

1. General. RPR is Engineer's agent at the Site, will act as directed by and under the supervision of Engineer, and will confer with Engineer regarding RPR's actions.
   - RPR's dealings in matters pertaining to a Contractor's work in progress shall in general be with Engineer and Contractor, keeping Owner advised as necessary.
   - RPR's dealings with subcontractors shall only be through or with the full knowledge and approval of Contractor.
   - RPR shall generally communicate with Owner with the knowledge of and under the direction of Engineer.

2. Schedules. Review the progress schedule, schedule of Shop Drawing and Sample submittals, and schedule of values prepared by a Contractor and consult with Engineer concerning acceptability.

3. Conferences and Meetings. Attend meetings with Contractor, such as preconstruction conferences, progress meetings, job conferences and other project-related meetings, and prepare and circulate copies of minutes thereof.

4. Liaison
   a. Serve as Engineer's liaison with Contractor, working principally through Contractor's superintendent, and assist in providing information regarding the intent of the Contract Documents.
   b. Assist Engineer in serving as Owner's liaison with Contractor when Contractor's operations affect Owner's on-Site operations.
c. Assist in obtaining from Owner additional details or information, when required for proper execution of the Work.

5. **Interpretation of Contract Documents.** Report to Engineer when clarifications and interpretations of the Contract Documents are needed and transmit to Contractor clarifications and interpretations as issued by Engineer.

6. **Shop Drawings and Samples**
   a. Record date of receipt of Samples and approved Shop Drawings.
   b. Receive Samples which are furnished at the Specific Project Site by Contractor, and notify Engineer of availability of Samples for examination.
   c. Advise Engineer and Contractor of the commencement of any portion of the Work requiring a Shop Drawing or Sample submittal for which RPR believes that the submittal has not been approved by Engineer.

7. **Modifications.** Consider and evaluate Contractor's suggestions for modifications in Drawings or Specifications and report such suggestions, together with RPR's recommendations, to Engineer. Transmit to Contractor in writing decisions as issued by Engineer.

8. **Review of Work and Rejection of Defective Work**
   a. Conduct on-Site observations of Contractor's work in progress to assist Engineer in determining if the Work is in general proceeding in accordance with the Contract Documents.
   b. Report to Engineer whenever RPR believes that any part of Contractor's work in progress will not produce a completed project that conforms generally to the Contract Documents or will imperil the integrity of the design concept of the completed Specific Project as a functioning whole as indicated in the Contract Documents, or has been damaged, or does not meet the requirements of any inspection, test or approval required to be made; and advise Engineer of that part of work in progress that RPR believes should be corrected or rejected or should be uncovered for observation, or requires special testing, inspection or approval.

9. **Inspections, Tests, and System Start-ups**
   a. Consult with Engineer in advance of scheduled major inspections, tests, and systems start-ups of important phases of the Work.
   b. Verify that tests, equipment, and systems start-ups and operating and maintenance training are conducted in the presence of appropriate Owner's personnel, and that Contractor maintains adequate records thereof.
   c. Observe, record, and report to Engineer appropriate details relative to the test procedures and systems start-ups.
   d. Accompany visiting inspectors representing public or other agencies having jurisdiction over a Specific Project, record the results of these inspections, and report to Engineer.

10. **Records**
   a. Maintain at the Site orderly files for correspondence, reports of job conferences, reproductions of original Contract Documents including all Change Orders, Field Orders, Work Change Directives, Addenda, additional Drawings issued subsequent to the execution of the Contract, Engineer's clarifications and interpretations of the Contract Documents, progress reports, Shop Drawing and Sample submittals received from and delivered to Contractor, and other Specific Project-related documents.
b. Prepare a daily report or keep a diary or log book, recording Contractor's hours on the Site, weather conditions, data relative to questions of Change Orders, Field Orders, Work Change Directives, or changed conditions, Site visitors, daily activities, decisions, observations in general, and specific observations in more detail as in the case of observing test procedures; and send copies to Engineer.

c. Record names, addresses, fax numbers, e-mail addresses, web site locations and telephone numbers of all Contractors, subcontractors, and major suppliers of materials and equipment.

d. Maintain records for use in preparing project documentation.

e. Upon completion of the Work, furnish original set of all RPR Specific Project documentation to Engineer.

11. Reports

a. Furnish to Engineer periodic reports as required of progress of the Work and of Contractor's compliance with the progress schedule and schedule of Shop Drawing and Sample submittals.

b. Draft and recommend proposed Change Orders, Work Change Directives, and Field Orders. Obtain backup material from Contractor.

c. Furnish to Engineer and Owner copies of all inspection, test, and system startup reports.

d. Immediately notify Engineer of the occurrence of any Site accidents, emergencies, acts of God endangering the Work, damage to property by fire or other causes, or the discovery of any Constituent of Concern.

12. Payment Requests

a. Review Applications for Payment with Contractor for compliance with the established procedure for their submission and forward with recommendations to Engineer, noting particularly the relationship of the payment requested to the schedule of values, Work completed, and materials and equipment delivered at the Site but not incorporated in the Work.

13. Certificates, Operation and Maintenance Manuals

a. During the course of the Work, verify that materials and equipment certificates, operation and maintenance manuals and other data required by the Specifications to be assembled and furnished by a Contractor are applicable to the items actually installed and in accordance with the Contract Documents, and have these documents delivered to Engineer for review and forwarding to Owner prior to payment for that part of the Work.

14. Completion

a. Participate in a Substantial Completion inspection, assist in the determination of Substantial Completion and the preparation of lists of items to be completed or corrected.

b. Participate in a final inspection in the company of Engineer, Owner, and Contractor and prepare a final list of items to be completed and deficiencies to be remedied.

c. Observe whether all items on the final list have been completed or corrected and make recommendations to Engineer concerning acceptance and issuance of the Notice of Acceptability of the Work.

D. Resident Project Representative shall not:

1. Authorize any deviation from the Contract Documents or substitution of materials or equipment (including "or-equial" items).

2. Exceed limitations of Engineer's authority as set forth in the Agreement or the Contract Documents.
3. Undertake any of the responsibilities of a Contractor, subcontractors, suppliers, or a Contractor's superintendent.

4. Advise on, issue directions relative to, or assume control over any aspect of the means, methods, techniques, sequences or procedures of the Contractor's work unless such advice or directions are specifically required by the Contract Documents.

5. Advise on, issue directions regarding, or assume control over safety practices, precautions and programs in connection with the activities or operations of Owner or Contractor.

6. Participate in specialized field or laboratory tests or inspections conducted off-site by others except as specifically authorized by Engineer.

7. Accept Shop Drawing or Sample submittals from anyone other than Contractor.

8. Authorize Owner to occupy a Specific Project in whole or in part.
NOTICE OF ACCEPTABILITY OF WORK

PROJECT:

OWNER:

OWNER'S CONSTRUCTION CONTRACT IDENTIFICATION:

EFFECTIVE DATE OF THE CONSTRUCTION AGREEMENT:

CONSTRUCTION CONTRACT DATE:

ENGINEER:

To:

OWNER

To:

CONTRACTOR

From:

ENGINEER

The Engineer hereby gives notice to the above Owner and Contractor that the completed Work furnished and performed by Contractor under the above Contract is acceptable, expressly subject to the provisions of the related Contract Documents and the terms and conditions set forth on the reverse side hereof.

By: _________________________________

Title: _______________________________

Dated: _______________________________
(Reverse side of Notice)

CONDITIONS OF NOTICE OF ACCEPTABILITY OF WORK

The Notice of Acceptability of Work ("Notice") on the front side of this sheet is expressly made subject to the following terms and conditions to which all persons who receive said Notice and rely thereon agree:

1. Said Notice is given with the skill and care ordinarily used by members of the engineering profession practicing under similar conditions at the same time and in the same locality.

2. Said Notice reflects and is an expression of the professional judgment of Engineer.

3. Said Notice is given as to the best of Engineer's knowledge, information, and belief as of the date hereof.

4. Said Notice is based entirely on and expressly limited by the scope of services Engineer has been employed by Owner to perform or furnish during construction of the Specific Project (including observation of the Contractor's work) under Engineer's Agreement with Owner and under the Construction Contract referenced on the reverse hereof, and applies only to facts that are within Engineer's knowledge or could reasonably have been ascertained by Engineer as a result of carrying out the responsibilities specifically assigned to Engineer under Engineer's Agreement with Owner and the Construction Contract referenced on the reverse hereof.

5. Said Notice is not a guarantee or warranty of Contractor's performance under the Construction Contract referenced on the reverse hereof nor an assumption of responsibility for any failure of Contractor to furnish and perform the Work thereunder in accordance with the Contract Documents.
Construction Cost Limit

Paragraph 5.02 of the Agreement is amended and supplemented to include the following when incorporated in the Task Order for a Specific Project:

F.5.02 Designing to Construction Cost Limit

A. A Construction Cost limit may be set forth in the Task Order.

B. In such case, bidding or negotiating contingencies will be added to the Construction Cost limit.

C. The acceptance by Owner at any time during Basic Services of a revised opinion of probable Construction Cost in excess of the then established Construction Cost limit will constitute a corresponding increase in the Construction Cost limit.

D. Engineer will be permitted to determine what types of materials, equipment and component systems, and the types and quality thereof are to be included in the Drawings and Specifications and to make reasonable adjustments in the scope, extent, and character of a Specific Project to the extent consistent with the project requirements and sound engineering practices to bring the project within the Construction Cost limit.

E. If the Bidding or Negotiating Phase has not commenced within three months after completion of the Final Design Phase, or if industry-wide prices are changed because of unusual or unanticipated events affecting the general level of prices or times of delivery in the construction industry, the established Construction Cost limit will not be binding on Engineer, and Owner shall consent to an adjustment in such Construction Cost limit commensurate with any applicable change in the general level of prices in the construction industry between the date of completion of the Final Design Phase and the date on which proposals or Bids are sought.

F. If the lowest bona fide proposal or Bid exceeds the established Construction Cost limit, Owner shall (1) give written approval to increase such Construction Cost limit, or (2) authorize negotiating or rebidding the Specific Project within a reasonable time, or (3) cooperate in revising the Specific Project's scope, extent, or character to the extent consistent with the Specific Project's requirements and with sound engineering practices. In the case of (3), Engineer shall modify the Contract Documents as necessary to bring the Construction Cost within the Construction Cost limit. Owner shall pay Engineer's cost to provide such modification services, including the costs of the services of Engineer's Consultants, all overhead expenses reasonably related thereto, and Reimbursable Expenses, but without profit to Engineer on account of such services. The providing of such services will be the limit of Engineer's responsibility in this regard and, having done so, Engineer shall be entitled to payment for services and expenses in accordance with this Agreement and will not otherwise be liable for damages attributable to the lowest bona fide proposal or Bid exceeding the established Construction Cost limit.
Insurance

Paragraph 6.04 of the Agreement is amended and supplemented to include the following agreement of the parties.

G.6.04 Insurance

A. The limits of liability for the insurance required by paragraphs 6.04.A and 6.04.B of the Agreement are as follows:

1. By Engineer:
   a. Workers' Compensation:
   b. Employer's Liability --
      1) Each Accident: $1,000,000
      2) Disease, Policy Limit: $1,000,000
      3) Disease, Each Employee: $1,000,000
   c. General Liability --
      1) Each Occurrence (Bodily Injury and Property Damage): $1,000,000
      2) General Aggregate: $2,000,000
   d. Excess or Umbrella Liability --
      1) Each Occurrence: $2,000,000
      2) General Aggregate: $2,000,000
   e. Automobile Liability --
      1) Bodily Injury:
         a) Each Accident: $1,000,000
      2) Combined Single Limit (Bodily Injury and Property Damage):
         Each Accident: $1,000,000
   f. Professional Liability --
      1) Each Occurrence: $1,000,000
      2) General Aggregate: $2,000,000

B. Additional Insureds

1. Engineer and the Consultants identified in the Task Order for a Specific Project shall be listed on Owner's policies of insurance as additional insured as provided in paragraph 6.04.B.
Allocation of Risks
I.1.10.A Limitation of Engineer's Liability

1. **Engineer's Liability Limited to Amount of Insurance Proceeds.** Engineer shall procure and maintain insurance as required by and set forth in Exhibit G to this Agreement. Notwithstanding any other provision of this Agreement, and to the fullest extent permitted by law, the total liability, in the aggregate, of Engineer and Engineer's officers, directors, partners, employees, agents, and Engineer's Consultants, and any of them, to Owner and anyone claiming by, through, or under Owner for any and all claims, losses, costs, or damages whatsoever arising out of, resulting from or in any way related to a Specific Project or Task Order, or this Agreement, from any cause or causes, including but not limited to the negligence, professional errors or omissions, strict liability, or breach of contract or warranty, express or implied, of Engineer or Engineer's officers, directors, partners, employees, agents, or Engineer's Consultants, or any of them (hereafter "Owner's Claims"), shall not exceed the total insurance proceeds paid on behalf of or to Engineer by Engineer's insurers in settlement or satisfaction of Owner's Claims under the terms and conditions of Engineer's insurance policies applicable thereto (excluding fees, costs and expenses of investigation, claims adjustment, defense, and appeal).
Amendment To Task Order No.

1. Background Data:
   a. Effective Date of Task Order Agreement:
   b. Owner:
   c. Engineer:
   d. Specific Project:

2. Nature of Amendment [Check those that are applicable and delete those that are inapplicable.]
   - Additional Services to be performed by Engineer
   - Modifications to Services of Engineer
   - Modifications to Responsibilities of Owner
   - Modifications to Payment to Engineer
   - Modifications to Time(s) for rendering Services
   - Modifications to other terms and conditions of the Task Order

3. Description of Modifications
   Attachment 1, “Modifications”
   [List other Attachments, if any]
Owner and Engineer hereby agree to modify the above-referenced Task Order as set forth in this Amendment. All provisions of the Agreement not modified by this or previous Amendments remain in effect. The Effective Date of this Amendment is ____.

OWNER:

By: ______________________________

Title: ______________________________

Date Signed: _______________________

ENGINEER:

By: ______________________________

Title: ______________________________

Date Signed: _______________________
This is Attachment 1, consisting of _____ pages, to Amendment No. _____ dated _____; Task Order No. _____.

Modifications

[Include the following paragraphs that are appropriate and delete those not applicable to this amendment. Refer to paragraph numbers used in the Task Order, the Agreement, or a previous amendment for clarity with respect to the modifications to be made. Use paragraph numbers in this document for ease of reference herein and in future correspondence or amendments.]

1. Engineer shall perform the following Additional Services:

2. The Scope of Services currently authorized to be performed by Engineer in accordance with the Task Order and previous amendments, if any, is modified as follows:

3. The responsibilities of Owner are modified as follows:

4. For the Additional Services or the modifications to services set forth above, Owner shall pay Engineer the following additional or modified compensation:

5. The schedule for rendering services is modified as follows:

6. Other portions of the Task Order (including previous amendments, if any) are modified as follows:
CONSULTANT AGREEMENT

This CONSULTANT AGREEMENT (the “Agreement”) is made and entered into this 17th day of September, 2015, by and between Schertz/Seguin Local Government Corporation, a Texas corporation (the “CORPORATION”), and Crockett Camp (the “CONSULTANT”).

WITNESSETH:

WHEREAS, CORPORATION and CONSULTANT wish to enter into an agreement for the furnishing of professional consulting services as specified herein and hereafter in Task Orders between CORPORATION and CONSULTANT, each of which shall pertain to a project of CORPORATION, as identified therein (and hereinafter referred to as a Project), and

WHEREAS, CONSULTANT represents to CORPORATION that CONSULTANT is qualified and prepared to perform the necessary professional services in connection with each Project,

NOW THEREFORE, in consideration of the mutual promises and covenants of the parties hereto it is agreed as follows:

SECTION 1 - PROFESSIONAL SERVICES

1.1 CONSULTANT shall provide professional consulting services in all phases of each Project to which this Agreement applies. The services furnished by the CONSULTANT for a Project will be defined by one or more Task Orders in the form attached hereto as Attachment A which will identify the Project and set forth (i) CONSULTANT’s services, (ii) the schedule for performance of the services and (iii) the fee and any reimbursable expenses for the services.

1.2 Each Task Order, after execution by both parties, shall become a supplement to and a part of this Agreement and constitute authorization to proceed.

1.3 CONSULTANT acknowledges that CORPORATION has not represented that it will provide CONSULTANT with any particular quantity or quality of Task Orders over the term of this agreement. CORPORATION is free to seek similar consulting services from other professional service providers during the term of this Agreement without being deemed in breach of the Agreement.

SECTION 2 - PAYMENT TO CONSULTANT

2.1 Consultant shall be paid $2500.00 per month as consideration for this agreement including but not limited to attendance at SSLGC and Gibolo Valley Local Government Corporation (CVLGC) monthly board meetings and, if needed, one additional meeting each month, such as the Gonzales County Underground Water Conservation District (GCUWCD). Compensation for work performed for a Task Order shall be specified in the Task Order. Unless set forth otherwise in Task Order, CONSULTANT agrees to be responsible for all expenses incurred in connection with the services performed under the Task Order. CONSULTANT acknowledges that such expenses shall not be reimbursed by the CORPORATION unless otherwise expressly agreed upon by the CORPORATION in the Task Order.
2.2 CONSULTANT shall bill the CORPORATION monthly for services rendered under a Task Order during the preceding calendar month. Each invoice shall set forth, in reasonable detail, the time spent and hourly rate, the total fees of such services, and an itemized list of reimbursable expenses. CORPORATION may request from CONSULTANT, and CONSULTANT will provide additional documentation which identifies, in reasonable detail, the services performed by the CONSULTANT on an invoice. CORPORATION agrees to pay invoices within thirty (30) business days of their receipt.

SECTION 3 – TERM

3.1 This Agreement shall commence as of January 1, 2016 and shall remain in effect until December 31, 2017.

SECTION 4 - INDEMNIFICATION

4.1 CONSULTANT will indemnify and hold CORPORATION harmless, from and against any and all losses, claims, damages, or liabilities to which CORPORATION may become subject, including reasonable costs and attorneys fees, insofar as such losses, claims, damages or liabilities arise out of or are based on any act or omission of CONSULTANT in connection with the services called for hereby.

SECTION 5 – ENTIRE AGREEMENT

5.1 This Agreement, including attachments incorporated herein by reference, represents the entire Agreement and understanding between the parties and any negotiations, proposals or oral agreements and intended to be integrated herein and to be superseded by this written Agreement. Any supplement or amendment to this Agreement to be effective shall be in writing and signed by CORPORATION and CONSULTANT.

SECTION 6 - MISCELLANEOUS

6.1 All notices, invoices and payments shall be made in writing. Notices and invoices shall be given by personal delivery (including delivery by written electronic transmission with receipt acknowledged or by recognized courier service) or by mail. Notices, invoices and payments sent by mail shall be addressed to the following designated responsible person or office:

TO CORPORATION:
Mr. Alan Cockerell
Schertz/Seguin Local Government Corporation
P. O. Box 833
Seguin, Texas 78156-0833

TO CONSULTANT:
Crockett Camp
6105 Mountain Villa Drive
Austin, Texas 78731
and so when addressed, shall be deemed given seventy-two hours after deposit in the United States Mail, postage prepaid. In all other instances notices, invoices, and payments shall be deemed given at the time of actual delivery. Changes may be made in the names and addresses of the responsible person or office to whom notices, invoices and payments are to be sent, by notice given in the manner specified above.

6.2 All documents delivered by CONSULTANT for CORPORATION in connection with any Project under this Agreement shall be the property of CORPORATION. All documents prepared by CONSULTANT for CORPORATION or in connection with any Project under this Agreement shall be subject to the Confidentiality Agreement referred to under Section 6.2.

6.3 CONSULTANT certifies that CONSULTANT has no outstanding agreement or obligation that is in conflict with any of the provisions of this Agreement, or that would preclude CONSULTANT from complying with the provisions hereof, and further certifies that CONSULTANT will not enter into any such conflicting agreement during the term of this Agreement.

6.4 Nothing in this Agreement shall in any way be construed to constitute CONSULTANT as an agent, employee or representative of the CORPORATION, but CONSULTANT shall perform the services hereunder as an independent contractor. CONSULTANT shall have responsibility for and control over the details and means of performing the services and shall be subject to the directions of the CORPORATION only with respect to the scope and general results required. CONSULTANT acknowledges and agrees that CONSULTANT is obligated to report as income all compensation received by CONSULTANT pursuant to this Agreement, and CONSULTANT agrees to and acknowledges the obligation to pay all self-employment and other taxes thereon.

6.6 This Agreement is not assignable without the written consent of the parties hereto.

6.7 This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

6.8 If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision, or such portion of such provision as may be necessary, shall be excluded from this Agreement and the balance of the Agreement shall be interpreted as if such provision were so excluded and shall be thereafter enforceable in accordance with its terms.

6.9 In the event of any claim, dispute, litigation, arbitration or action concerning or related to this Agreement, or any alleged breach of this Agreement, the prevailing party shall be entitled to reasonable attorneys fees, costs of suit and disbursements in addition to any other remedies or damages which may be properly awarded or awardable.

6.10 The titles and subtitles used in this Agreement are used for convenience of reference only and are not to be considered in construing or interpreting this Agreement.

6.11 This Agreement is to be governed by and construed in accordance with the laws of the State of Texas.
SECTION 7 – TERMINATION OF TASK ORDERS

7.1 CORPORATION may terminate Task Orders at any time by giving at least sixty (60) days notice in writing to the CONSULTANT. CONSULTANT shall be entitled to receive compensation for all services satisfactorily performed, but not previously paid, prior to the effective date of termination, (and after such date if necessary and previously authorized in writing by the CORPORATION to provide uninterrupted transition of services), including all applicable prorated fees on such services. CONSULTANT shall also be entitled to receive the reasonable costs of settling and paying terminated subcontracts.

IN WITNESS WHEREOF, the parties have executed this Agreement by their agent duly authorized as of the date first above written.

Schertz/Seguin Local Government Corporation, a Texas Corporation

By: ________________________________
    Alan Cockerell
    General Manager

By: ________________________________
    Crockett Camp

Address: P. O. Box 833
Seguin, Texas 78156-0833

Address: 605 Mountain Villa Drive
Austin, Texas 78731
Attachment A

TASK ORDER #1

This Task Order is executed in connection with the Consultant Agreement (the “AGREEMENT”) dated September 17, 2015 between Schertz/Seguin Local Government Corporation, a Texas Corporation (“CORPORATION”), and Crockett Camp (“CONSULTANT”), for PROJECTS generally described below.

ARTICLE 1. PREPARE GOALS AND OBJECTIVES

Consultant will address planning and implementation of expanding water supply projects addressing near-term and long-term water supplies in the area of interest for Schertz/Seguin Local Government Corporation and Cibolo Valley Local Government Corporation. The Consultant will give emphasis to the evaluation of the needs of the participating cities of Cibolo, Converse, Schertz, Seguin, and Selma and will consider secondary customers as directed.

ARTICLE 2. EVALUATE REGULATIONS AND LEGAL RESTRAINTS

Consultant will evaluate governmental regulations and other legal restraints that may impact the water supply project in cooperation with the attorney for the CORPORATION.

ARTICLE 3. PRELIMINARY TECHNICAL ANALYSIS

Consultant will survey existing studies and data and provide and manage a coordinated technical analysis of the water supply project with a schedule and budget for necessary engineering and hydrogeological tasks associated with the water supply projects.

ARTICLE 4. WATER RIGHTS ACQUISITION

Consultant will manage the acquisition of water rights and real estate needed for the projects. Consultant may employ the services of specialists to aid in these efforts and may direct the consultants and attorneys otherwise engaged by the CORPORATION to aid in these efforts.

ARTICLE 5. TEAM MEMBERS

Crockett Camp is the Project Manager. Alan Cockerell is the representative for the CORPORATION for this task.

Assisting the Project Manager as directed and assigned by him will be:

Walter Tacquard, Project Coordinator
John Winkler, PE, Project Engineer
Bill Klemt, Hydrogeologist
ARTICLE 6. COMPENSATION

FEES:
Compensation by CORPORATION to CONSULTANT for the performance of the service under this Task Order will be as follows:

Crockett Camp $350
Walter Tacquard $250

The compensation payable to CONSULTANT for the services under this Task Order is in addition to the monthly retainer specified in the referenced AGREEMENT.

EXPENSES:
The CORPORATION shall reimburse CONSULTANT for expenses incurred by CONSULTANT in connection with the performance of the service under this Task Order for mileage at the rate not to exceed published governmental rate at gsa.gov.

This Task Order will become a part of the referenced AGREEMENT when executed by both parties.

IN WITNESS WHEREOF, the parties execute below:

Schertz/Seguin Local Government Corporation

By: Alan Cockerell
General Manager

Crockett Camp

Dated this 17th day of September, 2015

Dated this 17th day of September, 2015
CONSULTANT AGREEMENT

This Consultant Agreement (the “Agreement”) is made and entered into this 17th day of September, 2015, by and between Schertz/Seguin Local Government Corporation, a Texas corporation (the “Company”), and William B. Klenk (the “Consultant”).

Consultant will consult and advise the Company with regard to hydro-geological matters for a non-refundable retainer of $1,500 payable on a monthly basis for a period of 24 months beginning January 1, 2016. The scope of work proposed for the retainer is as follows:

1) Attend and participate in the regular monthly meeting of the Gonzales County Underground Water Conservation District (District) as a representative of the Corporation;

2) Attend and participate in a regular SSLGC and CVLGC monthly Board meetings with the Manager and other Corporation officers;

3) Attend and participate in up to two meetings each month as requested by the Manager, Corporation officers, or Corporation Consultants with regard to review of reports and proposed District rule changes, past modeling, performance of existing Corporation wells, and remediation of other wells in the Corporation’s southwest Gonzales County well field area;

4) Perform up to three site or area visits during the year at certain wells in southwest Gonzales County in cooperation with the District for the purpose of remediation or water-level measurements as requested;

5) In cooperation with the District participate in the measurement of water levels in wells located in southwest Gonzales County during the months of January, June and September; and

6) Prepare letter reports to include results and opinions relative to water-level measurements and aquifer modeling.

At the request of the Manager, Consultant will perform other tasks as agreed from time to time to be compensated at an hourly rate of $70.00 plus expenses, including mileage at current IRS rate. Examples of such work include the following:

1) Water-level drawdown modeling using an analytical well-field model;

2) Sub-surface mapping in support of locating additional wells (structure and thickness maps);

3) Developing cost estimates for test holes and wells;

4) Conducting pumping tests and water sampling;

5) Analysis of large volumes of water-well data and geophysical logs;

6) Evaluation of certain existing wells;

1 of 2
7) Attend and participate in meetings (other than the SSLGC Board Meeting) relating to design, location of additional new wells, and leasing of new properties; and

8) Well-head protection studies for new wells,

IN WITNESS WHEREOF, the parties have executed this Agreement by their agent duly authorized as of the date first above written.

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
P. O. Box 833
Seguin, Texas 78156-0833

By: ____________________________
R. Alan Cockerell
General Manager

WILLIAM B. KLEMT
1200 Oak Shadow Circle
Austin, Texas 78758

By: ____________________________
William B. Klemt
Consulting Geologist
AGREEMENT FOR MANAGEMENT SERVICES
BETWEEN THE CITY OF SEGUIN AND
THE SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION

THE STATE OF TEXAS

KNOW ALL BY THESE PRESENTS:

COUNTY OF GUADALUPE

THIS AGREEMENT, executed the 16th day of JULY, 2015 by and between the City of Seguin, a municipal corporation, acting by and through its City Manager, situated in Guadalupe County, Texas (hereinafter referred to as “Seguin”), and the Schertz/Seguin Local Government Corporation (hereinafter referred to as “SSLGC”) acting by and through its General Manager is as follows:

WITNESSETH:

1.

That Seguin agrees to provide financial services to SSLGC according to the terms of this Agreement. For the purpose of this contract, the SSLGC General Manager shall be charged with the responsibility of carrying out SSLGC’s operations and program as adopted by the Board. Direct services Seguin shall perform for SSLGC shall include, but not be limited to:

1. Assist the SSLGC General Manager in preparing a budget for the forthcoming year for review and approval by the SSLGC Board and City Councils of Schertz and Seguin.

2. Providing all necessary accounting and financial management through Seguin’s Finance Department for the SSLGC Operating Budget.

3. Providing all personnel administration services for all full-time and part-time employees. Seguin shall be responsible for hiring, evaluation, and/or termination of personnel, who shall be City of Seguin employees and subject to all personnel policies thereof.

4. Providing laboratory space for water testing.

5. Providing all scheduled and unscheduled maintenance required for vehicles and equipment assigned to SSLGC.

6. Providing IT support for SSLGC office and personnel as required.

7. Providing risk management service in accordance with the requirements of SSLGC’s bond resolution, the water supply agreement with the Cities of Schertz and Seguin, property and liability insurance, terms of this agreement, and directives of the Board.

8. Include the general manager (City of Schertz employee) on the City of Seguin’s authorized purchasing list for SSLGC purchases only.

SSLGC/SEGUIN MSA FY2015-2016

1 of 4

SIGNED ORIGINAL(S): 2
Seguin’s services under this agreement are subject to oversight and direction by the SSLGC Board and the SSLGC General Manager. In performing its duties under this agreement, Seguin shall act for the benefit of SSLGC and not of any individual participant in the project.

II.

SSLGC shall reimburse Seguin the cost for the management services provided to SSLGC by Seguin pursuant to this agreement. Such payments shall be paid on a quarterly basis and payable by the 10th day of the following month.

To compensate Seguin for the costs it will incur to perform the services described in this Agreement, SSLGC will reimburse Seguin the actual expenditures incurred, with the exception of Finance, HR and IT services, which will be a set annual fee paid quarterly, all not to exceed the SSLGC fiscal year 2015-2016 budgeted amounts. Seguin will have the right at any time during a fiscal year to seek additional reimbursement if Seguin reasonably determines that the budgeted amount is inadequate to compensate Seguin for the costs it incurs on behalf of SSLGC in providing services under this agreement. Projected cash shortages resulting from unplanned costs related to the services to be provided under this agreement will be brought to the immediate attention of the SSLGC Board.

SSLGC Board or General Manager will have the right during normal business hours upon three business days’ prior written notice, to audit, examine, or reproduce any or all books and records of Seguin related to the performance of its duties under this agreement.

In the event of the termination of this agreement, the SSLGC will be responsible for paying Seguin only the portion of the cost allocated to periods prior to the effective date of termination of the agreement.

III.

It is the express purpose of this contract to have the SSLGC General Manager and related Seguin personnel implement, administer, and carry out the duties required for the operations of the public water systems owned by SSLGC.

IV.

Seguin acknowledges that the SSLGC General Manager will be the direct supervisor of the SSLGC Assistant General Manager, SSLGC Administrative Staff and SSLGC Water System Superintendent. The SSLGC Operations Personnel will be under the direct supervisor of the SSLGC Water System Superintendent. He will coordinate operations in conjunction with the other Seguin utility personnel, which will provide support, as needed. Similarly, the General Manager and Assistant General Manager positions will be available to provide backup support to Schertz and Seguin, provided such assignments shall not adversely impact the operations of the SSLGC Water System.
The General Manager will participate in the annual review process of all SSLGC Operations Personnel, be informed of any personnel actions and provide for the annual review of the SSLGC Assistant General Manager, SSLGC Administrative Staff

V.

The SSLGC Administrative Building at 108 W. Mountain Street, Seguin, Texas 78155, will be known as the location of the SSLGC Administrative Office and SSLGC Meeting site.

VI

Subject to early termination as provided in Article VII below, this agreement shall be in effect for a period of one year commencing OCTOBER 1, 2015 and ending SEPTEMBER 30, 2016 unless otherwise renewed or extended at the discretion of both parties.

VII.

TERMINATION:

1. This contract may be terminated by Seguin or SSLGC, in whole, or from time to time in part, upon ninety (90) day notice from the terminating party to the other party. Termination shall be ninety (90) days after delivery of Notice of Termination specifying to what extent performance or work under the contract shall be terminated ninety (90) days after receipt by the notified party.

2. After receipt of a Notice of Termination Seguin shall:
   a. Stop work on the date as specified in the ninety (90) day Notice of Termination to extent possible.
   b. Place no further orders or subcontracts except as may be necessary for completion of the work not terminated.
   c. Terminate all order and subcontracts to the extent that they relate to the performance of work terminated by the Notice of Termination in so far as possible.
   d. SSLGC shall pay expenses incurred through the date of termination.

VIII.

It is expressly understood that Seguin and SSLGC each retain the right to pursue other avenues for development and operation of public water systems, when it is determined to be in the best interest of Seguin or SSLGC to do so and this Agreement shall not limit either Seguin’s right or SSLGC’s right to pursue such interests.
IX.

It is the intent of the parties for SSLGC to acquire, after consultation with Seguin, insurance and other risk management programs to protect SSLGC, its property, and its participants.

To the extent permitted by law and to the extent SSLGC is protected by insurance or other risk management program, SSLGC shall defend, indemnify and hold harmless Seguin from and against claims, demands, actions, judgments, and liability asserted by any person other than SSLGC arising out of the performance by Seguin of its services on behalf of, and as agent of, SSLGC under this Agreement, excepting only such claims, demands, actions, judgments, and liability arising out of the willful misconduct or gross negligence of Seguin.

X.

This Agreement shall take effect on the 1st day of OCTOBER, 2015.

IN WITNESS WHEREOF, the parties have executed this Contract in the year and on the day indicated.

SCHERTZ/SEGuin LOCAL
GOVERNMENT CORPORATION
P.O. Box 833
Seguin, Texas 78156

R. Alan Cockerell, General Manager

August 20, 2015
Date

CITY OF SEGuin, Texas
P.O. Box 591
Seguin, Texas 78155

DougLas G. Fasclar, City Manager

August 20, 2015
Date
TWDB SWIFT APPLICATION
SECTION: A5a

Resolution # SSLGC R16-06

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
STATE OF TEXAS
COUNTY OF GUADALUPE

A RESOLUTION TO APPROVE THE APPOINTING OF
SAMCO CAPITAL MARKETS, INC AND NORTON ROSE FULBRIGHT US LLP
WITH RESPECT TO THE TEXAS WATER DEVELOPMENT BOARD’S STATE
WATER IMPLEMENTATION FUND FOR TEXAS PROGRAM AND AUTHORIZE
THE GENERAL MANAGER TO EXECUTE THE NECESSARY ENGAGEMENT
AGREEMENTS WITH THESE PROFESSIONALS

WHEREAS, Schertz/Seguin Local Government Corporation (SSLGC) has an interest in applying
to the Texas Water Development Board’s (TWDB’s) State Water Implementation Fund for Texas; and

WHEREAS, Financial Advisor and Bond Counsel are necessary to this process; and

WHEREAS, Staff requests Board approval to appoint SAMCO Capital Markets, Inc. as SSLGC’s
Financial Advisor and Norton Rose Fulbright US LLP as SSLGC’s Bond Counsel, with respect to
the TWDB’s SWIFT Program; and

WHEREAS, Staff requests authorization for the General Manager to execute the necessary
Engagement Agreements with these Professionals.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE
SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION:

Approves the appointment of both SAMCO Capital Markets, Inc. and Norton Rose Fulbright US
LLP for the above listed process and authorizes the General Manager to execute the necessary
Engagement Agreements with these Professionals.

Passed and approved this the 21st day of APRIL, 2016.

Ken Greenwald, President

ATTEST:

T. “Jake” Jacobs, Secretary

OR

Bob Pees, Assistant Secretary

SIGNED ORIGINAL(S): 1
April 14, 2016

Mr. Alan Cockerell
General Manager
Schertz/Seguin Local Government Corporation
108 West Mountain Street
Seguin, Texas 78155

Re: Engagement to Provide Bond Counsel Services to the Schertz/Seguin Local Government Corporation in Connection with the Issuance of its Schertz/Seguin Local Government Contract Revenue Bonds, Series 2016 (Texas Water Development Board SWIRFT Project Financing) and the Schertz/Seguin Local Government Corporation Texas Water Development Board’s Loan Participation Program

Dear Alan:

This letter confirms that Norton Rose Fulbright US LLP (the “Firm”) will represent the Schertz/Seguin Local Government Corporation (the “Corporation”) in connection with the proposed issuance by the Schertz/Seguin Local Government Corporation of its Schertz/Seguin Local Government Corporation Contract Revenue Bonds, Series 2016 (Texas Water Development Board SWIRFT Project Financing) in the estimated amount of $36,000,000 (the “Obligations”) and the Texas Water Development Board’s Loan Participation Program (the “Loan Participation Program”) in the estimated amount of $30,500,000, or any other debt (the “Debt”) to be issued by the Corporation (the “Matter”). Our acceptance of that representation (the “Representation”) becomes effective upon the execution of the enclosed copy of this letter.

Terms of Engagement

This letter sets out the terms of our engagement in the Representation. Certain of those terms are included in the body of this letter, and additional terms are contained in the attached document, entitled Additional Terms of Engagement. That document is expressly incorporated into this letter, and it should be read carefully. The execution and return of the enclosed copy of this letter constitutes an unqualified agreement to all the terms set forth in this letter and in the attached Additional Terms of Engagement.

It is understood and agreed that our engagement is limited to the Representation. We are not being retained as general counsel, and our acceptance of this engagement does not imply any undertaking to provide legal services other than those set forth in this letter.

Our Personnel Who Will Be Working on the Matter

Jeff Kuhn, Clay Binford, or George Scofield will be working on the Matter, and you may call, write, or e-mail us whenever you have any questions about the Representation. Other firm
personnel, including firm lawyers and paralegals, will participate in the Representation if, in our judgment, their participation is necessary or appropriate.

Our Legal Fees and Other Charges

Our fees are based on the time spent by the attorneys and the paralegal personnel who work on the Matter. We will charge for all time spent in representing your interests, including, by way of illustration, telephone and office conferences with you and your representatives, opposing counsel, and others; conferences among our attorneys and paralegal personnel; factual investigation if needed; legal research; responding to your requests for us to provide information to you or your auditors; drafting letters and other documents and travel if needed.

Generally, our hourly billing rates for domestic offices range from $390 to $800 for partners; from $310 to $485 for senior associates; from $350 to $580 for senior counsel; from $175 to $525 for counsel; from $185 to $350 for associates; from $150 to $350 for patent agents; from $390 to $800 for of counsel; from $90 to $250 for paralegals; and from $155 to $255 for senior paralegals. Other lawyers and paralegals may be assigned as necessary to achieve proper staffing. Work performed by paralegals will be charged at rates ranging from $140 to $215 an hour. Billing rates for both attorneys and paralegal personnel are reviewed annually and generally are revised at the beginning of each year to reflect an attorney's and paralegal's increased experience level.

As an accommodation to the Corporation we agree to cap our Firm's fees for the contemplated sale of the Obligations to the TWDB of a minimum of $190,000 and a maximum fee of $250,000. Our Firm's fees for the contemplated TWDB Loan Participation Program will be a minimum of $180,000 and a maximum fee of $200,000.

In addition to our fees for rendering professional services, our statement will include other charges for expenses and services incurred incident to the performance of our legal services, such as photocopying, delivery charges, travel expenses, overtime for secretaries and other nonlegal staff, Texas Attorney General filing fees that we will pay on behalf of the Corporation, specialized computer applications such as computerized legal research and filing fees. A copy of our current recharge schedule, which is subject to change from time to time, is attached hereto as Schedule I.

Conflicts of Interest

Before accepting the Representation, we have undertaken reasonable and customary efforts to determine whether there are any potential conflicts of interest that would bar our Firm from representing you in the Matter. As you are well aware, authorized representatives of the City of Seguin, Texas and the City of Schertz, Texas have previously consented to our legal representation of the Corporation. Based on the information available to us, we are not aware of any potential disqualification. We reviewed that issue in accordance with the rules of professional responsibility adopted in Texas. We believe that those rules, rather than the rules of any other jurisdiction, are applicable to the Representation; and the execution and return of the enclosed copy of this letter by you represents an express agreement to the applicability of those rules.
Conclusion

This letter and the attached Additional Terms of Engagement constitute the entire terms of the engagement of Norton Rose Fulbright US LLP in the Representation. These written terms of engagement are not subject to any oral agreements or understandings, and they can be modified only by further written agreement signed both by you and Norton Rose Fulbright US LLP. Unless expressly stated in these terms of engagement, no obligation or undertaking shall be implied on the part of either you or Norton Rose Fulbright US LLP.

Please carefully review this letter and the attached Additional Terms of Engagement. If there are any questions about these terms of engagement, or if these terms are inaccurate in any way, please let me know immediately. If both documents are acceptable, please sign and return the enclosed copy of this letter so that we may commence the Representation.

We are pleased to have the opportunity to be of continued service to you concerning this Matter. If you need any further information from us concerning this Matter, please do not hesitate to contact me.

Very truly yours,

W. Jeffrey Kuhn

WJK/jcq
Attachment

Schertz/Seguin Local Government Corporation Agrees to and Accepts this Letter and the Attached Terms of Engagement:

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION (the “Corporation”)

By: Mr. Alan Cockerell
Title: General Manager
Date: April 14, 2016

cc: Mr. George W. Scofield (Firm)
    Mr. Clay Binford (Firm)
## SCHEDULE I

**NORTON ROSE FULBRIGHT US LLP**  
(San Antonio)

**Expenses and Services Summary**

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NORTON ROSE FULBRIGHT US LLP

Additional Terms of Engagement

This is a supplement to our attached engagement letter, dated April 14, 2016. The purpose of this document is to set out additional terms of our agreement to provide the Representation described in our engagement letter (the “Representation”) concerning the Matter. Because these additional terms of engagement are a part of our agreement to provide legal services, the Corporation should review them carefully and should promptly communicate to us any questions concerning this document. We suggest that the Corporation retain this statement of additional terms along with our engagement letter and any related documents.

The Scope of the Representation

We will perform all usual, customary, and necessary legal services as Bond Counsel. Specifically, we will prepare and direct legal proceedings and perform other necessary legal services with reference to the incurrence of the Debt, including, but not limited to, the following:

1. Prepare all instruments pursuant to which the Debt will be authorized, issued, secured, sold, and delivered in consultation with the Corporation’s staff, the Board of Directors, and other officials and consultants of the Corporation.

2. Attend meetings of or with the Board of Directors, and Corporation staff to the extent required or requested.

3. Cooperate with the Corporation and its consultants in the preparation of official statements, or other securities laws disclosure documents, if any, including review of the information therein describing the Debt, the security therefor, and the federal income tax status thereof, if applicable.

4. Attend meetings with prospective lenders and Obligation and Loan Participation Program purchasers, and meetings with any rating agencies or credit enhancers to the extent requested or required.

5. Supervise the printing, execution, and delivery of the Debt to the purchasers.

6. Provide legal advice on the use of Obligation and Loan Participation Program proceeds, before and after incurrence of the Debt.

As lawyers, we undertake to provide representation and advice on the legal matters for which we are engaged. It is important for our clients to have a clear understanding of the legal services that we have agreed to provide. Thus, if there are any questions about the scope of the Representation that we are to provide in the Matter, please raise those questions promptly, so that we may resolve them at the outset of the Representation.

Any expressions on our part concerning the outcome of the Representation, or any other legal matters, are based on our professional judgment and are not guarantees. Such expressions, even when described as opinions, are necessarily limited by our knowledge of the facts and are based on our views of the state of the law at the time they are expressed.

Upon accepting this engagement on the Corporation’s behalf, the Firm agrees to do the following: (1) provide legal counsel in accordance with these terms of engagement and the related engagement letter, and in reliance upon information and guidance provided by the
Corporation; and (2) keep the Corporation reasonably informed about the status and progress of the Representation.

To enable us to provide effective representation, the Corporation agrees to do the following: (1) disclose to us, fully and accurately and on a timely basis, all facts and documents that are or might be material or that we may request, (2) keep us apprised on a timely basis of all developments relating to the Representation that are or might be material, (3) attend meetings, conferences, and other proceedings when it is reasonable to do so, and (4) otherwise cooperate fully with us.

Our Firm has been engaged to provide legal services in connection with the Representation in the Matter, as specifically defined in our engagement letter. After completion of the Representation, changes may occur in the applicable laws or regulations that could affect the Corporation’s future rights and liabilities in regard to the Matter. Unless we are actually engaged after the completion of the Representation to provide additional advice on such issues, the Firm has no continuing obligation to give advice with respect to any future legal developments that may pertain to the Matter, but we agree to timely inform you of any such development as soon as reasonably practical upon its occurrence.

It is our policy and the Corporation’s agreement that the person or entity that we represent is the one identified in our engagement letter, and that our attorney-client relationship does not include any related persons or entities. For example, if a corporation, partnership, or other organization is identified as our client in our engagement letter referenced above, we do not represent any related parent companies, subsidiaries, affiliates, employees, officers, directors, shareholders, partners, members, commonly owned corporations or partnerships, or other such persons, entities, or affiliates, whether becoming such by virtue of merger, dissolution, acquisition, or any other means. Accordingly, it is understood that we may represent another client with interests adverse to any such affiliated or related person or entity without first obtaining consent from the Corporation. It is further agreed that the attorney-client relationship terminates upon our completion of the services for which we have been retained in the Representation.

Who Will Provide the Legal Services

As our engagement letter confirms, the Firm will represent the Corporation in the Matter. The Firm is a registered limited liability partnership under Chapter 152 of the Texas Business Organizations Code.

Although our Firm will be providing legal services, each client of the Firm customarily has a relationship principally with one attorney, or perhaps a few attorneys, such attorneys for this Representation as set forth in the engagement letter. At the same time, however, the work required in the Representation, or parts of it, may be performed by other Firm personnel, including lawyers and paralegals. Such delegation may be for the purpose of involving other Firm personnel with experience in a given area or for the purpose of providing services on an efficient and timely basis.

Our Relationships With Others

Our law Firm represents many companies and individuals. In some instances, the applicable rules of professional conduct may limit our ability to represent clients with conflicting or potentially conflicting interests. Those rules of conduct often allow us to exercise our independent judgment in determining whether our relationship with one client prevents us from representing another. In other situations, we may be permitted to represent a client only if the other clients consent to that representation.
Rules concerning conflicts of interest vary with the jurisdiction. In order to avoid any uncertainty, it is our policy that the governing rules will be those applicable to the particular office of our Firm that prepares the engagement letter for a particular matter. The acceptance by the Corporation of our engagement letter constitutes an express agreement with that policy, unless the engagement letter specifically states that some other rules of professional responsibility will govern our attorney-client relationship.

If a controversy unrelated to the Matter develops between the Corporation and any other client of the Firm, we will follow the applicable rules of professional responsibility to determine whether we may represent either the Corporation or the other client in the unrelated controversy. Additionally, if a controversy unrelated to the Matter develops between the Corporation and any current client, and if the Corporation elects not to waive any resulting or potential conflict of interest, then the Corporation agrees that we may withdraw from the Representation and may treat the Corporation as a former client for all purposes under the governing rules of professional responsibility.

From time to time, our Firm may concurrently represent one client in a particular case or matter and, at the same time, our Firm may be asked to represent an adversary of that same client in an unrelated case or matter. We would consider doing so only if it is our professional judgment that the Firm could undertake the concurrent representation impartially and without any adverse effect on the responsibilities that the Firm has to either client.

With respect to any such issues that may relate to the Representation, we agree to exercise our professional judgment in accordance with the governing rules pertaining to conflicts of interest. However, should it be determined that a conflict of interest exists, we will immediately apprise you in writing and seek your waiver of the conflict so that we may undertake the representation of any such other client.

In addition to our representation of other companies and individuals, we also regularly represent lawyers and law firms. As a result, opposing counsel in the Matter may be a lawyer or law firm that we may represent now or in the future. Likewise, opposing counsel in the Matter may represent our Firm now or in the future. Further, we have professional and personal relationships with many other attorneys, often because of our participation in bar associations and other professional organizations. It is our professional judgment that such relationships with other attorneys do not adversely affect our ability to represent any client. The acceptance of these terms of engagement represents an unqualified consent to any such relationships between our Firm and other lawyers or law firms, except with regard to counsel who is representing a party that is adverse to the Corporation in the Matter that is the subject of this engagement.

**Communications and Confidentiality**

We have available Internet communication procedures that allow our attorneys to use e-mail for client communications in many instances. Accordingly, unless the Corporation specifically directs us otherwise, we may use unencrypted e-mail sent on the Internet to communicate with the Corporation and its personnel and to send documents we have prepared or reviewed.

We recognize our obligation to preserve the confidentiality of attorney-client communications as well as client confidences, as required by the governing rules of professional responsibility. If the Matter involves transactions, litigation or administrative proceedings or like proceedings in which our Firm appears as counsel of record for the Corporation in publicly available records, we reserve the right to inform others of the fact of our representation of the Corporation in the
Matter and (if likewise reflected of record in publicly available records) the results obtained, unless the Corporation specifically directs otherwise.

Norton Rose Fulbright US LLP, Norton Rose Fulbright LLP, Norton Rose Fulbright Australia, Norton Rose Fulbright Canada LLP and Norton Rose Fulbright South Africa (incorporated as Denys Reitz Inc.), each of which is a separate legal entity, are member firms in Norton Rose Fulbright Verein, a Swiss verein organization that does not itself provide legal services to anyone. Norton Rose Fulbright US LLP and the other member firms in the verein share non-privileged information about our respective clients for research, practice management, training and administrative purposes as a means of enhancing the quality and breadth of the services we are able to provide our clients; and, unless you direct us otherwise, we will share non-privileged information about you with those other member firms. Confidentiality agreements among the firms are in place to ensure maintenance of confidentiality with respect to such shared information.

Disclaimer

The Firm has made no promises or guarantees to the Corporation about the outcome of the Representation or the Matter, and nothing in these terms of engagement shall be construed as such a promise or guarantee.

Termination

Our representation may be terminated prior to the conclusion of the Matter by either of us by written notice to the other party.

We are subject to the codes or rules of professional responsibility for the jurisdictions in which we practice. There are several types of conduct or circumstances that could result in our withdrawing from representing a client, including, for example, the following: non-payment of fees or charges; misrepresentation or failure to disclose material facts; fraudulent or criminal conduct; action contrary to our advice; and conflict of interest with another client. The right of either party to termination of the Representation is in addition to any rights created by statute or recognized by the governing rules of professional conduct. Further, a failure by either party to meet any obligations under these terms of engagement shall entitle the other party to terminate the Representation. The parties agree to try to identify in advance and discuss any situation that may lead to termination.

Termination of the Representation will not affect the Corporation’s obligation to pay for legal services rendered and expenses and charges incurred before termination, as well as additional services and charges incurred in connection with an orderly transition of the Matter as determined solely by the Corporation. Further, in the event of termination of the Representation, you will take all steps necessary to release Norton Rose Fulbright US LLP of any further obligations in the Representation or the Matter, including without limitation the execution of any documents necessary to effectuate our withdrawal from the Representation or the Matter.

Billing Arrangements and Terms of Payment

Our engagement letter specifically explains our fees for services in the Matter and the limitations with respect to the Debt. We will bill on a regular basis, normally each month, for fees and expenses and charges. It is agreed that you will make full payment within 30 days of receiving our statement. We will give notice if an account becomes delinquent, and it is further agreed that any delinquent account must be paid upon the giving of such notice. If the delinquency
continues and you do not arrange satisfactory payment terms, we may withdraw from the Representation and pursue collection of our account.

Notwithstanding the foregoing, billing for the matters covered by Schedule I of this Letter will be billed at the conclusion of the transaction (as evidenced by delivery of the Debt) and, unless agreed to otherwise between us and the Corporation, will be paid at closing from the proceeds of such Debt.

**Document Retention**

At the close of any matter, we send our files in that matter to a storage facility for storage at our expense. The attorney closing the file will maintain the files in storage in accordance with all applicable government record retention laws, rules, and regulations. After that time, we will destroy the documents in the stored files.

At the conclusion of the Representation, we return to the client any documents that are specifically requested to be returned. As to any documents so returned, we may elect to keep a copy of the documents in our stored files.

**Charges for Other Expenses and Services**

Typically, our invoices will include amounts, not only for legal services rendered, but also for other expenses and services. Examples include charges for photocopying, Texas Attorney General filing fees, real estate closing fees, travel and conference expenses, messenger deliveries, and computerized research. In addition, we reserve the right to send to you for direct payment any invoices delivered to us by others, including experts and any vendors.

In situations where we can readily determine the exact amount of expenses for products and services provided by third parties to be charged to your account, our invoices will reflect the cost to us of the products and services. In many situations, however, the precise total cost of providing a product or service is difficult to establish, in which case we will use our professional judgment on the charges to be made for such product or service, which charges may vary from or exceed our direct cost of such product or service. In some situations, we can arrange for ancillary services to be provided by third parties with direct billing to the client. Attached is a copy of our current recharge schedule for expenses and services, which is subject to change from time to time.

**Standards of Professionalism and Attorney Complaint Information**

Pursuant to rules promulgated by the Texas Supreme Court and the State Bar of Texas, we are to advise our clients of the contents of the Texas Lawyer’s Creed, a copy of which is attached.

In addition, we are to advise clients that the State Bar of Texas investigates and prosecutes complaints of professional misconduct against attorneys licensed in Texas. A brochure entitled *Attorney Complaint Information* is available at all of our Texas offices and is likewise available upon request. A client that has any questions about State Bar's disciplinary process should call the Office of the General Counsel of the State Bar of Texas at 1-800-932-1900 toll free.
THE TEXAS LAWYER’S CREED — A MANDATE FOR PROFESSIONALISM

The Texas Supreme Court and the Texas Court of Criminal Appeals adopted this Creed, with the requirement that lawyers advise their clients of its contents when undertaking representation.

I am a lawyer; I am entrusted by the People of Texas to preserve and improve our legal system. I am licensed by the Supreme Court of Texas, and I am bound by the Texas Disciplinary Rules of Professional Conduct, but I know that Professionalism requires more than merely avoiding the violation of laws and rules. I am committed to this Creed for no other reason than it is right.

I. OUR LEGAL SYSTEM. A lawyer owes to the administration of justice personal dignity, integrity, and independence. A lawyer should always adhere to the highest principles of professionalism. I am passionately proud of my profession. Therefore, “My word is my bond.” I am responsible to assure that all persons have access to competent representation regardless of wealth or position in life. I commit myself to an adequate and effective pro bono program. I am obligated to educate my clients, the public, and other lawyers regarding the spirit and letter of this Creed. I will always be conscious of my duty to the judicial system.

II. LAWYER TO CLIENT. A lawyer owes to a client allegiance, learning, skill, and industry. A lawyer shall employ all appropriate means to protect and advance the client’s legitimate rights, claims, and objectives. A lawyer shall not be deterred by any real or imagined fear of judicial disfavor or public unpopularity, nor be influenced by mere self-interest. I will advise my client of the contents of this Creed when undertaking representation. I will endeavor to achieve my client’s lawful objectives in legal transactions and in litigation as quickly and economically as possible. I will be loyal and committed to my client’s lawful objectives, but I will not permit that loyalty and commitment to interfere with my duty to provide objective and independent advice. I will advise my client that civility and courtesy are expected and are not a sign of weakness. I will advise my client of proper and expected behavior. I will treat adverse parties and witnesses with fairness and due consideration. A client has no right to demand that I abuse anyone or indulge in any offensive conduct. I will advise my client that we will not pursue conduct which is intended primarily to harass or drain the financial resources of the opposing party. I will advise my client that we will not pursue tactics which are intended primarily for delay. I will advise my client that we will not pursue any course of action which is without merit. I will advise my client that I reserve the right to determine whether to grant accommodations to opposing counsel in all matters that do not adversely affect my client’s lawful objectives. A client has no right to instruct me to refuse reasonable requests made by other counsel. I will advise my client regarding the availability of mediation, arbitration, and other alternative methods of resolving and settling disputes.

III. LAWYER TO LAWYER. A lawyer owes to opposing counsel, in the conduct of legal transactions and the pursuit of litigation, courtesy, candor, cooperation, and scrupulous observance of all agreements and mutual understandings. Ill feelings between clients shall not influence a lawyer’s conduct, attitude, or demeanor toward opposing counsel. A lawyer shall not engage in unprofessional conduct in retaliation against other unprofessional conduct. I will be courteous, civil, and prompt in oral and written communications. I will not quarrel over matters of form or style, but I will concentrate on matters of substance. I will identify for other counsel or parties all changes I have made in documents submitted for review. I will attempt to prepare documents which correctly reflect the agreement of the parties. I will not include provisions which have not been agreed upon or omit provisions which are necessary to reflect the agreement of the parties. I will notify opposing counsel, and, if appropriate, the Court or other persons, as soon as practicable.

when hearings, depositions, meetings, conferences or closings are canceled. I will agree to reasonable requests for extensions of time and for waiver of procedural formalities, provided legitimate objectives of my client will not be adversely affected. I will not serve motions or pleadings in any manner that unfairly limits another party’s opportunity to respond. I will attempt to resolve by agreement my objections to matters contained in pleadings and discovery requests and responses. I can disagree without being disagreeable. I recognize that effective representation does not require antagonistic or obnoxious behavior. I will neither encourage nor knowingly permit my client or anyone under my control to do anything which would be unethical. I will neither, without good cause, attribute bad motives or unethical conduct to opposing counsel nor bring the profession into disrepute by gratuitous accusation of impropriety. I avoid disparaging personal remarks or acrimony towards opposing counsel, parties and witnesses. I will not be influenced by any ill feeling between clients. I will abstain from any allusion to personal peculiarities or idiosyncrasies of opposing counsel. I will not take advantage, by causing any default or dismissal to be rendered, when I know the identity of an opposing counsel, without first inquiring about that counsel’s intention to proceed. I will promptly submit orders to the Court. I will deliver copies to opposing counsel before or contemporaneously with submission to the court. I will promptly approve the form of orders which accurately reflect the substance of the rulings of the Court. I will not attempt to gain an unfair advantage by sending the Court or its staff correspondence or copies of correspondence. I will not arbitrarily schedule a deposition, Court appearance, or hearing until a good faith effort has been made to schedule it by agreement. I will readily stipulate to undisputed facts in order to avoid needless costs or inconvenience for any party. I will refrain from excessive and abusive discovery. I will comply with all reasonable discovery requests. I will not resist discovery requests which are not objectionable. I will not make objections nor give instructions to a witness for the purpose of delaying or obstructing the discovery process. I will encourage the witness to give all and any answers reasonably understandable. I will neither encourage nor permit my witness to quibble about words where their meaning is reasonably clear. I will not seek Court intervention to obtain discovery which would clearly improper and not discoverable. I will not seek sanctions or disqualification unless it is necessary for protection of my client’s lawful objectives or is fully justified by the facts.

IV. LAWYER AND JUDGE. Lawyers and judges owe each other respect, diligence, candor, punctuality, and protection against unjust and improper criticism and attack. Lawyers and judges are equally responsible to protect the dignity and independence of the Court and the profession. I will always recognize that the position of judge is the symbol of both the judicial system and administration of justice. I will refrain from conduct that degrades this symbol. I will conduct myself in court in a professional manner and demonstrate my respect for the Court and the law. I will treat counsel, opposing parties, the Court, and members of the Court staff with courtesy and civility. I will be punctual. I will not engage in any conduct which offends the dignity and decorum of proceedings. I will not knowingly misrepresent, mischaracterize, misquote or misstate facts or authorities to gain an advantage. I will respect the rulings of the Court. I will give the issues in controversy deliberate, impartial and studied analysis and consideration. I will be considerate of the time constraints and pressures imposed upon the Court. Court staff and counsel in efforts to administer justice and resolve disputes.
TWDB SWIFT APPLICATION
SECTION: A5a
Resolution # SSLGC R16-06

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
STATE OF TEXAS
COUNTY OF GUADALUPE

A RESOLUTION TO APPROVE THE APPOINTING OF
SAMCO CAPITAL MARKETS, INC AND NORTON ROSE FULBRIGHT US LLP
WITH RESPECT TO THE TEXAS WATER DEVELOPMENT BOARD'S STATE
WATER IMPLEMENTATION FUND FOR TEXAS PROGRAM AND AUTHORIZE
THE GENERAL MANAGER TO EXECUTE THE NECESSARY ENGAGEMENT
AGREEMENTS WITH THESE PROFESSIONALS

WHEREAS, Schertz/Seguin Local Government Corporation (SSLGC) has an interest in applying
to the Texas Water Development Board's (TWDB's) State Water Implementation Fund for Texas;
and

WHEREAS, Financial Advisor and Bond Counsel are necessary to this process; and

WHEREAS, Staff requests Board approval to appoint SAMCO Capital Markets, Inc. as SSLGC's
Financial Advisor and Norton Rose Fulbright US LLP as SSLGC's Bond Counsel, with respect to
the TWDB's SWIFT Program; and

WHEREAS, Staff requests authorization for the General Manager to execute the necessary
Engagement Agreements with these Professionals.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE
SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION:

Approves the appointment of both SAMCO Capital Markets, Inc. and Norton Rose Fulbright US
LLP for the above listed process and authorizes the General Manager to execute the necessary
Engagement Agreements with these Professionals.

Passed and approved this the 21st day of APRIL, 2016.

Ken Greenwald, President

ATTEST:

T. "Jake" Jacobs, Secretary

OR

Bob Pees, Assistant Secretary

SIGNED ORIGINAL(S): 1
MUNICIPAL ADVISORY CONTRACT

April 21, 2016

The Honorable President and Members of the Board
Schertz/Seguin Local Government Corporation
PO Box 833
Seguin, Texas 78155

Ladies and Gentlemen:

1. We understand that the Corporation, from time to time, will consider the issuance of debt obligations and that in connection with the authorization, issuance, sale and delivery of such obligations you desire SAMCO Capital Markets to perform professional services in the capacity of Municipal Advisors for the Corporation.

2. We agree to provide all services related to the development and implementation of a debt management plan. These services include, but are not limited to, the structuring of a bond model, the formulation of a bond program, the analysis and completion of refunding programs, consultation regarding bond elections, consultation regarding bond ratings, consultation regarding the available types of financings, etc. The services include communicating and coordinating with other professionals involved in bond transactions and related services (e.g. bond counsel, rating agent, credit enhancement providers, verification agent, arbitrage rebate provider, etc.). The advice and assistance includes serving as a fiduciary to the Issuer and representing the Issuer’s interest in the sale and distribution of any debt obligations.

3. We agree to direct and coordinate the entire program of financing herein contemplated. It is specifically understood and agreed, however, that this obligation on our part shall not cover payment of any expenses associated with the issuance of the obligations or the expenses of any litigation, if such would occur.

4. As consideration for the services rendered by us and as reimbursement for the expenses which we are to incur, it is understood and agreed that the Corporation is to pay and we are to accept, a cash fee for such professional services in accordance with the fee schedule set forth as follows. Such fee shall become due and payable simultaneously with the delivery of the bonds to the purchaser. It is understood that a miscellaneous expense will be added to the fee to cover reimbursables. This amount shall be capped at $5,000.

Member FINRA/SIPC
FEE SCHEDULE

The following schedule is an estimate of fees due for Municipal Advisory work. The actual fee will be more or less based upon work performed.

1.50% for the first $5,000,000
0.75% for the second $5,000,000
0.50% for the next $10,000,000
0.25% for all amounts over $20,000,000

Fees for Revenue Bonds or Bonds issued to State or Federal Agencies shall be as computed from the above schedule, plus 25% (125% of the scheduled amount). For any issue of Advanced Refunding Bonds and/or other Debt Instruments involving Escrow Agreements, it is understood and agreed that our fee will be the fee schedule set out above plus 10%.

SAMCO Capital Markets, Inc. will bill the Issuer at Closing for each issue of obligations a net amount which will include a fee calculated on the above schedule as well as costs and expenses, where applicable, incurred on behalf of the Issuer for the Bond Attorneys, preparation, printing and distribution of the Notice of Sale, Official Statement, Uniform Bid Form or Private Placement Memorandum, independent consultants, information meetings, if any, presentations to rating agencies and rating fees, if any, printing of Obligations, and all appropriate costs and expenses associated with the closing and delivery of the Obligations.
5. If appropriate, we will assist with the annual filing of all documents related to the Securities Exchange Commission Rule 15c2-12 (Continuing Disclosure). It is understood that we are not your agent for Continuing Disclosure because SAMCO Capital Markets, Inc. cannot be assured of being informed on a timely manner of all material events which require filing during the year. It is further understood that any fees due us for our work in this capacity will be determined on a case by case basis.

6. Due to the personal nature of municipal advisory consulting services, this Agreement is being entered into with Mark McLiney and Duane Westerman of SAMCO Capital Markets. The Issuer expects that all files will be held in duplicate by the group and the company. At the full discretion of the Issuer, this Agreement can be automatically assigned to and transferred to the Mark McLiney and Duane Westerman.

7. This Agreement will commence on the date of acceptance and shall remain in effect until terminated or replaced with a subsequent agreement. This Agreement can be terminated at any time, with or without cause, with simple written notice.

Respectfully submitted,

SAMCO CAPITAL MARKETS, INC.

BY:

Mark M. McLiney

Duane Westerman

ACCEPTANCE

ACCEPTED and adopted by the Board of Directors of the Schertz/Seguin Local Government Corporation on this the 21st day of April, 2016.

General Manager
Schertz/Seguin Local Government Corporation
FINANCIAL ADVISORY CONTRACT

February 11, 2015

Honorable President and Members
of the Board of Directors
Schertz/Seguin Local Government Corporation
Post Office Box 833
Seguin, Texas 78155

Dear President and Members of the Board:

In regard to serving as financial advisor and consultant to the Schertz/Seguin Local Government Corporation (the “Corporation”), we submit the following proposal or agreement for your approval and acceptance:

1. **Term.** This agreement will be for an initial period of three (3) years, commencing February 1, 2015, and unless notice of termination shall have been given prior to the expiration of the initial terms or any extended terms, this agreement shall be extended automatically for one-year intervals.

2. **Duties.** The duties and responsibilities to be performed under this agreement include consulting with and advising the Corporation in the development and implementation of a plan of financing to meet the capital borrowing needs of the Corporation and as to other financial matters incident and related thereto.

3. **Compensation.** For each plan of financing developed and implemented hereunder, the compensation for services rendered shall be based on a percentage of the financing, which percentage will vary depending on the complexity of the financing and the services rendered. Upon the development of a plan of financing and prior to its implementation, the amount of compensation to be paid with regard to such financing will be quoted to the appropriate official of the Corporation for approval. The Corporation must approve the compensation quote in writing prior to its becoming effective. It is agreed such compensation shall be paid only from the proceeds of sale of such financing unless another and separate arrangement acceptable to both parties hereto is approved in writing.

Member FINRA/SIPC
Financial Advisory Contract
February 11, 2015
Page 2

4. **Termination.** This agreement may be terminated at any time by either of us by giving thirty (30) days written notice to the other party. Any work in progress shall proceed to completion, and we shall be entitled to recover actual expenses previously authorized by you and incurred in reasonable amount to that time.

Respectfully submitted,

SAMCO Capital Markets, Inc.

[Signature]
Duane L. Westerman
Senior Managing Director

[Signature]
Mark M. McLiney
Senior Managing Director

Accepted and approved by the governing body of the Schertz/Seguin Local Government Corporation on the 10th day of February, 2015.

[Signature]
R. Alan Cockerell
General Manager
Schertz/Seguin Local Government Corporation

SIGNED ORIGINAL(S): 4
March 3, 1999

Mr. Robin Dwyer
President, Schertz-Seguin Local Government Corporation
c/o Moore, Pape & Dwyer
109 W. Court St.
Seguin, Texas 78155-5715

Re: Legal Services

Dear Mr. Dwyer:

We appreciate the board of directors of the Schertz-Seguin Local Government Corporation selecting our firm to assist the corporation with its proposed water supply project.

The board of directors can expect us to give the corporation’s legal needs prompt attention and to keep the designated officers informed of all significant developments. We will send the corporation copies of correspondence, memoranda, pleadings, and other documents related to the services we perform for the corporation, and we suggest that the corporation keep them in its permanent files.

We accept employment as the corporation’s attorneys on the following terms:

Legal Fees

Our fees for professional services are charged at hourly rates ranging from $85.00 for junior attorneys to $225.00 for senior attorneys, depending upon experience and special expertise. As shown by the attached rate schedule, the services that I perform will be at a rate of $185.00 per hour. The services for our paralegal personnel, who assist our attorneys by performing many technical services under their supervision, are charged at $50.00 to $65.00 an hour.

It is not the policy of the Firm to charge for secretarial support unless client or court imposed time constraints necessitate their use at overtime or weekend rates. The rate for this service is $20 per secretarial hour.
Hourly rates are calculated from time spent participating in office and telephone conferences, drafting and reviewing legal documents and correspondence, conducting legal research, attending hearings and meetings, filing documents, preparing for trial, and other similar services, depending on the nature of the particular matter we are handling for the corporation. If unusual circumstances require us to vary our regular hourly rates, or if our regular hourly rates are increased, we will advise the designated officer in advance and perform further services only with the officer’s approval.

Unless we have an agreement otherwise, we will bill the corporation monthly for services rendered and for any expenses incurred in the corporation’s behalf. Our statements are payable upon receipt.

Withdrawal as Counsel

We are not required to perform any further work if we do not receive timely payment of fees and expenses (including bills for expenses received from third parties). If such nonpayment occurs, we may move to withdraw as counsel in any case where we have made an appearance on the corporation’s behalf, and the designated officer will promptly execute any required motions to withdraw. In any event, Davidson & Troilo, P.C. is entitled to the fees and expenses that have been incurred up to the date of withdrawal, plus all fees and expenses incurred in assisting the transition to substitute counsel.

Retained Files

It is our policy to retain client files for five (5) years following the conclusion of our representation. After five years, we may discard the contents of the corporation’s file without further notice. Upon conclusion of our representation, we will return any original documents the corporation provided to us.

Listing Clients

The firm has listings of major clients in several legal publications and is sometimes asked to reveal our major clients. Unless the corporation instructs us otherwise, we appreciate the corporation’s approval to list it as a client.
If the board of directors find this letter of employment acceptable, please sign the enclosed copy in the space provided and return it in the enclosed self-addressed envelope.

Sincerely yours,

Patrick W. Lindner
For the Firm

PWL/dgs
pcd#61245

ACCEPTED:

Schertz/Seguin Local Government Corporation

By: Robin V. Dwyer
Name: Robin Dwyer
Title: President, Board of Directors
The law firm of Davidson & Troilo will charge hourly rates for its professional legal services at the following rates:

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<tr>
<td>John Davidson</td>
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<td>Arthur Troilo</td>
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<td>Terry Topham</td>
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<td>Gaines Griffin</td>
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<td>Irwin Zucker</td>
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<tr>
<td>Patrick Sullivan</td>
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<td>Randy Fields</td>
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<td>Cheree Kinzie</td>
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<td>Dick O’Neil</td>
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<th>$105.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dalby Fleming</td>
<td></td>
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<tr>
<td>Diana Liebmann</td>
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<tr>
<td>Buck Benson</td>
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</tbody>
</table>
TWDB SWIFT APPLICATION
SECTION:  A5a

Resolution # SSLGC R16-06

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
STATE OF TEXAS
COUNTY OF GUADALUPE

A RESOLUTION TO APPROVE THE APPOINTING OF
SAMCO CAPITAL MARKETS, INC AND NORTON ROSE FULBRIGHT US LLP
WITH RESPECT TO THE TEXAS WATER DEVELOPMENT BOARD’S STATE
WATER IMPLEMENTATION FUND FOR TEXAS PROGRAM AND AUTHORIZE
THE GENERAL MANAGER TO EXECUTE THE NECESSARY ENGAGEMENT
AGREEMENTS WITH THESE PROFESSIONALS

WHEREAS, Schertz/Seguin Local Government Corporation (SSLGC) has an interest in applying
to the Texas Water Development Board’s (TWDB’s) State Water Implementation Fund for Texas;
and

WHEREAS, Financial Advisor and Bond Counsel are necessary to this process; and

WHEREAS, Staff requests Board approval to appoint SAMCO Capital Markets, Inc. as SSLGC’s
Financial Advisor and Norton Rose Fulbright US LLP as SSLGC’s Bond Counsel, with respect to
the TWDB’s SWIFT Program; and

WHEREAS, Staff requests authorization for the General Manager to execute the necessary
Engagement Agreements with these Professionals.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE
SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION:

Approves the appointment of both SAMCO Capital Markets, Inc. and Norton Rose Fulbright US
LLP for the above listed process and authorizes the General Manager to execute the necessary
Engagement Agreements with these Professionals.

Passed and approved this the 21st. day of APRIL, 2016.

Ken Greenwald, President

ATTEST:

T. "Jake" Jacobs, Secretary

OR

Bob Pees, Assistant Secretary

SIGNED ORIGINAL(S): 1
April 14, 2016

Mr. Alan Cockerell
General Manager
Schertz/Seguin Local Government Corporation
108 West Mountain Street
Seguin, Texas 78155

Re: Engagement to Provide Bond Counsel Services to the Schertz/Seguin Local Government Corporation in Connection with the Issuance of its Schertz/Seguin Local Government Contract Revenue Bonds, Series 2016 (Texas Water Development Board SWIRFT Project Financing) and the Schertz/Seguin Local Government Corporation Texas Water Development Board’s Loan Participation Program

Dear Alan:

This letter confirms that Norton Rose Fulbright US LLP (the “Firm”) will represent the Schertz/Seguin Local Government Corporation (the “Corporation”) in connection with the proposed issuance by the Schertz/Seguin Local Government Corporation of its Schertz/Seguin Local Government Corporation Contract Revenue Bonds, Series 2016 (Texas Water Development Board SWIRFT Project Financing) in the estimated amount of $36,000,000 (the “Obligations”) and the Texas Water Development Board’s Loan Participation Program (the “Loan Participation Program”) in the estimated amount of $30,500,000, or any other debt (the “Debt”) to be issued by the Corporation (the “Matter”). Our acceptance of that representation (the “Representation”) becomes effective upon the execution of the enclosed copy of this letter.

Terms of Engagement

This letter sets out the terms of our engagement in the Representation. Certain of those terms are included in the body of this letter, and additional terms are contained in the attached document, entitled Additional Terms of Engagement. That document is expressly incorporated into this letter, and it should be read carefully. The execution and return of the enclosed copy of this letter constitutes an unqualified agreement to all the terms set forth in this letter and in the attached Additional Terms of Engagement.

It is understood and agreed that our engagement is limited to the Representation. We are not being retained as general counsel, and our acceptance of this engagement does not imply any undertaking to provide legal services other than those set forth in this letter.

Our Personnel Who Will Be Working on the Matter

Jeff Kuhn, Clay Binford, or George Scofield will be working on the Matter, and you may call, write, or e-mail us whenever you have any questions about the Representation. Other firm
personnel, including firm lawyers and paralegals, will participate in the Representation if, in our judgment, their participation is necessary or appropriate.

Our Legal Fees and Other Charges

Our fees are based on the time spent by the attorneys and the paralegal personnel who work on the Matter. We will charge for all time spent in representing your interests, including, by way of illustration, telephone and office conferences with you and your representatives, opposing counsel, and others; conferences among our attorneys and paralegal personnel; factual investigation if needed; legal research; responding to your requests for us to provide information to you or your auditors; drafting letters and other documents and travel if needed.

Generally, our hourly billing rates for domestic offices range from $390 to $800 for partners; from $310 to $485 for senior associates; from $350 to $580 for senior counsel; from $175 to $255 for counsel; from $185 to $350 for associates; from $150 to $350 for patent agents; from $390 to $800 for of counsel; from $90 to $250 for paralegals; and from $155 to $255 for senior paralegals. Other lawyers and paralegals may be assigned as necessary to achieve proper staffing. Work performed by paralegals will be charged at rates ranging from $140 to $215 an hour. Billing rates for both attorneys and paralegal personnel are reviewed annually and generally are revised at the beginning of each year to reflect an attorney's and paralegal's increased experience level.

As an accommodation to the Corporation we agree to cap our Firm's fees for the contemplated sale of the Obligations to the TWDB of a minimum of $190,000 and a maximum fee of $250,000. Our Firm's fees for the contemplated TWDB Loan Participation Program will be a minimum of $180,000 and a maximum fee of $200,000.

In addition to our fees for rendering professional services, our statement will include other charges for expenses and services incurred incident to the performance of our legal services, such as photocopying, delivery charges, travel expenses, overtime for secretaries and other nonlegal staff, Texas Attorney General filing fees that we will pay on behalf of the Corporation, specialized computer applications such as computerized legal research and filing fees. A copy of our current recharge schedule, which is subject to change from time to time, is attached hereto as Schedule I.

Conflicts of Interest

Before accepting the Representation, we have undertaken reasonable and customary efforts to determine whether there are any potential conflicts of interest that would bar our Firm from representing you in the Matter. As you are well aware, authorized representatives of the City of Seguin, Texas and the City of Schertz, Texas have previously consented to our legal representation of the Corporation. Based on the information available to us, we are not aware of any potential disqualification. We reviewed that issue in accordance with the rules of professional responsibility adopted in Texas. We believe that those rules, rather than the rules of any other jurisdiction, are applicable to the Representation; and the execution and return of the enclosed copy of this letter by you represents an express agreement to the applicability of those rules.
Conclusion

This letter and the attached Additional Terms of Engagement constitute the entire terms of the engagement of Norton Rose Fulbright US LLP in the Representation. These written terms of engagement are not subject to any oral agreements or understandings, and they can be modified only by further written agreement signed both by you and Norton Rose Fulbright US LLP. Unless expressly stated in these terms of engagement, no obligation or undertaking shall be implied on the part of either you or Norton Rose Fulbright US LLP.

Please carefully review this letter and the attached Additional Terms of Engagement. If there are any questions about these terms of engagement, or if these terms are inaccurate in any way, please let me know immediately. If both documents are acceptable, please sign and return the enclosed copy of this letter so that we may commence the Representation.

We are pleased to have the opportunity to be of continued service to you concerning this Matter. If you need any further information from us concerning this Matter, please do not hesitate to contact me.

Very truly yours,

W. Jeffrey Kuhn

WJK/jcq
Attachment

Schertz/Seguin Local Government Corporation Agrees to and Accepts this Letter and the Attached Terms of Engagement:

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION (the “Corporation”)

By: Mr. Alan Cockerell
Title: General Manager
Date: April 14, 2016

cc: Mr. George W. Scofield (Firm)
    Mr. Clay Binford (Firm)
# Expenses and Services Summary

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<th>EXPENSE/SERVICE</th>
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<td>(Pricing varies in other office locations)</td>
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<tr>
<td>Deliveries</td>
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<td>No Charge</td>
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<td>File Storage Retrieval</td>
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<tr>
<td>Firm hosting of on-site document review performed by outside contract attorneys</td>
<td>$10.00 per hour</td>
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NORTON ROSE FULBRIGHT US LLP

Additional Terms of Engagement

This is a supplement to our attached engagement letter, dated April 14, 2016. The purpose of this document is to set out additional terms of our agreement to provide the Representation described in our engagement letter (the "Representation") concerning the Matter. Because these additional terms of engagement are a part of our agreement to provide legal services, the Corporation should review them carefully and should promptly communicate to us any questions concerning this document. We suggest that the Corporation retain this statement of additional terms along with our engagement letter and any related documents.

The Scope of the Representation

We will perform all usual, customary, and necessary legal services as Bond Counsel. Specifically, we will prepare and direct legal proceedings and perform other necessary legal services with reference to the incurrence of the Debt, including, but not limited to, the following:

1. Prepare all instruments pursuant to which the Debt will be authorized, issued, secured, sold, and delivered in consultation with the Corporation’s staff, the Board of Directors, and other officials and consultants of the Corporation.

2. Attend meetings of or with the Board of Directors, and Corporation staff to the extent required or requested.

3. Cooperate with the Corporation and its consultants in the preparation of official statements, or other securities laws disclosure documents, if any, including review of the information therein describing the Debt, the security therefor, and the federal income tax status thereof, if applicable.

4. Attend meetings with prospective lenders and Obligation and Loan Participation Program purchasers, and meetings with any rating agencies or credit enhancers to the extent requested or required.

5. Supervise the printing, execution, and delivery of the Debt to the purchasers.

6. Provide legal advice on the use of Obligation and Loan Participation Program proceeds, before and after incurrence of the Debt.

As lawyers, we undertake to provide representation and advice on the legal matters for which we are engaged. It is important for our clients to have a clear understanding of the legal services that we have agreed to provide. Thus, if there are any questions about the scope of the Representation that we are to provide in the Matter, please raise those questions promptly, so that we may resolve them at the outset of the Representation.

Any expressions on our part concerning the outcome of the Representation, or any other legal matters, are based on our professional judgment and are not guarantees. Such expressions, even when described as opinions, are necessarily limited by our knowledge of the facts and are based on our views of the state of the law at the time they are expressed.

Upon accepting this engagement on the Corporation’s behalf, the Firm agrees to do the following: (1) provide legal counsel in accordance with these terms of engagement and the related engagement letter, and in reliance upon information and guidance provided by the
Corporation; and (2) keep the Corporation reasonably informed about the status and progress of the Representation.

To enable us to provide effective representation, the Corporation agrees to do the following: (1) disclose to us, fully and accurately and on a timely basis, all facts and documents that are or might be material or that we may request, (2) keep us apprised on a timely basis of all developments relating to the Representation that are or might be material, (3) attend meetings, conferences, and other proceedings when it is reasonable to do so, and (4) otherwise cooperate fully with us.

Our Firm has been engaged to provide legal services in connection with the Representation in the Matter, as specifically defined in our engagement letter. After completion of the Representation, changes may occur in the applicable laws or regulations that could affect the Corporation's future rights and liabilities in regard to the Matter. Unless we are actually engaged after the completion of the Representation to provide additional advice on such issues, the Firm has no continuing obligation to give advice with respect to any future legal developments that may pertain to the Matter, but we agree to timely inform you of any such development as soon as reasonably practical upon its occurrence.

It is our policy and the Corporation's agreement that the person or entity that we represent is the one identified in our engagement letter, and that our attorney-client relationship does not include any related persons or entities. For example, if a corporation, partnership, or other organization is identified as our client in our engagement letter referenced above, we do not represent any related parent companies, subsidiaries, affiliates, employees, officers, directors, shareholders, partners, members, commonly owned corporations or partnerships, or other such persons, entities, or affiliates, whether becoming such by virtue of merger, dissolution, acquisition, or any other means. Accordingly, it is understood that we may represent another client with interests adverse to any such affiliated or related person or entity without first obtaining consent from the Corporation. It is further agreed that the attorney-client relationship terminates upon our completion of the services for which we have been retained in the Representation.

Who Will Provide the Legal Services

As our engagement letter confirms, the Firm will represent the Corporation in the Matter. The Firm is a registered limited liability partnership under Chapter 152 of the Texas Business Organizations Code.

Although our Firm will be providing legal services, each client of the Firm customarily has a relationship principally with one attorney, or perhaps a few attorneys, such attorneys for this Representation as set forth in the engagement letter. At the same time, however, the work required in the Representation, or parts of it, may be performed by other Firm personnel, including lawyers and paralegals. Such delegation may be for the purpose of involving other Firm personnel with experience in a given area or for the purpose of providing services on an efficient and timely basis.

Our Relationships With Others

Our law Firm represents many companies and individuals. In some instances, the applicable rules of professional conduct may limit our ability to represent clients with conflicting or potentially conflicting interests. Those rules of conduct often allow us to exercise our independent judgment in determining whether our relationship with one client prevents us from representing another. In other situations, we may be permitted to represent a client only if the other clients consent to that representation.
Rules concerning conflicts of interest vary with the jurisdiction. In order to avoid any uncertainty, it is our policy that the governing rules will be those applicable to the particular office of our Firm that prepares the engagement letter for a particular matter. The acceptance by the Corporation of our engagement letter constitutes an express agreement with that policy, unless the engagement letter specifically states that some other rules of professional responsibility will govern our attorney-client relationship.

If a controversy unrelated to the Matter develops between the Corporation and any other client of the Firm, we will follow the applicable rules of professional responsibility to determine whether we may represent either the Corporation or the other client in the unrelated controversy. Additionally, if a controversy unrelated to the Matter develops between the Corporation and any current client, and if the Corporation elects not to waive any resulting or potential conflict of interest, then the Corporation agrees that we may withdraw from the Representation and may treat the Corporation as a former client for all purposes under the governing rules of professional responsibility.

From time to time, our Firm may concurrently represent one client in a particular case or matter and, at the same time, our Firm may be asked to represent an adversary of that same client in an unrelated case or matter. We would consider doing so only if it is our professional judgment that the Firm could undertake the concurrent representation impartially and without any adverse effect on the responsibilities that the Firm has to either client.

With respect to any such issues that may relate to the Representation, we agree to exercise our professional judgment in accordance with the governing rules pertaining to conflicts of interest. However, should it be determined that a conflict of interest exists, we will immediately apprise you in writing and seek your waiver of the conflict so that we may undertake the representation of any such other client.

In addition to our representation of other companies and individuals, we also regularly represent lawyers and law firms. As a result, opposing counsel in the Matter may be a lawyer or law firm that we may represent now or in the future. Likewise, opposing counsel in the Matter may represent our Firm now or in the future. Further, we have professional and personal relationships with many other attorneys, often because of our participation in bar associations and other professional organizations. It is our professional judgment that such relationships with other attorneys do not adversely affect our ability to represent any client. The acceptance of these terms of engagement represents an unqualified consent to any such relationships between our Firm and other lawyers or law firms, except with regard to counsel who is representing a party that is adverse to the Corporation in the Matter that is the subject of this engagement.

Communications and Confidentiality

We have available Internet communication procedures that allow our attorneys to use e-mail for client communications in many instances. Accordingly, unless the Corporation specifically directs us otherwise, we may use unencrypted e-mail sent on the Internet to communicate with the Corporation and its personnel and to send documents we have prepared or reviewed.

We recognize our obligation to preserve the confidentiality of attorney-client communications as well as client confidences, as required by the governing rules of professional responsibility. If the Matter involves transactions, litigation or administrative proceedings or like proceedings in which our Firm appears as counsel of record for the Corporation in publicly available records, we reserve the right to inform others of the fact of our representation of the Corporation in the
Matter and (if likewise reflected of record in publicly available records) the results obtained, unless the Corporation specifically directs otherwise.

Norton Rose Fulbright US LLP, Norton Rose Fulbright LLP, Norton Rose Fulbright Australia, Norton Rose Fulbright Canada LLP and Norton Rose Fulbright South Africa (incorporated as Deneys Reitz Inc.), each of which is a separate legal entity, are member firms in Norton Rose Fulbright Verein, a Swiss verein organization that does not itself provide legal services to anyone. Norton Rose Fulbright US LLP and the other member firms in the verein share non-privileged information about our respective clients for research, practice management, training and administrative purposes as a means of enhancing the quality and breadth of the services we are able to provide our clients; and, unless you direct us otherwise, we will share non-privileged information about you with those other member firms. Confidentiality agreements among the firms are in place to ensure maintenance of confidentiality with respect to such shared information.

Disclaimer

The Firm has made no promises or guarantees to the Corporation about the outcome of the Representation or the Matter, and nothing in these terms of engagement shall be construed as such a promise or guarantee.

Termination

Our representation may be terminated prior to the conclusion of the Matter by either of us by written notice to the other party.

We are subject to the codes or rules of professional responsibility for the jurisdictions in which we practice. There are several types of conduct or circumstances that could result in our withdrawing from representing a client, including, for example, the following: non-payment of fees or charges; misrepresentation or failure to disclose material facts; fraudulent or criminal conduct; action contrary to our advice; and conflict of interest with another client. The right of either party to termination of the Representation is in addition to any rights created by statute or recognized by the governing rules of professional conduct. Further, a failure by either party to meet any obligations under these terms of engagement shall entitle the other party to terminate the Representation. The parties agree to try to identify in advance and discuss any situation that may lead to termination.

Termination of the Representation will not affect the Corporation’s obligation to pay for legal services rendered and expenses and charges incurred before termination, as well as additional services and charges incurred in connection with an orderly transition of the Matter as determined solely by the Corporation. Further, in the event of termination of the Representation, you will take all steps necessary to release Norton Rose Fulbright US LLP of any further obligations in the Representation or the Matter, including without limitation the execution of any documents necessary to effectuate our withdrawal from the Representation or the Matter.

Billing Arrangements and Terms of Payment

Our engagement letter specifically explains our fees for services in the Matter and the limitations with respect to the Debt. We will bill on a regular basis, normally each month, for fees and expenses and charges. It is agreed that you will make full payment within 30 days of receiving our statement. We will give notice if an account becomes delinquent, and it is further agreed that any delinquent account must be paid upon the giving of such notice. If the delinquency
continues and you do not arrange satisfactory payment terms, we may withdraw from the Representation and pursue collection of our account.

Notwithstanding the foregoing, billing for the matters covered by Schedule I of this Letter will be billed at the conclusion of the transaction (as evidenced by delivery of the Debt) and, unless agreed to otherwise between us and the Corporation, will be paid at closing from the proceeds of such Debt.

Document Retention

At the close of any matter, we send our files in that matter to a storage facility for storage at our expense. The attorney closing the file will maintain the files in storage in accordance with all applicable government record retention laws, rules, and regulations. After that time, we will destroy the documents in the stored files.

At the conclusion of the Representation, we return to the client any documents that are specifically requested to be returned. As to any documents so returned, we may elect to keep a copy of the documents in our stored files.

Charges for Other Expenses and Services

Typically, our invoices will include amounts, not only for legal services rendered, but also for other expenses and services. Examples include charges for photocopying, Texas Attorney General filing fees, real estate closing fees, travel and conference expenses, messenger deliveries, and computerized research. In addition, we reserve the right to send to you for direct payment any invoices delivered to us by others, including experts and any vendors.

In situations where we can readily determine the exact amount of expenses for products and services provided by third parties to be charged to your account, our invoices will reflect the cost to us of the products and services. In many situations, however, the precise total cost of providing a product or service is difficult to establish, in which case we will use our professional judgment on the charges to be made for such product or service, which charges may vary from or exceed our direct cost of such product or service. In some situations, we can arrange for ancillary services to be provided by third parties with direct billing to the client. Attached is a copy of our current recharge schedule for expenses and services, which is subject to change from time to time.

Standards of Professionalism and Attorney Complaint Information

Pursuant to rules promulgated by the Texas Supreme Court and the State Bar of Texas, we are to advise our clients of the contents of the Texas Lawyer's Creed, a copy of which is attached. In addition, we are to advise clients that the State Bar of Texas investigates and prosecutes complaints of professional misconduct against attorneys licensed in Texas. A brochure entitled Attorney Complaint Information is available at all of our Texas offices and is likewise available upon request. A client that has any questions about State Bar's disciplinary process should call the Office of the General Counsel of the State Bar of Texas at 1-800-932-1900 toll free.
THE TEXAS LAWYER'S CREED — A MANDATE FOR PROFESSIONALISM

The Texas Supreme Court and the Texas Court of Criminal Appeals adopted this Creed, with the requirement that lawyers advise their clients of its contents when undertaking representation.

I. OUR LEGAL SYSTEM. A lawyer owes to the administration of justice personal dignity, integrity, and independence. A lawyer should always adhere to the highest principles of professionalism. I am passionately proud of my profession. Therefore, "My word is my bond." I am responsible to assure that all persons have access to competent representation regardless of wealth or position in life. I commit myself to an adequate and effective pro bono program. I am obligated to educate my clients, the public, and other lawyers regarding the spirit and letter of this Creed. I will always be conscious of my duty to the judicial system.

II. LAWYER TO CLIENT. A lawyer owes to a client allegiance, learning, skill, and industry. A lawyer shall employ all appropriate means to protect and advance the client's legitimate rights, claims, and objectives. A lawyer shall not be deterred by any real or imagined fear of judicial disfavor or public unpopularity, nor be influenced by mere self-interest. I will advise my client of the contents of this Creed when undertaking representation. I will endeavor to achieve my client's lawful objectives in legal transactions and in litigation as quickly and economically as possible. I will be loyal and committed to my client's lawful objectives, but I will not permit that loyalty and commitment to interfere with my duty to provide objective and independent advice. I will advise my client that civility and courtesy are expected and are not a sign of weakness. I will advise my client of proper and expected behavior. I will treat adverse parties and witnesses with fairness and due consideration. A client has no right to demand that I abuse anyone or indulge in any offensive conduct. I will advise my client that we will not pursue conduct which is intended primarily to harass or drain the financial resources of the opposing party. I will advise my client that we will not pursue tactics which are intended primarily for delay. I will advise my client that we will not pursue any course of action which is without merit. I will advise my client that I reserve the right to determine whether to grant accommodations to opposing counsel in all matters that do not adversely affect my client's lawful objectives. A client has no right to instruct me to refuse reasonable requests made by other counsel. I will advise my client regarding the availability of mediation, arbitration, and other alternative methods of resolving and settling disputes.

III. LAWYER TO LAWYER. A lawyer owes to opposing counsel, in the conduct of legal transactions and the pursuit of litigation, courtesy, candor, cooperation, and scrupulous observance of all agreements and mutual understandings. Ill feelings between clients shall not influence a lawyer's conduct, attitude, or demeanor toward opposing counsel. A lawyer shall not engage in unprofessional conduct in retaliation against other unprofessional conduct. I will be courteous, civil, and prompt in oral and written communications. I will not quarrel over matters of form or style, but I will concentrate on matters of substance. I will identify for other counsel or parties all changes I have made in documents submitted for review. I will attempt to prepare documents which correctly reflect the agreement of the parties. I will not include provisions which have not been agreed upon or omit provisions which are necessary to reflect the agreement of the parties. I will notify opposing counsel, and, if appropriate, the Court or other persons, as soon as practicable.

when hearings, depositions, meetings, conferences or closings are canceled. I will agree to reasonable requests for extensions of time and for waiver of procedural formalities, provided legitimate objectives of my client will not be adversely affected. I will not serve motions or pleadings in any manner that unfairly limits another party's opportunity to respond. I will attempt to resolve by agreement my objections to matters contained in pleadings and discovery requests and responses. I can disagree without being disagreeable. I recognize that effective representation does not require antagonistic or obnoxious behavior. I will neither encourage nor knowingly permit my client or anyone under my control to do anything which would be unethical. I will not, without good cause, attribute bad motives or unethical conduct to opposing counsel nor bring the profession into disrepute by the unsanctioned accusation of improper conduct.

IV. LAWYER AND JUDGE. Lawyers and judges owe each other respect, diligence, candor, punctuality, and protection against unjust and improper criticism and attack. Lawyers and judges are equally responsible to protect the dignity and independence of the Court and the profession. I will always recognize that the position of judge is the symbol of both the judicial system and administration of justice. I will refrain from conduct that degrades this symbol. I will conduct myself in court in a professional manner and demonstrate my respect for the Court and the law. I will treat counsel, opposing parties, the Court, and members of the Court staff with courtesy and civility. I will be punctual. I will not engage in any conduct which offends the dignity and decorum of proceedings. I will not knowingly misrepresent, mischaracterize, misquote or misinterpret facts or authorities to gain an advantage. I will respect the rulings of the Court. I will give the issues in controversy deliberate, impartial and studied analysis and consideration. I will be considerate of the time constraints and pressures imposed upon the Court. Court staff and counsel in efforts to administer justice and resolve disputes,
Counties

Guadalupe
Comal
Bexar

Identify the Applicant's total service area population: 182,783

Funding Program(s)

SWIFT: $66,500,000

Other Funding Sources

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<th>Funding Source</th>
<th>Type of Funds (Loan, Grant, etc.)</th>
<th>Amount ($)</th>
<th>Date Applied for Funding</th>
<th>Anticipated or Funding Secured Date</th>
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Other Funding Comments:
Funding_1 N/A
Funding & Project Type

Requesting Funding for Planning: Y
Requesting Funding for Acquisition: Y
Requesting Funding for Design: Y
Requesting Funding for Construction: Y

Is the project a water project?: Y

Is the project a wastewater project?: N

Is Applicant requesting funding to refinance existing debt?: N

DUNS:

Federal Awards information:
1. Did applicant receive over 80% of their revenue from Federal Awards last year?:
2. Did applicant receive over $25 million in Federal Awards last year?:
3. Does the public have access to executive compensation information via SEC or IRS reports?:

Describe procedures for collecting monthly customer bills (include procedures for collection of delinquent accounts):
Contractors & Loan/Grant Participation Summary

Have you already solicited contractors?:
Have contracts already been awarded?:

Legal Information

Cite the legal authority under which the Applicant can issue the proposed debt including the authority to make a proposed pledge of revenues.: To issue bonds: Texas Constitution, general laws of the State of Texas, Chapter 431, Texas Transportation Code, as amended, the Regional Water Supply Contract, and the Resolution

To receive SWIFT financing: Texas Constitution, Article III, Section 49-d-13; Section 15.474 Texas Water Code, as amended; Subchapter E, Chapter 16, Texas Water Code, as amended.

What type of pledge will be used to repay the proposed debt?: OTHER

Provide the full legal name of the security for the proposed debt issue(s).: CONTRACT REVENUE BONDS

Describe the pledge being offered and any existing rate covenants.: The Bonds shall be payable from and secured, on a parity with certain currently outstanding Obligations, by a lien on and pledge of the payments designated as the "Bond Payment" portion of the “Annual Payments” to be made by the Corporation pursuant to a contract in amounts sufficient to pay and redeem, and provide for the payment of the principal of, premium, if any, and interest on the Bonds
RESOLUTION NO. SSLGC R16-05

A RESOLUTION REQUESTING FINANCIAL ASSISTANCE FROM THE TEXAS WATER DEVELOPMENT BOARD'S STATE WATER IMPLEMENTATION FUND FOR TEXAS AND BOARD PARTICIPATION PROGRAMS, IN AN AGGREGATE AMOUNT NOT TO EXCEED $66,500,000, FOR THE PURPOSE OF PLANNING, DESIGNING, AND CONSTRUCTING UTILITY SYSTEM IMPROVEMENTS IN ACCORDANCE WITH THE IMPLEMENTATION OF THE STATE WATER PLAN; AUTHORIZING THE SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION'S CO-FINANCIAL ADVISORS, BOND COUNSEL, AND ENGINEERS TO COORDINATE THE SUBMISSION OF THE APPLICATION TO THE TEXAS WATER DEVELOPMENT BOARD; AND OTHER MATTERS IN CONNECTION THEREWITH

WHEREAS, the Schertz/Seguin Local Government Corporation (the Corporation) deems it necessary to apply to the Texas Water Development Board (the TWDB) for financial assistance from its State Water Implementation Fund for Texas; and

WHEREAS, in accordance with the rules and regulations of the TWDB, which govern the procedures in making such an application, the Board of Directors (the Board) of the Corporation is required to pass a resolution to accompany such application; now, therefore,

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION, THAT:

1. It is hereby found and determined that the Corporation cannot reasonably finance the proposed project without the financial assistance of the TWDB in the amounts requested.

2. The Corporation hereby requests that the TWDB, from State Water Implementation Fund for Texas (SWIFT Program) and Board Participation (Board Participation Program), grant financial assistance to the Corporation in the amount not to exceed $66,500,000.

3. The aforementioned SWIFT Program may be evidenced by a loan or by the purchase of obligations of the Corporation (the Bonds), in the estimated amount of $36,000,000, including the receipt of the largest amount of grant funds lawfully available from the TWDB, for the purpose of planning, designing, and constructing utility system improvements (the Project) to implement the State Water Plan. These obligations will be issued by the Corporation in one or more series.

4. In addition, the Corporation hereby requests financial assistance from the Board Participation Program, in the estimated amount of $30,500,000, pursuant a structured deferral repayment schedule that is favorable to the Corporation and allows the Corporation to reasonably finance the Project, which upon completion, will constitute an optimally sized regional facility.
5. The Corporation will obtain the consent from the City Council of both the City of Schertz, Texas and the City of Seguin, Texas, respectively, to submit the required documentation to the TWDB.

6. The President of the Board, the Vice President of the Board, or the General Manager of the Corporation is hereby authorized to execute and submit to the TWDB the application for such financial assistance, and the President or Vice President of the Board or General Manager of the Corporation, together with Bond Counsel (defined herein), Financial Advisor (defined herein), and consulting engineers named in such application, are authorized to appear before the TWDB in support of such application.

7. The President of the Board, the Vice President of the Board, or the General Manager of the Corporation is further specifically authorized to make the required assurances to the TWDB in accordance with the rules, regulations, and policies of the TWDB.

8. A certified copy of this Resolution shall be attached to the application for financial assistance herein authorized to be prepared and submitted to the TWDB, and the Secretary of the Board is authorized and directed to prepare and certify such number of copies of this Resolution as may be required for purposes of supporting the submission of such application to the TWDB.

9. The Board authorizes the President of the Board, the Vice President of the Board, or the General Manager of the Corporation, or the designee of any of the foregoing, to take all actions necessary to execute any necessary financial advisory contracts with SAMCO Capital Markets, Inc. as the co-financial advisors to the Corporation (collectively, the Financial Advisor). The Board understands that under applicable federal securities laws and regulations that the Corporation must have a contractual agreement with its Financial Advisor relating to the sale, issuance, and delivery of the Bonds. In addition, the Board also authorizes the President of the Board, the Vice President of the Board, or the General Manager of the Corporation, or the designee of any of the foregoing, to take all actions necessary to execute any necessary engagement agreement with Norton Rose Fulbright US LLP, as the bond counsel to the Corporation (Bond Counsel). Execution of such engagement agreements also constitute a prerequisite to the Corporation’s filing of its application with the TWDB.

10. The recitals contained in the preamble hereof are hereby found to be true, and such recitals are hereby made a part of this Resolution for all purposes and are adopted as a part of the judgment and findings of the Board.

11. All resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Resolution are hereby repealed to the extent of such conflict, and the provisions of this Resolution shall be and remain controlling as to the matters resolved herein.

12. This Resolution shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

13. If any provision of this Resolution or the application thereof to any person or circumstance shall be held to be invalid, the remainder of this Resolution and the application of such provision to other persons and circumstances shall nevertheless be valid, and the
Corporation hereby declares that this Resolution would have been enacted without such invalid provision.

14. It is officially found, determined, and declared that the meeting at which this Resolution is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Resolution, was given, all as required by Chapter 551, as amended, Texas Government Code.

15. This Resolution shall take effect immediately upon its passage.

* * * *
TWDB SWIFT APPLICATION
SECTION:  B6

PASSED, ADOPTED AND APPROVED on the 21st day of April, 2016.

SCHERTZ/SEGUIN LOCAL
GOVERNMENT CORPORATION

President, Board of Directors

Attest:

Secretary, Board of Directors

(SEAL)
TWDB SWIFT APPLICATION
SECTION: B7

Application Affidavit (WRD-201)

THE STATE OF TEXAS

COUNTY OF Guadalupe

APPLICANT Schertz/Seguin Local Government Corporation

BEFORE ME, the undersigned, a Notary Public in and for the State of Texas, on this day personally appeared Mr. Alan Cockerell as the Authorized Representative of the Schertz/Seguin Local Government Corporation, who being by me duly sworn, upon oath says that:

1. the decision by the Schertz/Seguin Local Government Corporation (authority, city, county, corporation, district) to request financial assistance from the Texas Water Development Board ("Board") was made in a public meeting held in accordance with the Open Meetings Act (Government Code, §551.001, et seq.) and after providing all such notice as required by such Act as is applicable to the Schertz/Seguin Local Government Corporation (authority, city, county, corporation, district);

2. the information submitted in the application is true and correct according to my best knowledge and belief;

3. the Schertz/Seguin Local Government Corporation (authority, city, county, corporation, district) has no pending, threatened, or outstanding judgments, orders, fines, penalties, taxes, assessment or other enforcement or compliance issue of any kind or nature by the Environmental Protection Agency, Texas Commission on Environmental Quality, Texas Comptroller, Texas Secretary of State, or any other federal, state or local government, except for the following (if no such outstanding compliance issues, write in "none");

   None

4. the Schertz/Seguin Local Government Corporation (authority, city, county, corporation, district) warrants compliance with the representations made in the application in the event that the Board provides the financial assistance; and

5. the Schertz/Seguin Local Government Corporation (authority, city, county, corporation, district) will comply with all applicable federal laws, rules, and regulations as well as the laws of this state and the rules and regulations of the Board.

[Signature]
Official Representative
Title: General Manager

SWORN TO AND SUBSCRIBED BEFORE ME, by Alan Cockerell, this 11th day of April, 2014.

REGINA C. FRANKE
Notary Public, State of Texas

05-29-2014
CERTIFICATE OF SECRETARY

THE STATE OF TEXAS §
COUNTIES OF BEXAR, COMAL, AND §
GUADALUPE §
SCHERTZ/SEGUIN LOCAL §
GOVERNMENT CORPORATION §

THE UNDERSIGNED HEREBY CERTIFIES that:

1. The Board of Directors (the “Board”) of the Schertz/Seguin Local Government Corporation (the “Corporation”), convened on the 21st day of April, 2016 in regular session in the regular meeting place of the Corporation (the “Meeting”), which Meeting was at all times open to the public, the duly constituted officers and members of the Board being as follows:

Ken Greenwald  President
Robin Dwyer  Vice President
T. “Jake” Jacobs  Secretary
Andrew Hunt  Treasurer
Bob Pees  Assistant Secretary

Ex-Officio Members
Jim Fowler  Director (City of Schertz, Texas)
Mayor Don Keil  Director (City of Seguin, Texas)

and all of such persons were present at the Meeting, except the following: None, thus constituting a quorum. Among other business considered at the Meeting, the attached resolution (the “Resolution”) entitled:

A RESOLUTION REQUESTING FINANCIAL ASSISTANCE FROM THE TEXAS WATER DEVELOPMENT BOARD’S STATE WATER IMPLEMENTATION FUND FOR TEXAS AND BOARD PARTICIPATION PROGRAMS, IN AN AGGREGATE AMOUNT NOT TO EXCEED $66,500,000, FOR THE PURPOSE OF PLANNING, DESIGNING, AND CONSTRUCTING UTILITY SYSTEM IMPROVEMENTS IN ACCORDANCE WITH THE IMPLEMENTATION OF THE STATE WATER PLAN; AUTHORIZING THE SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION’S CO-FINANCIAL ADVISORS, BOND COUNSEL, AND ENGINEERS TO COORDINATE THE SUBMISSION OF THE APPLICATION TO THE TEXAS WATER DEVELOPMENT BOARD; AND OTHER MATTERS IN CONNECTION THEREWITH

was introduced for the due consideration of the Board. After presentation and discussion of the Resolution, a motion was made by Director B. Dwyer and seconded by Director A. Hunt that the Resolution be passed and adopted.
The motion and carried by the following vote:

\[ \boxed{3} \] voted “For” \[ \boxed{0} \] voted “Against” \[ \boxed{0} \] “Abstained”

all as shown in the official Minutes of the Board for the Meeting.

2. The attached Resolution is a true and correct copy of the original on file in the official records of the Corporation; the duly qualified and acting members of the Board on the date of the Meeting are those persons shown above, and, according to the records of my office, each member of the Board was given actual notice of the time, place, and purpose of the Meeting and had actual notice that the Resolution would be considered; and the Meeting and deliberation of the aforesaid public business, was open to the public and written notice of said meeting, including the subject of the Resolution, was posted and given in advance thereof in compliance with the provisions of Chapter 551, as amended, Texas Government Code and the Texas Water Code.

IN WITNESS WHEREOF, I have signed my name officially and affixed the seal of the Corporation, this 21st day of April, 2016.

[Signature]

Secretary, Board of Directors
Does the applicant possess a Certificate of Convenience and Necessity (CCN)?:

Has the applicant been the subject of any enforcement action by the Texas Commission on Environmental Quality (TCEQ), the Environmental Protection Agency (EPA), or any other entity within the past three years?: N

Municipality

Is the area to be served by the project within the service area of a municipality or other public utility?: Y

If yes, has the applicant obtained an affidavit stating that the utility does not object to the construction and operation of the services and facilities in its service area?: N

If no, provide an explanation as to why not.: There is no retail service being provided by this project.
NoObjectionAffidavit  N/A
If the assistance requested is more than $500,000 a Water Conservation Plan (WCP) is required. The WCP cannot be more than FIVE years old and must have been adopted by the applicant. Has the applicant adopted a Board-approved WCP? (Check one and attach requested information, if any.): N
SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
STATE OF TEXAS
COUNTY OF GUADALUPE

A RESOLUTION ADOPTING THE APRIL 17, 2014 SSLGC DROUGHT CONTINGENCY & WATER EMERGENCY RESPONSE PLAN

WHEREAS, the Schertz/Seguin Local Government Corporation (SSLGC) is required by Texas Commission on Environmental Quality (TCEQ) to provide a complete Drought Contingency & Water Emergency Response Plan; and

WHEREAS, the previous version was approved October 20, 2011; and

WHEREAS, no substantive changes were made to the previous version; and

WHEREAS, Staff recommends approval.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION:


2. That SSLGC hereby approves the revised April 17, 2014 SSLGC Drought Contingency & Water Emergency Response Plan.

PASSED AND APPROVED THIS 17th DAY OF April, 2014.

Attest:

Larry Dublin, Secretary

OR

T. “Jake” Jacobs, Assistant Secretary

Kén Greenwald, President
Drought Contingency
&
Water Emergency Response Plan

Schertz-Seguin Local Government Corporation
108 West Mountain Street
Seguin, Texas 78155

PWS #0940094
17 April 2014
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# APPENDICES

APPENDIX A    Drought Matrix
Section 1: Introduction

In order to conserve the available water supply and/or to protect the integrity of water supply facilities, with particular regard for domestic water use, sanitation, and fire protection, and to protect and preserve public health, welfare, and safety and minimize the adverse impacts of water supply shortage or other water supply emergency conditions, the Schertz-Seguin Local Government Corporation (SSLGC) adopts the following Drought Contingency and Water Emergency Response Plan (the Plan).

Section 2: Public Involvement

Opportunity for the public and wholesale water customers to provide input into the preparation of the Plan was provided by SSLGC by means of scheduling and providing public notice of a public meeting to accept input on the Plan.

Section 3: Wholesale Water Customer Education

SSLGC will periodically provide wholesale water customers with information about the Plan, including information about the conditions under which each stage of the Plan is to be initiated or terminated and the drought response measures to be implemented in each stage. This information will be provided by means of providing a copy of the Plan and any updates or changes to each customer.

Section 4: Coordination with Regional Water Planning Groups

The water service area of SSLGC is located within the South Central Texas Regional Water Planning Group (Region L) and SSLGC has provided a copy of the Plan to Region L. SSLGC shall review and update, as appropriate, the plan, at least every five years, based on new or updated information, such as adoption or revision of the regional water plan.

Section 5: Authorization

The General Manager, or Designee, is hereby authorized and directed to implement the applicable provisions of the Plan upon determination that such implementation is necessary to protect public health, safety, and welfare. The General Manager, or Designee, shall have the authority to initiate or terminate drought or other water supply emergency response measures as described in the Plan.

Section 6: Application

Provisions of the Plan shall apply to all customers utilizing water provided by SSLGC. The terms “person” and “customer” as used in the Plan include individuals, corporations, partnerships, associations, and all other legal entities.
Section 7: Criteria for Initiation and Termination of Drought Response Stages

The General Manager, or Designee, shall monitor water supply and/or demand conditions on a weekly basis and shall determine when conditions warrant initiation or termination of each stage of the Plan. Customer notification of the initiation or termination of drought response stages will be made by mail, email or telephone.

SSLGC recognizes that conservation of water resources should exist at all times. All wholesale customers are encouraged to implement appropriate conservation measures throughout the year to prevent the unnecessary wasting of water.

The triggering criteria described below are based on an analysis of system capability and rules of the Gonzales County Underground Water Conservation District (GCUWCD).

7.1 Stage 1 Triggers – MILD Water Shortage Conditions

Requirements for initiation - SSLGC will recognize that a mild water shortage condition exists when one or more of the following occur:

a. The General Manager, with concurrence of the SSLGC Executive Committee or Board of Directors, finds that conditions warrant the declaration of Stage 1.

b. Water demand is projected to approach 100% of the monthly limit of the GCUWCD permitted supply.

c. Annual Monthly Average Drawdown as measured by GCUWCD rules equals 85% of allowable.

d. The water system has malfunctioned, but is still able to keep up with demand.

Requirements for termination - Stage 1 of the Plan may be rescinded when all of the conditions listed as triggering events have ceased to exist. SSLGC will notify its wholesale customers of the termination of Stage 1 in the same manner as the notification of initiation of Stage 1 of the Plan.

7.2 Stage 2 Triggers – MODERATE Water Shortage Conditions

Requirements for initiation - SSLGC will recognize that a moderate water shortage condition exists when one or more of the following occur:

a. The General Manager, with concurrence of the SSLGC Executive Committee or Board of Directors, finds that conditions warrant the declaration of Stage 2.

b. Water demand is projected to approach 110% of the monthly limit of the GCUWCD permitted supply.

c. Annual Monthly Average Drawdown as measured by GCUWCD rules equals 95% of allowable.
d. The water system has malfunctioned and cannot keep up with demand.

Requirements for termination - Stage 2 of the Plan may be rescinded when all of the conditions listed as triggering events have ceased to exist. Upon termination of Stage 2, Stage 1 becomes effective. SSLGC will notify its wholesale customers of the termination of Stage 2 in the same manner as the notification of initiation of Stage 2 of the Plan.

7.3 Stage 3 Triggers -- SEVERE Water Shortage Conditions

Requirements for initiation - SSLGC will recognize that a severe water shortage condition exists when one or more of the following occur:

a. The General Manager, with concurrence of the SSLGC Executive Committee or Board of Directors, finds that conditions warrant the declaration of Stage 3.
b. Water demand is projected to approach 120% of the monthly limit of the GCUWCD permitted supply.
c. Annual Monthly Average Drawdown as measured by GCUWCD rules exceeds 100% of allowable.
d. Water quality is less than normal or is polluted. Health and safety standards may be jeopardized.
e. The imminent or actual failure of a major component of the system would cause immediate health or safety hazard.

Requirements for termination - Stage 3 of the Plan may be rescinded when all of the conditions listed as triggering events have ceased to exist. Upon termination of Stage 3, Stage 2 becomes operative. SSLGC will notify its wholesale customers of the termination of Stage 3 in the same manner as the notification of initiation of Stage 3 of the Plan.

7.4 Stage 4 Triggers -- CRITICAL Water Shortage Conditions Including System or Water Quality Failure

Requirements for initiation - SSLGC will recognize that an emergency water shortage condition exists when one or more of the following occur:

a. The General Manager, with concurrence of the SSLGC Executive Committee or Board of Directors, finds that conditions warrant the declaration of Stage 4.
b. Water demand exceeds 125% of the monthly limit of the GCUWCD permitted supply.
c. Annual Monthly Average Drawdown as measured by GCUWCD rules exceeds 115% of allowable.
d. Major water line breaks, or pump or system failures occur, which cause unprecedented loss of capability to provide water service.
e. Natural or man-made contamination of the water supply source(s).
Requirements for termination – Critical Water Shortage Condition of the Plan may be rescinded when all of the conditions listed as triggering events have ceased to exist. SSLGC will notify its wholesale customers of the termination of Critical Water Shortage Condition.

Section 8: Drought Response Stages

All wholesale customers are encouraged to implement appropriate conservation measures throughout the year to prevent the unnecessary wasting of water.

The general manager, or designee, shall monitor water supply and/or demand conditions and, in accordance with the triggering criteria set forth in Section 7, shall determine that mild, moderate, severe or critical water shortage conditions exists and shall implement the following actions:

8.1 Stage 1 Response -- MILD Water Shortage Conditions

Target: Achieve a voluntary 10 percent reduction in total water usage

Best Management Practices for Supply Management:

- Blending of alternate water sources by customers
- The design of SSLGC’s facilities and operational procedures minimize wasting of water at all times
- Increase monitoring of production and usage data to provide timely reports
- In the event of GCUWCD restrictions reducing allowable per acre, increase leased land by 10%

Water Use Restrictions for Reducing Demand:

(a) The General Manager, or Designee(s), will contact wholesale water customers to discuss water supply and/or demand conditions and will request that wholesale water customers initiate voluntary measures to reduce water use (e.g., implement Stage 1 of the customer’s drought contingency plan).

(b) The General Manager, or Designee(s), will provide a weekly report to wholesale customers with information regarding current water supply, projected water supply and demand conditions.

8.2 Stage 2 Response -- MODERATE Water Shortage Conditions

Target: Achieve a 15 percent reduction in total water usage.

Best Management Practices for Supply Management:

- Blending of alternate water sources by customers
• The design of SSLGC’s facilities and operational procedures minimize wasting of water at all times
• Increase monitoring of production and usage data to provide timely reports
• In the event of GCUWCD restrictions reducing allowable per acre, increase leased land by 20%

Water Use Restrictions for Reducing Demand:

(a) The General Manager, or Designee(s), will contact wholesale water customers to discuss water supply and/or demand conditions and will request that wholesale water customers initiate voluntary measures to reduce water use (e.g., implement Stage 2 of the customer’s drought contingency plan).

(b) The General Manager, or Designee(s), will provide a weekly report to wholesale customers with information regarding current water supply, projected water supply and demand conditions.

8.3 Stage 3 Response -- SEVERE Water Shortage Conditions

Target: Achieve a 25 percent reduction in total water usage.

Best Management Practices for Supply Management:

• Blending of alternate water sources by customers
• The design of SSLGC’s facilities and operational procedures minimize wasting of water at all times
• Increase monitoring of production and usage data to provide timely reports
• In the event of GCUWCD restrictions reducing permitted pumpage, decrease production by corresponding amount

Water Use Restrictions for Reducing Demand:

(a) The General Manager, or Designee(s), will contact wholesale water customers to discuss water supply and/or demand conditions and will request that wholesale water customers initiate voluntary measures to reduce water use (e.g., implement Stage 3 of the customer’s drought contingency plan).

(b) The General Manager, or Designee(s), will provide a weekly report to wholesale customers with information regarding current water supply, projected water supply and demand conditions.
8.4 Stage 4 Response -- CRITICAL Water Shortage Conditions

**Target:** Eliminate all unnecessary water usage.

**Best Management Practices for Supply Management:**

- Blending of alternate water sources by customers
- The design of SSLGC’s facilities and operational procedures minimize wasting of water at all times
- Increase monitoring of production and usage data to provide timely reports
- In the event of GCUWCD restrictions reducing permitted pumpage, decrease production by corresponding amount

Whenever emergency water shortage conditions exist as defined in Section 7 of the Plan, the general manager or designee(s) shall:

a) Assess the severity of the problem and identify the actions needed and time required to solve the problem.

b) Inform the appropriate manager or other responsible official of each wholesale water customer by telephone or in person and suggest actions, as appropriate, to alleviate problems (e.g., notification of the public to reduce water use until service is restored).

c) If appropriate, notify city, county, and/or state emergency response officials for assistance.

d) Undertake necessary actions, including repairs and/or clean-up as needed.

e) Prepare a post-event assessment report on the incident and critique of emergency response procedures and actions.

**Section 9: Pro Rata Water Allocation**

In the event that the triggering criteria specified in Section 7 of the Plan for Stage 4 Critical Water Shortage Conditions have been met, the general manager, or designee(s), is hereby authorized to initiate allocation of water supplies on a pro rata basis in accordance with Texas Water Code Section 11.039 and existing wholesale water contracts. SSLGC will include a provision in every wholesale water contract entered into or renewed after adoption of the plan, including contract extensions, that in case of a shortage of water resulting from drought, the water to be distributed shall be divided in accordance with Texas Water Code Section 11.039.

**Section 10: Enforcement**

During any period when pro rata allocation of available water supplies is in effect, wholesale customers shall pay the following surcharges on excess water deliveries:

1.00 times the normal water charge per 1000 gallons for water deliveries in excess of the monthly allocation up through 5 percent above the monthly allocation.
1.05 times the normal water charge per 1000 gallons for water deliveries in excess of the monthly allocation from 5 percent through 10 percent above the monthly allocation.

1.10 times the normal water charge per 1000 gallons for water deliveries in excess of the monthly allocation from 10 percent through 15 percent above the monthly allocation.

1.15 times the normal water charge per 1000 gallons for water deliveries more than 15 percent above the monthly allocation.

The above surcharges shall be cumulative.

**Section 11: Variances**

The General Manager, or Designee(s), may, in writing, grant a temporary variance to the pro rata water allocation policies provided by this Plan if it is determined that failure to grant such variance would cause an emergency condition adversely affecting the public health, welfare, or safety and if one or more of the following conditions are met:

(a) Compliance with this Plan cannot be technically accomplished during the duration of the water supply shortage or other condition for which the Plan is in effect.
(b) Alternative methods can be implemented which will achieve the same level of reduction in water use.

Persons requesting an exemption from the provisions of this Plan shall file a petition for variance with the general manager. All petitions for variances shall be reviewed by the SSLGC board of directors, and shall include the following:

(a) Name and address of the petitioner(s).
(b) Detailed statement with supporting data and information as to how the pro rata allocation of water under the policies and procedures established in the Plan adversely affects the petitioner or what damage or harm will occur to the petitioner or others if petitioner complies with this Ordinance.
(c) Description of the relief requested.
(d) Period of time for which the variance is sought.
(e) Alternative measures the petitioner is taking or proposes to take to meet the intent of this Plan and the compliance date.
(f) Other pertinent information.

Variances granted by the SSLGC Board of Directors shall be subject to the following conditions, unless waived or modified by the SSLGC Board of Directors or it's Designee(s):

(a) Variances granted shall include a timetable for compliance.
(b) Variances granted shall expire when the Plan is no longer in effect, unless the petitioner has failed to meet specified requirements.
No variance shall be retroactive or otherwise justify any violation of this Plan occurring prior to the issuance of the variance.

Section 12: Severability

It is hereby declared to be the intention of the SSLGC Board of Directors that the sections, paragraphs, sentences, clauses, and phrases of this Plan are severable and, if any phrase, clause, sentence, paragraph, or section of this Plan shall be declared unconstitutional by the valid judgment or decree of any court of competent jurisdiction, such unconstitutionality shall not affect any of the remaining phrases, clauses, sentences, paragraphs, and sections of this Plan, since the same would not have been enacted by the SSLGC Board of Directors without the incorporation into this Plan of any such unconstitutional phrase, clause, sentence, paragraph, or section.
UTILITY PROFILE FOR WHOLESALE WATER SUPPLIER

Fill out this form as completely as possible.
If a field does not apply to your entity, leave it blank.

CONTACT INFORMATION

Name of Utility: Schertz/Seguin Local Government Corporation

Public Water Supply Identification Number (PWS ID): 0940094

Certificate of Convenience and Necessity (CCN) Number: __________________________

Surface Water Right ID Number: ______________________

Wastewater ID Number: ______________________

Completed By: Alan Cockerell
Title: General Manager

Address: 108 W. Mountain
City: Seguin
Zip Code: 78155

Email: acockerell@seguintexas.gov
Telephone Number: 830-401-2403

Date: 4/21/2016

Regional Water Planning Group: L Map
Groundwater Conservation District: GCGCD Map

Check all that apply:

☐ Received financial assistance of $500,000 or more from TWDB

☐ Have a surface water right with TCEQ
Section I: Utility Data

A. Population and Service Area Data

1. Current service area size in square miles: ____________________
   (Attach or email a copy of the service area map.)

2. Provide projected and historical service area population below.

<table>
<thead>
<tr>
<th>Year</th>
<th>Historical Population Served By Wholesale Water Service</th>
<th>Year</th>
<th>Projected Population Served By Wholesale Water Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td></td>
<td>2020</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td>2030</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td>2040</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td>2050</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td>2060</td>
<td></td>
</tr>
</tbody>
</table>

4. Describe the source(s)/method(s) for estimating current and projected populations.

SSLGC does not have a specific service area since it is a wholesale water provider.
B. System Input

Provide system input data for the previous five years.

Total System Input = Self-supplied + Imported

<table>
<thead>
<tr>
<th>Year</th>
<th>Self-supplied Water in Gallons</th>
<th>Purchased/Imported Water in Gallons</th>
<th>Total System Input</th>
<th>Total gal/day</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>3,402,850,000</td>
<td>3,402,850,000</td>
<td>6,805,700,000</td>
<td>9,322,877</td>
</tr>
<tr>
<td>2012</td>
<td>3,317,666,000</td>
<td>3,317,666,000</td>
<td>6,635,332,000</td>
<td>9,089,496</td>
</tr>
<tr>
<td>2013</td>
<td>3,606,289,000</td>
<td>3,606,289,000</td>
<td>7,212,578,000</td>
<td>9,880,244</td>
</tr>
<tr>
<td>2014</td>
<td>4,483,548,000</td>
<td>1,818,769,000</td>
<td>6,302,317,000</td>
<td>17,266,622</td>
</tr>
<tr>
<td>2015</td>
<td>4,534,510,000</td>
<td>3,503,802,000</td>
<td>8,038,312,000</td>
<td>22,022,773</td>
</tr>
<tr>
<td>Historic 5-year Average</td>
<td>3,888,972,600</td>
<td>1,064,514,200</td>
<td>4,933,486,800</td>
<td>13,516,402</td>
</tr>
</tbody>
</table>

C. Water Supply System (Attach description of water system)

1. Designed daily capacity of system 34,700,000 gallons per day.
2. Storage Capacity:
   - Elevated: 15,100,000 gallons
   - Ground: 15,100,000 gallons
3. List all current water supply sources in gallons.

<table>
<thead>
<tr>
<th>Water Supply Source</th>
<th>Source Type*</th>
<th>Total Gallons</th>
</tr>
</thead>
<tbody>
<tr>
<td>12 Owned Wells</td>
<td>Ground</td>
<td>6,309,127,062</td>
</tr>
<tr>
<td>SAWS</td>
<td>Contract</td>
<td>3,808,546,488</td>
</tr>
<tr>
<td>Choose One</td>
<td>选择 One</td>
<td></td>
</tr>
<tr>
<td>Choose One</td>
<td>选择 One</td>
<td></td>
</tr>
<tr>
<td>Choose One</td>
<td>选择 One</td>
<td></td>
</tr>
<tr>
<td>Choose One</td>
<td>选择 One</td>
<td></td>
</tr>
</tbody>
</table>

*Select one of the following source types: Surface water, Groundwater, or Contract

4. If surface water is a source type, do you recycle backwash to the head of the plant?
   - Yes estimated gallons per day
   - No
D.  Projected Demands

1. Estimate the water supply requirements for the next ten years using population trends, historical water use, economic growth, etc.

<table>
<thead>
<tr>
<th>Year</th>
<th>Population</th>
<th>Water Demands (gallons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>186,486</td>
<td>8,473,168,723</td>
</tr>
<tr>
<td>2018</td>
<td>188,338</td>
<td>8,591,648,147</td>
</tr>
<tr>
<td>2019</td>
<td>190,189</td>
<td>8,710,127,570</td>
</tr>
<tr>
<td>2020</td>
<td>192,041</td>
<td>8,828,606,994</td>
</tr>
<tr>
<td>2021</td>
<td>194,113</td>
<td>8,924,407,188</td>
</tr>
<tr>
<td>2022</td>
<td>196,185</td>
<td>9,020,207,382</td>
</tr>
<tr>
<td>2023</td>
<td>198,257</td>
<td>9,116,007,576</td>
</tr>
<tr>
<td>2024</td>
<td>200,329</td>
<td>9,211,807,770</td>
</tr>
<tr>
<td>2025</td>
<td>202,401</td>
<td>9,307,607,964</td>
</tr>
<tr>
<td>2026</td>
<td>204,473</td>
<td>9,403,408,158</td>
</tr>
</tbody>
</table>

2. Describe sources of data and how projected water demands were determined. Attach additional sheets if necessary.

Water demands were determined based on Region L projections.
E. High Volume Customers

1. If applicable, list the annual water use for the five highest volume customers. Select one of the following water use categories to describe the customer; choose Municipal, Industrial, Commercial, Institutional, or Agricultural.

<table>
<thead>
<tr>
<th>Customer</th>
<th>Water Use Category*</th>
<th>Annual Water Use</th>
<th>Treated or Raw</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAWS</td>
<td>Municipal</td>
<td>4,364,629,000</td>
<td>Treated</td>
</tr>
<tr>
<td>City of Schertz</td>
<td>Municipal</td>
<td>1,828,153,000</td>
<td>Treated</td>
</tr>
<tr>
<td>City of Seguin</td>
<td>Municipal</td>
<td>1,066,628,000</td>
<td>Treated</td>
</tr>
<tr>
<td>City of Selma</td>
<td>Municipal</td>
<td>252,868,000</td>
<td>Treated</td>
</tr>
<tr>
<td>City of Converse</td>
<td>Municipal</td>
<td>164,462,000</td>
<td>Treated</td>
</tr>
</tbody>
</table>

*For definitions on recommended customer categories for classifying customer water use, refer to the online Guidance and Methodology for Reporting on Water Conservation and Water Use.

F. Utility Data Comment Section

Provide additional comments about utility data below.
Section II: System Data

A. Wholesale Connections
   1. List the active wholesale connections by major water use category.

<table>
<thead>
<tr>
<th>Water Use Category*</th>
<th>Active Wholesale Connections</th>
<th>Metered</th>
<th>Unmetered</th>
<th>Total Connections</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal</td>
<td></td>
<td>6</td>
<td></td>
<td>6</td>
</tr>
<tr>
<td>Industrial</td>
<td></td>
<td>0</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Commercial</td>
<td></td>
<td>0</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Institutional</td>
<td></td>
<td>0</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Agricultural</td>
<td></td>
<td>0</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>6</td>
<td>0</td>
<td>6</td>
</tr>
</tbody>
</table>

   *For definitions on recommended customer categories for classifying customer water use, refer to the online Guidance and Methodology for Reporting on Water Conservation and Water Use.

   2. List the net number of new wholesale connections by water use category for the previous five years.

<table>
<thead>
<tr>
<th>Water Use Category*</th>
<th>Net Number of New Wholesale Connections</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal</td>
<td>1</td>
</tr>
<tr>
<td>Industrial</td>
<td>0</td>
</tr>
<tr>
<td>Commercial</td>
<td>0</td>
</tr>
<tr>
<td>Institutional</td>
<td>0</td>
</tr>
<tr>
<td>Agricultural</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1</td>
</tr>
</tbody>
</table>

   *For definitions on recommended customer categories for classifying customer water use, refer to the Guidance and Methodology for Reporting on Water Conservation and Water Use.

B. Wholesale Water Accounting Data - Water Use Categories
   For the previous five years, enter the number of gallons of wholesale water exported (sold or transferred) to each major water use category.

<table>
<thead>
<tr>
<th>Customer Category*</th>
<th>Total Gallons of Wholesale Water</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal</td>
<td>2011: 3,184,242,000, 2012: 3,406,844,000, 2013: 3,477,427,000, 2014: 6,125,744,000, 2015: 7,794,351,000</td>
</tr>
<tr>
<td>Industrial</td>
<td></td>
</tr>
<tr>
<td>Commercial</td>
<td></td>
</tr>
<tr>
<td>Institutional</td>
<td></td>
</tr>
<tr>
<td>Agricultural</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>3,184,242,000, 3,406,844,000, 3,477,427,000, 6,125,744,000, 7,794,351,000</td>
</tr>
</tbody>
</table>

   *For definitions on recommended customer categories for classifying customer water use, refer to the online Guidance and Methodology for Reporting on Water Conservation and Water Use.
### C. Wholesale Water Accounting Data - Annual and Seasonal Use

For the **previous five years**, enter the number of gallons exported (sold or transferred) to WHOLESALE customers.

<table>
<thead>
<tr>
<th>Month</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>168,126,000</td>
<td>218,332,000</td>
<td>228,472,000</td>
<td>353,847,000</td>
<td>603,157,000</td>
</tr>
<tr>
<td>February</td>
<td>170,734,000</td>
<td>175,311,000</td>
<td>209,615,000</td>
<td>333,095,000</td>
<td>557,390,000</td>
</tr>
<tr>
<td>March</td>
<td>217,307,000</td>
<td>203,186,000</td>
<td>291,543,000</td>
<td>465,319,000</td>
<td>660,590,000</td>
</tr>
<tr>
<td>April</td>
<td>269,457,000</td>
<td>280,535,000</td>
<td>288,971,000</td>
<td>474,410,000</td>
<td>612,187,000</td>
</tr>
<tr>
<td>May</td>
<td>283,283,000</td>
<td>274,826,000</td>
<td>262,628,000</td>
<td>490,408,000</td>
<td>537,375,000</td>
</tr>
<tr>
<td>June</td>
<td>296,380,000</td>
<td>358,287,000</td>
<td>272,217,000</td>
<td>522,689,000</td>
<td>630,416,000</td>
</tr>
<tr>
<td>July</td>
<td>302,312,000</td>
<td>367,213,000</td>
<td>307,870,000</td>
<td>552,228,000</td>
<td>640,942,000</td>
</tr>
<tr>
<td>August</td>
<td>357,830,000</td>
<td>407,078,000</td>
<td>385,940,000</td>
<td>579,043,000</td>
<td>813,556,000</td>
</tr>
<tr>
<td>September</td>
<td>347,856,000</td>
<td>331,299,000</td>
<td>306,980,000</td>
<td>573,533,000</td>
<td>747,380,000</td>
</tr>
<tr>
<td>October</td>
<td>284,038,000</td>
<td>281,408,000</td>
<td>254,011,000</td>
<td>569,221,000</td>
<td>706,998,000</td>
</tr>
<tr>
<td>November</td>
<td>277,557,000</td>
<td>286,032,000</td>
<td>317,895,000</td>
<td>512,517,000</td>
<td>752,723,000</td>
</tr>
<tr>
<td>December</td>
<td>209,382,000</td>
<td>243,437,000</td>
<td>371,305,000</td>
<td>703,434,000</td>
<td>531,637,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>3,184,242,000</strong></td>
<td><strong>3,406,944,000</strong></td>
<td><strong>3,477,427,000</strong></td>
<td><strong>6,299,591,000</strong></td>
<td><strong>7,794,351,000</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Month</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td></td>
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<tr>
<td>February</td>
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<tr>
<td>March</td>
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<tr>
<td>April</td>
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<tr>
<td>May</td>
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<tr>
<td>June</td>
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<tr>
<td>July</td>
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<tr>
<td>August</td>
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<tr>
<td>September</td>
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<tr>
<td>October</td>
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<tr>
<td>November</td>
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</tr>
<tr>
<td>December</td>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### WHOLESALe

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th><strong>Average in Gallons</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Summer Wholesale (Treated + Raw)</td>
<td>956,522,000</td>
<td>1,132,578,000</td>
<td>966,027,000</td>
<td>1,649,960,000</td>
<td>2,084,914,000</td>
<td>1,358,000,200</td>
</tr>
<tr>
<td></td>
<td><strong>Syr Average</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>Syr Average</strong></td>
</tr>
<tr>
<td>TOTAL Wholesale (Treated + Raw)</td>
<td>3,184,242,000</td>
<td>3,406,944,000</td>
<td>3,477,427,000</td>
<td>6,299,591,000</td>
<td>7,794,351,000</td>
<td>4,832,511,000</td>
</tr>
<tr>
<td></td>
<td><strong>Syr Average</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>Syr Average</strong></td>
</tr>
</tbody>
</table>
D. Water Loss

Provide Water Loss Data for the previous five years.

Water Loss GPCD = \frac{\text{Total Water Loss in Gallons} \times \text{Permanent Population Served}}{365} \times 100

Water Loss Percentage = \frac{\text{Total Water Loss} \times \text{Total System Input}}{100}

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Water Loss in Gallons</th>
<th>Water Loss per day</th>
<th>Water Loss as a Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>137,792,000</td>
<td></td>
<td>4%</td>
</tr>
<tr>
<td>2012</td>
<td>-117,591,000</td>
<td></td>
<td>-4%</td>
</tr>
<tr>
<td>2013</td>
<td>81,729,000</td>
<td></td>
<td>2%</td>
</tr>
<tr>
<td>2014</td>
<td>-57,538,000</td>
<td></td>
<td>-1%</td>
</tr>
<tr>
<td>2015</td>
<td>-75,516,000</td>
<td>0</td>
<td>-1%</td>
</tr>
<tr>
<td>5-year average</td>
<td>-6,224,800</td>
<td>0</td>
<td>0%</td>
</tr>
</tbody>
</table>

E. Peak Day Use

Provide the Average Daily Use and Peak Day Use for the previous five years.

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Daily Use (gal)</th>
<th>Peak Day Use (gal)</th>
<th>Ratio (Peak/Avg)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>8,723,951</td>
<td>12,800,000</td>
<td>1.47</td>
</tr>
<tr>
<td>2012</td>
<td>9,334,093</td>
<td>13,744,000</td>
<td>1.47</td>
</tr>
<tr>
<td>2013</td>
<td>9,527,197</td>
<td>12,452,000</td>
<td>1.31</td>
</tr>
<tr>
<td>2014</td>
<td>16,782,861</td>
<td>22,752,000</td>
<td>1.36</td>
</tr>
<tr>
<td>2015</td>
<td>21,354,386</td>
<td>26,052,000</td>
<td>1.22</td>
</tr>
</tbody>
</table>

F. Summary of Historic Water Use

<table>
<thead>
<tr>
<th>Water Use Category</th>
<th>Historic 5-year Average</th>
<th>Percent of Water Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal</td>
<td>4,797,741,600</td>
<td>99%</td>
</tr>
<tr>
<td>Industrial</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Commercial</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Institutional</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Agricultural</td>
<td>0</td>
<td>0%</td>
</tr>
</tbody>
</table>

G. Wholesale System Data Comment Section

Provide additional comments about wholesale system data below.
Section III: Wastewater System Data

If you do not provide wastewater system services then you have completed the Utility Profile. Save and Print this form to submit with your Plan. Continue with the Water Conservation Plan Checklist to complete your Water Conservation Plan.

A. Wastewater System Data (Attach a description of your wastewater system)

1. Design capacity of wastewater treatment plant(s): ________________________ gallons per day.

2. List the active wastewater connections by major water use category.

<table>
<thead>
<tr>
<th>Water Use Category*</th>
<th>Active Wastewater Connections</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Metered</td>
</tr>
<tr>
<td>Municipal</td>
<td>0</td>
</tr>
<tr>
<td>Industrial</td>
<td>0</td>
</tr>
<tr>
<td>Commercial</td>
<td>0</td>
</tr>
<tr>
<td>Institutional</td>
<td>0</td>
</tr>
<tr>
<td>Agricultural</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>0</td>
</tr>
</tbody>
</table>

*For definitions on recommended customer categories for classifying customer water use, refer to the online Guidance and Methodology for Reporting on Water Conservation and Water Use.

2. What percent of water is serviced by the wastewater system? ____%

3. For the previous five years, enter the number of gallons of wastewater that was treated by the utility.

<table>
<thead>
<tr>
<th>Month</th>
<th>Total Gallons of Treated Water</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011</td>
</tr>
<tr>
<td>January</td>
<td>0</td>
</tr>
<tr>
<td>February</td>
<td>0</td>
</tr>
<tr>
<td>March</td>
<td>0</td>
</tr>
<tr>
<td>April</td>
<td>0</td>
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<tr>
<td>May</td>
<td>0</td>
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<td>June</td>
<td>0</td>
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<td>July</td>
<td>0</td>
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<td>August</td>
<td>0</td>
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<td>September</td>
<td>0</td>
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<tr>
<td>October</td>
<td>0</td>
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<tr>
<td>November</td>
<td>0</td>
</tr>
<tr>
<td>December</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>0</td>
</tr>
</tbody>
</table>
4. Could treated wastewater be substituted for potable water?
   - Yes
   - No

B. Reuse Data

1. Provide data on the types of recycling and reuse activities implemented during the current reporting period.

<table>
<thead>
<tr>
<th>Type of Reuse</th>
<th>Total Annual Volume (in gallons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On-site irrigation</td>
<td></td>
</tr>
<tr>
<td>Plant wash down</td>
<td></td>
</tr>
<tr>
<td>Chlorination/de-chlorination</td>
<td></td>
</tr>
<tr>
<td>Industrial</td>
<td></td>
</tr>
<tr>
<td>Landscape irrigation (parks, golf courses)</td>
<td></td>
</tr>
<tr>
<td>Agricultural</td>
<td></td>
</tr>
<tr>
<td>Discharge to surface water</td>
<td></td>
</tr>
<tr>
<td>Evaporation pond</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>0</td>
</tr>
</tbody>
</table>

C. Wastewater System Data Comment

Provide additional comments about wastewater system data below.

You have completed the Utility Profile. Save and Print this form to submit with your Plan. Continue with the Water Conservation Plan Checklist to complete your Water Conservation Plan.

Page 10 of 10

Retail Water Services
Does the applicant provide retail water services?: N
### TWDB SWIFT APPLICATION

**SECTION: E2**

**TEXAS WATER DEVELOPMENT BOARD**

**WATER USE SURVEY**

**WATER USE IN CALENDAR YEAR: 2015**

**SYSTEM NAME:** SCHERTZ- SEGUN LOCAL GOVERNMENT CORP

**OPERATOR NAME:**

**MULTIPLE SURVEY ORG:**

**MAILING ADDRESS 1:** PO BOX 933

**MAILING ADDRESS 2:**

**CITY/STATE/ZIP:** SEGUN TX 78158-0833

**PWS NAME:** SCHERTZ-SEGUN LOCAL GOVERNMENT CORP

**SURVEY NUMBER:** 110355

**PRIMARY USED COUNTY:** GONZALES

**PRIMARY USED RIVER BASIN:** GUADALUPE

**ORGANIZATION MAIN PHONE:**

**MAIN EMAIL:**

**WEB:**

**PWS CODE:** 940394

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<table>
<thead>
<tr>
<th>Water Type</th>
<th>County</th>
<th>Basin</th>
<th>Aquifer</th>
<th>Well Name</th>
<th>Measured or Estimated</th>
<th>Brackish / Saline (Y or N)</th>
<th>% Treated Prior to Intake</th>
<th>Total Volume (gallons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GROUND WATER SELF SUPPLIED</td>
<td>GONZALES</td>
<td>GUADALUPE</td>
<td>CARROZO-WILCOX AQUIFER</td>
<td>2 - Bank 2</td>
<td>M</td>
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<tr>
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<td>APRIL</td>
<td>MAY</td>
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<td>JULY</td>
<td>AUGUST</td>
<td>SEPTEMBER</td>
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<td>County</td>
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<td>Water Type</td>
<td>County</td>
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<td>Aquifer</td>
<td>Well Name</td>
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<td>Brackish / Saline (Y or N)</td>
<td>% Treated Prior to Intake</td>
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<tr>
<td>GROUND WATER SELF SUPPLIED</td>
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<td>MAY</td>
<td>JUNE</td>
<td>JULY</td>
<td>AUGUST</td>
<td>SEPTEMBER</td>
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<tr>
<td>Water Type</td>
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<td>Aquifer</td>
<td>Well Name (if applicable)</td>
<td>Metered or Estimated</td>
<td>Brackish / Saline (Y or N)</td>
<td>% Treated Prior to Intake</td>
<td>Total Volume (gallons)</td>
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<td>GROUND WATER SELF SUPPLIED</td>
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<td>JULY</td>
<td>AUGUST</td>
<td>SEPTEMBER</td>
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<tr>
<td>33,313,000</td>
<td>51,234,000</td>
<td>60,088,000</td>
<td>46,086,000</td>
<td>42,865,000</td>
<td>17,816,000</td>
<td>0</td>
<td>3,677,000</td>
<td>0</td>
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<td>Ground Water Self Supplied</td>
<td>GONZALES</td>
<td>GUADALUPE</td>
<td>CARRIZO-WILCOX AQUIFER</td>
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<td>N</td>
<td>0.00</td>
<td>218,228,000</td>
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<td>JUNE</td>
<td>JULY</td>
<td>AUGUST</td>
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<tr>
<td>18,997,000</td>
<td>37,911,000</td>
<td>21,550,000</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>48,278,000</td>
<td>16,785,000</td>
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<tr>
<td>Ground Water Self Supplied</td>
<td>GONZALES</td>
<td>GUADALUPE</td>
<td>CARRIZO-WILCOX AQUIFER</td>
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<td>285,049,000</td>
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<tr>
<td>22,967,000</td>
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<td>24,650,000</td>
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<td>0</td>
<td>0</td>
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<tr>
<td>Ground Water Self Supplied</td>
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<td>GUADALUPE</td>
<td>CARRIZO-WILCOX AQUIFER</td>
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<td>E</td>
<td>N</td>
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<td>431,478,000</td>
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<td>APRIL</td>
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<td>JUNE</td>
<td>JULY</td>
<td>AUGUST</td>
<td>SEPTEMBER</td>
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<tr>
<td>36,920,000</td>
<td>28,104,000</td>
<td>27,026,000</td>
<td>24,886,000</td>
<td>11,127,000</td>
<td>48,784,000</td>
<td>53,346,000</td>
<td>48,442,000</td>
<td>44,152,000</td>
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<tr>
<td>Ground Water Self Supplied</td>
<td>GONZALES</td>
<td>GUADALUPE</td>
<td>CARRIZO-WILCOX AQUIFER</td>
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<td>M</td>
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<td>0.00</td>
<td>223,953,000</td>
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<tr>
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<td>APRIL</td>
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<td>JUNE</td>
<td>JULY</td>
<td>AUGUST</td>
<td>SEPTEMBER</td>
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<tr>
<td>18,997,000</td>
<td>18,847,000</td>
<td>18,404,000</td>
<td>30,318,000</td>
<td>15,986,000</td>
<td>2,709,000</td>
<td>17,784,000</td>
<td>47,423,000</td>
<td>30,813,000</td>
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<tr>
<td>Ground Water Self Supplied</td>
<td>GONZALES</td>
<td>GUADALUPE</td>
<td>CARRIZO-WILCOX AQUIFER</td>
<td>10</td>
<td>M</td>
<td>N</td>
<td>0.00</td>
<td>436,880,000</td>
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<tr>
<td>JANUARY</td>
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<td>APRIL</td>
<td>MAY</td>
<td>JUNE</td>
<td>JULY</td>
<td>AUGUST</td>
<td>SEPTEMBER</td>
</tr>
<tr>
<td>22,955,000</td>
<td>29,713,000</td>
<td>29,092,000</td>
<td>16,454,000</td>
<td>38,655,000</td>
<td>29,994,000</td>
<td>45,603,000</td>
<td>33,499,000</td>
<td>33,398,000</td>
</tr>
</tbody>
</table>
Potable Water Services

Is the applicant a retail public utility that provides potable water?: N
RE: Water Loss Audit

From: Daniel Rice <Daniel.Rice@twdb.texas.gov>          Mon, Mar 21, 2016 10:05 AM
Subject: RE: Water Loss Audit
To: Alan Cockerell <acockerell@seguintexas.gov>

Alan,

I have updated our records to reflect the system not being required. If you receive any correspondence related to this system and the water loss audit please disregard.

Thanks,
D. Daniel Rice
Office: 512-463-0987 | Fax: 512-936-0816

From: Alan Cockerell [mailto:acockerell@seguintexas.gov]
Sent: Monday, March 21, 2016 9:39 AM
To: Daniel Rice
Cc: Amber Briggs; Franke, Regina
Subject: Re: Water Loss Audit

Daniel,

I appreciate your timely response to my question. Can the system be updated to remove SSLGC from this requirement?

Thanks,

R. Alan Cockerell
General Manager
Schertz-Sequín Local Government Corporation
PO Box 833
Seguin, TX 78156
Office: 830-401-2403
Cell: 830-433-0551
acockerell@seguintexas.gov

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Provide Wastewater Services

Does the applicant provide wastewater services?: N

Provide Regional or Wholesale Water Services

Does the applicant provide regional or wholesale water services?: Y

List the top TEN customers of the system by annual usage in gallons and percentage of total usage, including whether any are in bankruptcy.

<table>
<thead>
<tr>
<th>Customer Name</th>
<th>Annual Usage (gal)</th>
<th>Percent of Usage</th>
<th>Bankruptcy (Y/N)</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Seguin</td>
<td>1,076,230,000</td>
<td>14.18%</td>
<td>N</td>
</tr>
<tr>
<td>City of Schertz</td>
<td>1,811,484,000</td>
<td>23.87%</td>
<td>N</td>
</tr>
<tr>
<td>City of Universal City</td>
<td>25,969,000</td>
<td>0.34%</td>
<td>N</td>
</tr>
<tr>
<td>City of Selma</td>
<td>258,875,000</td>
<td>3.41%</td>
<td>N</td>
</tr>
<tr>
<td>Springs Hill Water Supply Corporation</td>
<td>119,598,000</td>
<td>1.58%</td>
<td>N</td>
</tr>
<tr>
<td>City of Converse</td>
<td>192,590,000</td>
<td>2.54%</td>
<td>N</td>
</tr>
<tr>
<td>SAWS</td>
<td>4</td>
<td>54.08%</td>
<td>N</td>
</tr>
</tbody>
</table>

Comments: SAWS Annual Usage 4,104,329,000 gal (application would not accept this number)
List the top TEN customers of the system by gross revenues and percent of total revenues, including whether any are in bankruptcy.

<table>
<thead>
<tr>
<th>Customer Name</th>
<th>Annual Revenue</th>
<th>Percent of Revenue</th>
<th>Bankruptcy (Y/N)</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Seguin</td>
<td>$2,846,237.63</td>
<td>17.48%</td>
<td>N</td>
</tr>
<tr>
<td>City of Schertz</td>
<td>$3,985,881.33</td>
<td>24.49%</td>
<td>N</td>
</tr>
<tr>
<td>City of Universal City</td>
<td>$55,054.28</td>
<td>0.34%</td>
<td>N</td>
</tr>
<tr>
<td>City of Selma</td>
<td>$548,815</td>
<td>3.37%</td>
<td>N</td>
</tr>
<tr>
<td>Springs Hill Water Supply Corporation</td>
<td>$486,796.51</td>
<td>2.99%</td>
<td>N</td>
</tr>
<tr>
<td>City of Converse</td>
<td>$540,222.64</td>
<td>3.32%</td>
<td>N</td>
</tr>
<tr>
<td>San Antonio Water System</td>
<td>$7,815,701.61</td>
<td>48.01%</td>
<td>N</td>
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</tbody>
</table>
Provide a summary of the wholesale contracts with customers.

<table>
<thead>
<tr>
<th>Contract Type</th>
<th>Minimum Annual Amount</th>
<th>Usage Fee Per 1000 Gallons</th>
<th>Annual Operations and Maintenance</th>
<th>Annual Capital Costs</th>
<th>Annual Debt Service</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesale City of Seguin</td>
<td>$0</td>
<td>$0.82</td>
<td>$1,668,157</td>
<td>$0</td>
<td>$1,178,081</td>
<td>$0.73</td>
</tr>
<tr>
<td>Wholesale City of Schertz</td>
<td>$0</td>
<td>$0.82</td>
<td>$2,807,800</td>
<td>$0</td>
<td>$1,178,081</td>
<td>$0.73</td>
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<tr>
<td>Wholesale City of Universal City</td>
<td>$0</td>
<td>$0.82</td>
<td>$55,054</td>
<td>$0</td>
<td>$0</td>
<td>$1.3</td>
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<tr>
<td>Wholesale City of Selma</td>
<td>$0</td>
<td>$0.82</td>
<td>$548,815</td>
<td>$0</td>
<td>$0</td>
<td>$1.3</td>
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<tr>
<td>Wholesale Springs Hill WSC</td>
<td>$283,650</td>
<td>$0.82</td>
<td>$286,797</td>
<td>$0</td>
<td>$200,000</td>
<td>$0.73</td>
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<tr>
<td>Wholesale City of Converse</td>
<td>$340,222</td>
<td>$0.82</td>
<td>$340,222</td>
<td>$0</td>
<td>$200,000</td>
<td>$0.92</td>
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<tr>
<td>Wholesale SAWS T1</td>
<td>$2,896,958</td>
<td>$0.82</td>
<td>$2,896,958</td>
<td>$0</td>
<td>$1,877,123</td>
<td>$0</td>
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<tr>
<td>Wholesale SAWS T2</td>
<td>$2,139,046</td>
<td>$0.82</td>
<td>$2,139,046</td>
<td>$0</td>
<td>$1,277,432</td>
<td>$0.73</td>
</tr>
</tbody>
</table>

Debt

Disclose all issues that may affect the project or the applicant's ability to issue and/or repay debt (such as anticipated lawsuits, judgments, bankruptcies, major customer closings, etc).

Since the Bonds will be supported by Take-or-Pay Contracts with the Cities of Schertz and Seguin we know of no issues that will affect the repayment of these bonds.

Has the applicant ever defaulted on any debt?: N

Taxing Authority

Does the applicant have taxing authority?: N

Tax Assessed Valuations

<table>
<thead>
<tr>
<th>Fiscal Year Ending</th>
<th>Net Taxable Assessed Value ($)</th>
<th>Tax Rate ($/_)</th>
<th>General Fund ($)</th>
<th>Interest &amp; Sinking Fund ($)</th>
<th>Tax Levy ($)</th>
<th>Percentage Current Collections (%)</th>
<th>Percentage Total Collections (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td></td>
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</tr>
<tr>
<td>Year</td>
<td>2015</td>
<td>2014</td>
<td>2013</td>
<td>2012</td>
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</tr>
</tbody>
</table>

Tax Assessed Values Comments:
TaxRateTable N/A
TaxAssessedValueByClass_0 N/A
TaxAssessedValueByClass_1 N/A
TaxAssessedValueByClass_2 N/A
Top Ten Taxpayers

<table>
<thead>
<tr>
<th>Taxpayer Name</th>
<th>Assessed Value</th>
<th>Percent of Total</th>
<th>Bankruptcy (Y/N)</th>
</tr>
</thead>
<tbody>
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</tbody>
</table>

Top Ten Taxpayer Comments:

**Tax Rate and Sales Tax**

Provide the maximum tax rate permitted by law per $100 of property value:

Does the applicant collect sales tax?: N

Is the proposed loan tax-exempt?: N
Schertz-Seguin Local Government Corporation
30 Year SWIFT Funding, Series 2016
Participants
$22,830,000
Fiscal
Year
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
2031
2032
2033
2034
2035
2036
2037
2038
2039
2040
2041
2042
2043
2044
2045
2046
2047
2048
2049
2050
2051
Total

Existing
Debt Service
$5,007,338
$5,019,275
$5,008,513
$5,018,438
$4,998,588
$5,011,088
$5,013,963
$5,007,763
$5,013,350
$5,135,809
$5,124,238
$5,131,338
$5,131,931
$5,125,019
$5,133,136
$5,141,296
$5,140,375
$5,143,152
$5,140,028
$5,126,638
$5,133,606
$5,137,881
$5,134,344
$5,132,756
$5,132,700
$425,300
$424,600
$423,300

$128,515,759

$43,670,000

Board Participation
Net Debt Service
$0.00
$0.00
$106,905
$213,810
$267,263
$374,168
$454,346
$614,704
$812,478
$988,871
$1,069,050
$1,539,814
$2,010,578
$2,010,578
$2,010,578
$2,010,578
$2,010,578
$2,010,578
$1,539,814
$2,059,050
$2,061,480
$2,062,835
$2,061,840
$2,063,495
$2,062,565
$2,059,050
$2,062,950
$2,058,795
$2,061,820
$2,061,555
$2,063,000
$2,060,920
$2,060,315
$2,060,950
$2,062,590

Low Interest Loan
30 yr. Debt Service
$1,029,764.63
$1,373,019.50
$2,453,019.50
$2,451,787.50
$2,451,854.50
$2,454,174.50
$2,453,587.00
$2,450,458.00
$2,450,294.00
$2,453,281.00
$2,453,635.00
$2,451,885.00
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$2,450,151.00
$2,450,167.00
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$2,450,352.00
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$0.00

Total New Net
Debt Service
$6,037,102.13
$6,392,294.50
$7,568,437.00
$7,684,035.00
$7,717,705.00
$7,839,430.00
$7,921,895.50
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$8,276,122.00
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$4,933,991.00
$4,512,756.00
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$2,063,000.00
$2,060,920.00
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Operating Costs
Plant O&M (Fixed)
$6,363,644.00
$6,554,553.32
$6,751,189.92
$6,953,725.62
$7,162,337.39
$7,377,207.51
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$7,826,479.44
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Plant O&M (Vairabale)
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City of Schertz
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City of Seguin
50.00%
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Totals: $22,830,000 $30,197,898 $0 $53,027,898 $53,027,898

SSLGC - BOARD PARTICIPATION LOAN SCHEDULE
REVISED 7-7-2016
## Schertz/Seguin Local Government Corporation
### 5 Year Comparative Statements

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TWDB SWIFT APPLICATION
SECTION:  C22

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
CORPORATE OFFICIALS
SEPTEMBER 30, 2015

PRESIDENT .................................................................KEN GREENWALD
VICE-PRESIDENT .............................................................ROBIN DWYER
SECRETARY .................................................................TIMOTHY “JAKE” JACOBS
TREASURER .................................................................KERRY KOEHLER
ASSISTANT SECRETARY ..................................................BOB PEES
GENERAL MANAGER ....................................................ALAN COCKERELL
INTRODUCTORY SECTION

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INDEPENDENT AUDITOR’S REPORT

Members of the Board of Directors
Schertz/Seguin Local Government Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of the Schertz/Seguin Local Government Corporation as of and for the years ended September 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Schertz/Seguin Local Government Corporation’s basic financial statements as listed in the Table of Contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Schertz/Seguin Local Government Corporation, as of September 30, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management’s discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s response 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.

Armstrong, Vaughan & Associates, P.C.

March 07, 2016
Our discussion and analysis of the Schertz/Seguin Local Government Corporation’s financial performance provide an overview of the Corporation’s financial activities for the fiscal year ended September 30, 2015. Please read it in conjunction with the Corporation’s financial statements.

HIGHLIGHTS

Financial Highlights

- The Corporation’s net position was $10,417,658 at September 30, 2015.
- Total operating revenues were $17,477,139, while total operating expenses were $9,017,446.

Corporation Highlights

- The Corporation currently owns approximately 4,388 acres of land and leases water rights to another 15,147 acres in Gonzales County where the wells and treatment plant are located. SSLGC is permitted to produce 19,362 acre-feet of water per year from twelve wells.
- The Corporation currently owns approximately 1,494 acres of land and leases water rights to another 12,511 acres in Guadalupe County. SSLGC is permitted to produce for a total of 226 acre feet of water per year from the Carrizo aquifer and 1,290.4 acre feet from the Wilcox aquifer.
- The Corporation issued two refunding bonds during the year ended September 30, 2015.

USING THIS ANNUAL REPORT

This annual report consists of two parts: Management’s Discussion and Analysis and Financial Statements. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Required financial statements

The Financial Statements of the Corporation report information about the Corporation using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Position includes all of the Corporation’s assets, deferred outflows of resources, deferred inflows of resources, and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Corporation and assessing the liquidity and financial flexibility of the Corporation. All of the current year’s revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the Corporation’s operations over the past year and can be used to determine whether the Corporation has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Corporation’s cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations as “from where did the cash come?” “for what was cash used?” and “what was the change in cash balance during the reporting period?”
FINANCIAL ANALYSIS OF THE CORPORATION AS A WHOLE

One of the most important questions asked about the Corporation’s finances is “Is the Corporation, as a whole, better off or worse off as a result of the year’s activities?” The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Corporation’s activities in a way that will help answer this question. These two statements report the net position of the Corporation and changes in them. You can think of the Corporation’s net position—the difference between assets, deferred outflows of resources, deferred inflows of resources, and liabilities—as one way to measure financial health or financial position. Over time, increases or decreases in the Corporation’s net position is one indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, population growth, and new or changed legislation.

The Corporation’s total net position is $10,417,658. Our analysis below focuses on the Corporation’s net position (Table 1) and changes in net position (Table 2) during the year.

<table>
<thead>
<tr>
<th>Table 1</th>
<th>Schertz-Seguin Local Government Corporation's Net Position</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
</tr>
<tr>
<td>Current Assets</td>
<td>$16,110,100</td>
</tr>
<tr>
<td>Restricted Assets</td>
<td>7,690,087</td>
</tr>
<tr>
<td>Net Property, Plant &amp; Equipment</td>
<td>93,153,345</td>
</tr>
<tr>
<td>Other Assets</td>
<td>194,208</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>117,147,740</td>
</tr>
<tr>
<td>Deferred Charge on Refunding</td>
<td>2,681,612</td>
</tr>
<tr>
<td><strong>TOTAL DEFERRED OUTFLOWS</strong></td>
<td>2,681,612</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>6,047,766</td>
</tr>
<tr>
<td>Revenue Bonds Payable</td>
<td>103,363,928</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>109,411,694</td>
</tr>
<tr>
<td>Net Investment in Capital Assets</td>
<td>(4,454,571)</td>
</tr>
<tr>
<td>Restricted</td>
<td>5,043,721</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>9,828,508</td>
</tr>
<tr>
<td><strong>TOTAL NET POSITION</strong></td>
<td>$10,417,658</td>
</tr>
</tbody>
</table>

Net Income before contributions was $4,896,080.

Changes in the Corporation’s net position can be determined by reviewing the following condensed Statement of Revenue, Expenses, and Changes in Net Position for the year.
Table 2
Changes in Schertz-Seguin Local Government Corporation's Net Position

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Operating Revenues</td>
<td>$17,477,139</td>
<td>$14,727,021</td>
<td>$10,292,854</td>
</tr>
<tr>
<td>Interest Income</td>
<td>17,595</td>
<td>14,551</td>
<td>51,441</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td><strong>17,494,734</strong></td>
<td><strong>14,741,572</strong></td>
<td><strong>10,344,295</strong></td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>9,017,446</td>
<td>7,356,558</td>
<td>6,291,142</td>
</tr>
<tr>
<td>Interest Expense &amp; Fiscal Agent Fees</td>
<td>2,668,447</td>
<td>3,521,370</td>
<td>4,334,835</td>
</tr>
<tr>
<td>Other Nonoperating Expenses</td>
<td>912,761</td>
<td>269,000</td>
<td>538,000</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td><strong>12,598,654</strong></td>
<td><strong>11,146,928</strong></td>
<td><strong>11,163,977</strong></td>
</tr>
<tr>
<td>Net Income (Loss) Before</td>
<td>4,896,080</td>
<td>3,594,644</td>
<td>(819,682)</td>
</tr>
<tr>
<td>Contributions</td>
<td>5,521,578</td>
<td>1,926,934</td>
<td>2,746,616</td>
</tr>
<tr>
<td>Net Position at Beginning of Year</td>
<td>10,417,658</td>
<td>$ 5,521,578</td>
<td>$ 1,926,934</td>
</tr>
</tbody>
</table>

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of Fiscal year 2015, the Corporation had $93,153,345, net of depreciation, invested in capital assets, including water treatment plants, water transmission and distribution mains, water storage facilities, pump stations as well as land. This is an increase of $7,010,682. Several projects are still ongoing resulting in a balance of Projects in Progress of $3,737,643, a decrease of $29,903,175 from prior year as several projects were completed during the current year. Accumulated Depreciation increased by $1,944,673.

Table 3
Schertz-Seguin Local Government Corporation's Assets

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$14,810,128</td>
<td>$7,576,520</td>
<td>$7,576,520</td>
</tr>
<tr>
<td>Water Distribution System</td>
<td>88,439,644</td>
<td>57,706,126</td>
<td>57,493,448</td>
</tr>
<tr>
<td>Buildings and Improvements</td>
<td>881,646</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment and Vehicles</td>
<td>444,598</td>
<td>434,840</td>
<td>434,840</td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td>(15,160,314)</td>
<td>(13,215,641)</td>
<td>(11,675,253)</td>
</tr>
<tr>
<td></td>
<td>89,415,702</td>
<td>52,501,845</td>
<td>53,829,555</td>
</tr>
<tr>
<td>Projects in Progress</td>
<td>3,737,643</td>
<td>33,640,818</td>
<td>24,636,396</td>
</tr>
<tr>
<td>Net Property, Plant &amp; Equipment</td>
<td>93,153,345</td>
<td>86,142,663</td>
<td>78,465,951</td>
</tr>
</tbody>
</table>
Long Term Debt

At year-end, the Corporation had a total of $103,510,000 bonds outstanding as compared to $99,745,000 the previous year. This is largely due to the bonds issued during the current year for purchase of land less current principal payments.

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds Payable</td>
<td>$103,510,000</td>
<td>$99,745,000</td>
</tr>
<tr>
<td>Total Bonds Payable</td>
<td>$103,510,000</td>
<td>$99,745,000</td>
</tr>
</tbody>
</table>

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

- The Corporation is in the final construction phase of the 2010 expansion of its system. The last storage tank in this expansion project has not been completed, but is in service.

- The two original steel storage tanks are to be refurbished and repainted as part of required periodic maintenance.

- The Corporation owns property in Guadalupe County that includes seven well sights, a treatment plant sight and one existing Carrizo well. The Corporation has also purchased approximately 1,469 acres in Guadalupe County to provide more water rights and added flexibility. Potential customers have been identified and wholesale water contracts are under development. Construction of this project is projected for 2017. The Guadalupe Project will require that an additional pipeline be constructed to parallel the existing 36 inch pipeline to Schertz. The Corporation will pursue TWDB SWIFT funding for this project.

- A water quality issue with the addition of the SAWS water has been identified that causes corrosion in the treatment process. A pre-treatment solution will be piloted soon, and if effective, will be permanently installed. This issue does not affect finished water quality delivered to customers.

- A cathodic protection project is under construction to install adequate coverage for the pipeline segment from the water treatment plant to the City of Seguin. This project will be completed in stages, with the second stage from Seguin to Schertz to coincide with the installation of the parallel pipeline.

- The Corporation is investigating improvements to water treatment plant one to remove obsolete chemical tanks and convert this area to office space. Replacement of the original control equipment for the high service pumps is planned to convert them from analog variable frequency drives to solid state soft-starts.

- A master plan is to be drafted for the development of a park facility on property owned by the corporation in Gonzales County to include a reservoir that utilizes backwash water from the treatment plant.
CONTACTING THE CORPORATION’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Corporation’s finances and to demonstrate the Corporation’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Schertz-Seguin Local Government Corporation, General Manager, P. O. Box 833, Seguin, Texas 78156-0833.
SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
COMPARATIVE STATEMENTS OF NET POSITION
SEPTEMBER 30, 2015 AND 2014

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Assets</strong>:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$14,714,903</td>
<td>$9,888,164</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>1,258,566</td>
<td>1,715,830</td>
</tr>
<tr>
<td>Other Receivables</td>
<td>59,926</td>
<td>71,783</td>
</tr>
<tr>
<td>Inventory</td>
<td>76,705</td>
<td>76,705</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>16,110,100</td>
<td>11,752,482</td>
</tr>
<tr>
<td><strong>Restricted Assets</strong>:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>7,690,087</td>
<td>8,866,401</td>
</tr>
<tr>
<td><strong>Total Restricted Assets</strong></td>
<td>7,690,087</td>
<td>8,866,401</td>
</tr>
<tr>
<td><strong>Property, Plant &amp; Equipment</strong>:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>14,810,128</td>
<td>7,576,520</td>
</tr>
<tr>
<td>Water Distribution System</td>
<td>88,439,644</td>
<td>57,706,126</td>
</tr>
<tr>
<td>Buildings &amp; Improvements</td>
<td>881,646</td>
<td>-</td>
</tr>
<tr>
<td>Equipment &amp; Vehicles</td>
<td>444,598</td>
<td>434,840</td>
</tr>
<tr>
<td>Projects in Progress</td>
<td>3,737,643</td>
<td>33,640,818</td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td>(15,160,314)</td>
<td>(13,215,641)</td>
</tr>
<tr>
<td><strong>Net Property, Plant &amp; Equipment</strong></td>
<td>93,153,345</td>
<td>86,142,663</td>
</tr>
<tr>
<td><strong>Other Assets</strong>:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease Acquisition Costs (Net of Amortization of $659,786 and $574,387)</td>
<td>194,208</td>
<td>279,607</td>
</tr>
<tr>
<td><strong>Total Other Assets</strong></td>
<td>194,208</td>
<td>279,607</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>117,147,740</td>
<td>107,041,153</td>
</tr>
</tbody>
</table>

**DEFERRED OUTFLOWS OF RESOURCES**
Deferred Charge on Refunding | $2,681,612 | $1,801,852 |
**Total Deferred Outflows of Resources** | $2,681,612 | $1,801,852 |

The accompanying notes are an integral part of these statements.
### SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION

#### COMPARATIVE STATEMENTS OF NET POSITION (CONTINUED)

#### SEPTEMBER 30, 2015 AND 2014

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Payable - Trade</td>
<td>2,589,614</td>
<td>1,821,774</td>
</tr>
<tr>
<td>Accounts Payable - Construction Projects</td>
<td>233,962</td>
<td>1,245,899</td>
</tr>
<tr>
<td>Accrued Interest Payable</td>
<td>715,259</td>
<td>709,225</td>
</tr>
<tr>
<td>Unearned Revenue</td>
<td>243,931</td>
<td>19,745</td>
</tr>
<tr>
<td>Current Portion of Revenue Bonds</td>
<td>2,265,000</td>
<td>2,065,000</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>6,047,766</td>
<td>5,861,643</td>
</tr>
<tr>
<td>Revenue Bonds Payable (Less Current Maturities and Net of Unamortized Discounts and Premiums)</td>
<td>103,363,928</td>
<td>97,459,784</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>109,411,694</td>
<td>103,321,427</td>
</tr>
<tr>
<td><strong>NET POSITION</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Investment in Capital Assets</td>
<td>(4,454,571)</td>
<td>(5,182,814)</td>
</tr>
<tr>
<td>Restricted:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt Service</td>
<td>818,083</td>
<td>386,764</td>
</tr>
<tr>
<td>Repairs and Replacement</td>
<td>500,000</td>
<td>500,000</td>
</tr>
<tr>
<td>Impact Fees</td>
<td>3,725,638</td>
<td>2,812,813</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>9,828,508</td>
<td>7,004,815</td>
</tr>
<tr>
<td><strong>Total Net Position</strong></td>
<td><em>$10,417,658</em></td>
<td><em>$5,521,578</em></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these statements.
### SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION

#### COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

**YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Usage Fees</td>
<td>$16,278,709</td>
<td>$13,790,208</td>
</tr>
<tr>
<td>Rents, Royalties &amp; Leases</td>
<td>129,600</td>
<td>93,369</td>
</tr>
<tr>
<td>Impact Fees</td>
<td>$910,030</td>
<td>$449,997</td>
</tr>
<tr>
<td>Reservation Fee</td>
<td>-</td>
<td>269,000</td>
</tr>
<tr>
<td>Management Services Provided</td>
<td>71,804</td>
<td>58,777</td>
</tr>
<tr>
<td>Miscellaneous Fees</td>
<td>86,996</td>
<td>65,670</td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
<td><strong>17,477,139</strong></td>
<td><strong>14,727,021</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operations &amp; Maintenance:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel Costs</td>
<td>730,370</td>
<td>543,123</td>
</tr>
<tr>
<td>Professional Services</td>
<td>659,927</td>
<td>298,981</td>
</tr>
<tr>
<td>Technical Services</td>
<td>234,881</td>
<td>154,615</td>
</tr>
<tr>
<td>Utilities</td>
<td>$1,947,180</td>
<td>$1,458,752</td>
</tr>
<tr>
<td>Repairs and Maintenance</td>
<td>488,872</td>
<td>195,230</td>
</tr>
<tr>
<td>General Supplies</td>
<td>528,158</td>
<td>491,669</td>
</tr>
<tr>
<td>Insurance</td>
<td>32,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Other Operating Costs</td>
<td>113,971</td>
<td>94,615</td>
</tr>
<tr>
<td><strong>Total Operations &amp; Maintenance</strong></td>
<td><strong>4,735,359</strong></td>
<td><strong>3,256,985</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Other Operating Expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortization of Lease Acquisition Costs</td>
<td>85,399</td>
<td>85,399</td>
</tr>
<tr>
<td>Annual Lease Payments - Water Rights</td>
<td>2,234,066</td>
<td>2,467,171</td>
</tr>
<tr>
<td>Depreciation</td>
<td>1,962,622</td>
<td>1,547,003</td>
</tr>
<tr>
<td><strong>Total Other Operating Expenses</strong></td>
<td><strong>4,282,087</strong></td>
<td><strong>4,099,573</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td><strong>9,017,446</strong></td>
<td><strong>7,356,558</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Income (Loss)</td>
<td>8,459,693</td>
<td>7,370,463</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Nonoperating Revenues (Expenses):</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Income</td>
<td>17,595</td>
<td>14,551</td>
</tr>
<tr>
<td>Reimbursement Paid to Participating Governments</td>
<td>-</td>
<td>(269,000)</td>
</tr>
<tr>
<td>Interest Expense and Fiscal Fees</td>
<td>(2,668,447)</td>
<td>(3,521,370)</td>
</tr>
<tr>
<td>Bond Issuance Costs</td>
<td>(912,761)</td>
<td></td>
</tr>
<tr>
<td><strong>Total Nonoperating Revenues (Expenses)</strong></td>
<td><strong>(3,563,613)</strong></td>
<td><strong>(3,775,819)</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in Net Position</td>
<td>4,896,080</td>
<td>3,594,644</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Position - Beginning of Year</td>
<td>$5,521,578</td>
<td>1,926,934</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Position - End of Year</td>
<td><strong>$10,417,658</strong></td>
<td><strong>$5,521,578</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these statements.
The accompanying notes are an integral part of these statements.

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
COMPARATIVE STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2015 AND 2014

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows From Operating Activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Received From Customers</td>
<td>$ 18,170,446</td>
<td>$ 14,312,794</td>
</tr>
<tr>
<td>Cash Paid to Suppliers</td>
<td>(6,201,585)</td>
<td>(5,433,541)</td>
</tr>
<tr>
<td>Net Cash Provided (Used) by Operating Activities</td>
<td>11,968,861</td>
<td>8,879,253</td>
</tr>
<tr>
<td><strong>Cash Flows From Capital and Related Financing Activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments Toward Projects in Progress</td>
<td>(1,849,063)</td>
<td>(12,818,615)</td>
</tr>
<tr>
<td>Purchase of Land</td>
<td>(7,183,508)</td>
<td>-</td>
</tr>
<tr>
<td>Purchase of Equipment and Vehicles</td>
<td>(27,707)</td>
<td>-</td>
</tr>
<tr>
<td>Payments to Participating Governments</td>
<td>-</td>
<td>(269,000)</td>
</tr>
<tr>
<td>Proceeds from Revenue Refunding Bonds</td>
<td>49,561,282</td>
<td>-</td>
</tr>
<tr>
<td>Payments to Escrow Agent to Refund Bond Issue</td>
<td>(42,915,994)</td>
<td>-</td>
</tr>
<tr>
<td>Bond Interest and Fiscal Fees Paid</td>
<td>(3,761,041)</td>
<td>(4,290,211)</td>
</tr>
<tr>
<td>Bond Principal Payment</td>
<td>(2,160,000)</td>
<td>(1,430,000)</td>
</tr>
<tr>
<td>Net Cash Provided (Used) by Capital and Related Financing Activities</td>
<td>(8,336,031)</td>
<td>(18,807,826)</td>
</tr>
<tr>
<td><strong>Cash Flows From Investing Activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Received</td>
<td>17,595</td>
<td>14,551</td>
</tr>
<tr>
<td>Net Cash Provided (Used) by Investing Activities</td>
<td>17,595</td>
<td>14,551</td>
</tr>
<tr>
<td><strong>Net Increase (Decrease) In Cash and Cash Equivalents</strong></td>
<td>3,650,425</td>
<td>(9,914,022)</td>
</tr>
<tr>
<td>Cash and Cash Equivalents at Beginning of Period</td>
<td>18,754,565</td>
<td>28,668,587</td>
</tr>
<tr>
<td>Cash and Cash Equivalents at End of Period</td>
<td>$ 22,404,990</td>
<td>$ 18,754,565</td>
</tr>
<tr>
<td><strong>Cash and Cash Equivalents as Reported on Balance Sheet:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$ 14,714,903</td>
<td>$ 9,888,164</td>
</tr>
<tr>
<td>Restricted Cash and Cash Equivalents</td>
<td>7,690,087</td>
<td>8,866,401</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 22,404,990</td>
<td>$ 18,754,565</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these statements.
SCHERTZ/SEGuin LOCAL GOVERNMENT CORPORATION
COMPARATIVE STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2015 AND 2014

<table>
<thead>
<tr>
<th>Reconciliation of Operating Income to Net Cash</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Income (Loss)</td>
<td>$8,459,693</td>
<td>$7,370,463</td>
</tr>
<tr>
<td>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortization of Lease Acquisition Costs</td>
<td>85,399</td>
<td>85,399</td>
</tr>
<tr>
<td>Depreciation</td>
<td>1,962,622</td>
<td>1,547,003</td>
</tr>
<tr>
<td>(Increase) Decrease in Accounts Receivable</td>
<td>457,264</td>
<td>(370,538)</td>
</tr>
<tr>
<td>(Increase) Decrease in Other Receivables</td>
<td>11,857</td>
<td>(51,848)</td>
</tr>
<tr>
<td>Increase (Decrease) in Accounts Payable</td>
<td>767,840</td>
<td>290,615</td>
</tr>
<tr>
<td>Increase (Decrease) in Unearned Revenue</td>
<td>224,186</td>
<td>8,159</td>
</tr>
<tr>
<td><strong>Net Cash Provided (Used) by Operating Activities</strong></td>
<td>$11,968,861</td>
<td>$8,879,253</td>
</tr>
</tbody>
</table>

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING ACTIVITIES:

<table>
<thead>
<tr>
<th>Item</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Historical Cost of Equipment Disposed</td>
<td>$17,949</td>
<td>$6,615</td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td>(17,949)</td>
<td>(6,615)</td>
</tr>
<tr>
<td>Fully Amortized Lease Acquisition Costs Removed</td>
<td>-</td>
<td>1,295,415</td>
</tr>
<tr>
<td>Accumulated Amortization</td>
<td>-</td>
<td>(1,295,415)</td>
</tr>
<tr>
<td>Net Book Value</td>
<td>$-</td>
<td>$-</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these statements.
NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Financial Reporting Entity

The Schertz/Seguin Local Government Corporation was incorporated December 23, 1998 pursuant to the provisions of the Texas Transportation Corporation Act and the Texas Local Government Code. The Corporation was organized to aid, assist, and act on behalf of the Cities of Schertz and Seguin, collectively, in acquiring, constructing, improving or extending, and maintaining and operating a water utility system for public use.

The Corporation meets the criteria of a joint venture between the cities of Schertz and Seguin with an ongoing financial responsibility. The Cities have pledged revenues from existing water utility systems to finance the operations and long-term debt of the Corporation, either through purchasing water from the Corporation or subsidizing through direct payments (reflected as “Contributions from Participating Governments”). The Corporation continues to actively pursue the development of alternate water sources.

The financial statements of the Corporation have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

2. Enterprise Fund

The Corporation is an enterprise fund. Enterprise funds are proprietary funds used to account for business-type activities provided to the general public. The activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

3. Basis of Accounting

The statements are presented on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The accrual basis of accounting is used whereby revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

4. Cash and Cash Equivalents

Cash and cash equivalents include cash deposits and investments with a maturity date within three (3) months of the date acquired by the Corporation. Cash and cash equivalents also include investments in local government pools because the pools seek to maintain a $1 per share value and average dollar weighted maturity of not more than 90 days (see also Note A-5).
NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Investments

Investments consist of certificates of deposit; investments in TexPool and MBIA Asset Management Group (public funds investment pools); and obligations of the U.S. government and its agencies. Investments are recorded at fair value, except for short-term (one year or less to maturity at time of purchase) participating interest-earning investment contracts which are reported at amortized cost. In addition, non-participating contracts (such as nonnegotiable certificates of deposit) are reported at amortized cost.

Public funds investment pools in Texas are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. In addition to the other provisions of the Act designed to promote liquidity and safety of principal, the Act requires pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

6. Accounts Receivable

Accounts receivable consists of amounts due from member entities and customers. Management considers all outstanding amounts to be collectible and has not recorded an allowance for doubtful accounts.

7. Inventory

Inventory of replacement parts for the water distribution system are valued at cost on a first-in, first-out basis.

8. Restricted Assets

Certain proceeds of bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Funds are segregated to report those proceeds of revenue bond issuances that are restricted for construction. Funds are also segregated to provide for debt service as provided under bond indenture agreements.

9. Property, Plant & Equipment

All purchased property, plant and equipment is valued at cost if purchased, and donated property is valued at the estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation of exhaustible plant and equipment is charged as an expense against operations when the asset is placed in service and accumulated depreciation is reported on the balance sheet. Depreciation is provided in amounts sufficient to relate the cost of fixed assets to operations over their estimated service lives using the straight-line method. Estimated useful lives are as follows:
NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Property, Plant & Equipment (Continued)

<table>
<thead>
<tr>
<th>Fixed Asset</th>
<th>Useful Life (Years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utility Water System</td>
<td>10 - 50</td>
</tr>
<tr>
<td>Building and Improvements</td>
<td>40</td>
</tr>
<tr>
<td>Equipment and Vehicles</td>
<td>5 - 20</td>
</tr>
</tbody>
</table>

For the years ended September 30, 2015 and 2014, depreciation in the amount of $1,962,622 and $1,547,003, respectively, was recognized.

10. Lease Acquisition and Lease Costs

Costs incurred to purchase or lease property for its water rights are capitalized. Those costs include amounts paid to landowners to enter into the leases, and legal costs. The costs are being amortized over the 10 year minimum lease term.

11. Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Corporation only has one item that qualifies for reporting in this category: deferred charge on refunding reported in the statement of position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

12. Unearned Revenue

Under the accrual method of accounting, revenue must be recognized as soon as it is earned, regardless of availability. The Corporation does not recognize revenues for Impact Fees until a work order has been approved. Therefore, fees received in advance of approved work orders are reflected as unearned revenue.

13. Long-Term Obligations

Long-term obligations are reported as liabilities in the Corporation’s balance sheet. Bond premiums and discounts are amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.
NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

14. Equity Classifications

Equity is classified as net position and displayed in three components:

a. Net Investment in Capital Assets – Consists of capital assets (net of accumulated depreciation) and lease acquisition costs (net of accumulated amortization) and reduced by the outstanding balances of bonds (net of premiums and discounts) and short-term notes that are attributable to the acquisition, construction or improvement of those assets. As of September 30, 2015, total outstanding debt exceeded investment in capital assets due to annual depreciation and amortization charges exceeding principal repayments on bonded debt in early years of debt issuance schedules.

b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Bond covenants require a Repairs and Replacement fund be maintained and funds restricted for that purpose. Additionally, the Impact Fee Resolution requires that fees be separated and restricted (along with investment earnings) to finance water facilities generated by new development.

c. Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

15. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise. For the Corporation, those revenues are charges for water provided to customers, and charges for use of property. Operating expenses are the necessary costs incurred to provide the service that is the primary activity. Revenues and expenses not meeting these definitions are reported as nonoperating.

16. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts 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 expenses during the reporting period. Actual results could differ from those estimates.

NOTE B -- DEPOSITS AND INVESTMENTS

Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized in the following paragraphs.

Deposits – All deposits with financial institutions must be fully collateralized. The collateral must be held by the pledging financial institution’s trust department or equivalent. As of September 30, 2015, the carrying amount of the Corporation’s deposits was $716,440 and the bank balance was $70,112. The bank balance was fully collateralized.
NOTE B – DEPOSITS AND INVESTMENTS (Continued)

**Investments** – The Corporation is required by Government Code Chapter 2256, the Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the Corporation adhered to the requirements of the Act. Additionally, investment practices of the Corporation were in accordance with local policies.

The Act determines the types of investments which are allowable for the Corporation. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

As of the end of the year (respectively), the Corporation had the following investments:

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>2015 Fair Value</th>
<th>2014 Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Government Investment Pools</td>
<td>$21,688,550</td>
<td>$18,718,329</td>
</tr>
</tbody>
</table>

**Credit Risk.** The Corporation’s investment policy limits investments to obligations of the United States or its agencies and instrumentalities (maximum 95% of funds); direct obligations of the State of Texas; obligations of states, agencies, contracts, cities, and other political subdivisions rated as to investment quality of not less than AAA by a nationally recognized investment firm.

The Corporation may also invest up to 100% of its funds in government investment pools provided the pool maintains a AAA rating, the pool maintains a stable asset value, and the average dollar weighted maturity does not exceed 90 days. As of September 30, 2015, the Corporation had investments in TexPool and MBIA Texas Class Portfolio Holdings. TexPool is rated AAAm by Standard and Poors, and MBIA Texas Class Portfolio Holdings is rated AAM by Standard and Poors.

**Custodial Credit Risk – Investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2015, the Corporation was not subject to custodial credit risk.
NOTE C-- PROPERTY, PLANT & EQUIPMENT, AND LEASE ACQUISITION COSTS

The Corporation has acquired land and land leases for the purpose of establishing well sites and water treatment facilities. The Corporation has acquired over 4,000 acres to date for this purpose.

Interest costs incurred during construction of the utility system are capitalized as part of the cost of the project. The amount of interest capitalized for the system is the cost of the borrowing less interest earned on related interest bearing investments acquired with the proceeds of the related tax-exempt borrowings. The total amount of interest capitalized during the year ended September 30, 2015 was $924,963.

Changes in Land, Equipment & Vehicles, Projects in Progress, and Lease Acquisition costs are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Balance</th>
<th>Additions</th>
<th>(Retirements)</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>10/1/2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land and Rights of Way</td>
<td>$7,576,520</td>
<td>$7,233,608</td>
<td>$ -</td>
<td>$14,810,128</td>
</tr>
<tr>
<td>Water Distribution System</td>
<td>57,706,126</td>
<td>30,733,518</td>
<td>-</td>
<td>88,439,644</td>
</tr>
<tr>
<td>Buildings &amp; Improvements</td>
<td>-</td>
<td>881,646</td>
<td>-</td>
<td>881,646</td>
</tr>
<tr>
<td>Equipment and Vehicles</td>
<td>434,840</td>
<td>27,707</td>
<td>(17,949)</td>
<td>444,598</td>
</tr>
<tr>
<td>Projects in Progress</td>
<td>33,640,818</td>
<td>1,762,089</td>
<td>(31,665,264)</td>
<td>3,737,643</td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td>(13,215,641)</td>
<td>(1,962,622)</td>
<td>17,949</td>
<td>(15,160,314)</td>
</tr>
<tr>
<td></td>
<td>86,142,663</td>
<td>38,675,946</td>
<td>(31,665,264)</td>
<td>93,153,345</td>
</tr>
<tr>
<td>Water Lease Acquisition Costs</td>
<td>853,994</td>
<td>-</td>
<td>-</td>
<td>853,994</td>
</tr>
<tr>
<td>Less Accumulated Amortization</td>
<td>(574,387)</td>
<td>(85,399)</td>
<td>-</td>
<td>(659,786)</td>
</tr>
<tr>
<td>Total Property, Plant &amp; Equipment and Lease Acquisition Costs (Net)</td>
<td>$86,422,270</td>
<td>$38,590,547</td>
<td>$(31,665,264)</td>
<td>$93,347,553</td>
</tr>
</tbody>
</table>

Land and Rights of Way as well as Projects in Progress are not depreciated.
NOTE D – BONDS PAYABLE

Following is a summary of the Corporation’s long-term debt transactions for the year ended September 30, 2015:

<table>
<thead>
<tr>
<th>Description</th>
<th>Balance 10/1/2014</th>
<th>Additions</th>
<th>(Payments)/Amortization</th>
<th>Balance 9/30/2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Bonds, Series 2001</td>
<td>$10,000,000</td>
<td>-</td>
<td>-</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>Original Issue $41,040,000 3.70% to 5.25%</td>
<td>-</td>
<td>$10,000,000</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Less Unamortized Discount</td>
<td>(41,206)</td>
<td>-</td>
<td>-</td>
<td>(41,206)</td>
</tr>
<tr>
<td>Revenue Refunding Bonds, Series 2005 Original Issue</td>
<td>6,505,000</td>
<td>-</td>
<td>(6,505,000)</td>
<td>-</td>
</tr>
<tr>
<td>$8,500,000 3.00% to 4.375%</td>
<td>(29,405)</td>
<td>-</td>
<td>29,405</td>
<td>-</td>
</tr>
<tr>
<td>Revenue Refunding Bonds, Series 2007 Original Issue</td>
<td>36,120,000</td>
<td>-</td>
<td>(36,120,000)</td>
<td>-</td>
</tr>
<tr>
<td>$38,425,000 4.00% to 4.5%</td>
<td>(139,098)</td>
<td>-</td>
<td>139,098</td>
<td>-</td>
</tr>
<tr>
<td>Revenue Bonds, Series 2010 Original Issue $22,140,000 3.00% to 4.75%</td>
<td>21,695,000</td>
<td>-</td>
<td>(460,000)</td>
<td>21,235,000</td>
</tr>
<tr>
<td>Less Unamortized Discount</td>
<td>(221,571)</td>
<td>-</td>
<td>13,949</td>
<td>(207,622)</td>
</tr>
<tr>
<td>Contract Revenue Bonds, Series 2012 Original Issue $25,425,000 2.00% to 4.00%</td>
<td>25,425,000</td>
<td>-</td>
<td>(575,000)</td>
<td>24,850,000</td>
</tr>
<tr>
<td>Plus Unamortized Premium</td>
<td>211,064</td>
<td>-</td>
<td>(7,817)</td>
<td>203,247</td>
</tr>
<tr>
<td>Revenue Refunding Bonds, Series 2007 Original Issue $38,425,000 4.00% to 4.5%</td>
<td>-</td>
<td>6,275,000</td>
<td>(570,000)</td>
<td>5,705,000</td>
</tr>
<tr>
<td>Plus Unamortized Premium</td>
<td>-</td>
<td>229,357</td>
<td>(20,851)</td>
<td>208,506</td>
</tr>
<tr>
<td>Revenue Refunding Bonds, Series 2007 Original Issue $38,425,000 4.00% to 4.5%</td>
<td>-</td>
<td>41,720,000</td>
<td>-</td>
<td>41,720,000</td>
</tr>
<tr>
<td>Plus Unamortized Premium</td>
<td>-</td>
<td>2,023,451</td>
<td>(67,448)</td>
<td>1,956,003</td>
</tr>
<tr>
<td>Total Long-Term Bonds Payable</td>
<td>$99,524,784</td>
<td>$50,247,808</td>
<td>$(44,143,664)</td>
<td>$105,628,928</td>
</tr>
<tr>
<td>Less Current Maturities</td>
<td>(2,265,000)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Long-Term Bonds Payable</td>
<td>$103,363,928</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
NOTE D -- BONDS PAYABLE (Continued)

The Corporation has issued bonds to provide funds to build, improve, extend, enlarge, and repair the Corporation’s utility system, fund a reserve, and pay the costs of bond issuance. The bond resolution pledges intergovernmental contract revenues from the cities of Schertz and Seguin to bondholders. Under the intergovernmental water supply contract, the participating governments are unconditionally obligated to pay their respective shares of annual contract revenue bond debt service as operating expenses from their respective utility systems. The reserve fund requirement, which is average annual debt service, has been met with the purchase of a surety bond. As additional security for the bonds, the Corporation has established a reserve fund. The cash balance held in the reserve fund as of September 30, 2015 was $1,282,806.

During the year ended September 30, 2015, the Corporation issued $6,275,000 of revenue bonds to provide resources to purchase U.S. Government securities to be placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on $6,505,000 of revenue bonds, Series 2005. As a result the refunded portion of the Revenue Bonds, Series 2005 has been removed from the Statement of Net Position and is considered to be defeased.

The reacquisition price exceeded the net carrying amount of the old debt by $564,822. This amount is amortized over the remaining life of the refunding debt. The refunding resulted in gross debt service savings of $786,754, which provided a net present value benefit of $381,190 (difference between the present values of the debt service payments on the old and new debt).

During the year ended September 30, 2015, the Corporation issued $41,720,000 of revenue bonds to provide $34,420,000 of resources to purchase U.S. Government securities to be placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on $35,565,000 of revenue bonds, Series 2007 as well as $7,300,000 for the purchase of real property. As a result the refunded portion of the Revenue Bonds, Series 2007 has been removed from the Statement of Net Position and is considered to be defeased.

The reacquisition price exceeded the net carrying amount of the old debt by $2,251,527. This amount is amortized over the remaining life of the refunding debt. The refunding resulted in gross debt service savings of $3,138,272, which provided a net present value benefit of $1,975,679 (difference between the present values of the debt service payments on the old and new debt).

The total unamortized deferred loss on debt refunding is $2,681,612 as of September 30, 2015 and is shown on the Statement of Net Position as a deferred outflow of resources.
NOTE D -- BONDS PAYABLE (Continued)

Annual Requirements to amortize all long-term debt outstanding as of September 30, 2015, including interest payments, are as follows:

<table>
<thead>
<tr>
<th>Year Ending September 30</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$2,265,000</td>
<td>$4,266,525</td>
<td>$6,531,525</td>
</tr>
<tr>
<td>2017</td>
<td>$2,305,000</td>
<td>$4,212,525</td>
<td>$6,517,525</td>
</tr>
<tr>
<td>2018</td>
<td>$2,385,000</td>
<td>$4,146,063</td>
<td>$6,531,063</td>
</tr>
<tr>
<td>2019</td>
<td>$2,450,000</td>
<td>$4,070,000</td>
<td>$6,520,000</td>
</tr>
<tr>
<td>2020</td>
<td>$2,540,000</td>
<td>$3,988,625</td>
<td>$6,528,625</td>
</tr>
<tr>
<td>2021 - 2025</td>
<td>$14,195,000</td>
<td>$18,401,363</td>
<td>$32,596,363</td>
</tr>
<tr>
<td>2026 - 2030</td>
<td>$18,195,000</td>
<td>$15,009,843</td>
<td>$33,204,843</td>
</tr>
<tr>
<td>2031 - 2035</td>
<td>$22,950,000</td>
<td>$10,302,390</td>
<td>$33,252,390</td>
</tr>
<tr>
<td>2036 - 2040</td>
<td>$28,565,000</td>
<td>$4,650,125</td>
<td>$33,215,125</td>
</tr>
<tr>
<td>2041 - 2044</td>
<td>$7,660,000</td>
<td>$255,500</td>
<td>$7,915,500</td>
</tr>
<tr>
<td></td>
<td>$103,510,000</td>
<td>$69,302,959</td>
<td>$172,812,959</td>
</tr>
</tbody>
</table>

Average Annual Requirements $5,959,068

NOTE E -- COMMITMENTS

Leases – Water Rights

The Corporation has entered into lease agreements with various land owners for rights of development, production, transportation, and use of ground water on the properties. In addition to incentive and acquisition costs (see Note A-10), the leases call for annual royalty payments based upon, at a minimum, the surface acres of the property times a royalty rate base amount ($105 - $125) adjusted for increases in the consumer price index. The minimum term of the leases is ten years, but if the Corporation continues the royalty payments, the leases remain in effect. Changes in maximum allowable production by the Gonzales County Underground Conservation District may decrease the future commitment for some leases.

Future minimum payments under the initial lease terms of the leases are as follows:

<table>
<thead>
<tr>
<th>Year Ending September 30</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$1,679,398</td>
</tr>
<tr>
<td>2017</td>
<td>1,679,398</td>
</tr>
<tr>
<td>2018</td>
<td>1,679,398</td>
</tr>
<tr>
<td>2019</td>
<td>251,164</td>
</tr>
<tr>
<td>2020</td>
<td>21,995</td>
</tr>
<tr>
<td></td>
<td>$5,311,353</td>
</tr>
</tbody>
</table>
NOTE E -- COMMITMENTS (Continued)

Leases – Water Rights (Continued)

As of September 30, 2015, the Corporation has leased a total of 17,854 acre feet. Total estimated annual costs of $2,121,650 are expected for the year ended September 30, 2016, assuming the leases remain in effect beyond the initial minimum term.

Contract Commitments

The Corporation had the following outstanding contract commitments as of September 30, 2015:

<table>
<thead>
<tr>
<th></th>
<th>Original Commitment</th>
<th>Incurred to Date</th>
<th>Outstanding Commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engineering</td>
<td>$ 399,128</td>
<td>$ 86,773</td>
<td>$ 312,355</td>
</tr>
<tr>
<td>Improvements &amp; Repairs</td>
<td>9,353,388</td>
<td>5,770,767</td>
<td>3,582,621</td>
</tr>
<tr>
<td>Totals</td>
<td>$ 9,752,516</td>
<td>$ 5,857,540</td>
<td>$ 3,894,976</td>
</tr>
</tbody>
</table>

Gonzales County Underground Water Conservation District Mitigation Fund

The Corporation has entered into an agreement with Gonzales County Underground Water Conservation District (GCUWCD) effective March 16, 2010 to fund a Mitigation Fund (the “Fund”) for the purpose of investigating and evaluating mitigation claims and implementing mitigation measures for qualifying wells in Western Gonzales County. Contributions to the Fund are in lieu of the Corporation’s obligation to perform its own mitigation under GCUWCD’s rules.

The Corporation’s initial fund principal is $30 per acre foot of water authorized to be produced and transported. The initial contribution was $530,860 and was recognized in prior financial statements as operating expenses of the system. In addition, the Corporation will pay a negotiated export fee surcharge of $0.0175 per 1,000 gallons of water exported each calendar year, except the export fee surcharge shall not be imposed during the initial 3-year period of the agreement while the Fund balance remains at or above $250,000 as of each July 1st. As of July 1, 2014, the Fund balance fell below $250,000 and the Corporation was responsible for making an additional payment in the amount of $62,285.

San Antonio Water System Contract

The Corporation has entered into a Mutual Regional Water Supply Contract with San Antonio Water System (SAWS) whereby SAWS intends to deliver untreated groundwater to the Corporation, and the Corporation will deliver treated water to SAWS. The Corporation and SAWS have determined that significant efficiencies can be achieved through the agreement.

Pursuant to the agreement, SAWS has unconditionally agreed, on a take-or-pay basis, to pay the Corporation an amount equal to the debt service payments on the Contract Revenue Bonds, Series 2012. The water supply contract specifies that the agreement does not create any legal or equitable interest in the land or equipment to be purchased by the Corporation with the proceeds of the bonds. Under the take-or-pay agreement, SAWS will make monthly payments toward the debt service regardless of whether SAWS takes any water from the Corporation. For the year ended September 30, 2015, total payments received from SAWS for water treatment, water purchases and debt service were $7,815,441.
NOTE F -- CONTINGENCIES

Contractual Contingencies

The Corporation has entered into contracts with the cities of Selma and Universal City (referred to as “Customers”) to provide supplemental water to those cities’ existing systems. The contracts call for connection fees in the amount of $2,270,171 from each customer. The Corporation has agreed to provide a conditional right to each customer of 400 acres of land with water rights in the Carrizo aquifer well field in Gonzales County, owned by the Corporation. At the election of the Corporation, or in the event the Corporation dissolves, the title to 400 acres will be transferred to the customer. The Corporation’s contingent commitment does not restrict the Corporation’s right to buy and sell real estate as long as the Corporation’s holdings in Gonzales County do not fall below the amount necessary to fulfill this obligation.

Litigation

Management is of the opinion that any proceedings known to exist as of September 30, 2015 are not likely to have a material adverse effect on the Corporation’s financial position.

NOTE G -- RISK MANAGEMENT

The Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; and other claims of various natures. The Corporation contracts with the Texas Municipal League (TML), through the City of Seguin, to provide insurance coverage for property and casualty. The provider is a multi-employer group that provides a combination of risk sharing among pool participants and stop loss coverage. Contributions are set annually by TML. Liability for the Corporation is generally limited to the contributed amounts.

NOTE H -- MANAGEMENT SERVICES AGREEMENT

The Corporation operates under a Management Services Agreement with the City of Seguin whereby the City provides all financial administrative duties (including bookkeeping and record retention, purchasing, and monitoring contracts approved by the Board or General Manager) on a cost reimbursement basis. In addition, all personnel of the Corporation are employees of the City of Seguin and participate in and are subject to City policies and benefits, with the exception of the General Manager, who is an employee of the City of Schertz.

The Corporation also provides financial and administrative duties (including bookkeeping and record retention, purchasing, and monitoring contracts approved by the Board or General Manager) on a cost reimbursement basis under a Management Services Agreement with the Cibolo Valley Local Government Corporation. Funds received from the Cibolo Valley Local Government Corporation for Management Services have been shown as operating revenue on the Statement of Revenues, Expenses, and Changes in Net Position.
NOTE I -- SUBSEQUENT EVENT

Subsequent to year end, the Corporation entered into contracts for the design of office and work areas in the amount of $607,000 as well as tank rehabilitation in the amount of $559,673.

The Corporation also closed on 157.51 acres of real estate in Gonzales County for $661,412. The Corporation also signed water lease contracts for 139 acres and 128 acres in Gonzales County and Guadalupe County, respectively.

Finally, subsequent to year end, the Corporation filed a lawsuit against the Post Oak Clean Green, Inc. (POCG) to prevent them from getting a permit and building a landfill in the aquifer recharge zone. As of the date of this report, the litigation is still ongoing, but management believes the judge will rule in the Corporation’s favor of having party status.
Communication with Those Charged with Governance

To the Chairman and Board of Directors
Schertz/Seguin Local Government Corporation

We have audited the basic financial statements of the Schertz/Seguin Local Government Corporation, as of and for the years ended September 30, 2015 and 2014, and have issued our report thereon dated March 07, 2016. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As communicated in our engagement letter dated August 24, 2015, our responsibility, as described by professional standards, is to plan and perform our audit to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Schertz/Seguin Local Government Corporation solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethical Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity’s Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Schertz/Seguin Local Government Corporation is included in Note A to the financial statements. As described in Note A to the financial statements, No new accounting policies were adopted and the application of existing policies was not changed during 2015.
No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

**Significant Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management’s current judgments.

The most sensitive accounting estimates affecting the financial statements are:

- Amortization period of Lease Acquisition Costs
- Estimated useful life of the water utility system and its components

Management's estimate of the amortization period of the costs is based on the estimated minimum lease period (10 years). The useful lives of the depreciable assets are based on past history, engineering estimates, and industry standards. We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the financial statements taken as a whole.

**Significant Difficulties Encountered during the Audit**

We encountered no difficulties in dealing with management in performing and completing our audit.

**Corrected and Uncorrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. The following uncorrected financial statement misstatement’s effect in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit:

Expenses were understated by $26,713 as vacation accruals are not billed as part of the Management Services Agreement until paid.

Expenses were understated by $29,379 related to General Manager’s salary and benefits due to a timing delay of accruals that are not billed as part of the Management Services Agreement until paid.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. A significant adjustment was made as a result of auditing procedures to assist with the posting of two refunding bonds issued during the year.
Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Representations Requested from Management

We have requested certain representations from management that are included in the management representation letter dated March 07, 2016.

Management’s Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Public Funds Investment Act

In accordance with the Public Funds Investment Act, we have performed a review of the Corporation’s compliance with the requirements of the Act. We found that the Corporation was in compliance with all material respects with the provisions of the Act.

Other Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Corporation’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

It has been our pleasure to provide these services to the Schertz/Seguin Local Government Corporation. We urge you to contact us if we can be of further assistance.

Very truly yours,

Armstrong, Vaughan & Associates, PC

March 07, 2016
<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Activity 1010 - Cash</strong></td>
<td>$21,485.76</td>
<td>$568.55</td>
<td>$432.85</td>
<td>$231.95</td>
<td>$235.95</td>
<td>$389.17</td>
<td>$221.00</td>
<td>$255.95</td>
<td>$3,242.01</td>
<td>$25,848.79</td>
</tr>
<tr>
<td><strong>Activity: 1010-15/16</strong></td>
<td><strong>Texas CLASS Pool</strong></td>
<td><strong>Total Activity 1010 - 15/16</strong></td>
<td><strong>Texas CLASS Fund</strong></td>
<td><strong>Total Activity 1010 - 15/16</strong></td>
<td><strong>Texas CLASS Fund</strong></td>
<td><strong>Total Activity 1010 - 15/16</strong></td>
<td><strong>Texas CLASS Fund</strong></td>
<td><strong>Total Activity 1010 - 15/16</strong></td>
<td><strong>Texas CLASS Fund</strong></td>
<td><strong>Total Activity 1010 - 15/16</strong></td>
</tr>
<tr>
<td><strong>Activity: 1030 - Investments</strong></td>
<td><strong>Total Activity 1030 - Investments</strong></td>
<td><strong>Total Activity 1150 - Accounts Receivable</strong></td>
<td><strong>Total Activity 1150 - Accounts Receivable</strong></td>
<td><strong>Total Activity 1390 - Inventories</strong></td>
<td><strong>Total Activity 1390 - Inventories</strong></td>
<td><strong>Total Activity 1400 - Deferred Charges</strong></td>
<td><strong>Total Activity 1400 - Deferred Charges</strong></td>
<td><strong>Total Activity 1500 - Plant, Property &amp; Equip.</strong></td>
<td><strong>Total Activity 1500 - Plant, Property &amp; Equip.</strong></td>
<td><strong>Total Activity 1500 - Plant, Property &amp; Equip.</strong></td>
</tr>
<tr>
<td><strong>Activity: 1500 - Plant, Property &amp; Equip.</strong></td>
<td><strong>Plant, Property &amp; Equip. / Land</strong></td>
<td><strong>Total Activity 1500 - Plant, Property &amp; Equip. / Land</strong></td>
<td><strong>Total Activity 1500 - Plant, Property &amp; Equip. / Land</strong></td>
<td><strong>Total Activity 1500 - Plant, Property &amp; Equip. / Land</strong></td>
<td><strong>Total Activity 1500 - Plant, Property &amp; Equip. / Land</strong></td>
<td><strong>Total Activity 1500 - Plant, Property &amp; Equip. / Land</strong></td>
<td><strong>Total Activity 1500 - Plant, Property &amp; Equip. / Land</strong></td>
<td><strong>Total Activity 1500 - Plant, Property &amp; Equip. / Land</strong></td>
<td><strong>Total Activity 1500 - Plant, Property &amp; Equip. / Land</strong></td>
<td><strong>Total Activity 1500 - Plant, Property &amp; Equip. / Land</strong></td>
</tr>
<tr>
<td><strong>Activity: 1640 - Transportation</strong></td>
<td><strong>Transportation</strong></td>
<td><strong>Transportation</strong></td>
<td><strong>Transportation</strong></td>
<td><strong>Transportation</strong></td>
<td><strong>Transportation</strong></td>
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<td><strong>Transportation</strong></td>
<td><strong>Transportation</strong></td>
<td><strong>Transportation</strong></td>
<td><strong>Transportation</strong></td>
</tr>
<tr>
<td><strong>Activity: 1650 - Research</strong></td>
<td><strong>Research</strong></td>
<td><strong>Research</strong></td>
<td><strong>Research</strong></td>
<td><strong>Research</strong></td>
<td><strong>Research</strong></td>
<td><strong>Research</strong></td>
<td><strong>Research</strong></td>
<td><strong>Research</strong></td>
<td><strong>Research</strong></td>
<td><strong>Research</strong></td>
</tr>
</tbody>
</table>

**Note:** The table above represents the financial details for various activities, including cash, investments, accounts receivable, inventories, and transportation, among others. Each activity is allocated across different fiscal years, as indicated by the columns labeled 2013-2014 through 2019-2020. The total for each activity is summed up in the last column, labeled 'Total.'
## TWUA SWIFT APPLICATION
### SECTION: C22

**Balance Sheet**
For Fiscal: FY2015-16 Period Ending: 03/31/16

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>105000</td>
<td>Construction in Progress</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
</tr>
<tr>
<td>105001</td>
<td>CF - Administration Building</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
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<tr>
<td>105027</td>
<td>CF - Operational Improvements</td>
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<td>- $</td>
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<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
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<td>- $</td>
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<tr>
<td>165000</td>
<td>CF - SWIFT Expansion Project</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
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<tr>
<td>165004</td>
<td>CF - Water Storage Tank</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
</tr>
<tr>
<td>165051</td>
<td>CF - Sludge Incineration</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
</tr>
<tr>
<td>165058</td>
<td>CF - Sewer Main Lines</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
</tr>
<tr>
<td>165071</td>
<td>CF - Terminal 5 &amp; 6 services</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
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<tr>
<td>165074</td>
<td>CF - SCADA</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
<td>- $</td>
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<td>165099</td>
<td>CF - Guardhouse &amp; Fire Septic</td>
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<td>165070</td>
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**Liabilities**
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<td>205057</td>
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<td><strong>Total Activity 2010 - Accounts Payable</strong></td>
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<td>225000</td>
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<td>Ongoing Payments</td>
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<td><strong>Total Activity 2010 - Ongoing Payments</strong></td>
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<tr>
<td>236000</td>
<td>Bond Discount/Premium</td>
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<tr>
<td><strong>Total Activity 2010 - Bond Discount/Premium</strong></td>
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**Total Fiscal Year 2015-16**

- $ | - $ | - $ | - $ | - $ | - $ | - $ | - $ | - $ | - $ | 11,933,272.16 $
## TWUA SWIFT APPLICATION
### SECTION: C22

### BALANCE SHEET
For Fiscal: FY2015-16 Period Ending: 03/31/16

<table>
<thead>
<tr>
<th>Schertz &amp; Sequin</th>
<th>LOCAL GOVERNMENT CORPORATION</th>
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<tr>
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<tr>
<td><strong>STATEMENT OF BALANCE SHEET</strong></td>
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<td><strong>Total Liabilities, Equity and Current Surplus (Deficit)</strong></td>
<td>$4,268,288.93</td>
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<td><strong>Total Activity 2015 - Bond Disbursement/Prepayment</strong></td>
<td>$40,784,199.38</td>
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<td><strong>Total Liability and Retained Earnings</strong></td>
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<td><strong>Total Revenue</strong></td>
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<td><strong>Total Operating Expenses</strong></td>
<td>$4,331,228.00</td>
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<td><strong>Revenue Over (Under) Expenses</strong></td>
<td>$383,283.00</td>
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### TWUA SWIFT APPLICATION
### SECTION: C22
### TWUA SWIFT APPLICATION

#### SECTION: C22

**INCOME STATEMENT**

For Fiscal: FY 2015-2016 Period Ending: 03/31/2016

<table>
<thead>
<tr>
<th>TWUA SWIFT APPLICATION</th>
<th>OPERATING FUND</th>
<th>2015 Bond Fund</th>
<th>OSL-SSUGC I&amp;$ FUND</th>
<th>OSL-SSUGC REPAIR/REPL. FUND</th>
<th>OSL-SSUGC FUTURE DEVELOPMENT FUND</th>
<th>OSL-SSUGC IMPACT FUND</th>
<th>OSL-SSUGC RESERVE FUND</th>
<th>OSL-SSUGC BOND FUND</th>
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<tbody>
<tr>
<td>Revenue</td>
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<td>Charges for Services/Management Services-CYGSC</td>
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<td>SWUIS Well Field Operation</td>
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<tr>
<td>Charges for Services / Water Sales-Schertz</td>
<td>$1,113,408.15</td>
<td>$ -</td>
<td>$911,034.49</td>
<td>$ -</td>
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<tr>
<td>Charges for Services / Water Sales-Seguin</td>
<td>$46,336.15</td>
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<td>$911,034.49</td>
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<td>Charges for Services / Water Sales-Springs Hill</td>
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<td>Charges for Services / Water Sales-Universal City</td>
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<td>Charges for Services / Water Sales-San Antonio</td>
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<td>Charges for Services / Water Sales-Converse</td>
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<td>Charges for Services / Water Sales-SWUIS</td>
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<td>Water Impact Fees-Schertz</td>
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<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
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<tr>
<td>Water Impact Fees-Seguin</td>
<td>$ -</td>
<td>$ -</td>
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<td>$ -</td>
<td>$ -</td>
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<td>Interest Revenues / Restricted Cash</td>
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<td>$ (24,157)</td>
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<td>$ (9,23)</td>
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<td>$ (37,49)</td>
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<td>Interest Revenues / Interest Inactive Pools</td>
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<td>$33,766.88</td>
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<td>Interest Revenues / Texas CLASS Invest. Pool</td>
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<td>Misc. Revenues / Misc.</td>
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<td>Lease Revenues / Grazing Leases</td>
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<tr>
<td>Bond Proceeds</td>
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### Expense

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<th>OSL-SSUGC I&amp;$ FUND</th>
<th>OSL-SSUGC REPAIR/REPL. FUND</th>
<th>OSL-SSUGC FUTURE DEVELOPMENT FUND</th>
<th>OSL-SSUGC IMPACT FUND</th>
<th>OSL-SSUGC RESERVE FUND</th>
<th>OSL-SSUGC BOND FUND</th>
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<td>Capital Outlay / Buildings</td>
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<tr>
<td>Capital Outlay / Impir. Other Than Building</td>
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<td>Capital Outlay/Mech. &amp; Equip. -Office</td>
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**Total:** $4,741,622.03

**Difference:** $0
## TWUA SWIFT APPLICATION

### SECTION: C22

**INCOME STATEMENT**

For Fiscal: FY 2015-2016 Period Ending: 03/31/2016

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<th>058-SSSUC OPERATING FUND</th>
<th>059 - 2015 Bond FUND</th>
<th>050-SSSUC I&amp;S FUND</th>
<th>061-SSSUC REPAIR/REPL. FUND</th>
<th>062-SSSUC FUTURE DEVELOPMENT FUND</th>
<th>065-SSSUC IMPACT FUND</th>
<th>066-SSSUC RESERVE FUND</th>
<th>067-SSSUC BOND FUND</th>
<th><strong>Total</strong></th>
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<tbody>
<tr>
<td>Capital Outlay/Transportation Vehicles</td>
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<tr>
<td>Interest Payments 2007 Revenue Refunding Bonds</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
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<tr>
<td>Interest Payments 2009 Revenue Bonds</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 463,968.76</td>
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<tr>
<td>Interest Payments 2014 Revenue Refunding Bonds</td>
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<td>-</td>
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<tr>
<td>Interest Payments 2015 Revenue Refunding Bonds</td>
<td>-</td>
<td>$ -</td>
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<td>$ 879,975.00</td>
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<td>Fiscal Agent Fees</td>
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<td><strong>Expense Total</strong></td>
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<td>-</td>
<td>$ 1,883,418.76</td>
<td>$ 1,844,321.94</td>
<td>$ 698,074.50</td>
<td>-</td>
<td>-</td>
<td>$ 684,925.85</td>
</tr>
<tr>
<td>Net Income (Loss) Before Transfers</td>
<td>$ 1,298,864.85</td>
<td>$ 41.98</td>
<td>$ 1,242,118.93</td>
<td>($ 1,836,133.83)</td>
<td>($ 884,097.44)</td>
<td>$ 407,685.92</td>
<td>$ 1,590.11</td>
<td>($ 584,545.84)</td>
<td>($ 1,545,533.42)</td>
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<tr>
<td>Transfers To (From) Operating/Construction Fund</td>
<td>$ (215,638.50)</td>
<td>-</td>
<td>$ 500,000.00</td>
<td>$ 500,000.00</td>
<td>$ 415,638.50</td>
<td>($ 500,000.00)</td>
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<tr>
<td>Transfers To (From) Totals:</td>
<td>$ (215,638.50)</td>
<td>-</td>
<td>$ 500,000.00</td>
<td>$ 500,000.00</td>
<td>$ 415,638.50</td>
<td>($ 500,000.00)</td>
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<tr>
<td>Net Income (Loss) After Transfers</td>
<td>$ 383,226.35</td>
<td>$ 41.98</td>
<td>$ 1,242,118.93</td>
<td>($ 1,336,133.83)</td>
<td>($ 289,658.94)</td>
<td>($ 92,314.00)</td>
<td>$ 1,590.11</td>
<td>($ 684,545.84)</td>
<td>($ 1,545,533.42)</td>
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</tbody>
</table>
## Balance Sheet

**For Fiscal: FY2015-16**

**Period Ending: 03/31/16**

### Asset

<table>
<thead>
<tr>
<th>Activity</th>
<th>Description</th>
<th>068 - SSLGC 2012 REV BDS (SAWS)</th>
<th>069 - SSLGC I&amp;S - SAWS</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Activity: 1010 - Cash</strong></td>
<td></td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>101068 - Cash / SSLGC 2012 Rev Bds (SAWS)</td>
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<tr>
<td>101069 - Cash / SSLGC I&amp;S - SAWS</td>
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<td>$61.93</td>
<td>$61.93</td>
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<tr>
<td><strong>Total Activity 1010 - Cash</strong></td>
<td></td>
<td>$-</td>
<td>$61.93</td>
<td>$61.93</td>
</tr>
<tr>
<td><strong>Activity: 1020 - SSLGC-Texas CLASS Pool</strong></td>
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</tr>
<tr>
<td>102011 - Investments / SSLGC-Tx CLASS Pool-SAWS</td>
<td></td>
<td>$-</td>
<td>$153,008.11</td>
<td>$153,008.11</td>
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<tr>
<td><strong>Total Activity 1020 - SSLGC-Texas CLASS Pool</strong></td>
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<td>$153,008.11</td>
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<td><strong>Activity: 1150 - Accounts Receivable</strong></td>
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<td>115027 - Accounts Receivable / SAWS</td>
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<td>$76,348.96</td>
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<tr>
<td><strong>Total Activity 1150 - Accounts Receivable</strong></td>
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<td>$76,348.96</td>
<td>$76,348.96</td>
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<tr>
<td><strong>Activity: 1600 - Plant, Property and Equipment</strong></td>
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<tr>
<td>160001 - Plant, Property &amp; Equip / Original Value</td>
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<td>$23,799,880.62</td>
<td>$-</td>
<td>$23,799,880.62</td>
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<tr>
<td><strong>Total Activity 1600 - Plant, Property and Equipment</strong></td>
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<td>$23,799,880.62</td>
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<td>$23,799,880.62</td>
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<tr>
<td><strong>Total Asset</strong></td>
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<td>$23,799,880.62</td>
<td>$229,419.00</td>
<td>$24,029,299.62</td>
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### Liability

<table>
<thead>
<tr>
<th>Activity</th>
<th>Description</th>
<th>068 - SSLGC 2012 REV BDS (SAWS)</th>
<th>069 - SSLGC I&amp;S - SAWS</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Activity: 2010 - Accounts Payable</strong></td>
<td></td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>201001 - Accounts Payable/Misc.</td>
<td></td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
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<tr>
<td><strong>Total Activity 2010 - Accounts Payable</strong></td>
<td></td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
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<tr>
<td><strong>Activity: 2020 - Accruals</strong></td>
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<tr>
<td>202025 - Accruals / Interest Payable</td>
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<td>$-</td>
<td>$154,664.92</td>
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<tr>
<td><strong>Total Activity 2020 - Accruals</strong></td>
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<td>$154,664.92</td>
<td>$154,664.92</td>
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<tr>
<td><strong>Activity: 2310 - Bonds Payable</strong></td>
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<tr>
<td>231021 - Bonds Payable / SSLGC 2012 Revenue Bonds</td>
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<td>$-</td>
<td>$24,260,000.00</td>
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<td><strong>Total Activity 2310 - Bonds Payable</strong></td>
<td></td>
<td>$-</td>
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<td>$24,260,000.00</td>
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<tr>
<td><strong>Activity: 2360 - Bond Discount/Premium</strong></td>
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<tr>
<td>236021 - Bond Discount/Premium</td>
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<td>$234,515.05</td>
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<td>236022 - Bond Discount/Premium / AccumAmort -2012</td>
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<td>$(31,268.00)</td>
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<tr>
<td><strong>Total Activity 2360 - Bond Discount/Premium</strong></td>
<td></td>
<td>$-</td>
<td>$203,247.05</td>
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<tr>
<td><strong>Activity: 2970 - Retained Earnings</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>297020 - Retained Earnings / Designated</td>
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<td>$23,799,880.62</td>
<td>$(24,680,699.73)</td>
<td>$(880,819.11)</td>
</tr>
<tr>
<td><strong>Total Activity 2970 - Retained Earnings</strong></td>
<td></td>
<td>$23,799,880.62</td>
<td>$(24,680,699.73)</td>
<td>$(880,819.11)</td>
</tr>
<tr>
<td><strong>Total Liability</strong></td>
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<td>$23,799,880.62</td>
<td>$(62,787.76)</td>
<td>$23,737,092.86</td>
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<tr>
<td><strong>Total Revenue</strong></td>
<td></td>
<td>$-</td>
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<td>$756,200.52</td>
</tr>
<tr>
<td><strong>Total Expense</strong></td>
<td></td>
<td>$-</td>
<td>$463,993.76</td>
<td>$463,993.76</td>
</tr>
<tr>
<td><strong>Revenues Over/Under Expenses</strong></td>
<td></td>
<td>$-</td>
<td>$292,206.76</td>
<td>$292,206.76</td>
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<tr>
<td><strong>Total Equity and Current Surplus (Deficit)</strong></td>
<td></td>
<td>$-</td>
<td>$292,206.76</td>
<td>$292,206.76</td>
</tr>
<tr>
<td><strong>Total Liabilities, Equity and Current Surplus (Deficit)</strong></td>
<td></td>
<td>$23,799,880.62</td>
<td>$229,419.00</td>
<td>$24,029,299.62</td>
</tr>
</tbody>
</table>
### INCOME STATEMENT

For Fiscal: FY 2015-2016
Fore Period Ending: 03/31/16

<table>
<thead>
<tr>
<th></th>
<th>068 - SAWS CONSTRUCTION FUND</th>
<th>069 - SAWS I&amp;S FUND</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
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</tr>
<tr>
<td>Interest Revenues / Texas CLASS Invest. Pool</td>
<td>$</td>
<td>$314.89</td>
<td>$314.89</td>
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<td>Interest Revenues /Restricted Cash</td>
<td>$</td>
<td>$(158.14)</td>
<td>$(158.14)</td>
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<td>Interlocal Agreement/SAWS Debt Service</td>
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<td>$756,043.77</td>
<td>$756,043.77</td>
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<td>Lease Revenues / Grazing Leases</td>
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<td>$</td>
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<tr>
<td>Bond Proceeds</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>Revenue Total:</strong></td>
<td>$</td>
<td>$756,200.52</td>
<td>$756,200.52</td>
</tr>
<tr>
<td><strong>Expense</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Capital Outlay / Impr. Other Than Building</td>
<td>$</td>
<td>$</td>
<td>$</td>
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<tr>
<td>Interest - SSLGC 2012 Rev. Bonds-SAWS</td>
<td>$</td>
<td>$463,993.76</td>
<td>$463,993.76</td>
</tr>
<tr>
<td>Fiscal Agent Fees</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td><strong>Expense Total:</strong></td>
<td>$</td>
<td>$463,993.76</td>
<td>$463,993.76</td>
</tr>
<tr>
<td><strong>Net Income (Loss)</strong></td>
<td>$</td>
<td>$292,206.76</td>
<td>$292,206.76</td>
</tr>
</tbody>
</table>

Outstanding Debt
Yes, General obligation debt: N

Yes, Revenue debt: Y

Yes, Authorized but unissued debt: N

No: Y
Schertz Seguin Local Government Corporation

Currently Outstanding Debt (All outstanding Bonds have been sold into the public market)
(Solely supported by the Cities of Schertz and Seguin)
Schertz/Seguin Local Government Corporation Contract Revenue Bonds, Series 2001
Schertz/Seguin Local Government Corporation Contract Revenue Bonds, Series 2010
Schertz/Seguin Local Government Corporation Contract Revenue Refunding Bonds, Series 2014
Schertz/Seguin Local Government Corporation Contract Revenue Improvement and Refunding Bonds, Series 2015
Total

(Solely supported by a Contract with SAWS)
Schertz/Seguin Local Government Corporation Contract Revenue Bonds, Series 2012
(SAWS Expansion Water Treatment Project 2)
Applicant's Ten Largest Employers
HEB Grocery: 2,780
Continental: 1,560
Caterpillar: 1,500
Schertz-Cibolo-Universal City ISD: 1,378
West Telemarketing: 1,300
Brylane: 1,300
United Parcel Service: 1,210
CMC Steel Texas: 800
Tyson Foods: 740
Friedrich Air Conditioning: 600

Ten Largest Employers Comments:

Bond Ratings

<table>
<thead>
<tr>
<th>Type</th>
<th>Standard &amp; Poors</th>
<th>Date Received</th>
<th>Fitch</th>
<th>Date Received</th>
<th>Moody's</th>
<th>Date Received</th>
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<td>G.O.</td>
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<tr>
<td>Revenue</td>
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<td>11-25-2014</td>
<td>AA</td>
<td>11-20-2014</td>
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Bond Rating N/A: Y

Receive Water or Sewer

Is the project intended to allow the applicant to provide or receive water or sewer services to or from another entity?: N

Project Description

Description of Project Need (for example, is the project needed to address a current compliance issue, avoid potential compliance issues, extend service, expand capacity, etc.): Project is required to expand capacity to meet growing demands as projected in Region L Plan and to meet an immediate need to meet peak demands of the SSLGC system.

Provide a detailed description of the proposed project. The description should include a discussion of the current service area, existing system facilities; and an adequate description of all proposed project elements (include a bulleted list of new project elements/components).: Proposed project includes the following elements
- Carrizo/Wilcox Aquifer Water Wells in Guadalupe County
- Water Well Collection System
• Iron and Manganese Removal and Treatment Facilities
• Chemical Facilities
• Storage Facilities
• Pumping Facilities
• 36" Parallel Pipeline

Alternatives considered were:
• Purchase of Water from other entities
• Location of treatment facilities in Gonzales County at the existing WTP site
• Water Conservation

Water Made Available

New Supply: 6,500 (acre-feet/year)/$66,500,000 (capital cost)

New Conservation Savings: 0 (acre-feet/year)/$0 (capital cost)

New Reuse Supply: 0 (acre-feet/year)/$0 (capital cost)

Maintenance of Current Supply: 0 (acre-feet/year)/$0 (capital cost)

SWIFT

SWIFT Funding Type
Low Interest Loan: $36000000.00
Board Participation: $30500000.00

Is this request for multi-year funding or phased commitments?: N

As an applicant for financial assistance from SWIFT, I acknowledge that this project must comply with any applicable legal obligations in federal law related to contracting with disadvantaged business enterprises.: Y

As an applicant for financial assistance from SWIFT, I acknowledge that this project must comply with applicable legal obligations in state law (Texas Government Code Chapter 2161 and Texas Administrative Code Chapter 20, Subchapter B) related to contracting with historically underutilized businesses.: Y
RESOLUTION NO. ______

A RESOLUTION BY THE BOARD OF DIRECTORS OF THE SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION AUTHORIZING THE ISSUANCE OF “SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE BONDS, NEW SERIES 2016 (TEXAS WATER DEVELOPMENT BOARD SWIRFT PROJECT FINANCING)”; PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THESE OBLIGATIONS AS PROVIDED HEREIN, ON PARITY WITH CERTAIN CURRENTLY OUTSTANDING OBLIGATIONS; PROVIDING THE TERMS AND CONDITIONS OF SUCH OBLIGATIONS; AND RESOLVING OTHER MATTERS INCIDENT AND RELATING TO THE ISSUANCE, PAYMENT, SECURITY, SALE, AND DELIVERY OF SUCH OBLIGATIONS, INCLUDING THE APPROVAL OF AN APPLICATION TO THE TEXAS WATER DEVELOPMENT BOARD AND A PRIVATE PLACEMENT MEMORANDUM PERTAINING TO THE OBLIGATIONS; AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT AND AN ESCROW AGREEMENT; COMPLYING WITH THE REQUIREMENTS OF THE DEPOSITORY TRUST COMPANY’S LETTER OF REPRESENTATIONS; COMPLYING WITH THE REGULATIONS PROMULGATED BY THE TEXAS WATER DEVELOPMENT BOARD; AND PROVIDING AN EFFECTIVE DATE 

____________, 2016
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<td>Authorization - Designation - Principal Amount - Purpose</td>
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<td>Fully Registered Bonds - Authorized Denominations - Stated Maturities - Interest Rates - Interest Payments – Bond Date</td>
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<td>3</td>
<td>Payment of Bonds - Paying Agent/Registrar</td>
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<td>Redemption</td>
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<td>Execution - Registration</td>
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<td>6</td>
<td>Registration - Transfer - Exchange of Bonds - Predecessor Bonds</td>
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<td>Initial Bond</td>
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<td>Forms</td>
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<td>Definitions</td>
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<td>Pledge of the Bond Payment Portion of the Annual Payments; Availability of Net Revenues for Payment; Perfection of Security Interest</td>
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<td>Rates and Charges</td>
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<td>Bond Fund; Surplus Bond Proceeds</td>
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<td>29</td>
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<td>15</td>
<td>Renewal and Replacement Fund</td>
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<td>Deficiencies - Excess Net Revenues</td>
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<td>17</td>
<td>Payment of Bonds</td>
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<td>18</td>
<td>Investments</td>
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<td>19</td>
<td>Obligations of Inferior Lien and Pledge</td>
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<td>20</td>
<td>Special Project Bonds</td>
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<td>21</td>
<td>Maintenance of System - Insurance</td>
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<td>Records and Accounts - Annual Audit</td>
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</tr>
<tr>
<td>23</td>
<td>Sale or Encumbrance of System</td>
<td>33</td>
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<td>24</td>
<td>Competition</td>
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<td>25</td>
<td>Special Covenants</td>
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<td>26</td>
<td>Limited Obligations of the Corporation</td>
<td>35</td>
</tr>
<tr>
<td>27</td>
<td>Security of Funds</td>
<td>35</td>
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<td>28</td>
<td>Remedies in Event of Default</td>
<td>35</td>
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<tr>
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<td>Notices to Holders Waiver</td>
<td>35</td>
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<td>Bonds Are Negotiable Instruments</td>
<td>36</td>
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<tr>
<td>31</td>
<td>Cancellation</td>
<td>36</td>
</tr>
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<td>32</td>
<td>Mutilated, Destroyed, Lost, and Stolen Bonds</td>
<td>36</td>
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<tr>
<td>33</td>
<td>Sale of the Bonds; Approval of Private Placement Memorandum; Use of Bond Proceeds</td>
<td>37</td>
</tr>
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<td>34</td>
<td>Compliance with Purchasers’ Rules and Regulations</td>
<td>37</td>
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<tr>
<td>35</td>
<td>Application to Texas Water Development Board</td>
<td>40</td>
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<tr>
<td>36</td>
<td>Covenants to Maintain Tax-Exempt Status</td>
<td>40</td>
</tr>
<tr>
<td>37</td>
<td>Control and Custody of Bonds</td>
<td>44</td>
</tr>
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<td>38</td>
<td>Satisfaction of Obligation of Corporation</td>
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27203742.3 i
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<tr>
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<td>Authorization of Escrow Agreement</td>
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A RESOLUTION BY THE BOARD OF DIRECTORS OF THE SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION AUTHORIZING THE ISSUANCE OF “SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE BONDS, NEW SERIES 2016 (TEXAS WATER DEVELOPMENT BOARD SWIFT PROJECT FINANCING)”; PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THESE OBLIGATIONS AS PROVIDED HEREIN, ON PARITY WITH CERTAIN CURRENTLY OUTSTANDING OBLIGATIONS; PROVIDING THE TERMS AND CONDITIONS OF SUCH OBLIGATIONS; AND RESOLVING OTHER MATTERS INCIDENT AND RELATING TO THE ISSUANCE, PAYMENT, SECURITY, SALE, AND DELIVERY OF SUCH OBLIGATIONS, INCLUDING THE APPROVAL OF AN APPLICATION TO THE TEXAS WATER DEVELOPMENT BOARD AND A PRIVATE PLACEMENT MEMORANDUM PERTAINING TO THE OBLIGATIONS; AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT AND AN ESCROW AGREEMENT; COMPLYING WITH THE REQUIREMENTS OF THE DEPOSITORY TRUST COMPANY’S LETTER OF REPRESENTATIONS; COMPLYING WITH THE REGULATIONS PROMULGATED BY THE TEXAS WATER DEVELOPMENT BOARD; AND PROVIDING AN EFFECTIVE DATE

WHEREAS, Subchapter D of Chapter 431 (Sections 431.101–431.109) of the Texas Transportation Code, as amended (the Act) authorizes local governments to create local government corporations to aid, assist, and act on behalf of local governments; and

WHEREAS, the City Councils (collectively, the Governing Bodies) of the City of Seguin, Texas and the City of Schertz, Texas (collectively, the Cities) have previously authorized and approved the creation of the Schertz/Seguin Local Government Corporation (the Corporation), a local government corporation and a nonprofit entity, as their constituted authority and instrumentality to accomplish the specific public purpose of acquiring, constructing, improving, enlarging, extending, repairing, maintaining, and operating a water utility system, pursuant to the provisions of Chapter 552, as amended, Texas Local Government Code (formerly Chapter 402, as amended, Texas Local Government Code), and other applicable law; and

WHEREAS, the Cities, pursuant to the Act and other applicable law, have authorized the creation of the Corporation for the purposes set forth in the Corporation’s Articles of Incorporation, including the issuance of bonds to finance or refinance the costs of certain projects to accomplish the Corporation’s public purposes;

WHEREAS, pursuant to law, and particularly the Act, Section 552.018, as amended, Texas Local Government Code (formerly Section 402.018, as amended, Texas Local Government Code), and the Corporation’s powers under Chapter 22 and Chapter 2, as amended, Texas Business Organizations Code (formerly Article 1396 of Texas Revised Civil Statutes Annotated) and Chapter 1201, as amended, Texas Government Code (incorporated by reference,
respectively, under Sections 431.006 and 431.070, as amended, Texas Transportation Code), the Corporation is empowered to acquire and construct water supply facilities, and to deliver this water to the Cities; and

WHEREAS, pursuant to the provisions of the Act and the other laws of the State of Texas (the State), the Corporation and the Cities entered into a Regional Water Supply Contract, dated as of November 15, 1999, as amended (the Contract) pursuant to which the Corporation agreed to finance the costs of projects and under which the Cities agreed to make payments to or on behalf of the Corporation in amounts sufficient to meet all of the Corporation’s obligations relating to the issuance of the contract revenue bonds to finance or refinance projects; and

WHEREAS, the Contract permits the Corporation to issue bonds, notes, or other obligations, whether in one or more series or issues, to pay the cost of projects or to refund any such bonds, notes, or other obligations; and

WHEREAS, the recitals and provisions of the Contract are incorporated herein as if set forth in its entirety, and the capitalized terms of this resolution (the Resolution) shall have the same meanings, and shall be defined as set forth in the Contract; and

WHEREAS, the Corporation has heretofore issued (and there are now outstanding) multiple series of bonds, the proceeds from which were utilized to pay project costs or for refunding bond purposes, secured by and payable from a first lien on and pledge of the Bond Payment portion of the Annual Payments (each as defined in the Contract) paid to the Corporation by the Cities pursuant to the Contract (the Priority Bonds); and

WHEREAS, the Corporation’s resolutions authorizing the issuance of the Priority Bonds (the Priority Bonds Resolutions) permits the Corporation to issue additional obligations secured by and payable from a lien on and pledge of the Bond Payment portion of the Annual Payments paid to the Corporation by the Cities under the Contract, which lien and pledge is junior and inferior to the lien thereon and pledge thereof securing the currently outstanding Priority Bonds; and

WHEREAS, to realize covenant relief governing the issuance of additional Priority Bonds pursuant to the terms of the Priority Bonds Resolutions, the Corporation previously established a new revenue finance system and previously issued now outstanding “New Series Bonds”, which are obligations of the Corporation secured, together with the Previously Issued New Series Bonds (hereinafter defined) by a lien on and pledge of the Bond Payment portion of the Annual Payments paid to the Corporation by the Cities under the Contract that is junior and inferior to the lien thereon and pledge thereof securing the currently outstanding Priority Bonds (the New Series Bonds); and

WHEREAS, the Corporation’s resolution authorizing the issuance of the New Series Bonds (the New Series Bonds Resolution) permits the Corporation to issue additional obligations secured by and payable from a lien on and pledge of the Bond Payment portion of the Annual Payments paid to the Corporation by the Cities under the Contract, which lien and pledge is junior and inferior to the lien thereon and pledge thereof securing the Priority Bonds; and
WHEREAS, in conjunction with the establishment the New Series Bonds revenue finance system, the Corporation previously determined to covenant to no longer issue additional series of bonds secured by and payable from a lien on and pledge of the Bond Payment portion of the Annual Payments paid to the Corporation by the Cities under the Contract on parity with the Priority Bonds (referred to herein as *Additional Priority Bonds*) so that at such time as no Priority Bonds remain outstanding, the lien on and pledge of the Bond Payment portion of the Annual Payments paid to the Corporation by the Cities under the Contract securing the repayment of the New Series Bonds will be elevated to and will enjoy a first and prior lien position; and

WHEREAS, this Resolution constitutes a Bond Resolution as that term is defined in the Contract; and

WHEREAS, principal of and interest on the New Series Bonds are payable solely from the Bond Payment portion of the Annual Payments made to the Corporation by the Cities under the Contract at such level of priority hereinafter described and in amounts sufficient to pay and redeem, and provide for the payment of the principal of, premium, if any, and interest on the Bonds (defined herein), when due, the fees and expenses of the Paying Agent/Registrar for the Bonds, and other expenses and costs of the Corporation, all as required by this Resolution; and

WHEREAS, the Corporation hereby finds and determines that the Bonds can and should be issued as the third series of New Series Bonds and in connection therewith (a) the Corporation is not in default as to any covenant, condition or obligation prescribed in any Priority Bonds Resolution, the New Series Bond Resolution, or the Contract (including any amendment or supplement thereto); (b) the Cities have approved this Resolution as to form and content and acknowledged that the payment of principal of and interest on the Bonds is payable, in whole or in part, from the Bond Payment portion of the Annual Payments to be made by the Cities to the Corporation under and pursuant to the Contract; (c) a consulting engineer certifies to the Corporation the need for an estimated amount of additional financing required for completion, expansion, enlargement or improvement of the Project; (d) the Bonds are made to mature on February 1 or August 1, or both, in each of the years in which they are scheduled to mature; and (e) this Resolution provides for deposits to be made to the Bond Fund in amounts sufficient to pay the principal of and interest on such Bonds as the same become due; and

WHEREAS, the Corporation’s Board has determined that the Bonds in the total amount of 36,000,000 should be issued and sold at this time for the purposes of planning, designing, and constructing utility system improvements to implement the State Water Plan; and

WHEREAS, the Act also authorizes the Corporation acting through its Board of Directors (the *Corporation’s Board*) to issue revenue bonds to finance such projects, payable solely from the revenues derived from payments to be made to the Corporation for the purpose of defraying the cost of financing, acquiring, and constructing such projects; and

WHEREAS, the recitals and provisions of the Contract are incorporated herein as if set forth in its entirety, and the capitalized terms of this Resolution shall have the same meanings, and shall be defined as set forth in the Contract; and
WHEREAS, the principal of the Bonds and the interest thereon are and shall be payable from and secured, together with the currently outstanding Previously Issued New Series Bonds, by a lien on and pledge of the payments designated as Bond Payment portion of the Annual Payments to be made by the Cities pursuant to the Contract in amounts sufficient to pay and redeem, and provide for the payment of the principal of, premium, if any, and interest on the Bonds, when due, and the fees and expenses of the Paying Agent/Registrar (defined herein) for the Bonds, all as required by this Resolution; and

WHEREAS, the Corporation has determined and does hereby determine that it can finance the projects to implement the State Water Plan in accordance with Chapters 15 and 16 of the Texas Water Code, as amended, pursuant to the Corporation’s obligations under the Contract on the most favorable terms through the issuance of the Bonds to the TWDB in accordance with the terms of this Resolution; and

WHEREAS, the Bonds herein authorized for issuance are to be delivered to the Texas Water Development Board (the Water Development Board, TWDB, or the Purchasers) in evidence of a loan commitment received in the aggregate amount of such Bonds; and

WHEREAS, the Corporation’s Board has determined that the Bonds in the total amount of $36,000,000 should be issued and sold at this time in order to obtain funds necessary to finance the costs of projects; now, therefore,

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION THAT:

SECTION 1: Authorization - Designation - Principal Amount - Purpose. Special contract revenue bonds of the Corporation shall be and are hereby authorized to be issued in the aggregate principal amount of THIRTY SIX MILLION AND NO/100 DOLLARS ($36,000,000), to be designated and bear the title of “SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE BONDS, NEW SERIES 2016 (TEXAS WATER DEVELOPMENT BOARD SWIFT PROJECT FINANCING)” (the Bonds), pursuant to the Resolution adopted by the Corporation’s Board for the purpose of providing funds finance, acquire, and construct treatment facilities, water supply pipelines, booster pumps, other appurtenances, and necessary easements and other interests in land (the Project) and to pay the costs and expenses of issuance of the Bonds. The Bonds shall be payable as to both principal and interest solely from and equally and ratably secured, together with the currently outstanding Previously Issued New Series Bonds and any Additional New Series Bonds hereafter issued by the Corporation, by a lien on and pledge of the Bond Payment portion of the Annual Payments (each as defined the Contract) received by the Corporation from the Cities under the Contract, which lien and pledge is junior and inferior to the first and prior lien thereon and pledge thereof securing the repayment of the currently outstanding Priority Bonds, until such time as no currently outstanding Priority Bonds remain Outstanding (at which point the New Series Bonds will enjoy a first and prior lien on and pledge of the Bond Payment portion of the Annual Payments). The Bonds are authorized to be issued pursuant to the authority conferred by and in conformity with the laws of the State of Texas, particularly the Act, Chapter 1201, Texas Government Code, as amended, the Contract, as amended, and the Resolution.
SECTION 2: Fully Registered Bonds - Authorized Denominations - Stated Maturities - Interest Rates - Interest Payments – Bond Date. The Bonds are issuable in fully registered form only; shall be dated August 1, 2016 (the Bond Date) and shall be in denominations of $5,000 or any integral multiple thereof (within a Stated Maturity), and the Bonds shall become due and payable on February 1 in each of the years and in principal amounts (the Stated Maturities) and bear interest on the unpaid principal amounts from the Closing Date (hereinafter defined), or the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for, to the earlier of redemption or Stated Maturity, at the per annum rates, while Outstanding, in accordance with the following schedule:

<table>
<thead>
<tr>
<th>Year of Stated Maturity</th>
<th>Principal Amounts ($)</th>
<th>Interest Rates (%)</th>
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</thead>
<tbody>
<tr>
<td>2017</td>
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<td>2018</td>
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<td>2019</td>
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The Bonds shall bear interest on the unpaid principal amount thereof at the per annum rates shown above, computed on the basis of a 360-day year of twelve 30-day months, and interest thereon shall be payable semiannually on February 1 and August 1 of each year (each an *Interest Payment Date*) commencing August 1, 2017, while the Bonds are Outstanding. Interest on each Bond issued and delivered to a Holder (hereinafter defined) shall accrue from the latest Interest Payment Date that interest on such Bond (or its Predecessor Bond) has been paid that precedes the registration date appearing on such Bond in the “Registration Certificate of Paying Agent/Registrar” (Section 8D hereof), unless the registration date appearing thereon is an Interest Payment Date for which interest is being paid, in which case interest on such Bond shall accrue from the registration date appearing thereon and provided further that with respect to the initial payment of interest on a Bond, such interest shall accrue from the date of initial delivery of the Bonds (or its Predecessor Bond) to the Purchasers (hereinafter defined).

**SECTION 3: Payment of Bonds - Paying Agent/Registrar.** The principal of, premium, if any, and interest on the Bonds, due and payable by reason of Stated Maturity, redemption, or otherwise, shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, and such payment of principal of and interest on the Bonds shall be without exchange or collection charges to the Holder (hereinafter defined) of the Bonds.

The selection and appointment of BOKF, NA, Austin, Texas (the *Paying Agent/Registrar*), to serve as the initial Paying Agent/Registrar for the Bonds is hereby approved and confirmed, and the Corporation agrees and covenants to cause to be kept and maintained at the corporate trust office of the Paying Agent/Registrar books and records (the *Security Register*) for the registration, payment, and transfer of the Bonds, all as provided herein, in accordance with the terms and provisions of a Paying Agent/Registrar Agreement, attached, in substantially final form, as Exhibit A hereto, and such reasonable rules and regulations as the Paying Agent/Registrar and the Corporation may prescribe. The Corporation covenants to maintain and provide a Paying Agent/Registrar at all times while the Bonds are Outstanding, and any successor Paying Agent/Registrar shall be (i) a national or state banking institution or (ii) an association or a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers. Such Paying Agent/Registrar shall be subject to supervision or examination by federal or state authority and authorized by law to serve as a Paying Agent/Registrar.

The Corporation reserves the right to appoint a successor Paying Agent/Registrar upon providing the previous Paying Agent/Registrar with a certified copy of a resolution or resolutions terminating such agency. Additionally, the Corporation agrees to promptly cause a written notice of this substitution to be sent to each Holder of the Bonds by United States mail, first-class postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

<table>
<thead>
<tr>
<th>Year of Stated Maturity</th>
<th>Principal Amounts ($)</th>
<th>Interest Rates (%)</th>
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Principal of, premium, if any, and interest on the Bonds, due and payable by reason of Stated Maturity, redemption or otherwise, shall be payable only to the registered owner of the Bonds appearing on the Security Register (the *Holder or Holders*) maintained on behalf of the Corporation by the Paying Agent/Registrar as hereinafter provided (i) on the Record Date (hereinafter defined) for purposes of payment of interest thereon, (ii) on the date of surrender of the Bonds for purposes of receiving payment of principal thereof upon redemption of the Bonds or at the Bonds’ Stated Maturity, or (iii) on any other date for any other purpose. The Corporation and the Paying Agent/Registrar, and any agent of either, shall treat the Holder as the owner of a Bond for purposes of receiving payment and all other purposes whatsoever, and neither the Corporation nor the Paying Agent/Registrar, or any agent of either, shall be affected by notice to the contrary.

Principal of, and premium, if any, on the Bonds shall be payable only upon presentation and surrender of the Bonds to the Paying Agent/Registrar at its corporate trust office. Interest on the Bonds shall be paid to the Holder whose name appears in the Security Register at the close of business on the fifteenth day of the month next preceding an Interest Payment Date for the Bonds (the *Record Date*) and shall be paid (i) by federal funds wire transfer and at the written request of the Holder or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested in writing by the Holder at the Holder’s risk and expense. While the Bonds are held by the Purchasers (as defined in Section 34 hereof), payment of principal of, premium, if any, and interest on the Bonds shall be made by federal funds wire transfer, at no cost to the Purchasers, to an account at a financial institution located in the United States designated by the Purchasers.

If the date for the payment of the principal of, premium, if any, or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the corporate trust office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a day. The payment on such date shall have the same force and effect as if made on the original date any such payment on the Bonds was due.

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

SECTION 4: Redemption.

A. Special Mandatory Redemption. In the event that the Purchasers at such time remains the sole holder of the Bonds and the final accounting delivered by the Corporation to the Purchasers in the form and manner specified in, and in compliance with the provisions of, Section 35.D. of this Resolution evidences that the total cost of the project to be financed with Bond proceeds is less than the amount of Bond proceeds available for paying such costs, then the
Corporation shall, as soon as practicable (but in no event later than six months after the Purchasers’ acceptance of the aforementioned accounting), at the direction of the General Manager, and without the requirement of the approval of the Corporation’s Board, redeem Bonds in the amount of such excess to the nearest multiple of the authorized denomination for the Bonds. Bonds redeemed pursuant to this provision shall be redeemable on any date, in inverse order of Stated Maturity, as a whole or in part, in principal amounts of $5,000 or any integral multiple thereof (and if within a Stated Maturity, selected at random and by lot by the Paying Agent/Registrar), at the redemption price of par plus accrued interest to the date of redemption.

B. Optional Redemption. The Bonds having Stated Maturities on and after February 1, 2028 shall be subject to redemption prior to Stated Maturity, at the option of the Corporation, on February 1, 2027, or on any date thereafter, in inverse order of Stated Maturity, as a whole or in part, in principal amounts of $5,000 or any integral multiple thereof (and if within a Stated Maturity selected at random and by lot by the Paying Agent/Registrar), at the redemption price of par plus accrued interest to the date of redemption.

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

D. Selection of Bonds for Redemption. If less than all Outstanding Bonds of the same Stated Maturity are to be redeemed on a redemption date, the Paying Agent/Registrar shall select at random and by lot the Bonds to be redeemed, provided that if less than the entire principal amount of a Bond is to be redeemed, the Paying Agent/Registrar shall treat such Bond then subject to redemption as representing the number of Bonds Outstanding which is obtained by dividing the principal amount of such Bond by $5,000.

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

All notices of redemption shall (i) specify the date of redemption for the Bonds, (ii) identify the Bonds to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state that the Bonds, or the portion of the principal amount thereof to be redeemed, shall become due and payable on the redemption date specified, and the interest thereon, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify that payment of the redemption price for the Bonds, or the principal amount thereof to be redeemed, shall be made at the corporate trust office of the Paying Agent/Registrar.
only upon presentation and surrender thereof by the Holder. If a Bond is subject by its terms to redemption and has been called for redemption and notice of redemption thereof has been duly given or waived as herein provided, such Bond (or the principal amount thereof to be redeemed) so called for redemption shall become due and payable, and if money sufficient for the payment of such Bonds (or of the principal amount thereof to be redeemed) at the then applicable redemption price is held for the purpose of such payment by the Paying Agent/Registrar, then on the redemption date designated in such notice, interest on said Bonds (or the principal amount thereof to be redeemed) called for redemption shall cease to accrue, and such Bonds shall not be deemed to be Outstanding in accordance with the provisions of this Resolution. This notice may also be published once in a financial publication, journal, or reporter of general circulation among securities dealers in the City of New York, New York (including, but not limited to, *The Bond Buyer* and *The Wall Street Journal*), or in the State of Texas (including, but not limited to, *The Texas Bond Reporter*).

F. **Transfer/Exchange.** Neither the Corporation nor the Paying Agent/Registrar shall be required (1) to transfer or exchange any Bond during a period beginning forty-five (45) days prior to the date fixed for redemption of the Bonds or (2) to transfer or exchange any Bond selected for redemption, provided; however, such limitation of transfer shall not be applicable to an exchange by the Holder of the unredeemed balance of a Bond which is subject to redemption in part.

**SECTION 5: Execution - Registration.** The Bonds shall be executed on behalf of the Corporation by its President, Board of Directors, its seal reproduced or impressed thereon, and attested by its Secretary, Board of Directors. The signature of either officer on the Bonds may be manual or facsimile. Bonds bearing the manual or facsimile signatures of individuals who were, at the time of the Bond Date, the proper officers of the Corporation shall bind the Corporation, notwithstanding that such individuals or either of them shall cease to hold such offices prior to the delivery of the Bonds to the Purchasers, all as authorized and provided in Chapter 1201, as amended, Texas Government Code.

No Bond shall be entitled to any right or benefit under this Resolution, or be valid or obligatory for any purpose, unless there appears on such Bond either a certificate of registration substantially in the form provided in Section 8C, executed by the Comptroller of Public Accounts of the State of Texas or his duly authorized agent by manual signature, or a certificate of registration substantially in the form provided in Section 8D, executed by the Paying Agent/Registrar by manual signature, and either such certificate upon any Bond shall be conclusive evidence, and the only evidence, that such Bond has been duly certified or registered and delivered.

**SECTION 6: Registration - Transfer - Exchange of Bonds - Predecessor Bonds.** The Paying Agent/Registrar shall obtain, record, and maintain in the Security Register the name and address of every owner of the Bonds, or, if appropriate, the nominee thereof. Any Bond may, in accordance with its terms and the terms hereof, be transferred or exchanged for Bonds of other authorized denominations upon the Security Register by the Holder, in person or by his duly authorized agent, upon surrender of such Bond to the Paying Agent/Registrar for cancellation, accompanied by a written instrument of transfer or request for exchange duly executed by the Holder or by his duly authorized agent, in form satisfactory to the Paying Agent/Registrar.
Upon surrender for transfer of any Bond at the corporate trust office of the Paying Agent/Registrar, the Corporation shall execute and the Paying Agent/Registrar shall register and deliver, in the name of the designated transferee or transferees, one or more new Bonds of authorized denomination and having the same Stated Maturity and of a like interest rate and aggregate principal amount as the Bond or Bonds surrendered for transfer.

At the option of the Holder, Bonds may be exchanged for other Bonds of the same series and of authorized denominations and having the same Stated Maturity, bearing the same rate of interest and of like aggregate principal amount as the Bonds surrendered for exchange upon surrender of the Bonds to be exchanged at the corporate trust office of the Paying Agent/Registrar. Whenever any Bonds are so surrendered for exchange, the Corporation shall execute, and the Paying Agent/Registrar shall register and deliver, the Bonds, to the Holder requesting the exchange.

All Bonds issued upon any transfer or exchange of Bonds shall be delivered at the corporate trust office of the Paying Agent/Registrar, or be sent by registered mail to the Holder at his request, risk, and expense, and upon the delivery thereof, the same shall be the valid and binding obligations of the Corporation, evidencing the same obligation to pay, and entitled to the same benefits under this Resolution, as the Bonds surrendered upon such transfer or exchange.

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

Bonds canceled by reason of an exchange or transfer pursuant to the provisions hereof are hereby defined to be Predecessor Bonds, evidencing all or a portion, as the case may be, of the same debt evidenced by the new Bond or Bonds registered and delivered in the exchange or transfer therefor. Additionally, the term Predecessor Bonds shall include any Bond registered and delivered pursuant to Section 33 in lieu of a mutilated, lost, destroyed, or stolen Bond which shall be deemed to evidence the same obligation as the mutilated, lost, destroyed, or stolen Bond.

SECTION 7: Initial Bond. The Bonds herein authorized shall be issued initially as a single fully-registered Bond in the total principal amount of $36,000,000 with principal installments to become due and payable as provided in Section 2 and numbered T-1 (the Initial Bond) and the Initial Bond shall be registered in the name of the initial Purchasers or the designee thereof. The Initial Bond shall be the Bonds submitted to the Office of the Attorney General of the State of Texas for approval, certified and registered by the Office of the Comptroller of Public Accounts of the State of Texas and delivered to the Purchasers (hereafter defined). Any time after the delivery of the Initial Bond, the Paying Agent/Registrar, upon written instructions from the Purchasers or their designee, shall cancel the Initial Bond delivered hereunder and exchange therefor definitive Bonds of authorized denominations, Stated Maturities, principal amounts and bearing applicable interest rates, and shall be lettered “R” and numbered consecutively from one (1) upward for transfer and delivery to the Holders named at the addresses identified therefor; all pursuant to and in accordance with such written instructions from the Purchasers, or the designee thereof, and such other information and documentation as
the Paying Agent/Registrar may reasonably require. It is anticipated that the definitive Bonds may be delivered in installments as recognized in the provisions of Section 59 of this Resolution. As installment deliveries of the Bonds are made to the Purchasers, the Paying Agent/Registrar pursuant to written instructions from the Corporation, or the designee thereof, and in accordance with Article Six of the Paying Agent/Registrar Agreement shall cancel the Initial Bond and deliver in exchange therefor definitive Bonds of like principal amount and maturity, in authorized denominations and bearing applicable interest rates for transfer and delivery to The Depository Trust Company for the account of the Purchasers, all pursuant to and in accordance with Article Six of the Paying Agent/Registrar Agreement, written instructions from the Purchasers and the Corporation, or the designees thereof, and such other information and documentation as the Paying Agent/Registrar may reasonably require.

SECTION 8: Forms.

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

The definitive Bonds shall be printed, lithographed, or engraved, produced by any combination of these methods, or produced in any other similar manner, all as determined by the officers executing the Bonds as evidenced by their execution thereof, but the Initial Bond submitted to the Attorney General of the State of Texas may be typewritten or photocopied or otherwise reproduced.

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B. Form of Definitive Bond.

REGISTERED PRINCIPAL AMOUNT
NO._______ $____________

United States of America
State of Texas
SCHERTZ/SEGuin LOCAL GOVERNMENT CORPORATION
CONTRACT REVENUE BONDS, NEW SERIES 2016
(TEXAS WATER DEVELOPMENT BOARD SWIRFT PROJECT FINANCING)

<table>
<thead>
<tr>
<th>Bond Date:</th>
<th>Stated Maturity:</th>
<th>Interest Rate:</th>
<th>CUSIP No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 1, 2016</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

REGISTERED OWNER: _________________________________________________________

PRINCIPAL AMOUNT: ____________________________________________ DOLLARS

The Schertz/Seguin Local Government Corporation (the Corporation), a nonprofit corporation of the State of Texas, for value received, hereby promises to pay to the order of the Registered Owner specified above, or the registered assigns thereof, on the Stated Maturity date specified above, the Principal Amount specified above (or so much thereof as shall not have been paid upon prior redemption), and to pay interest on the unpaid principal amount hereof from the Closing Date, or from the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for, to the earlier of redemption or Stated Maturity, while Outstanding, at the per annum rate of interest specified above computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on February 1 and August 1 of each year commencing August 1, 2017 (each being the “Interest Payment Date”).

Principal and premium, if any, of the Bond shall be payable to the Registered Owner hereof (the Holder) upon presentation and surrender, at the corporate trust office of the Paying Agent/Registrar executing the registration certificate appearing hereon or a successor thereof. Interest shall be payable to the Holder of this Bond (or one or more Predecessor Bonds, as defined in the Resolution hereinafter referenced) whose name appears on the Security Register maintained by the Paying Agent/Registrar at the close of business on the Record Date, which is the fifteenth day of the month next preceding each Interest Payment Date. All payments of principal of and interest on this Bond shall be in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Interest shall be paid by the Paying Agent/Registrar by check sent on or prior to the appropriate date of payment by federal funds wire transfer, at no cost to the Holder, and at the written request of the Holder or by such other method, acceptable to the Paying Agent/Registrar, requested by the Holder hereof at the Holder’s risk and expense. While the Bonds are held by the Purchasers payment of principal of, premium, if any, and interest on the Bonds shall be made by federal funds wire transfer, at no cost to the Purchasers, to an account at a financial institution located in the United States designated by the Purchasers.
This Bond is one of the series specified in its title issued in the aggregate principal amount of $36,000,000 (the Bonds) pursuant to a resolution adopted by the governing body of the Corporation (the Resolution), for the purpose of providing funds to (i) finance, acquire, and construct treatment facilities, water supply pipelines, booster pumps, other appurtenances, and necessary easements and other interests in land, and (ii) pay the costs and expenses of issuing the Bonds, under and in strict conformity with the laws of the State of Texas, particularly the Act, Chapter 1201, Texas Government Code, as amended, the Contract, and the Resolution.

In the event that the Purchasers at such time remain the sole holder of the Bonds and the final accounting delivered by the Corporation to the Purchasers in the form and manner specified in the Resolution (and in compliance with the provisions of Section 35.D. of this Resolution) evidences that the total cost of the project to be financed with Bond proceeds is less than the amount of Bond proceeds available for paying such costs, then the Corporation shall, as soon as practicable (but in no event later than six months after the Purchasers’ acceptance of the aforementioned accounting), at the direction of the General Manager without the requirement of the approval of the Board of the Corporation, redeem Bonds in the amount of such excess to the nearest multiple of the authorized denomination for the Bonds. Bonds redeemed pursuant to this provision shall be redeemable on any date, in inverse order of Stated Maturity, as a whole or in part, in principal amounts of $5,000 or any integral multiple thereof (and if within a Stated Maturity, selected at random and by lot by the Paying Agent/Registrar), at the redemption price of par plus accrued interest to the date of redemption.

The Bonds stated to mature on and after February 1, 2028 may be redeemed prior to their Stated Maturities, at the option of the Corporation, on February 1, 2027, or on any date thereafter, in inverse order of Stated Maturity, in whole or in part in principal amounts of $5,000 or any integral multiple thereof (and if within a Stated Maturity selected at random and by lot by the Paying Agent/Registrar) at the redemption price of par, together with accrued interest to the date of redemption, and upon thirty (30) days prior written notice being given by United States mail, first-class postage prepaid, to Holders of the Bonds to be redeemed, and subject to the terms and provisions relating thereto contained in the Resolution. If this Bond is subject to redemption prior to Stated Maturity and is in a denomination in excess of $5,000, portions of the principal sum hereof in installments of $5,000 or any integral multiple thereof may be redeemed, and, if less than all of the principal sum hereof is to be redeemed, there shall be issued, without charge therefor, to the Holder hereof, upon the surrender of this Bond to the Paying Agent/Registrar at its corporate trust office, a new Bond or Bonds of like Stated Maturity and interest rate in any authorized denominations provided in the Resolution for the then unredeemed balance of the principal sum hereof.

If this Bond (or any portion of the principal sum hereof) shall have been duly called for redemption and notice of such redemption duly given, then upon such redemption date this Bond (or the portion of the principal sum hereof to be redeemed) shall become due and payable, and, if money for the payment of the redemption price and the interest accrued on the principal amount to be redeemed to the date of redemption is held for the purpose of such payment by the Paying Agent/Registrar, interest shall cease to accrue and be payable hereon from and after the redemption date on the principal amount hereof to be redeemed. If this Bond is called for redemption, in whole or in part, the Corporation or the Paying Agent/Registrar shall not be required to issue, transfer, or exchange this Bond within forty-five (45) days of the date fixed for
redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the Holder of the unredeemed balance hereof in the event of its redemption in part.

The Bonds of this series are special obligations of the Corporation payable from and equally and ratably secured, together with the currently outstanding Previously Issued New Series Bonds and any Additional New Series Bonds hereafter issued by the Corporation, solely by a lien on and pledge of the Bond Payment (as defined in the Contract) portion of the Annual Payments (as defined in the Contract) received by the Corporation from the Cities pursuant to the provisions of the Contract, which lien and pledge is junior and inferior to the first and prior lien thereon and pledge thereof securing the repayment of the currently outstanding Priority Bonds, until such time as no Priority Bonds remain Outstanding (at which point the New Series Bonds will enjoy a first and prior lien on and pledge of the Bond Payment portion of the Annual Payments). In the Resolution, the Corporation has covenanted to not issue any Additional Priority Bonds, but has reserved and retained the right to issue Additional New Series Bonds and Additional Obligations payable from a lien on and pledge of the Bond Payment portion of the Annual Payments that is subordinate and inferior to the lien thereon and pledge thereof securing the repayment of any New Series Bonds. In addition, the Corporation has reserved and retained the right to issue Additional Obligations, without limitation as to principal amount but subject to any terms, conditions, or restrictions set forth in the Resolution or as may be applicable thereto under law or otherwise. The Bonds do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any property of the Corporation or System, except with respect to the Bond Payment portion of the Annual Payments.

THIS BOND IS NOT A GENERAL OBLIGATION OF THE STATE OF TEXAS, THE CITY OF SCHERTZ, TEXAS, OR THE CITY OF SEGUIN, TEXAS. THE REGISTERED OWNER SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT HEREOF OUT OF MONEY RAISED OR TO BE RAISED BY TAXATION. NO FUNDS OF THE CITY OF SCHERTZ, TEXAS OR THE CITY OF SEGUIN, TEXAS RAISED BY TAXATION SHALL EVER BE USED TO PAY THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THE BONDS. THE CORPORATION HAS NO TAXING AUTHORITY.

Reference is hereby made to the Resolution, copies of which are on file in the corporate trust office of the Paying Agent/Registrar, and to all of the provisions of which the Holder by his acceptance hereof hereby assents, for definitions of terms; the description and nature of the Annual Payments pledged for the payment of the Bonds; the terms and conditions under which the Corporation may issue additional indebtedness (including Additional New Series Bonds and Additional Obligations); the terms and conditions relating to the transfer or exchange of the Bonds; the conditions upon which the Resolution may be amended or supplemented with or without the consent of the Holders; the rights, duties, and obligations of the Corporation and the Paying Agent/Registrar; the terms and provisions upon which this Bond may be redeemed or discharged at or prior to the Stated Maturity thereof, and deemed to be no longer Outstanding thereunder; and for the other terms and provisions specified in the Resolution. Capitalized terms used herein have the same meanings assigned in the Resolution.

This Bond, subject to certain limitations contained in the Resolution, may be transferred on the Security Register upon presentation and surrender at the corporate trust office of the Paying Agent/Registrar, duly endorsed by, or accompanied by a written instrument of transfer in
form satisfactory to the Paying Agent/Registrar duly executed by the Holder hereof, or his duly authorized agent, and thereupon one or more new fully registered Bonds of the same Stated Maturity, of authorized denominations, bearing the same rate of interest, and of the same aggregate principal amount will be issued to the designated transferee or transferees.

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

It is hereby certified, covenanted, and represented that all acts, conditions, and things required to be performed, exist, and be done precedent to the issuance of this Bond in order to render the same a legal, valid, and binding special obligation of the Corporation have been performed, exist, and have been done, in regular and due time, form, and manner, as required by the laws of the State of Texas and the Resolution, and that issuance of the Bonds does not exceed any constitutional or statutory limitation; and that due provision has been made for the payment of the principal of and interest on the Bonds by a lien on and pledge of the Annual Payments and as otherwise provided in this Resolution. In case any provision in this Bond or any application thereof shall be deemed invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions and applications shall not in any way be affected or impaired thereby. The terms and provisions of this Bond and the Resolution shall be construed in accordance with and shall be governed by the laws of the State of Texas.

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

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION

____________________________________
President, Board of Directors

ATTESTED:

____________________________________
Secretary, Board of Directors

(SEAL)

C. *Form of Registration Certificate of Comptroller of Public Accounts to Appear on Initial Bond Only.

REGISTRATION CERTIFICATE OF COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER OF PUBLIC ACCOUNTS
THE STATE OF TEXAS

§ § §

REGISTER NO. __________

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

WITNESS my signature and seal of office this ________________________________.

____________________________________
Comptroller of Public Accounts of the State of Texas

(SEAL)

*NOTE TO PRINTER: Do Not Print on Definitive Bonds.
D. Form of Certificate of Paying Agent/Registrar to Appear on Definitive Bonds Only.

REGISTRATION CERTIFICATE OF PAYING AGENT/REGISTRAR

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

Registered this date: ____________________________

BOKF, NA, Austin, Texas, as Paying Agent/Registrar

By: _______________________________  

Authorized Signature

*NOTE TO PRINTER: Print on Definitive Bonds.

E. Form of Assignment.

ASSIGNMENT

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

(Social Security or other identifying number): ____________________________

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints ____________________________ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

DATED: ____________________________

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

Signature guaranteed:

____________________________________
F. The Initial Bond shall be in the form set forth in paragraph B of this Section, except that the form of a single fully registered Initial Bond shall be modified as follows:

i) immediately under the name of the Bond(s) the headings “Interest Rate” and “Stated Maturity” shall both be completed “as shown below”;

ii) the first two paragraphs shall read as follows:

Registered Owner: ______________________________________________________________

Principal Amount: ______________________________________________________________

The Schertz/Seguin Local Government Corporation (the Corporation), a nonprofit corporation of the State of Texas, for value received for value received, hereby promises to pay to the order of the Registered Owner named above, or the registered assigns thereof, the Principal Amount specified above stated to mature on the first day of February in each of the years and in principal amounts and bearing interest at per annum rates in accordance with the following schedule:

<table>
<thead>
<tr>
<th>Years of Stated Maturity</th>
<th>Principal Amounts ($)</th>
<th>Interest Rates (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Information to be inserted from schedule in Section 2 hereof).

(or so much thereof as shall not have been paid upon prior redemption) and to pay interest on the unpaid Principal Amount hereof from the Closing Date (anticipated to be on or about ____________ , 2016), or from the most recent Interest Payment Date (hereafter defined) to which interest has been paid or duly provided for, to Stated Maturity or prior redemption, at the per annum rates of interest specified above computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on February 1 and August 1, commencing August 1, 2017 (each, an “Interest Payment Date”).

Principal and premium, if any, of this Bond shall be payable to the Registered Owner hereof (the Holder), upon its presentation and surrender, at the corporate trust office of BOKF, NA, Austin, Texas (the Paying Agent/Registrar). Interest shall be payable to the Holder of this Bond whose name appears on the Security Register maintained by the Paying Agent/Registrar at the close of business on the Record Date, which is the fifteenth day of the month next preceding each Interest Payment Date. All payments of principal of and interest on this Bond shall be in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Interest shall be paid by the Paying Agent/Registrar by check sent on or prior to the appropriate date of payment by United States mail, first-class postage prepaid, to the Holder hereof at the address appearing in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Holder hereof. While the Bonds are held by the Purchasers, payment of principal of, premium, if any, and interest on the Bonds shall be made by federal funds wire transfer, at no cost to the Purchasers, to an account at a financial institution located in the United States designated by the Purchasers.
G. Insurance Legend. If bond insurance is obtained by the Purchasers or the Corporation for the Bonds, the definitive Bonds and the Initial Bond(s) shall bear an appropriate legend as provided by the insurer.

SECTION 9: Definitions. For all purposes of this Resolution (as defined below), except as otherwise expressly provided or unless the context otherwise requires: (i) the terms defined in this Section have the meanings assigned to them in this Section, and certain terms used in Sections 37 and 53 of this Resolution have the meanings assigned to them in such Sections, and all such terms include the plural as well as the singular; (ii) all references in this Resolution to designated “Sections” and other subdivisions are to the designated Sections and other subdivisions of this Resolution as originally adopted; and (iii) the words “herein”, “hereof”, and “hereunder” and other words of similar import refer to this Resolution as a whole and not to any particular Section or other subdivision.

A. The term Additional New Series Bonds shall mean (i) the currently outstanding Previously Issued New Series Bonds, the Bonds, and any bonds, notes, warrants, or any similar obligations hereafter issued by the Corporation that are payable wholly or in part from and equally and ratably secured by a lien and pledge of the Bond Payment portion of the Annual Payments received by the Corporation from the Cities under the Contract, which lien and pledge is junior and inferior to the lien thereon and pledge thereof securing the repayment of the currently outstanding Priority Bonds until such time as no Priority Bonds remain Outstanding (at which point all New Series Bonds will enjoy a first and prior lien on and pledge of the Bond Payment portion of the Annual Payments), but senior and superior to the lien thereon and pledge thereof of any additional Corporation obligations secured by and payable from a lien on and pledge of the Bond Payment portion of the Annual Payments that is subordinate and inferior to the lien thereon and pledge thereof securing the repayment of any New Series Bonds and (ii) obligations hereafter issued to refund any of the foregoing that are payable from and equally and ratably secured by a lien on and pledge of the of the Bond Payment portion of the Annual Payments received by the Corporation from the Cities under the Contract, as determined by the Corporation in accordance with applicable law, on parity with the lien thereon and pledge thereof securing the other New Series Bonds then-Outstanding.

B. The term Additional Obligations shall mean collectively, any Prior Lien Obligations, Junior Lien Obligations, or Inferior Lien Obligations hereafter issued by the Corporation.

C. The term Additional Priority Bonds shall mean any bonds, notes, warrants, or other evidences of indebtedness (including those issued for the purpose of refunding previously issued bonds, notes, or other evidences of indebtedness) which the Corporation reserved the right to issue under the Priority Bonds Resolutions the repayment of which is secured by a first and prior lien on and pledge of the Bond Payment portion of the Annual Payments received by the Corporation from the Cities under the Contract, which lien and pledge is on parity with the lien thereon and pledge thereof securing the repayment of the Priority Bonds.

D. The term Annual Payments shall mean the payments, including the Bond Payment, Operation and Maintenance Expenses, and Overhead Expenses, that the Corporation expects to receive from the Cities pursuant to the terms of the Contract.
E. The term **Authorized Officials** shall mean the Corporation’s Board President, the Corporation’s Board Secretary, and/or the General Manager.

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

G. The term **Bond Fund** shall mean the special Fund or account created and established by the provisions of Section 13 of this Resolution.

H. The term **Bond Payment** shall have the meaning ascribed thereto in the Contract.

I. The term **Bonds** shall mean the $36,000,000 “SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE BONDS, NEW SERIES 2016 (TEXAS WATER DEVELOPMENT BOARD SWIFT PROJECT FINANCING)”, dated August 1, 2016, authorized by this Resolution.

J. The term **Bonds Similarly Secured** shall mean any Additional Obligations hereafter issued by the Corporation or bonds issued to refund any of the foregoing if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured by a lien on and pledge of the Annual Payments.

K. The term **Closing Date** shall mean the date of physical delivery of the Initial Bond for the payment in full by the Purchasers.

L. The term **Contract** shall mean the Regional Water Supply Contract, dated as of November 15, 1999, together with amendments and supplements thereto (which by the term of such instrument is designated as a supplement to such Contract), a conformed copy of such Contract being attached hereto as Exhibit E for the purposes of identification.

M. The term **Corporation** shall mean Schertz/Seguin Local Government Corporation and any other nonprofit corporation, public agency, or other entity succeeding to the powers, rights, privileges and functions of the Corporation and, when appropriate, the Board of Directors of the Corporation.

N. The term **Construction Fund** shall mean the Corporation’s construction fund ordered established by Section 35 of this Resolution.

O. The term **Credit Agreement** shall mean a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitments to purchase debt, purchase or sale agreements, interest rate swap agreements, or commitments or other contracts or agreements authorized, recognized, and
approved by the Corporation as a Credit Agreement in connection with the authorization, issuance, security, or payment of any Bond.

P. The term Credit Facility shall mean (i) a policy of insurance or a surety bond, issued by an issuer of policies of insurance insuring the timely payment of debt service on governmental obligations under and pursuant to Texas law, or (ii) a letter or line of credit issued by any financial institution authorized under applicable Texas law to deliver such types of financial instrument.

Q. The term Credit Provider shall mean any bank, financial institution, insurance company, surety bond provider, or other institution which provides, executes, issues, or otherwise is a party to or provider of a Credit Agreement.

R. The term Debt Service Requirements shall mean as of any particular date of computation, with respect to any obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the Corporation as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on such obligations; assuming, in the case of obligations without a fixed numerical rate, that such obligations bear interest calculated by assuming (i) that the interest rate for every 12-month period on such bonds is equal to the rate of interest reported in the most recently published edition of The Bond Buyer (or its successor) at the time of calculation as the “Revenue Bond Index” or, if such Revenue Bond Index is no longer being maintained by The Bond Buyer (or its successor) at the time of calculation, such interest rate shall be assumed to be 80% of the rate of interest then being paid on United States Treasury obligations of like maturity and (ii) that, in the case of bonds not subject to fixed scheduled mandatory sinking fund redemptions, that the principal of such bonds is amortized such that annual debt service is substantially level over the remaining stated life of such bonds or in the manner permitted under Section 1371.057(c), as amended, Texas Government Code as the same relates to interim or non–permanent indebtedness, and in the case of obligations required to be redeemed or prepaid as to principal prior to Stated Maturity according to a fixed schedule, the principal amounts thereof will be redeemed prior to Stated Maturity in accordance with the mandatory redemption provisions applicable thereto (in each case notwithstanding any contingent obligation to redeem bonds more rapidly). For the term of any Credit Agreement in the form of an interest rate hedge agreement entered into in connection with any such obligations, Debt Service Requirements shall be computed by netting the amounts payable to the Corporation under such hedge agreement from the amounts payable by the Corporation under such hedge agreement and such obligations.

S. The term Depository shall mean an official depository bank of the Corporation.

T. The term Fiscal Year shall mean the twelve month accounting period used by the Corporation in connection with the operation of the System, currently ending on September 30th of each year, which may be any twelve consecutive month period established by the Corporation, but in no event may the Fiscal Year be changed more than one time in any three calendar year period.

U. The term Government Securities, as used herein, shall mean (i) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by, the
United States of America; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, or (iv) any additional securities and obligations hereafter authorized by the laws of the State of Texas as eligible for use to accomplish the discharge of obligations such as the Bonds.

V. The term Gross Revenues shall mean all income and increment, including, but not limited to, any revenues, income, or connection fees which may be derived from the ownership and/or operation of the System as it is purchased, constructed or otherwise acquired, including payments pursuant to the Contract (excluding the Bond Payment portion of the Annual Payments), but shall not mean the income and increment derived from a contract or contracts with persons, corporations, municipal corporations, political subdivisions, or other entities which under the terms of the authorizing resolution(s) or order(s) that may be pledged for the requirements of the Corporation’s Special Project Bonds issued particularly to finance certain facilities (even though the facilities to be financed with the Special Project Bonds are physically connected to the System) needed in performing any such contract or contracts; provided, however, that the Board of Directors of the Corporation may utilize any revenues, including those generated by the Contract, in excess of the Debt Service Requirements on the New Series Bonds for any lawful purpose in accordance with this Resolution and the Contract.

W. The term Holder or Holders shall mean the registered owner, whose name appears in the Security Register, for any Bond.

X. The term Inferior Lien Obligations shall mean (i) any bonds, notes, warrants, or other obligations hereafter issued by the Corporation payable wholly or in part from a pledge of and lien on Net Revenues of the System, all as further provided in Section 20 of this Resolution, which is subordinate and inferior to the lien on and pledge thereof securing the payment of any Prior Lien Obligations or Junior Lien Obligations hereafter issued by the Corporation, and (ii) obligations hereafter issued to refund any of the foregoing that are payable from and equally and ratably secured by a subordinate and inferior lien on and pledge of the Net Revenues as determined by the Board of Directors in accordance with any applicable law.

Y. The term Interest Payment Date shall mean the date semiannual interest is payable on the Bonds, being February 1 and August 1 of each year, commencing August 1, 2017, while any of the Bonds remain Outstanding.

Z. The term Junior Lien Obligations shall mean (i) any bonds, notes, warrants, or any similar obligations hereafter issued by the Corporation that are payable wholly or in part from and equally and ratably secured by a junior and inferior lien on and pledge of the Net Revenues of the System, all as further provided in Section 20 of this Resolution and
(ii) obligations hereafter issued to refund any of the foregoing that are payable from and equally
and ratably secured by a junior and inferior lien on and pledge of the Net Revenues as
determined by the Board of Directors in accordance with any applicable law.

AA. The term *Net Revenues* shall mean Gross Revenues of the System, with respect to
any period, after deducting the System’s Operation and Maintenance Expenses during such
period.

BB. The term *New Series Bonds* shall mean the Previously Issued New Series Bonds,
the Bonds, and any Additional New Series Bonds hereafter issued by the Corporation.

CC. The term *Operation and Maintenance Expenses* shall have the meaning ascribed
thereto in the Contract.

DD. The term *Outstanding* shall mean when used in this Resolution with respect to
Bonds means, as of the date of determination, all Bonds issued and delivered under this
Resolution, except:

1. those Bonds canceled by the Paying Agent/Registrar or delivered to the
   Paying Agent/Registrar for cancellation;

2. those Bonds for which payment has been duly provided by the
   Corporation in accordance with the provisions of Section 39 of this Resolution by the
   irrevocable deposit with the Paying Agent/Registrar, or an authorized escrow agent, of
   money or Government Securities, or both, in the amount necessary to fully pay the
   principal of, premium, if any, and interest thereon to maturity or redemption, as the case
   may be, provided that, if such Bonds are to be redeemed, notice of redemption thereof
   shall have been duly given pursuant to this Resolution or irrevocably provided to be
   given to the satisfaction of the Paying Agent/Registrar, or waived; and

3. those Bonds that have been mutilated, destroyed, lost, or stolen and
   replacement Bonds have been registered and delivered in lieu thereof as provided in
   Section 33 of this Resolution.

EE. The term *Overhead Expenses* shall have the meaning ascribed thereto in the
Contract.

FF. The term *Previously Issued New Series Bonds* shall mean (i) $6,275,000
“SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE
REFUNDING BONDS, NEW SERIES 2014”, dated September 1, 2014, (ii) 41,720,000
“SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE
IMPROVEMENT AND REFUNDING BONDS, NEW SERIES 2015”, dated December 1, 2014,
and (iii) obligations hereafter issued to refund any of the foregoing that are payable from and
equally and ratably secured by a junior and inferior lien on and pledge of the Bond Payment
portion of the Annual Payments as determined by the Board of Directors in accordance with any
applicable law.
GG. The term *Prior Lien Obligations* shall mean (i) any bonds, notes, warrants, or other evidences of indebtedness which the Corporation reserves the right to issue or enter into, as the case may be, in the future under the terms and conditions provided in Section 19 of this Resolution and which are equally and ratably secured solely by a first and prior lien on and pledge of the Net Revenues of the System and (ii) obligations hereafter issued to refund any of the foregoing if issued in a manner so as to be payable from and secured by a first and prior lien on and pledge of the Net Revenues as determined by the Corporation’s Board in accordance with applicable law.

HH. The term *Priority Bonds* shall mean (i) those obligations heretofore issued by the Corporation and that remain Outstanding after the issuance of the Bonds, which Outstanding obligations are payable from and secured by a first and prior lien on and pledge of the Bond Payment portion of the Annual Payments, which lien and pledge is senior and superior to the lien thereon and pledge thereof securing the repayment of the New Series Bonds, being the:

1. $41,040,000 “SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE BONDS, SERIES 2001”, dated February 1, 2001, and

2. $22,140,000 “SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE REFUNDING BONDS, SERIES 2010”, dated June 1, 2010.

and (ii) obligations hereafter issued to refund any of the foregoing that are payable from and equally and ratably secured by a first and prior lien on and pledge of the Bond Payment portion of the Annual Payments as determined by the Board of Directors in accordance with any applicable law.

II. The term *Purchasers* shall mean the initial purchaser or purchasers of the Bonds named in Section 34 of this Resolution.

JJ. The term *Rating Agency* shall mean any nationally recognized securities rating agency which has assigned a rating to the Bonds.

KK. The term *Renewal and Replacement Fund* shall mean the special fund, creation and establishment under the Priority Bonds Resolutions of which is recognized by the Corporation in Section 15 of this Resolution.

LL. The term *Resolution* shall mean this resolution adopted by the Corporation’s Board on ____________, 2016.

MM. The term *Special Project Bonds* shall mean obligations which the Corporation expressly reserves the right to issue in Section 21 of this Resolution.

NN. The term *Stated Maturity* shall mean the annual principal payments of the Bonds payable on February 1 of each year, as set forth in Section 2 of this Resolution.
The term System shall mean the works, improvements, facilities, plants, equipment, appliances, property, easements, leaseholds, licenses, privileges, right of use or enjoyment, contract rights or other interests in property comprising the utility system of the Corporation, including the Project, now owned or to be hereafter purchased, constructed or otherwise acquired whether by deed, contract or otherwise, together with any additions or extensions thereto or improvements and replacements thereof, or the utility system of any other entity to which the Corporation has contractual rights of use, except the facilities which the Corporation may purchase or acquire with the proceeds of the sale of Special Project Bonds, so long as such Special Project Bonds are outstanding, notwithstanding that such facilities may be physically connected with the System.

The term TWDB shall mean the Texas Water Development Board or any successor entity thereof.

The term TWDB Program shall have the meaning ascribed in Section 61 of the Resolution.

SECTION 10: Pledge of the Bond Payment Portion of the Annual Payments; Availability of Net Revenues for Payment; Perfection of Security Interest.

A. The Corporation hereby covenants and agrees that the Bond Payment portion of the Annual Payments, subject (but only subject) to the first and prior lien thereon and pledge thereof securing the repayment of the currently outstanding Priority Bonds, is hereby irrevocably pledged to the payment and security of the New Series Bonds including the establishment and maintenance of the special funds or accounts created and established for the payment and security thereof, as hereinafter provided. It is hereby resolved that the New Series Bonds, and the interest thereon, shall constitute a lien on and pledge of the Bond Payment portion of the Annual Payments (subject only to the first and prior lien thereon and pledge thereof securing the repayment of the currently outstanding Priority Bonds) and shall be valid and binding without any physical delivery thereof or further act by the Corporation. This lien on the Bond Payment portion of the Annual Payments for the payment and security of the New Series Bonds, as heretofore described, shall be subject only to the first and prior lien thereon and pledge thereof securing the currently outstanding Priority Bonds and, at such time as no Priority Bonds are Outstanding, the lien on and pledge of the Bond Payment Portion of the Annual Payments securing the repayment of the New Series Bonds hereby created shall be elevated to a first and prior lien position such that this lien and pledge shall be prior in right and claim as to any other indebtedness, liability, or obligation of the Corporation or the System.

B. As an additional source of payment of debt service on the New Series Bonds, but not pledged as additional security therefor, the Corporation hereby reserves the right to utilize its Net Revenues for such lawful purpose, but any use of Net Revenues for the payment of New Series Bonds debt service shall be subject to the prior lien on and pledge of the Net Revenues securing the payment of any Additional Obligations hereafter issued by the Corporation.

C. Chapter 1208, as amended, Texas Government Code applies to the issuance of the New Series Bonds and the lien on and pledge of Bond Payment portion of the Annual Payments granted by the Corporation under subsection (a) of this Section, and such pledge is therefore
valid, effective, and perfected. If Texas law is amended at any time while the New Series Bonds are outstanding and unpaid such that the pledge of the Bond Payment portion of the Annual Payments granted by the Corporation is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, as amended, then in order to preserve to the registered owners of the New Series Bonds the perfection of the security interest in this pledge, the Corporation agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code, as amended and enable a filing to perfect the security interest in this pledge to occur.

SECTION 11: Rates and Charges. For the benefit of the Holders of the New Series Bonds and in addition to all provisions and covenants in the laws of the State of Texas and in this Resolution, the Corporation hereby expressly stipulates and agrees, while any of the New Series Bonds are Outstanding, to establish and maintain rates and charges for facilities and services afforded by the System, including the Annual Payments, that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to produce Gross Revenues in each Fiscal Year sufficient:

A. To pay all Operation and Maintenance Expenses, or any expenses required by statute to be a first claim on and charge against the Gross Revenues of the System;

B. To produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest on any Prior Lien Obligations hereafter issued by the Corporation and the amounts required to be deposited in any reserve, contingency, or redemption fund or account created for the payment and security of any Prior Lien Obligations, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured solely by a prior and first lien on and pledge of the Net Revenues of the System;

C. To produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest on any Junior Lien Obligations hereafter issued by the Corporation and the amounts required to be deposited in any reserve, contingency, or redemption fund or account created for the payment and security of any Junior Lien Obligations, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured solely by a junior and inferior lien on and pledge of the Net Revenues of the System;

D. To produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest on any Inferior Lien Obligations hereafter issued by the Corporation and the amounts required to be deposited in any reserve, contingency, or redemption fund or account created for the payment and security of any Inferior Lien Obligations, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured solely by a subordinate and inferior lien on and pledge of the Net Revenues of the System;

E. To produce Net Revenues, together with any other lawfully available funds, including the Bond Payment portion of the Annual Payments, to pay the principal of and interest on the currently outstanding Priority Bonds as the same become due and payable and to deposit the amounts required to be deposited in any special fund or account, including the Priority

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SECTION: SWIFT 5
Bonds’ debt service and debt service reserve funds and the Renewal and Replacement Fund heretofore created and established for the payment and security of the Priority Bonds; and

F. To produce Net Revenues, together with any other lawfully available funds, including the Bond Payment portion of the Annual Payments, to pay the principal of and interest on the New Series Bonds as the same become due and payable and to deposit the amounts required to be deposited in any special fund or account, including the Bond Fund created herein and any debt service reserve fund hereafter created as additional security for any Additional New Series Bonds, created and established for the payment and security of the New Series Bonds.

SECTION 12: System Fund. The Corporation hereby ratifies, confirms and herein assumes the application for so long as any New Series Bonds are Outstanding its prior covenants and agreements made in the Priority Bonds Resolutions that the Gross Revenues of the System shall be deposited, as collected and received, into a separate fund or account previously created, established, and maintained with the Depository known as the “Schertz/Seguin Local Government Corporation Revenue Fund” (the System Fund) and that the Gross Revenues of the System shall be kept separate and apart from all other funds of the Corporation. The Corporation covenants that the Overhead Expenses and Operation and Maintenance Expenses (each as defined in the Contract) shall be deposited upon receipt by the Corporation into the System Fund. All Gross Revenues deposited into the System Fund shall be pledged and appropriated to the extent required for the following uses and in the order of priority shown:

FIRST: to the payment of all necessary and reasonable Operation and Maintenance Expenses as defined herein or required by statute, to be a first charge on and claim against the Gross Revenues of the System.

SECOND: to the payment of the amounts required to be deposited into the bond, reserve, contingency, or redemption funds created and established for the payment of any Prior Lien Obligations hereafter issued by the Corporation as the same become due and payable.

THIRD: to the payment of the amounts required to be deposited into the bond, reserve, contingency, or redemption funds created and established for the payment of any Junior Lien Obligations hereafter issued by the Corporation as the same become due and payable.

FOURTH: to the payment of the amounts required to be deposited into the bond, reserve, contingency, or redemption funds created and established for the payment of any Inferior Lien Obligations hereafter issued by the Corporation as the same become due and payable.

FIFTH: to the payment of the amounts that must be deposited in any special funds or accounts, including the debt service and debt service reserve funds and the Renewal and Replacement Fund created and established for the payment and security of the currently outstanding Priority Bonds.

SIXTH: to the payment of the amounts that must be deposited in any special funds or accounts, including the Bond Fund created herein and any debt service reserve
Any Net Revenues remaining in the System Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other Corporation purpose now or hereafter permitted by law.

SECTION 13: Bond Fund; Surplus Bond Proceeds. For purposes of providing funds to pay the principal of and interest on the New Series Bonds as the same become due and payable, the Corporation agrees to maintain, at the Depository, a separate and special fund or account previously created and known as the “Schertz/Seguin Local Government Corporation Contract Revenue Bonds, New Series Interest and Sinking Fund” (the Bond Fund). The Corporation covenants that the Bond Payment portion of the Annual Payments shall be deposited upon receipt by the Corporation into the Bond Fund. The Authorized Officials covenant that there shall be deposited into the Bond Fund prior to each principal and interest payment date from the available Bond Payment portion of the Annual Payments an amount equal to one hundred per cent (100%) of the amount required to fully pay the interest on and the principal of the New Series Bonds then falling due and payable, such deposits to pay maturing principal and accrued interest on the New Series Bonds to be made in substantially equal monthly installments on or before the tenth day of each month, beginning on or before the tenth day of the month next following the delivery of the Bonds to the Purchasers. If the Bond Payment portion of the Annual Payments in any month are insufficient to make the required payments into the Bond Fund, then the amount of any deficiency in such payment shall be added to the amount otherwise required to be paid into the Bond Fund in the next month. For the avoidance of doubt, and for purposes of clarity, the Bond Payment portion of the Annual Payments received by the Corporation from the Cities under the Contract shall be utilized by the Corporation, as received, in the following manner for so long as any Priority Bonds remain Outstanding:

FIRST: to the payment of the amounts that must be deposited in any special funds or accounts, including the debt service and debt service reserve funds created and established for the payment and security of the currently outstanding Priority Bonds and the Renewal and Replacement Fund, in the times and in the amounts (if at all) specified in the Priority Bonds Resolutions.

SECOND: to the payment of the amounts that must be deposited in any special funds or accounts, including the Bond Fund, created and established for the payment and security of the New Series Bonds (and including any debt service reserve fund hereafter created as additional security for any Additional New Series Bonds).

The required monthly deposits to the Bond Fund for the payment of principal of and interest on the New Series Bonds shall continue to be made as hereinabove provided until such time as (i) the total amount on deposit in the Bond Fund is equal to the amount required to fully pay and discharge all outstanding New Series Bonds (principal and interest) or (ii) the New Series Bonds are no longer Outstanding.
Accrued interest, if any, received from the Purchasers, as well as any Net Revenues deposited to the Bond Fund at the Corporation’s discretion, shall be taken into consideration and reduce the amount of the monthly deposits hereinabove required to be deposited into the Bond Fund from the Bond Payment portion of the Annual Payments. Additionally, any proceeds of the Bonds, and investment income thereon, not expended for authorized purposes shall be deposited into the Bond Fund and shall be taken into consideration and reduce the amount of monthly deposits required to be deposited into the Bond Fund from the Bond Payment portion of the Annual Payments.

SECTION 14: Reserve Fund. The Corporation hereby reserves the right to establish, at the time of issuance of any series of Additional New Series Bonds, a debt service reserve fund, as either a segregated fund created for the benefit of a particular series of Additional New Series Bonds or a combined fund applicable to all New Series Bonds at such time Outstanding, and to provide for the funding of any such debt service reserve fund in the manner (which may be in any manner then or thereafter permitted by applicable law) and amount as prescribed in the Corporation resolution authorizing the issuance of the series of Additional New Series Bonds in conjunction with which such reserve fund is created. No debt service reserve was created in the issuance of the Previously Issued New Series Bonds or is created in connection with the issuance of the Bonds.

SECTION 15: Renewal and Replacement Fund. There has been previously created and established under the Priority Bonds Resolutions that there shall be maintained at the Depository, and accounted for separate and apart from all other funds of the Corporation a separate fund entitled the “Schertz/Seguin Local Government Corporation Contract Revenue Bonds Renewal and Replacement Fund” (the Renewal and Replacement Fund). The amount deposited initially into the Renewal and Replacement Fund from proceeds of the previously issued Priority Bonds was $500,000.00 (the Emergency Amount) which amount may not be decreased while any Priority Bonds are Outstanding. The Renewal and Replacement Fund shall be used for the purpose of (1) paying the costs of improvements, enlargements, extensions, additions, replacements, or other capital expenditures related to the System, or (2) paying the costs of unexpected or extraordinary repairs or replacements of the System for which System funds are not available, or (3) paying unexpected or extraordinary expenses of operation and maintenance of the System for which System funds are not otherwise available, or (4) paying the debt service requirements on the currently outstanding Priority Bonds for which other System revenues are not available, or (5) for any other lawful purpose in support of the System.

Though it has not exercised such right with respect to the issuance of the currently outstanding New Series Bonds, the Corporation hereby reserves the right to provide, in any prospective Corporation resolution authorizing the issuance of any series of Additional New Series Bonds, for an increase in the amount to be maintained from time to time in the Renewal and Replacement Fund and to provide that the amounts on deposit from time in the Renewal and Replacement Fund shall be available to pay debt service on the New Series Bonds subject to the prior use of any such proceeds to pay debt service on any Priority Bonds at such time Outstanding. Such Corporation resolution shall provide for the manner of funding any resultant increase in the amount to be accumulated and maintained in the Repair and Replacement Fund in a manner permitted under the Priority Bonds Resolutions and other applicable law and that is not in conflict with terms and provisions of this Resolution.
SECTION 16: Deficiencies - Excess Net Revenues.

A. If on any occasion there shall not be a sufficient amount of the Bond Payment portion of the Annual Payments to make the required deposits into the Bond Fund, then such deficiency shall be cured as soon as possible from the next available unallocated Annual Payments, or from any other sources available for such purpose, and such payments shall be in addition to the amounts required to be paid into these Funds or accounts during such month or months. Subject to making the required deposits to any funds or accounts securing any Additional Obligations or Priority Bonds, when and as required by any Corporation resolution authorizing a series of Additional Obligations or any Priority Bonds Resolution, respectively, the excess Net Revenues of the System may be used by the Corporation for any lawful purpose including, but not limited to, the payment of debt service on or redemption of any Bonds.

B. Subject to making the required deposits to the Bond Fund when and as required by this Resolution or any resolution authorizing the issuance of Additional New Series Bonds or Additional Obligations, the excess Net Revenues of the System may be used by the Corporation for any lawful purpose including, but not limited to, the redemption of any Bonds Similarly Secured.

SECTION 17: Payment of Bonds. While any of the New Series Bonds are Outstanding, any Authorized Official shall cause to be transferred to the Paying Agent/Registrar thereof, from funds on deposit in the Bond Fund, amounts sufficient to fully pay and discharge promptly each installment of interest on and principal of the New Series Bonds as such installment accrues or matures; such transfer of funds must be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar for the New Series Bonds at the close of the business day next preceding the date a debt service payment is due on the New Series Bonds.

SECTION 18: Investments. Funds held in any Fund or account created, established, or maintained pursuant to this Resolution shall, at the option of the Corporation, be invested as permitted by the provisions of the Public Funds Investment Act, as amended, Chapter 2256, Texas Government Code, or any other law (collateralized pursuant to the Public Funds Collateral Act, as amended, Chapter 2257, Texas Government Code), and secured (to the extent not insured by the Federal Deposit Insurance Corporation) by obligations of the type hereinafter described, including time deposits, certificates of deposit, guaranteed investment contracts, or similar contractual agreements, investments held in book-entry form, in securities including, but not limited to, direct obligations of the United States of America, obligations guaranteed or insured by the United States of America, which, in the opinion of the Attorney General of the United States, are backed by its full faith and credit or represent its general obligations, or invested in indirect obligations of the United States of America, including, but not limited to, evidences of indebtedness issued, insured, or guaranteed by such governmental agencies as the Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Home Loan Banks, Government National Mortgage Association, Farmers Home Administration, Federal Home Loan Mortgage Association, or Federal Housing Association; provided that all such deposits and investments shall be made in such a manner that the money required to be expended from any Fund or account will be available at the proper time or times. Such investments (except State and Local Government Series investments held in book entry form, which shall at all times be
valued at cost) shall be valued in terms of current market value within 45 days of the close of each Fiscal Year. All interest and income derived from deposits and investments in the Bond Fund immediately shall be credited to, and any losses debited to, the Bond Fund. All such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds.

A. The Corporation hereby covenants to not issue any Additional Priority Bonds, except refunding bonds with debt service savings.

B. In addition to the right to issue bonds of inferior lien as authorized by the laws of this State of Texas, the Corporation reserves the right hereafter to issue Additional New Series Bonds. The Additional New Series Bonds, when issued, shall be payable from and secured by a lien on and pledge of the Bond Payment portion of the Annual Payments in the same manner and to the same extent as are the New Series Bonds at such time outstanding and such Additional New Series Bonds and New Series Bonds at such time Outstanding shall in all respects be of equal dignity. The Additional New Series Bonds may be issued in one or more installments provided, however, that no Additional New Series Bonds, shall be issued unless and until the following conditions have been met:

(1) The Corporation is not then in default as to any covenant, condition or obligation prescribed in any Priority Bonds Resolution authorizing the issuance of Priority Bonds at such time outstanding and any resolution authorizing the issuance of the New Series Bonds at such time Outstanding or the Contract (including any amendment or supplement thereto).

(2) A consulting engineer certifies to the Corporation the need for an estimated amount of additional financing required for completion, expansion, enlargement or improvement of the Project, if new money bonds are being issued.

(3) The Cities shall have approved the resolution(s) authorizing the issuance of the Additional New Series Bonds as to form and content and acknowledged that the payment of principal of and interest on such Additional New Series Bonds is payable, in whole or in part, from the Bond Payment portion of the Annual Payments to be made by the Cities to the Corporation under and pursuant to the Contract.

(4) The Additional New Series Bonds are made to mature on February 1 or August 1 or both in each of the years in which they are scheduled to mature.

(5) The resolution authorizing the issuance of the Additional New Series Bonds provides for deposits to be made to the Bond Fund in amounts sufficient to pay the principal of and interest on such Additional New Series Bonds as the same become due.

Outstanding New Series Bonds may be refunded (pursuant to any law then available) upon such terms and conditions as the governing body of the Corporation may deem to the best interest of the Corporation.

SECTION 19: Issuance of Prior Lien Obligations. The Corporation also reserves the right to issue Prior Lien Obligations that are payable from and secured by a first and prior lien
and pledge of the Net Revenues of the System. The Corporation covenants and agrees, however, it will not issue any Prior Lien Obligations unless:

A. Except for a refunding to cure a default, the Corporation is not then in default as to any covenant, condition or obligation prescribed by the resolutions authorizing the issuance of New Series Bonds.

B. Each of the funds created solely for the payment of principal of and interest on the then-outstanding Priority Bonds and then-outstanding New Series Bonds contains the amounts of money then-required to be on deposit therein.

In addition, the Prior Lien Obligations may be refunded pursuant to any law then available upon such terms and conditions as the Corporation’s Board may deem to be in the best interest of the Corporation and its inhabitants.

SECTION 20: Obligations of Inferior Lien and Pledge. The Corporation hereby reserves the right to issue, at any time, obligations including, but not limited to, Junior Lien Obligations and Inferior Lien Obligations payable from and secured, in whole or in part, by a lien on and pledge of the Net Revenues of the System, subordinate and inferior in rank and dignity to the lien on and pledge of such Net Revenues securing the payment of any Prior Lien Obligations hereafter issued by the Corporation as may be authorized by the laws of the State of Texas.

SECTION 21: Special Project Bonds. The Corporation further reserves the right to issue bonds in one or more installments for the purchase, construction, improvement, extension, replacement, enlargement or repair of utility facilities necessary under a contract or contracts with persons, corporations, municipal corporations, political subdivisions, or other entities, such bonds to be payable from and secured by the proceeds of such contract or contracts. The Corporation further reserves the right to refund such bonds and secure the payment of the debt service requirements on the refunding bonds in the same manner or as otherwise permitted by the laws of the State of Texas.

SECTION 22: Maintenance of System - Insurance. The Corporation covenants, agrees, and affirms its covenants that while the New Series Bonds remain outstanding it will maintain and operate the System with all possible efficiency and maintain casualty and other insurance on the properties of the System and its operations of a kind and in such amounts customarily carried by municipal corporations in the State of Texas engaged in a similar type of business (which may include an adequate program of self-insurance); and that it will faithfully and punctually perform all duties with reference to the System required by the laws of the State of Texas. All money received from losses under such insurance policies, other than public liability policies, shall be retained for the benefit of the Holders of the New Series Bonds until and unless the proceeds are paid out in making good the loss or damage in respect of which such proceeds are received, either by replacing the property destroyed or repairing the property damaged, and adequate provision for making good such loss or damage must be made within ninety (90) days after the date of loss. The payment of premiums for all insurance policies required under the provisions hereof shall be considered Operation and Maintenance Expenses. Nothing in this Resolution shall be construed as requiring the Corporation to expend any funds which are derived from
sources other than the operation of the System but nothing herein shall be construed as preventing the Corporation from doing so.

SECTION 23: Records and Accounts - Annual Audit. The Corporation covenants, agrees, and affirms its covenants that so long as any of the New Series Bonds remain outstanding, it will keep and maintain separate and complete records and accounts pertaining to the operations of the System in which correct entries shall be made of all transactions relating thereto as provided by applicable law. The Holders of the Bonds or any duly authorized agent or agents of such Holders shall have the right to inspect the System and all properties comprising the same. The Corporation further agrees that following (and in no event later than 150 days after) the close of each Fiscal Year, it will cause an audit of such books and accounts to be made by an independent firm of Certified Public Accountants which annual audit shall be prepared in accordance with generally accepted auditing standards. Copies of each annual audit shall be furnished, without charge, (i) to the Texas Water Development Board, Attention: Executive Administrator and (ii) upon written request, to and at the expense of such Holder, to any subsequent Holder thereof. Expenses incurred in making the annual audit of the operations of the System are to be regarded as Operation and Maintenance Expenses.

SECTION 24: Sale or Encumbrance of System. While any New Series Bonds remain Outstanding, the Corporation will not sell, dispose of or, except as permitted in Sections 19, 20, 21, 22, and 61, further encumber the Net Revenues of the System or any substantial part thereof; provided, however, that this provision shall not prevent the Corporation from disposing of any of the Project or the System which is being replaced or is deemed by the Corporation to be obsolete, worn out, surplus or no longer needed for the proper operation of the System. Any agreement pursuant to which the Corporation contracts with a person, corporation, municipal corporation or political subdivision to operate the System or to lease and/or operate all or part of the System shall not be considered as an encumbrance of the System.

SECTION 25: Competition. To the extent it legally may, the Corporation will not grant any franchise or permit for the acquisition, construction or operation of any competing facilities which might be used as a substitute for the System and will prohibit the operation of any such competing facilities.

SECTION 26: Special Covenants. The Corporation further covenants and agrees that:

A. Encumbrance and Sale.

(1) The Annual Payments and the Net Revenues have not in any manner been pledged to the payment of any debt or obligation of the Corporation except with respect to the currently Outstanding Priority Bonds and New Series Bonds are Outstanding, the Corporation will not, except as provided in this Resolution, additionally encumber any portion of the Annual Payments or the Net Revenues.

(2) While the New Series Bonds are Outstanding, and except as specifically permitted in Section 19, 20, 21, 22, and 61, of this Resolution, the Corporation shall not mortgage, pledge, encumber, sell, lease, or otherwise dispose of or impair its title to the Net Revenues of the System or any significant or substantial part thereof.
B. **Title.** Subject to the provisions of Section 61 of the Resolution, the Corporation or the Cities lawfully owns or will own and is or will be lawfully possessed of the lands or easements upon which its System is and will be located, and has or will purchase good and indefeasible estate in such lands in fee simple, or has or will lawfully obtain any necessary easements to operate the System, and it warrants that it has or will obtain and will defend, the title to all the aforesaid lands and easements for the benefit of the owners of the New Series Bonds against the claims and demands of all persons whomsoever, that it is lawfully qualified to pledge the Bond Payment portion of the Annual Payments to the payment of the Bonds Similarly Secured, in the manner prescribed herein, and that it has lawfully exercised such rights.

C. **Liens.** The Corporation will from time to time and before the same become delinquent pay and discharge all taxes, assessments, and governmental charges, if any, which shall be lawfully imposed upon it, or its System, and it will pay all lawful claims for rents, royalties, labor, materials, and supplies which if unpaid might by law become a lien or charge upon its System, provided, however, that no such tax, assessment, or charge, and that no such claims which might be or other lien or charge, shall be required to be paid while the validity of the same shall be contested in good faith by the Corporation.

D. **Performance.** The Corporation will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in the Contract and in the resolutions authorizing the issuance of New Series Bonds, and in each and every New Series Bond and pay from the Bond Payment portion of the Annual Payments the principal of and interest on every New Series Bond (subject to the payment obligations relating to the currently outstanding Priority Bonds, as specified in the Priority Bonds Resolutions) on the dates and in the places and manner prescribed in such resolutions and New Series Bonds; and that it will, at the times and in the manner prescribed (and subject to the payment requirements applicable to the currently outstanding Priority Bonds, as specified in the Priority Bonds Resolutions), deposit or cause to be deposited from the Bond Payment portion of the Annual Payments the amounts required to be deposited into the Bond Fund; and the Holder of the Bonds may require the Corporation, its officials, agents, and employees to carry out, respect, or enforce the covenants and obligations of this Resolution or any resolution authorizing the issuance of Additional New Series Bonds including, but without limitation, the use and filing of mandamus proceedings, in any court or competent jurisdiction, against the Corporation, its officials, agents, and employees.

E. **Legal Authority.** The Corporation is duly authorized under the laws of the State of Texas to issue the Bonds; that all action on its part for the authorization and issuance of the Bonds has been duly and effectively taken, and the Bonds in the hands of the Holders thereof are and will be valid and enforceable special obligations of the Corporation in accordance with their terms.

F. **Budget.** The Corporation will prepare, adopt, and place into effect an annual budget (the *Annual Budget*) for operation and maintenance of the System for each Fiscal Year, including in each Annual Budget such items as are customarily and reasonably contained in a utility system budget under generally accepted accounting procedures.

G. **Permits.** The Corporation will comply with all of the terms and conditions of any and all franchises, permits, and authorizations applicable to or necessary with respect to the
System and which have been obtained from any governmental agency; and the Corporation has
or will obtain and keep in full force and effect all franchises, permits, authorizations, and other
requirements applicable to or necessary with respect to the acquisition, construction, equipment,
operation, and maintenance of the System.

SECTION 27: Limited Obligations of the Corporation. The New Series Bonds are
limited, special obligations of the Corporation payable from and equally and ratably secured,
together with the Previously Issued New Series Bonds and any Additional New Series Bonds
hereafter issued by the Corporation, solely by a lien on and pledge of the Bond Payment portion
of the Annual Payments at the level of priority specified in Section 10 hereof; and the Holders
thereof shall never have the right to demand payment of the principal or interest on the New
Series Bonds from any funds raised or to be raised through taxation by the Corporation.

SECTION 28: Security of Funds. All money on deposit in the Funds or accounts for
which this Resolution makes provision (except any portion thereof as may be at any time
properly invested as provided herein) shall be secured in the manner and to the fullest extent
required by the laws of Texas for the security of public funds (including as required by and in
accordance with the Texas Public Funds Collateral Act, codified at Chapter 2257, as amended,
Texas Government Code), and money on deposit in such Funds or accounts shall be used only
for the purposes permitted by this Resolution.

SECTION 29: Remedies in Event of Default. In addition to all the rights and remedies
provided by the laws of the State of Texas and specifically to confirm that the Purchasers have
all rights and remedies available under Texas law hereunder, the Corporation covenants and
agrees particularly that in the event the Corporation (a) defaults in the payments to be made to
the Bond Fund, or (b) defaults in the observance or performance of any other of the covenants,
conditions, or obligations set forth in this Resolution, the Holders of any of the New Series
Bonds shall be entitled to seek a writ of mandamus issued by a court of proper jurisdiction
compelling and requiring the governing body of the Corporation and other officers of the
Corporation to observe and perform any covenant, condition, or obligation prescribed in this
Resolution or in the Contract. In addition, the Holders shall be entitled to exercise any rights of
enforcement against the Cities, as provided in the Contract.

No delay or omission to exercise any right or power accruing upon any default shall
impair any such right or power or shall be construed to be a waiver of any such default or
acquiescence therein, and every such right and power may be exercised from time to time and as
often as may be deemed expedient. The specific remedy herein provided shall be cumulative of
all other existing remedies and the specification of such remedy shall not be deemed to be
exclusive.

For the avoidance of doubt, for so long as the Purchasers are Holders of the Bonds, the
Purchasers may exercise all remedies available to it at law or in equity, and any provision of this
Resolution or the Bonds that attempts to restrict or limit this right to exercise remedies shall be
of no force or effect.

SECTION 30: Notices to Holders Waiver. Wherever this Resolution provides for notice
to Holders of any event, such notice shall be sufficiently given (unless otherwise herein
expressly provided) if in writing and sent by United States mail, first-class postage prepaid, to the address of each Holder as it appears in the Security Register.

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

SECTION 31: Bonds Are Negotiable Instruments. Each of the Bonds authorized herein shall be deemed and construed to be a “security” and as such a negotiable instrument with the meaning of the Chapter 8 of the Texas Uniform Commercial Code.

SECTION 32: Cancellation. All Bonds surrendered for payment, transfer, redemption, exchange, or replacement, if surrendered to the Paying Agent/Registrar, shall be promptly canceled by it and, if surrendered to the Corporation, shall be delivered to the Paying Agent/Registrar and, if not already canceled, shall be promptly canceled by the Paying Agent/Registrar. The Corporation may at any time deliver to the Paying Agent/Registrar for cancellation any Bonds previously certified or registered and delivered which the Corporation may have acquired in any manner whatsoever, and all Bonds so delivered shall be promptly canceled by the Paying Agent/Registrar. All canceled Bonds held by the Paying Agent/Registrar shall be destroyed as directed by the Corporation.

SECTION 33: Mutilated, Destroyed, Lost, and Stolen Bonds. If (1) any mutilated Bond is surrendered to the Paying Agent/Registrar, or the Corporation and the Paying Agent/Registrar receive evidence to their satisfaction of the destruction, loss, or theft of any Bond, and (2) there is delivered to the Corporation and the Paying Agent/Registrar such security or indemnity as may be required to save each of them harmless, then, in the absence of notice to the Corporation or the Paying Agent/Registrar that such Bond has been acquired by a bona fide purchaser, the Corporation shall execute and, upon its request, the Paying Agent/Registrar shall register and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost, or stolen Bond, a new Bond of the same Stated Maturity and interest rate and of like tenor and principal amount, bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost, or stolen Bond has become or is about to become due and payable, the Corporation in its discretion may, instead of issuing a new Bond, pay such Bond.

Upon the issuance of any new Bond or payment in lieu thereof, under this Section, the Corporation may require payment by the Holder of a sum sufficient to cover any tax or other governmental charge or fee imposed in relation thereto and any other expenses (including attorney’s fees and the fees and expenses of the Paying Agent/Registrar) connected therewith.
Every new Bond issued pursuant to this Section in lieu of any mutilated, destroyed, lost, or stolen Bond shall constitute a replacement of the prior obligation of the Corporation, whether or not the mutilated, destroyed, lost, or stolen Bond shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Resolution equally and ratably with all other Outstanding Bonds.

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

SECTION 34: Sale of the Bonds; Approval of Private Placement Memorandum; Use of Bond Proceeds. The sale of the Bonds to the Texas Water Development Board (the Purchasers and having all the rights, benefits, and obligations of a Holder) at the price of par, less the origination fee of $__________ pursuant to a loan commitment received from the Purchasers is hereby confirmed. The pricing and terms of the sale of the Bonds are hereby found and determined to be the most advantageous reasonably obtainable by the Corporation. Delivery of the Bonds to the Purchasers shall occur as soon as practicable after the adoption of this Resolution, upon payment therefor in accordance with the terms of loan commitment, and this Resolution.

The Private Placement Memorandum (the Private Placement Memorandum) related to the Bonds and presented to the Corporation’s Board in connection with this Resolution is hereby approved. Any Authorized Official is hereby directed to deliver the Private Placement Memorandum to the Purchasers in satisfaction of the prerequisite of the Purchasers to receive the Private Placement Memorandum prior to their purchase of the Bonds.

Proceeds from the sale of the Bonds shall be applied as follows:

(1) Accrued interest, if any, and capitalized interest (in the amount of $__________) received from the Purchasers shall be deposited into the Bond Fund. As interest accrues from the date of initial delivery of the Bonds to the Purchasers (the Closing Date), there will be no accrued interest.

(2) A portion of the proceeds shall be deposited into the special construction account or accounts created for the Project to be constructed with the proceeds of the Bonds or to pay the costs of issuance of the Bonds. This special construction account shall be established and maintained at the Depository and shall be invested in accordance with the provisions of Section 18 of this Resolution. Interest earned on the proceeds of the Bonds pending completion of construction of the projects financed with such proceeds shall be accounted for, maintained, deposited, and expended as permitted by the provisions of Chapter 1201, as amended, Texas Government Code, or as required by any other applicable law. Thereafter, such amounts shall be expended in accordance with Section 13 of this Resolution.

SECTION 35: Compliance with Purchasers’ Rules and Regulations. The Corporation will comply with all of the requirements contained in the resolution or resolutions adopted by the Purchasers with respect to the issuance of the Bonds. In addition, in compliance with the Purchasers’ SWIFT Loan Program Rules, the Corporation agrees and covenants:
A. to keep and maintain full and complete records and accounts pertaining to the construction of the project financed with the proceeds of sale of the Bonds, including the Construction Fund (defined herein), in accordance with the standards set forth by the Government Accounting Standard Board;

B. to create and establish at the Depository a “SWIFT Program Loan Construction Fund” (the Construction Fund) for the receipt and disbursement of all proceeds from the sale of the Bonds and all other funds acquired by the Corporation in connection with the planning and construction of the projects financed, in whole or in part, by the Purchasers pursuant to the loan evidenced by the Bonds and all funds deposited to the credit of the Construction Fund shall be disbursed only for the payment of costs and expenses incurred in connection with the planning and building of such projects as approved by the Purchasers and as otherwise allowed by the rules and in accordance with the provisions of Chapter 15, 16, or 17 of the Texas Water Code, as amended;

C. to provide the Purchasers with copies of “as built plans” pertaining to the projects financed, in whole or in part, with any funds of the Purchasers;

D. upon completion of the construction of the projects financed, in whole or in part, by the loan evidenced by the Bonds, to provide a final accounting to the Purchasers of the total costs of the projects. Thereafter, the Corporation shall submit a final accounting and a final funds registration form to the Executive Administrator, or his designee within 60 days of the Corporation’s receipt of the certificate of approval for the final pricing construction contract and the final inspection receipt. Upon receipt of this information, the Purchasers shall within 60 days of receipt of this information provide written direction of the Corporation of the course of action to be taken with respect to such surplus funds. If the projects as finally completed are built at a total cost less than the amount of available funds for building the projects, or if the Executive Administrator of the Purchasers disapproves construction of any portion of such projects as not being in accordance with the plans and specifications, the Corporation agrees to immediately, with filing of the final accounting, return to the Purchasers the amount of any such excess and/or the cost determined by the Executive Administrator of the Purchasers relating to the parts of such projects not built in accordance with the plans and specifications, to the nearest multiple of the authorized denominations for the Bonds held by the Purchasers in inverse order of their Stated Maturities by (i) the effectuation of a redemption of such amount of Bonds pursuant to Section 4.A. hereof, (ii) the deposit into the Bond Fund for the next scheduled payment of interest or principal on the Bonds, or (iii) spending such amount on other eligible project costs as authorized by the Executive Administrator. In determining the amount of available funds for building the project, the Corporation agrees to account for all amounts deposited to the credit of the Construction Fund, including all loan funds extended by the Purchasers, all other funds available from the projects as described in the project engineer’s or fiscal representative’s sufficiency of funds statement and all interest earned by the Corporation on money in the Construction Fund;

E. in addition to the requirements contained in Section 22 hereof, to maintain adequate insurance coverage on the projects financed with the proceeds of the Bonds in amounts adequate to protect the Purchasers’ interest;
F. in addition to the requirements contained in Section 23 hereof, to maintain current, accurate, and complete records and accounts necessary to demonstrate compliance with financial assistance related legal and contractual provisions;

G. to implement any water conservation program required by the Purchasers until all financial obligations to the Purchasers have been discharged;

H. to comply with any special conditions, if any, specified by the Corporation’s water conservation plan maintained in accordance with 31 TAC 363.15, as well as any environmental determination until all financial obligations to the Purchasers have been discharged;

I. to abide by the Purchasers’ rules and relevant state statutes, including, but not limited to, the Purchasers’ pre-design funding procedures;

J. to not use Bond proceeds to pay for the cost of sampling, testing, removing or disposing of injection well fluids, brine concentration, municipal solid wastes, soils and/or media contaminated by hazardous substances, and for managing and disposing of any other hazardous substances, including (but not limited to) radioactive substances and low-level radioactive wastes, that may be generated at the project site during planning, design, and construction activities;

K. loan proceeds shall not be used by the Corporation when sampling, testing, removing or disposing of contaminated soils and/or media at the project site and the Corporation also agrees, to the extent permitted by law, to indemnify, hold harmless and protect the Purchasers from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport, storage, treatment, and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the Corporation, its contractors, consultants, agents, officials, and employees during the course of the project;

L. to apply for and obtain all permits, licenses, letter authorizations, notifications of solid waste registration, notices of intent and other regulatory approvals that may be required by those federal, state, regional, and local governmental entities responsible for regulating environmental, health and safety, and transportation-related matters arising from or pertaining to the generation, management, and disposal of all municipal solid wastes, radioactive substances, and low-level radioactive-wastes that may be generated as the result of the planning, design, and construction of the project financed with Bond proceeds, including (but not necessarily limited to) surface water discharge permit(s), stormwater permits, underground injection control permits, solid waste facility registrations, notifications, and/or permits, hazardous waste permits, radioactive materials management licenses, and low-level radioactive waste permits, registrations, and exemptions;

M. the Corporation shall report to the Purchasers the amounts of project funds, if any, that were used to compensate historically underutilized businesses that worked on the project, in accordance with 31 TAC § 363.1312;
N. to notify the Executive Administrator of the Purchasers prior to taking any actions to alter the legal status of the Corporation’s Board in any manner (such as by conversion to a conservation and reclamation district or a sale-transfer-merger with another retail public utility that results in a change in governance of the System) and to receive approval from the Purchasers of any action to convey the Corporation’s obligations to the Purchasers, as the Holder of the Bonds, to another entity;

O. to not use any portion of the Bond proceeds, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire Nonpurpose Investments (as defined in Section 37 hereof) which produce a yield materially higher than the yield on the Purchasers’ bonds that are used to provide the Purchasers with proceeds that it will use to purchase the Bonds (the Source Series Bonds), other than Nonpurpose Investments acquired with:

1. Proceeds of the Source Series Bonds invested for a reasonable temporary period of up to three (3) years (reduced by the period of investment by the Purchasers) until such proceeds are needed for the facilities to be financed;

2. Amounts invested in a bona fide debt service fund, within the meaning of §1.148-1(b) of the Regulations (as defined in Section 37 hereof); and

3. Amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed the least of maximum annual debt service on the Bonds, 125% of average annual debt service on the Bonds, or 10% of the stated principal amount (or, in the case of a discount, the issue price) of the Bonds; and

4. to not acquire any of the Source Series Bonds in an amount related to the amount of the Bonds.

SECTION 36: Application to Texas Water Development Board. The Corporation’s Board ratifies and confirms its prior approval of the form and content of the Application to the Texas Water Development Board (the Application) prepared in connection with the sale of the Bonds and hereby approves the form and content of any addenda, supplement, or amendment thereto.

SECTION 37: Covenants to Maintain Tax-Exempt Status. 

A. Definitions. When used in this Section, the following terms have the following meanings:

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

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

“Computation Date” has the meaning set forth in Section 1.148-1(b) of the Regulations.
“Gross Proceeds” means any proceeds as defined in Section 1.148-1(b) of the Regulations, and any replacement proceeds as defined in Section 1.148-1(c) of the Regulations, of the Bonds.

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

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

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

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

“Yield” of

1. any Investment has the meaning set forth in Section 1.148-5 of the Regulations; and

2. the Bonds has the meaning set forth in Section 1.148-4 of the Regulations.

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

C. No Private Use or Private Payments. Except to the extent that it will not cause the Bonds to become “private activity bonds” within the meaning of section 141 of the Code and the Regulations and rulings thereunder, the Corporation shall at all times prior to the last Stated Maturity of Bonds:

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

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

D. No Private Loan. Except to the extent that it will not cause the Bonds to become “private activity bonds” within the meaning of section 141 of the Code and the Regulations and rulings thereunder, the Corporation shall not use Gross Proceeds of the Bonds to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be “loaned” to a person or entity if:

(1) property acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction which creates a debt for federal income tax purposes;
(2) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or
(3) indirect benefits, or burdens and benefits of ownership, of such Gross Proceeds or any property acquired, constructed or improved with such Gross Proceeds are otherwise transferred in a transaction which is the economic equivalent of a loan.

E. Not to Invest at Higher Yield. Except to the extent that it will cause the Bonds to become “arbitrage bonds” within the meaning of section 148 of the Code and the Regulations and rulings thereunder, the Corporation shall not at any time prior to the final Stated Maturity of the Bonds directly or indirectly invest Gross Proceeds in any Investment, if as a result of such investment the Yield of any Investment acquired with Gross Proceeds, whether then held or previously disposed of, materially exceeds the Yield of the Bonds.

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

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

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

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

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

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

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

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

J. Bonds Not Hedge Bonds.

(1) The Corporation reasonably expects to spend at least 85% of the spendable proceeds of the Bonds within three years after such Bonds are issued.
(2) Not more than 50% of the proceeds of the Bonds will be invested in Nonpurpose Investments having a substantially guaranteed Yield for a period of 4 years or more.

K. Elections. The Corporation hereby directs and authorizes the President and Secretary of the Board or the General Manager of the Corporation, either or any combination of the foregoing, to make such elections in the Certificate as to Tax Exemption or similar or other appropriate certificate, form, or document permitted or required pursuant to the provisions of the Code or the Regulations, as they deem necessary or appropriate in connection with the Bonds. Such elections shall be deemed to be made on the Closing Date.

SECTION 38: Control and Custody of Bonds. The President of the Corporation’s Board of Directors shall be and is hereby authorized to take and have charge of all necessary orders and records pending investigation by the Attorney General of the State of Texas, and shall take and have charge and control of the Bonds pending their approval by the Attorney General, the registration thereof by the Comptroller of Public Accounts and the delivery of the Bonds to the Purchasers.

Furthermore, the President, Board of Directors, Secretary, Board of Directors, or the General Manager of the Corporation, either or all, are hereby authorized and directed to furnish and execute such documents relating to the Corporation and its financial affairs as may be necessary for the issuance of the Bonds, the approval of the Attorney General and their registration by the Comptroller of Public Accounts and, together with the Corporation’s Co-Financial Advisors, Bond Counsel, and the Paying Agent/Registrar, make the necessary arrangements for the delivery of the Initial Bonds to the Purchasers and, when requested in writing by the Purchasers, the initial exchange thereof for definitive Bonds.

SECTION 39: Satisfaction of Obligation of Corporation. If the Corporation shall pay or cause to be paid, or there shall otherwise be paid to the Holders, the principal of, premium, if any, and interest on the Bonds, at the times and in the manner stipulated in this Resolution, then the lien on and pledge of the Bond Payment portion of the Annual Payments under this Resolution and all covenants, agreements, and other obligations of the Corporation to the Holders shall thereupon cease, terminate, and be discharged and satisfied.

Bonds, or any principal amount(s) thereof, shall be deemed to have been paid within the meaning and with the effect expressed above in this Section when (i) money sufficient to pay in full such Bonds or the principal amount(s) thereof at Stated Maturity or to the redemption date therefor, together with all interest due thereon, shall have been irrevocably deposited with and held in trust by the Paying Agent/Registrar or an authorized escrow agent, and/or (ii) Government Securities shall have been irrevocably deposited in trust with the Paying Agent/Registrar, or an authorized escrow agent, which Government Securities have, in the case of a net defeasance, been certified by an independent accounting firm to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any money deposited therewith, if any, to pay when due the principal of and interest on such Bonds Similarly Secured, or the principal amount(s) thereof, on and prior to the Stated Maturity thereof or (if notice of redemption has been duly given or waived or if irrevocable arrangements therefor acceptable to the Paying
Agent/Registrar have been made) the redemption date thereof for the Bonds. In the event of a gross defeasance of the Bonds, the Corporation shall deliver a certificate from its Co-Financial Advisors, the Paying Agent/Registrar, or another qualified third party concerning the deposit of cash and/or Government Securities to pay, when due, the principal of, redemption premium (if any), and interest due on any defeased Bonds. The Corporation covenants that no deposit of money or Government Securities will be made under this Section and no use made of any such deposit which would cause the Bonds to be treated as arbitrage bonds within the meaning of section 148 of the Code (as defined in Section 37). As long as the Purchasers hold all of the Bonds the Corporation will give the Purchasers notice of the creation of any escrow pursuant to this Section. Failure to give such notice shall not affect the validity or effectiveness of the creation of such an escrow.

Any money so deposited with the Paying Agent/Registrar, and all income from Government Securities held in trust by the Paying Agent/Registrar, or an authorized escrow agent, pursuant to this Section which is not required for the payment of the Bonds, or any principal amount(s) thereof, or interest thereon with respect to which such money has been so deposited shall be remitted to the Corporation or deposited as directed by the Corporation. Furthermore, any money held by the Paying Agent/Registrar for the payment of the principal of and interest on the Bonds Similarly Secured and remaining unclaimed for a period of four (4) years after the Stated Maturity, or applicable redemption date, of the Bonds such money was deposited and is held in trust to pay shall upon the request of the Corporation be remitted to the Corporation against a written receipt therefor, subject to the unclaimed property laws of the State of Texas.

Notwithstanding any other provision of this Resolution to the contrary, it is hereby provided that any determination not to redeem defeased Bonds that is made in conjunction with the payment arrangements specified in (i) or (ii) above shall not be irrevocable, provided that: (1) in the proceedings providing for such defeasance, the Corporation expressly reserves the right to call the defeased Bonds for redemption; (2) gives notice of the reservation of that right to the owners of the defeased Bonds immediately following the defeasance; (3) directs that notice of the reservation be included in any redemption notices that it authorizes; and (4) at the time of the redemption, satisfies the conditions of (i) or (ii) above with respect to such defeased debt as though it was being defeased at the time of the exercise of the option to redeem the defeased Bonds, after taking the redemption into account in determining the sufficiency of the provisions made for the payment of the defeased Bonds.

SECTION 40: Authorization of Escrow Agreement. The Corporation Board hereby finds and determines that it is in the best interest of the Corporation to authorize the execution of an Escrow Agreement, to comply with the Purchasers’ rules and regulations and provide for the installment deliveries of the proceeds of the Bonds to the Purchasers, if any. A copy of the Escrow Agreement is attached hereto, in substantially final form, as Exhibit B, and is incorporated by reference to the provisions of this Resolution for all purposes. Any Authorized Official is authorized to execute the Escrow Agreement as the act and deed of the Corporation Board.

SECTION 41: Resolution a Contract; Amendments - Outstanding Bonds. The Corporation acknowledges that the covenants and obligations of the Corporation herein
contained are a material inducement to the purchase of the New Series Bonds. This Resolution shall constitute a contract with the Holders from time to time, binding on the Corporation and its successors and assigns, and it shall not be amended or repealed by the Corporation so long as any New Series Bond remains Outstanding except as permitted in this Section. The Corporation may, without the consent of any Holders, from time to time and at any time, amend this Resolution in any manner not detrimental to the interests of the Holders, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the Corporation may, with the written consent of Holders holding a majority in aggregate principal amount of the New Series Bonds then Outstanding affected thereby, amend, add to, or rescind any of the provisions of this Resolution; provided that, without the consent of all Holders of Outstanding New Series Bonds, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of and interest on the New Series Bonds, reduce the principal amount thereof or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, the redemption price therefor, or interest on the New Series Bonds, (2) give any preference to any New Series Bond over any other New Series Bond, or (3) reduce the aggregate principal amount of New Series Bonds required for consent to any such amendment, addition, or rescission.

SECTION 42: Printed Opinion. The Purchasers’ obligation to accept delivery of the Bonds is subject to its being furnished a final opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, as Bond Counsel, approving certain legal matters as to the Bonds, said opinion to be dated and delivered as of the date of initial delivery and payment for such Bonds. Printing of a true and correct copy of said opinion on the reverse side of each of said Bonds, with appropriate certificate pertaining thereto executed by facsimile signature of the Secretary of the Corporation’s Board is hereby approved and authorized.

SECTION 43: CUSIP Numbers. CUSIP numbers may be printed or typed on the definitive Bonds. It is expressly provided, however, that the presence or absence of CUSIP numbers on the definitive Bonds shall be of no significance or effect as regards the legality thereof, and neither the Corporation nor attorneys approving said Bonds as to legality are to be held responsible for CUSIP numbers incorrectly printed or typed on the definitive Bonds.

SECTION 44: Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

SECTION 45: Benefits of Resolution. Nothing in this Resolution, expressed or implied, is intended or shall be construed to confer upon any person other than the Corporation, Bond Counsel, Paying Agent/Registrar, Purchasers, and the Holders, any right, remedy, or claim, legal or equitable, under or by reason of this Resolution or any provision hereof, this Resolution and all its provisions being intended to be and being for the sole and exclusive benefit of the Corporation, the Cities, Bond Counsel, the Paying Agent/Registrar, Purchasers, and the Holders.

SECTION 46: Inconsistent Provisions. All orders and resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Resolution are hereby repealed to the extent of such conflict, and the provisions of this Resolution shall be and remain controlling as to the matters resolved herein.
SECTION 47: Governing Law. This Resolution shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

SECTION 48: Severability. If any provision of this Resolution or the application thereof to any person or circumstance shall be held to be invalid, the remainder of this Resolution and the application of such provision to other persons and circumstances shall nevertheless be valid, and the Corporation’s Board hereby declares that this Resolution would have been enacted without such invalid provision.

SECTION 49: Construction of Terms. If appropriate in the context of this Resolution, words of the singular number shall be considered to include the plural, words of the plural number shall be considered to include the singular, and words of the masculine, feminine or neuter gender shall be considered to include the other genders.

SECTION 50: Incorporation of Preamble Recitals. The recitals contained in the preamble hereof are hereby found to be true, and such recitals are hereby made a part of this Resolution for all purposes and are adopted as a part of the judgment and findings of the Corporation’s Board.

SECTION 51: Authorization of Paying Agent/Registrar Agreement. The Corporation’s Board hereby finds and determines that it is in the best interest of the Corporation to authorize the execution of a Paying Agent/Registrar Agreement pertaining to the payment, registration, transferability, and exchange of the Bonds. A copy of the Paying Agent/Registrar Agreement is attached hereto, in substantially final form, as Exhibit A and is incorporated by reference to the provisions of this Resolution.

SECTION 52: Public Meeting. It is officially found, determined, and declared that the meeting at which this Resolution is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Resolution, was given, all as required by Chapter 551, as amended, Texas Government Code.

SECTION 53: Continuing Disclosure Undertaking.

A. Definitions.

As used in this Section, the following terms have the meanings ascribed to such terms below:

**EMMA** means the MSRB’s Electronic Municipal Market Access system, accessible by the general public, without charge, on the internet through the uniform resource locator (URL) http://www.emma.msrb.org.

**MSRB** means the Municipal Securities Rulemaking Board.

**Rule** means SEC Rule 15c2-12, as amended from time to time.

**SEC** means the United States Securities and Exchange Commission.
B. Annual Reports.

The Corporation shall file annually with the MSRB, (1) within six months after the end of each fiscal year of the Corporation ending in or after 2016, financial information and operating data with respect to the Corporation of the general type included in the final Private Placement Memorandum authorized by Section 34 of this Resolution, being the information described in Exhibit C hereto, and (2) if not provided as part of such financial information and operating data, audited financial statements of the Corporation, when and if available. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles described in Exhibit C hereto, or such other accounting principles as the Corporation may be required to employ from time to time pursuant to state law or regulation, and (ii) audited, if the Corporation commissions an audit of such financial statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the Corporation shall file unaudited financial statements within such period and audited financial statements for the applicable fiscal year to the MSRB, when and if the audit report on such financial statements becomes available. Under current Texas law, the Corporation must have its records and accounts audited annually and shall have an annual financial statement prepared based on the audit. The annual financial statement, including the auditor’s opinion on the statement, shall be filed in the office of the Secretary of the Corporation’s Board of Directors, within 180 days after the last day of the Corporation’s fiscal year. Additionally, upon the filing of this financial statement and the annual audit, these documents are subject to the Texas Open Records Act, as amended, Texas Government Code, Chapter 552.

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

C. Notice of Certain Events.

The Corporation shall file notice of any of the following events with respect to the Bonds to the MSRB in a timely manner and not more than 10 business days after occurrence of the event:

(1) Principal and interest payment delinquencies;

(2) Non-payment related defaults, if material;

(3) Unscheduled draws on debt service reserves reflecting financial difficulties;

(4) Unscheduled draws on credit enhancements reflecting financial difficulties;

(5) Substitution of credit or liquidity providers, or their failure to perform;
(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(7) Modifications to rights of holders of the Bonds, if material;

(8) Bond calls, if material, and tender offers;

(9) Defeasances;

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

(11) Rating changes;

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

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

(14) Appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material.

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

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

The Corporation shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the Corporation remains an “obligated person” with respect to the Bonds within the meaning of the Rule, except that the Corporation in any event will give notice of any deposit that causes the Bonds to be no longer Outstanding.

The provisions of this Section are for the sole benefit of the holders and beneficial owners of the Bonds, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Corporation undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Corporation’s financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The Corporation does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

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

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

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

The provisions of this Section may be amended by the Corporation from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Corporation, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Resolution that authorizes such an amendment) of the Outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the Corporation (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Holders and beneficial owners of the Bonds. The Corporation may also repeal or amend the provisions of
this Section if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the Corporation also may amend the provisions of this Section in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds, giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the Corporation so amends the provisions of this Section, the Corporation shall include with any amended financial information or operating data next provided in accordance with this Section an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

E. Information Format – Incorporation by Reference.

The Corporation information required under this Section shall be filed with the MSRB through EMMA in such format and accompanied by such identifying information as may be specified from time to time thereby. Under the current rules of the MSRB, continuing disclosure documents submitted to EMMA must be in word-searchable portable document format (PDF) files that permit the document to be saved, viewed, printed, and retransmitted by electronic means and the series of obligations to which such continuing disclosure documents relate must be identified by CUSIP number or numbers.

Financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including a private placement memorandum or other offering document) available to the public through EMMA or filed with the SEC.

SECTION 54: Book-Entry Only System.

It is intended that the Bonds initially be registered so as to participate in a securities depository system (the “DTC System”) with the Depository Trust Company, New York, New York, or any successor entity thereto (“DTC”), as set forth herein. Each Stated Maturity of the Bonds shall be issued (following cancellation of the Initial Bond described in Section 7) in the form of a separate single definitive Bond. Upon issuance, the ownership of each such Bond shall be registered in the name of Cede & Co., as the nominee of DTC, and all of the Outstanding Bonds shall be registered in the name of Cede & Co., as the nominee of DTC. The Corporation and the Paying Agent/Registrar are authorized to execute, deliver, and take the actions set forth in such letters to or agreements with DTC as shall be necessary to effectuate the DTC System, including the Letter of Representations attached hereto as Exhibit D (the “Representation Letter”).

With respect to the Bonds registered in the name of Cede & Co., as nominee of DTC, the Corporation and the Paying Agent/Registrar shall have no responsibility or obligation to any broker-dealer, bank, or other financial institution for which DTC holds the Bonds from time to time as securities depository (a “Depository Participant”) or to any person on behalf of whom such a Depository Participant holds an interest in the Bonds (an “Indirect Participant”). Without limiting the immediately preceding sentence, the Corporation and the Paying Agent/Registrar
shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any Depository Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Depository Participant or any other person, other than a registered owner of the Bonds, as shown on the Security Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the delivery to any Depository Participant or any Indirect Participant or any other Person, other than a Holder of a Bond, of any amount with respect to principal of, premium, if any, or interest on the Bonds. While in the DTC System, no person other than Cede & Co., or any successor thereto, as nominee for DTC, shall receive a bond certificate evidencing the obligation of the Corporation to make payments of principal, premium, if any, and interest on the Bonds pursuant to this Resolution. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Resolution with respect to interest checks or drafts being mailed to the Holder, the word “Cede & Co.” in this Resolution shall refer to such new nominee of DTC.

In the event that (a) the Corporation determines that DTC is incapable of discharging its responsibilities described herein and in the Representation Letter, (b) the Representation Letter shall be terminated for any reason, or (c) DTC or the Corporation determines that it is in the best interest of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the Corporation shall notify the Paying Agent/Registrar, DTC, and the Depository Participants of the availability within a reasonable period of time through DTC of bond certificates, and the Bonds shall no longer be restricted to being registered in the name of Cede & Co., as nominee of DTC. However, the Corporation will not discontinue the use of DTC without the prior notice and consent of the Purchasers for so long as the Purchasers are the holder of any of the Bonds. At that time, the Corporation may determine that the Bonds shall be registered in the name of and deposited with a successor depository operating a securities depository system, as may be acceptable to the Corporation, or such depository’s agent or designee, and if the Corporation and the Paying Agent/Registrar do not select such alternate securities depository system then the Bonds may be registered in whatever name or names the Holders of Bonds transferring or exchanging the Bonds shall designate, in accordance with the provisions hereof.

Notwithstanding any other provision of this Resolution to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the Representation Letter.

SECTION 55: Unavailability of Authorized Publication. If, because of the temporary or permanent suspension of any newspaper, journal, or other publication, or, for any reason, publication of notice cannot be made meeting any requirements herein established, any notice required to be published by the provisions of this Resolution shall be given in such other manner and at such time or times as in the judgment of the Corporation or of the Paying Agent/Registrar shall most effectively approximate such required publication and the giving of such notice in such manner shall for all purposes of this Resolution be deemed to be in compliance with the requirements for publication thereof.

SECTION 56: No Recourse Against Corporation Officials. No recourse shall be had for the payment of principal of, premium, if any, or interest on any Bond or for any claim based
SECTION 57: Further Procedures. The officers and employees of the Corporation are hereby authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the Corporation all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Resolution, the initial sale and delivery of the Bonds, the Paying Agent/Registrar Agreement, the Escrow Agreement, and the Private Placement Memorandum. In addition, prior to the initial delivery of the Bonds, the President, the General Manager of the Corporation, and Bond Counsel are hereby authorized and directed to approve any technical changes or corrections to this Resolution or to any of the instruments authorized and approved by this Resolution necessary in order to (i) correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Resolution and as described in the Private Placement Memorandum, (ii) obtain a rating from any of the national bond rating agencies, or (iii) obtain the approval of the Bonds by the Texas Attorney General’s office. In case any officer of the Corporation whose signature shall appear on any certificate shall cease to be such officer before the delivery of such certificate, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

SECTION 58: Water Supply Contract. The Corporation Board hereby approves the Contract attached hereto as Exhibit E.

SECTION 59: Installment Deliveries. The Corporation acknowledges that the Purchasers of the Bonds retain the option to purchase the Bonds on an installment basis with the proceeds of the Bonds to be deposited into the Construction Fund created by this Resolution. Funds delivered in installments will be based upon incurred costs as documented by invoices submitted by the Corporation to the Purchasers.

SECTION 60: Corporation’s Consent to Provide Information and Documentation to the Texas MAC. The Municipal Advisory Council of Texas (the Texas MAC), a non-profit membership corporation organized exclusively for non-profit purposes described in section 501(c)(6) of the Internal Revenue Code and which serves as a comprehensive financial information repository regarding municipal debt issuers in Texas, requires provision of written documentation regarding the issuance of municipal debt by the issuers thereof. In support of the purpose of the Texas MAC and in compliance with applicable law, the Corporation hereby consents to and authorizes any Authorized Official, Bond Counsel to the Corporation, and/or Co-Financial Advisor to the Corporation to provide to the Texas MAC information and documentation requested by the Texas MAC relating to the Bonds; provided, however, that no such information and documentation shall be provided prior to the Closing Date. This consent and authorization relates only to information and documentation that is a part of the public record concerning the issuance of the Bonds.

SECTION 61: Reservation of Rights to Utilize the Texas Water Development Board’s State Participation Account Program. The Cities and the Corporation have agreed in the Contract that the Corporation may file an application with the Water Development Board (also
known as the **TWDB**) to seek financial assistance pursuant to the TWDB’s State Participation Account as authorized pursuant to Article III, Sections 49-d, 49-d-2, and 49-d-8 of the Texas Constitution and Chapter 16, Subchapters E and F, as amended, Texas Water Code, or any other assistance programs from time to time authorized by Texas law and administered by the TWDB (and under the guidelines for which the Corporation is an eligible applicant) (each a **TWDB Program**). To the extent the Corporation utilizes a TWDB Program to access funds to complete the Project, such TWDB Program’s rules and regulations may require that the TWDB take an undivided ownership interest in up to 50% of the infrastructure improvements comprising the Project. This undivided ownership interest is represented by a master agreement and other documents to be executed between the Corporation and the TWDB to effectuate the Corporation’s financial participation in such a TWDB Program. Under any such TWDB Program, the Corporation will be obligated to make lease or other rental payments to the TWDB to repay its financial assistance which enabled the Corporation to construct the Project in a manner in which excess capacity in the Project was implemented on a regional basis. Accordingly, the Purchasers of the New Series Bonds are provided notice that the Corporation hereby expressly reserves the right to seek financial assistance to complete the Project utilizing such a TWDB Program.

**SECTION 62: Effective Date.** This Resolution shall be in force and effect from and after its final passage, and it is so resolved.

*[The remainder of this page intentionally left blank.]*
TWDB SWIFT APPLICATION
SECTION: SWIFT 5

PASSED AND ADOPTED on the ___ day of _________, 2016.

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION

__________________________________________
President, Board of Directors

ATTEST:

____________________________________
Secretary, Board of Directors

(CORPORATION SEAL)
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ESCROW AGREEMENT

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CONTINUING DISCLOSURE OF INFORMATION
DESCRIPTION OF ANNUAL FINANCIAL INFORMATION

The following information is referred to in Section 53 of this Resolution.

Annual Financial Statements and Operating Data

The financial information and operating data with respect to the Corporation to be provided annually in accordance with such Section are as specified (and included in the Appendix or under the headings of the Private Placement Memorandum referred to) below:

The Corporation’s audited financial statements for the most recently concluded Fiscal Year or to the extent these audited financial statements are not available, the portions of the unaudited financial statements of the Corporation referenced in the Private Placement Memorandum, but for the most recently concluded Fiscal Year.

Accounting Principles

The accounting principles referred to in such Section are generally accepted accounting principles for governmental units as prescribed by the Government Accounting Standards Board from time to time.
EXHIBIT D
DTC LETTER OF REPRESENTATIONS
SEE TAB NO. __
EXHIBIT E
REGIONAL WATER SUPPLY CONTRACT
SEE TAB NO. __
PRIVATE PLACEMENT MEMORANDUM DATED ______, 2016

NEW ISSUE BOOK-ENTRY-ONLY

On the date of initial delivery of the Obligations (defined below), Issuer Bond Counsel (defined on page i) will render its opinion substantially in the form attached in APPENDIX C - FORM OF OPINION OF BOND COUNSEL.

$44,845,000
Schertz/Seguin Local Government Corporation
CONTRACT REVENUE BONDS,
NEW SERIES 2016 (Texas Water Development Board SWIFT Project Financing) (the “Obligations”)

Dated: ________, 2016

Due: February 1st

Interest Rate: Interest on the Obligations will be payable on February 1 and August 1 each year, commencing August 1, 2017 (each an “Interest Payment Date”). The Obligations will bear interest at the rates per annum set forth in “APPENDIX A - MATURITY SCHEDULE.”

Record Date: The close of business on the fifteenth day of the month immediately preceding the applicable Maturity Date.

Redemption: The Obligations are subject to redemption prior to maturity as provided herein. See “THE OBLIGATIONS - Redemption Provisions” herein.

Authorized Denominations: The Obligations are being issued as fully registered bonds in denominations of $5,000, or any integral multiple thereof.

Paying Agent/Registrar/Registrar: The paying agent (“Paying Agent/Registrar”) for the Obligations is BOKF, NA, Austin, Texas.

Book-Entry-Only System Upon initial issuance, the ownership of the Obligations will be registered in the registration books of the Issuer kept by the Paying Agent/Registrar, in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”) to which principal, redemption premium, if any, and interest payments on the Obligations will be made. The purchasers of the Obligations will not receive physical delivery of bond certificates. Principal of, interest, and premium if any, on the Obligations will be payable at the designated office of the Paying Agent/Registrar in Austin, Texas as the same become due and payable.

Issuer: Schertz/Seguin Local Government Corporation (the “Corporation” or the “Issuer”).


Purpose: See “APPENDIX B - OFFICIAL ACTION.”

Security for the Obligations: See APPENDIX B - OFFICIAL ACTION.”

Ratings: See “OTHER INFORMATION - Ratings”

Delivery Date: ________, 2016.

See “APPENDIX A - MATURITY SCHEDULE” for Principal Amounts, Maturities, Interest Rates, Prices or Yields, and Initial CUSIP Numbers
Schertz/Seguin Local Government Corporation

CORPORATION OFFICIALS, STAFF AND CONSULTANTS

Board of Directors
Ken Greenwald President
Robin Dwyer Vice President
T. "Jake" Jacobs Secretary
Bob Pees Assistant Secretary
Andrew Hunt Treasurer
Jim Fowler Ex-Officio – Councilmember – City of Schertz
Don Keil Ex-Officio – Councilmember – City of Seguin

Administration
R. Alan Cockerell General Manager
Amber Briggs Assistant General Manager
Regina C. Franke Administrative Assistant

City of Schertz, Texas
City Council
Michael Carpenter Mayor
Jim Fowler Councilmember, Place 1
Grumpy Azzoz Councilmember, Place 2
Daryl John Mayor Pro-Tem, Place 3
Cedric Edwards Councilmember, Place 4
Robin Thompson Councilmember, Place 5

City of Seguin, Texas
City Council
Don Keil Mayor
Ernest Leal Mayor Pro-Tem, District 1
Jennifer “Jet” Crabb Councilmember, District 2
Phil Seidenberger Councilmember, District 3
Thomas V. Castellon, Jr. Councilmember, District 4
Carlos Medrano Councilmember, District 5
Fonda Mathis Councilmember, District 6
Dona Dodgen Councilmember, District 7
Mark Herbold Councilmember, District 8

Administrative Officers
John Kessel City Manager
Dudley Wart Executive Director Of Operating
Brian James Executive Director
Juan F. Santoya Jr. Director of Finance
Brenda Dennis City Secretary
Charles Zeck City Attorney

Administrative Officers
Douglas G. Faseler City Manager
Rick Cortez Assistant City Manager
Thalia Stautzenberger City Secretary
Susan Cadell Director of Finance
Andrew Quittner City Attorney

Consultants and Advisors
Norton Rose Fullbright US LLP, San Antonio, Texas - Bond Counsel
BOKF, NA, Austin, Texas - Paying Agent/Registrar
Davidson Troilo Ream & Garza, PC, San Antonio, Texas – General Counsel
Armstrong, Vaughn & Associates, P.C., Universal City, Texas – Auditor
Walker Partners, Austin, Texas – Engineer
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APPENDIX A MATURITY SCHEDULE
APPENDIX B FORM OF OFFICIAL ACTION
APPENDIX C FORM OF OPINION OF BOND COUNSEL
Private Placement Memorandum
relating to
$44,845,000
Schertz/Seguin Local Government Corporation
CONTRACT REVENUE BONDS,
NEW SERIES 2016(Texas Water Development Board SWIRFT Project Financing) (the “Obligations”)

INTRODUCTION

This Private Placement Memorandum, including the cover page and appendices, contains brief descriptions of the Schertz/Seguin Local Government Corporation (the “Corporation” or the “Issuer”, provides certain information with respect to the issuance by the Issuer, and summaries of certain provisions of the “Obligations” pursuant to a resolution (the “Resolution”) adopted by the Board of Directors (the “Board”) of the Corporation on _____, 2016 (the “Official Action”). Except as otherwise set forth herein, capitalized terms used but not defined in this Private Placement Memorandum have the meanings assigned to them in the Official Action. See “APPENDIX B – “FORM OF OFFICIAL ACTION” attached hereto.

APPENDIX A contains the maturity schedule for the Obligations. APPENDIX B contains the Official Action and a description of the purpose for the proceeds of the Obligations. APPENDIX C contains a copy of the proposed opinion of Norton Rose Fulbright US LLP (“Bond Counsel”) with respect to the Obligations. The summaries of the documents contained in the forepart of this Private Placement Memorandum are not complete or definitive, and every statement made in this Private Placement Memorandum concerning any provision of any document is qualified by reference to such document in its entirety.

THE OBLIGATIONS

General Description

The Obligations are being issued in the aggregate principal amount set forth in APPENDIX A of this Private Placement Memorandum and will mature and be subject to redemption prior to maturity as described therein. The Obligations are being issued as fully registered bonds in denominations of $5,000, or any integral multiple thereof. The Obligations will be dated as of the stated date of issue and will mature on the dates referenced thereon, and will bear interest at the rates per annum set forth in “APPENDIX A - MATURITY SCHEDULE.”

Interest on the Obligations is payable semiannually on February 1 and August 1, commencing August 1, 2017 (each “Interest Payment Date”), and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Principal of and the redemption price with respect to the Obligations will be payable to the Owners upon presentation and surrender at the principal office of the Paying Agent/Registrar.

Purpose

See “APPENDIX B - FORM OF OFFICIAL ACTION.”

Authority for Issuance

The Obligations are issued pursuant to the provisions of (i) the Constitution and general laws of the State of Texas, including particularly Chapter 431, Texas Transportation Code, as amended, the Texas Water Code, as amended, the Regional Water Supply Contract, dated as of November 15, 1999 (the “Contract”), Chapter 1201, Texas Government Code, as amended, resolutions adopted by the City Councils of the City of Schertz, Texas and the City of Seguin, Texas, respectively (each, a “City” and collectively, the “Cities”, and (ii) the Official Action.

Security for the Obligations

See “APPENDIX B - FORM OF OFFICIAL ACTION.”
Redemption Provisions

On February 1, 2028, or on any date thereafter, the Obligations maturing on and after February 1, 2027 and in inverse order of the stated maturity, may be redeemed prior to their scheduled maturities, upon the written direction of the Issuer, with funds provided by the Issuer, at par plus accrued interest to the date fixed for redemption as a whole, or in part, and if less than all of a maturity is to be redeemed the Paying Agent/Registrar, which is BOKF, NA Austin, Texas, who will determine by lot the Obligations, or portions thereof within such maturity to be redeemed (provided that a portion of an Obligation may be redeemed only in Authorized Denominations).

Notice of Redemption; Selection of Obligations to Be Redeemed

See “APPENDIX B - FORM OF OFFICIAL ACTION.”

The Paying Agent/Registrar, so long as a Book-Entry-Only System is used for the Obligations, will send any notice of redemption of the Obligations, notice of proposed amendment to the Resolution or other notices with respect to the Obligations only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Obligations called for redemption or any other action premised on any such notice. Redemption of portions of the Obligations by the Issuer will reduce the outstanding principal amount of such Obligations held by DTC.

Book-Entry-Only System

The information in this caption concerning The Depository Trust Company, New York, New York (“DTC”) and DTC’s book entry system has been obtained from DTC and neither the Issuer nor the cities make any representation or warranty nor takes any responsibility for the accuracy or completeness of such information.

DTC will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Obligations and deposited with DTC. See APPENDIX B - “FORM OF OFFICIAL ACTION.”

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

Opinion

Bond Counsel will deliver its opinion on the date of delivery of the Obligations substantially in the form as attached in “APPENDIX C - FORM OF OPINION OF BOND COUNSEL.”

OTHER INFORMATION

Forward Looking Statements

The statements contained in this Private Placement Memorandum, including the cover page, appendices, and any other information or documents provided by the Issuer, that are not purely historical, are forward-looking statements, including statements regarding the Issuer’s expectations, hopes, intentions, or strategies regarding the future. Holders and beneficial owners of the Obligations have placed reliance on forward-looking statements. All forward looking statements included in this Private Placement Memorandum are based on information available to the Issuer on the date hereof. It is important to note that the Issuer’s actual results could differ materially from those in such forward-looking statements.

Ratings

No application has been made to any ratings agency or municipal bond insurance company for qualification of the Obligations for ratings or municipal bond insurance, respectively.

LITIGATION

General

On the date of delivery of the Obligations to the Texas Water Development Board, the Issuer will execute and deliver a certificate to the effect that, except as disclosed herein, no litigation of any nature has been filed or is pending, as of that date, to restrain or enjoin the issuance or delivery of the Obligations or which would affect the provisions made for their payment or security or in any manner questioning the validity of the Obligations.

The Issuer

The Corporation. The Corporation is frequently involved in administrative and regulatory proceedings related to applications for various permits and approvals required in connection with the development, construction and proposed operation of the planning, designing, and constructing utility system improvements (the “Project”). Any delay caused by protested applications to, or adverse rulings of, administrative bodies or regulatory agencies from which the Corporation must obtain a required permit or approval could delay the development, construction and proposed operation of the Project. Such delay could adversely affect the Project and could result in increased costs of development, financing, construction and/or operation of the Project.

The Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Corporation intends to address these risks with appropriate insurance coverage.

Except as described herein, there is no litigation, proceeding, inquiry, or investigation pending by or before any court or other governmental authority or entity (or, to the best knowledge of the Corporation and the Cities, threatened) that adversely affects the obligation of the Corporation to deliver the Bonds, the security for, or the validity of, the Bonds or the financial condition of the Corporation or the Cities. The Corporation holds permits from the Gonzales County Underground Water Conservation District (the “GCUWCD”) to produce water from its wells, which are subject to renewal. In considering an application for renewal of a permit, the Corporation may be subjected to the imposition of additional limitations, including limitations on the amount of water that may be transferred under a permit and conditions that may be difficult or expensive to satisfy. The rules of the GCUWCD also provide that the GCUWCD may revise or revoke a well production permit at any time if the GCUWCD finds that the well is causing unreasonable effects on existing groundwater and surface water resources or existing permit holders.
The City of Schertz. Schertz is a defendant in various tort claims and lawsuits with respect to general liability, automobile liability, and various contractual matters. In the opinion of Schertz’s management, the outcome of the pending litigation will not have a material adverse effect on Schertz’s, or Schertz’s utility systems, financial position or operations.

The City of Seguin. Seguin is a defendant in various tort claims and lawsuits with respect to general liability, automobile liability, and various contractual matters. In the opinion of Seguin’s management, the outcome of the pending litigation will not have a material adverse effect on Seguin’s, or Seguin’s utility systems, financial position or operations.

Environmental Regulations

The Corporation and Cities are subject to the environmental regulations of the State and the United States in the operation of their utility systems. These regulations are subject to change and the Corporation and the Cities may be required to expend substantial funds to meet the requirements of such regulatory authorities.

CONTINUING DISCLOSURE OF INFORMATION

In the Official Action, the Issuer and the Cities have made the following agreement for the benefit of the holders and beneficial owners of the Obligations. The Issuer and the Cities are required to observe the agreement for so long as they remain obligated to advance funds to pay the Obligations. Under the agreement, the Issuer will be obligated to provide certain updated financial information and operating data, and timely notice of specified material events, to the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access System. SEE APPENDIX B - “FORM OF OFFICIAL ACTION.”

Compliance with Prior Undertakings

The Corporation and the Cities (the “Obligated Parties”) have previously made continuing disclosure agreements in connection with the issuance of the Obligations. The Obligated Parties believe that during the past five years they have each made all required filings with respect to the New Series Bonds and the Priority Bonds (each as defined in the Resolution) and are in full compliance with the Rule. Prior to that time frame, the Obligated Parties had reported instances of non-compliance on EMMA and the Nationally Recognized Municipal Securities Information Repository.

During the last five years, the Issuer has complied in all material respects with its continuing disclosure agreements in accordance with SEC Rule 15c2-12.

INVESTMENT CONSIDERATIONS

The Cities’ ability to make payments of the Bond Payment portion of the Annual Payments sufficient to pay principal of and interest on the Priority Bonds (as defined in the Resolution) and the New Series Bonds (as defined in the Resolution) when due may be affected by certain risks described below and elsewhere in this Private Placement Memorandum. Such risks should be considered in making a decision to invest in the Obligations.

Several Not Joint Liability

The Cities’ pecuniary liability to make the Annual Payments to the Corporation are several and not joint liabilities based upon a 50%/50% basis as described in the Contract and the Resolution. Accordingly, to the extent that one of the Cities defaults on its proportionate share of the Annual Payments, the Corporation will not have sufficient funds to maintain and operate the System and/or to pay the debt service requirements on the Priority Bonds and the New Series Bonds. The nondefaulting City has no legal obligation to make any payments on behalf of the defaulting City.

Limited Bondholder Remedies

The Resolution and the Contract provide only limited remedies to Bondholders in the event of default. Neither the Obligations nor the Annual Payments are subject to acceleration upon default. Although the Bondholders could
apply for a writ of mandamus to compel the Cities and the Corporation to abide by their contractual obligations, such a remedy is time consuming and may have to be enforced from year to year. No judgment against the Cities or the Corporation may be enforced by execution of a levy against its public purpose property. In addition, the rights and remedies of Bondholders may be limited by applicable federal bankruptcy and receivership laws affecting creditors of political subdivisions.

MISCELLANEOUS

Any statements made in this Private Placement Memorandum involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Private Placement Memorandum nor any statement that may have been made verbally or in writing is to be construed as a contract with the owners of the Obligations.

The information contained above is neither guaranteed as to accuracy or completeness nor to be construed as a representation by the Issuer. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Private Placement Memorandum nor any sale made hereunder is to create, under any circumstances, any implication that there has been no change in the affairs of the Issuer or the Issuer from the date hereof.

The Private Placement Memorandum is submitted in connection with the sale of the securities referred to herein to the Texas Water Development Board on the Delivery Date and may not be reproduced or used, as a whole or in part, for any other purpose.

ADDITIONAL INFORMATION

The Private Placement Memorandum speaks only as of its date and the information contained herein is subject to change. Descriptions of the Obligations and the Official Action and any other agreements and documents contained herein constitute summaries of certain provisions thereof and do not purport to be complete. This Private Placement Memorandum was approved by the Issuer.
APPENDIX A

MATURITY SCHEDULE

[MATURITY SCHEDULE to include Principal Amounts, Maturities, Interest Rates, Prices or Yields, and Initial CUSIP Numbers]
**PRELIMINARY SUBJECT TO CHANGE**

Schertz-Seguin Local Government Corporation  
Contract Revenue Bonds  
New Series 2016 (Texas Water Development Board SWIRFT Project Financing)

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APPENDIX B

FORM OF OFFICIAL ACTION

[ATTACH COPY OF OFFICIAL ACTION]
IN REGARD to the authorization and issuance of the “Schertz/Seguin Local Government Corporation Contract Revenue Bonds, New Series 2016 (Texas Water Development Board SWIRFT Project Financing)” (the “Bonds”), dated August 1, 2016, in the aggregate original principal amount of $44,845,000, we have reviewed the legality and validity of the issuance thereof by the Schertz/Seguin Local Government Corporation (the “Corporation”). The Bonds are issuable in fully registered form only, in denominations of $5,000 or any integral multiple thereof (within a Stated Maturity). The Bonds have Stated Maturities of February 1 in each of the years 2019 through 2051, unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the resolution (the “Resolution”) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the respective meanings ascribed thereto in the Resolution.

WE HAVE SERVED AS BOND COUNSEL for the Corporation solely to pass upon the legality and validity of the issuance of the Bonds under the laws of the State of Texas, and with respect to the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Corporation or the Cities or their respective utility systems. We have not assumed any responsibility with respect to the financial condition or capabilities of the Corporation or the Cities or the disclosure thereof in connection with the sale of the Bonds. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Bonds. Our role in connection with the Corporation’s Application to the Texas Water Development Board prepared for use in connection with the sale of the Bonds has been limited as described therein.

WE HAVE EXAMINED the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the Corporation in connection with the issuance of the Bonds, including the Resolution, the Regional Water Supply Contract, dated as of November 15, 1999, as amended (the “Contract”) between the Corporation, the City of Seguin, Texas (“Seguin”), and the City of Schertz, Texas (“Schertz”, and together with Seguin, the “Cities”) and the escrow agreement (the “Escrow Agreement”) between the Corporation and BOKF, NA, Austin, Texas; (2) customary certifications and opinions of officials of the Corporation and the Cities; (3) certificates executed by officers of the Corporation and the Cities relating to the expected use and investment of proceeds of the Bonds and certain other funds of the Corporation, and to certain other facts solely within the knowledge and control of the Corporation and the Cities; and (4) such other documentation, including an examination of the Bond executed and delivered...
initially by the Corporation, and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized by the Corporation and issued in conformity with the Constitution and laws of the State of Texas now in force, and the Bonds issued in compliance with the provisions of the Resolution are valid, legally binding and enforceable special obligations of the Corporation, payable, together with any Additional New Series Bonds hereafter issued, solely from and equally and ratably secured, together with the currently outstanding Previously Issued New Series Bonds, by a lien on and pledge of the Bond Payment portion of the Annual Payments to be received by the Corporation from the Cities pursuant to the Contract that is junior and inferior to the lien thereon and pledge thereof providing for the payment and security of the currently outstanding Priority Bonds, together with certain other funds on deposit in the accounts established in the Resolution, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors’ rights or the exercise of judicial discretion in accordance with general principles of equity. In the Resolution, the Corporation retains the right to issue Additional New Series Bonds, and Additional Obligations, without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. The Bonds do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any property of the Corporation, except with respect to the Bond Payment portion of the Annual Payments. The holder of the Bonds shall never have the right to demand payment of the Bonds out of any funds raised or to be raised by taxation.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that, assuming continuing compliance after the date hereof by the Corporation and the Cities with the provisions of the Resolution and the Contract and in reliance upon the representations and certifications of the Corporation and the Cities made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Bonds will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the “Code”) of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code, (2) interest on the Bonds will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations, and (3) the Bonds are not “private activity bonds” within the meaning of section 141 of the Code.

WE CALL YOUR ATTENTION TO THE FACT that, with respect to our opinion in clause (2) above, interest on all tax-exempt obligations, such as the Bonds, owned by a corporation will be included in such corporation’s adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporation, other than an S corporation, a mutual fund, a financial asset securitization investment trust, a real estate mortgage investment conduit, or a real estate investment trust. A corporation’s alternative minimum taxable income is
the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

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

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

Can you locate your project to a specific address?: N

Project Address:
Project City:
Project State: TX
Project ZIP:
Project Schedule

a) Requested loan closing date: 11-16-2016
b) Estimated date to submit environmental planning documents.: 04-03-2017
c) Estimated date to submit engineering planning documents.: 05-02-2017
d) Estimated date for completion of design.: 09-24-2018
e) Estimated Construction start date for first contract.: 06-01-2019
f) Estimated Construction end date for last contract: 02-10-2021
<table>
<thead>
<tr>
<th>Entity</th>
<th>2015</th>
<th>2020</th>
<th>2030</th>
<th>2040</th>
<th>2050</th>
<th>2060</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schertz*</td>
<td>5,680</td>
<td>6,941</td>
<td>9,153</td>
<td>10,838</td>
<td>12,553</td>
<td>12,149</td>
</tr>
<tr>
<td>Seguin*</td>
<td>3,274</td>
<td>3,165</td>
<td>3,921</td>
<td>4,666</td>
<td>5,326</td>
<td>6,028</td>
</tr>
<tr>
<td>Springs Hill WSC*</td>
<td>722</td>
<td>722</td>
<td>722</td>
<td>722</td>
<td>722</td>
<td>722</td>
</tr>
<tr>
<td>Universal City*</td>
<td>800</td>
<td>1,216</td>
<td>1,172</td>
<td>1,139</td>
<td>1,333</td>
<td>1,332</td>
</tr>
<tr>
<td>Selma*</td>
<td>800</td>
<td>1,050</td>
<td>1,066</td>
<td>1,154</td>
<td>1,241</td>
<td>1,320</td>
</tr>
<tr>
<td>SAWS (San Antonio)**</td>
<td>14,000</td>
<td>14,000</td>
<td>14,000</td>
<td>14,000</td>
<td>14,000</td>
<td>14,000</td>
</tr>
<tr>
<td><strong>Total Water Demands</strong></td>
<td>25,276</td>
<td>27,094</td>
<td>30,034</td>
<td>32,519</td>
<td>35,175</td>
<td>35,551</td>
</tr>
</tbody>
</table>

* Region L Projections (2016 Plan)
** Based on Contract Amount
<table>
<thead>
<tr>
<th>Entity</th>
<th>2015</th>
<th>2020</th>
<th>2030</th>
<th>2040</th>
<th>2050</th>
<th>2060</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schertz*</td>
<td>37,000</td>
<td>43,083</td>
<td>57,599</td>
<td>69,106</td>
<td>80,370</td>
<td>92,102</td>
</tr>
<tr>
<td>Seguin*</td>
<td>27,500</td>
<td>30,675</td>
<td>36,879</td>
<td>43,227</td>
<td>49,436</td>
<td>55,756</td>
</tr>
<tr>
<td>Springs Hill WSC**</td>
<td>7,000</td>
<td>7,000</td>
<td>7,000</td>
<td>7,000</td>
<td>7,000</td>
<td>7,000</td>
</tr>
<tr>
<td>Universal City**</td>
<td>6,700</td>
<td>6,700</td>
<td>6,700</td>
<td>6,700</td>
<td>6,700</td>
<td>6,700</td>
</tr>
<tr>
<td>Selma**</td>
<td>8,750</td>
<td>8,750</td>
<td>8,750</td>
<td>8,750</td>
<td>8,750</td>
<td>8,750</td>
</tr>
<tr>
<td>SAWS (San Antonio)**</td>
<td>95,833</td>
<td>95,833</td>
<td>95,833</td>
<td>95,833</td>
<td>95,833</td>
<td>95,833</td>
</tr>
<tr>
<td><strong>Total Population</strong></td>
<td><strong>182,783</strong></td>
<td><strong>192,041</strong></td>
<td><strong>212,761</strong></td>
<td><strong>230,616</strong></td>
<td><strong>248,089</strong></td>
<td><strong>266,141</strong></td>
</tr>
</tbody>
</table>

* Region L Projections (2016 Plan)
** Estimated Population Based on Contract Amount
Texas Water Development Board
Water Project Information

A. Project Name
Expanded Carrizo - SSLGC

B. Project No.

C. County
Guadalupe

D. Regional Planning Group (A-P)

E. Program(s)
Swift, Board Participation

F. Loan [ ☐ ] / Grant [ ☐ ] Amount:

G. Loan Term:
30 years

H. Water Project Description: (Multiphase project, new or expansion; plant, well, storage, pump station, distribution system, etc)

New Guadalupe County wellfield, treatment facilities, parallel 36" pipeline from BPS to Schertz

**Attach map of service area affected by Project or other documentation.**

<table>
<thead>
<tr>
<th>Year</th>
<th>Reference Year</th>
<th>2010</th>
<th>2020</th>
<th>2030</th>
<th>2040</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>182,783</td>
<td>150,000</td>
<td>192,041</td>
<td>212,761</td>
</tr>
</tbody>
</table>

K. Projected Population from application for at least a 20 year period. Attach justification and list service area populations if different from Planning Area.

<table>
<thead>
<tr>
<th>Project Design Year</th>
<th>Design Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>2030</td>
<td>212,761</td>
</tr>
</tbody>
</table>

L. Is the proposed project included in a current Regional Water Plan? [ ☐ ] Yes [ ☐ ] No [ ☐ ] Don't Know [ ☐ ]

M. What type of water source is associated directly with the proposed project? [ ☐ ] Surface Water [ ☐ ] Groundwater [ ☐ ] Reuse

N. Will the project increase the volume of water supply? [ ☐ ] Yes [ ☐ ] No

O. What volume of water is the project anticipated to deliver/treat per year? 6500 Acre-Feet/Year

P. Current Water Supply Information

<table>
<thead>
<tr>
<th>Surface Water Supply Source / Provider Names</th>
<th>Certificate No.</th>
<th>Source County</th>
<th>Annual Volume and Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>NA</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Groundwater Source Aquifer</th>
<th>Certificate No.</th>
<th>Source County</th>
<th>Annual Volume and Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrizo-Wilcox</td>
<td></td>
<td>Gonzales County</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Groundwater Source Aquifer</th>
<th>Certificate No.</th>
<th>Source County</th>
<th>Annual Volume and Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrizo-Wilcox</td>
<td></td>
<td>Guadalupe</td>
<td>19,363 ac-ft</td>
</tr>
</tbody>
</table>

Q. Proposed Water Supply Associated Directly with the Proposed Project

<table>
<thead>
<tr>
<th>Surface Water Supply Source / Provider Names</th>
<th>Certificate No.</th>
<th>Source County</th>
<th>Annual Volume and Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>NA</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Groundwater Source Aquifer</th>
<th>Certificate No.</th>
<th>Source County</th>
<th>Annual Volume and Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrizo-Wilcox</td>
<td></td>
<td>Guadalupe</td>
<td>6,500 ac-ft</td>
</tr>
</tbody>
</table>

R. Consulting Engineer Name
Walker Partners

<table>
<thead>
<tr>
<th>Telephone No.</th>
<th>E-mail address</th>
</tr>
</thead>
<tbody>
<tr>
<td>254-714-1402</td>
<td><a href="mailto:jwinkler@walkerpartners.com">jwinkler@walkerpartners.com</a></td>
</tr>
</tbody>
</table>

S. Applicant Contact Name, Title
Alan Cockerell, General Manager

<table>
<thead>
<tr>
<th>Telephone No.</th>
<th>E-mail address</th>
</tr>
</thead>
<tbody>
<tr>
<td>830-401-2409</td>
<td><a href="mailto:acockerell@seguintexas.gov">acockerell@seguintexas.gov</a></td>
</tr>
</tbody>
</table>
Property Rights

a) Does the applicant currently own all the property rights, groundwater permits and surface water rights needed for this project?: N

b) If all property rights, groundwater permits, and surface water rights, needed for this project have not yet been acquired, identify the rights and/or permits that will need to be acquired and provide the anticipated date by which the applicant expects to have acquired such rights and/or permits.

Permits & Easements

Are any major permits necessary for completion of the project?: N

Has the applicant obtained all necessary land and easements for the project?: N

<table>
<thead>
<tr>
<th>Type of Permit or Water Right</th>
<th>Entity from which the right must be acquired</th>
<th>Acquired by lease or full ownership</th>
<th>Expected acquisition date</th>
<th>Permit / Water Right ID No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production Permit and Transport Permit</td>
<td>Guadalupe County Groundwater Cons. Dist.</td>
<td>Lease</td>
<td>11-01-2016</td>
<td></td>
</tr>
<tr>
<td>Production Permit and Transport Permit</td>
<td>Gonzales County Groundwater Cons. Dist.</td>
<td>Ownership</td>
<td>11-01-2016</td>
<td></td>
</tr>
</tbody>
</table>

Environmental Determination

Has a Categorical Exclusion (CE), Determination of No Effect, Finding of No Significant Impact (FONSI), Record of Decision (ROD), or any other environmental determination been issued for this project?: N

CE/DNE

Is the project potentially eligible for a CE/ Determination of No Effect (DNE) because it involves only minor rehabilitation or the functional replacement of existing equipment?: N

Adverse Environmental/Social Impacts
Are there potentially adverse environmental or social impacts that may require mitigation or extensive regulatory agency or public coordination (e.g. known impacts to properties eligible for listing on the National Register of Historic Places; potentially significant public controversy; need for an individual permit from the U.S. Army Corps of Engineers)? N

Associated PIF(s)

PIF number(s):

PIF ID #0

Additional Attachments

The following documents are attached after this page:

- Section D22 Project Information-Permits-Easements.pdf
- Water Supply Contract.pdf
- Present Worth Calculation.pdf
- SAWS WSC.pdf
- SSLGC PER.pdf
- SSLGC Bond Resolution.pdf
- SSLGC Cert as to Tax Ex.pdf
- SSLGC Corporation General Cert.pdf
- SSLGC Index of Documents.pdf
- SSLGC Legal Opinion.pdf
- SSLGC PAR Agreement.pdf
- SSLGC Regional Water Supply Contract.pdf
- SSLGC Schertz General Cert.pdf
- SSLGC Schertz Resolution.pdf
- SSLGC Seguin Resolution.pdf
- SSLGC Sig & No Lit Cert.pdf
- SSLGC Transmittal Letter.pdf
- ACKERMAN MEMO.pdf
- BAENZIGER MEMO.pdf
- BLUMB EASE AND ROW.pdf
- BLUMBERG FAMILY MEMO.pdf
- BOECKER MEMO.pdf
- BOOTH PROPERTY DEED.pdf
- BOOTH WELLS (GU5-GU6).pdf
- BRAWNER MEMO.pdf
<table>
<thead>
<tr>
<th>#</th>
<th>Project</th>
<th>Description</th>
<th>Area</th>
<th>Type</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Project 1</td>
<td>Description 1</td>
<td>Area 1</td>
<td>Type 1</td>
<td>Code 1</td>
</tr>
<tr>
<td>1.2</td>
<td>Project 2</td>
<td>Description 2</td>
<td>Area 2</td>
<td>Type 2</td>
<td>Code 2</td>
</tr>
<tr>
<td>1.3</td>
<td>Project 3</td>
<td>Description 3</td>
<td>Area 3</td>
<td>Type 3</td>
<td>Code 3</td>
</tr>
<tr>
<td>2.1</td>
<td>Project 4</td>
<td>Description 4</td>
<td>Area 4</td>
<td>Type 4</td>
<td>Code 4</td>
</tr>
<tr>
<td>2.2</td>
<td>Project 5</td>
<td>Description 5</td>
<td>Area 5</td>
<td>Type 5</td>
<td>Code 5</td>
</tr>
<tr>
<td>2.3</td>
<td>Project 6</td>
<td>Description 6</td>
<td>Area 6</td>
<td>Type 6</td>
<td>Code 6</td>
</tr>
<tr>
<td>3.1</td>
<td>Project 7</td>
<td>Description 7</td>
<td>Area 7</td>
<td>Type 7</td>
<td>Code 7</td>
</tr>
<tr>
<td>3.2</td>
<td>Project 8</td>
<td>Description 8</td>
<td>Area 8</td>
<td>Type 8</td>
<td>Code 8</td>
</tr>
<tr>
<td>3.3</td>
<td>Project 9</td>
<td>Description 9</td>
<td>Area 9</td>
<td>Type 9</td>
<td>Code 9</td>
</tr>
<tr>
<td>4.1</td>
<td>Project 10</td>
<td>Description 10</td>
<td>Area 10</td>
<td>Type 10</td>
<td>Code 10</td>
</tr>
<tr>
<td>4.2</td>
<td>Project 11</td>
<td>Description 11</td>
<td>Area 11</td>
<td>Type 11</td>
<td>Code 11</td>
</tr>
<tr>
<td>4.3</td>
<td>Project 12</td>
<td>Description 12</td>
<td>Area 12</td>
<td>Type 12</td>
<td>Code 12</td>
</tr>
</tbody>
</table>

*Table of Projects and Descriptions*
THIS REGIONAL WATER SUPPLY CONTRACT (the "Contract") is dated and entered into as of the 15th day of November, 1999, by and among the Schertz/Seguin Local Government Corporation (the "Corporation"), a non-profit corporation of the State of Texas (the "State"), created and existing under the laws of the State, including the Texas Transportation Corporation Act, as amended, Texas Transportation Code Section 431.001 et. seq. and the City of Schertz, Texas and the City of Seguin, Texas, home-rule municipalities and political subdivisions of the State (collectively, the "Cities").

RECITALS

WHEREAS, Subchapter D of Chapter 431 (Sections 431.101-431.109) of the Texas Transportation Code, as amended (the "Act") authorizes local governments to create local government corporations to aid, assist, and act on behalf of local governments; and

WHEREAS, the City Councils (the "Governing Bodies") of the City of Seguin, Texas and the City of Schertz, Texas have collectively determined to authorize and approve the creation of the Corporation as their constituted authority and instrumentality to accomplish the specific public purpose of acquiring, constructing, improving, enlarging, extending, repairing, maintaining, and operating a water utility system, pursuant to the provisions of Chapter 402 of the Texas Local Government Code, as amended, and other applicable law; and

WHEREAS, the Cities, pursuant to the Act and other applicable law, have authorized the creation of the Corporation for the purposes set forth in the Corporation's Articles of Incorporation, including the issuance of bonds to finance the costs of the water utility system; and

WHEREAS, the Corporation intends to design, construct, maintain, and operate the water utility system in a manner that will allow the Corporation to deliver its water to the Cities and other potential purchasers on a regional basis; and

WHEREAS, the Cities and the Corporation, exercising their mutual authority and furthering their mutual and urgent interests, wish to enter into this Contract in order to most efficiently and quickly obtain the capability to deliver the water to the Cities; and

WHEREAS, in order to deliver the water to which the Cities are entitled under this Contract, it is necessary that facilities, lines, booster pumps, treatment facilities, and other appurtenances sufficient to deliver the water to which the Cities are entitled under this Contract and additional water which the Cities may acquire (the "Facilities") be constructed and that the easements, rights-of-way, and other interests in land necessary for the production of groundwater and the acquisition, construction, maintenance, and operation of the Facilities (collectively, the "Land Interests") be purchased (the "Land Interests" and the "Facilities", together the "Project"); and
WHEREAS, it is expected by the Corporation and the Cities that as soon as practicable after
the execution of this Contract the Corporation will issue its Bonds (as hereinafter defined), payable
from and secured solely by payments to be made by the Cities under this Contract for the acquisition
and construction of the Project; and

WHEREAS, the Corporation, to the best of its ability, shall in general do or cause to be done
all such things as may be required for the proper acquisition, construction and operation of the
Project; and

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein
contained, the sufficiency of which are hereby acknowledged, and upon and subject to the terms and
conditions hereinafter set forth, the Cities and the Corporation mutually undertake, promise, and
agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATIONS

Section 1.01. Definitions. In addition to the terms defined above, the following terms shall
have the meanings assigned to them below wherever they are used in this Contract, unless the
context clearly requires otherwise:

"Accountant" means a nationally recognized independent certified public accountant, or an
independent firm of certified public accountants, selected by the Corporation.

"Annual Payments" means the amount of money, constituting the Bond Payment, Operation
and Maintenance Expenses, and Overhead Expenses, to be paid to the Corporation by each City, on
a several and not a joint basis as described in Section 3.01, Section 3.05, and Section 5.02 hereof
from the revenues of the Cities' System as an operating and maintenance expense of the Cities'
System (or any other lawfully available revenues of the Cities), at the times and in the amounts
required by Sections 3.05 and 5.02 of this Contract.

"Approval Certificate" means the certificate or certificates, if any, of the President, Board
of Directors or Authorized Representative of the Corporation approving certain terms of a series of
Bonds.

"Authorized Representative" means any person at the time delegated authority to act on
behalf of the Cities or the Corporation, as the case may be, and designated as such in a written
certificate, containing a specimen signature of such person, which, for the Cities shall be the City
Manager of each of the Cities or such other officers or employees of the Cities authorized to act on
behalf of the Cities during the respective City Manager's absence or incapacity, and for the
Corporation shall be the President, Board of Directors of the Corporation or such other officer or
employee of the Corporation authorized to act on behalf of the Corporation during the President's, Board of Directors absence or incapacity, unless a party notifies the other party in writing of a change in its Authorized Representative.

"Bond Payment" means the amount of money to be paid to the Corporation by the Cities, on a several basis, from the revenues of the Cities' System as an operating and maintenance expense of the Cities' System at the times and in the amounts required by Sections 3.05 and 5.02 of this Contract.

"Bond Resolution" means any resolution and/or trust indenture of the Corporation, authorizing the issuance of and securing the Bonds and all amendments and supplements thereto and including the Approval Certificate, if any, authorized by such resolution to establish certain of the terms of the Bonds authorized by such resolution.

"Bonds" means all bonds, notes, or other obligations hereafter issued by the Corporation, whether in one or more series or issues, to pay the cost of the Project (including any bonds or notes issued to complete the Project) or to refund any Bonds or to refund any such refunding Bonds.

"Cities" means collectively the City of Schertz, Texas and City of Seguin, Texas.

"Cities' System" means and includes each of the City's existing combined waterworks and wastewater disposal system and any electric power and/or natural gas system, together with all future extensions, improvements, enlargements, and additions thereto, including, to the extent permitted by law, storm sewer and drainage and/or reclaimed water systems within the waterworks or wastewater disposal system, and all replacements thereof, provided that, notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term Cities' System shall not include any waterworks, wastewater, electric power, or natural gas facilities which are declared by the Cities not to be a part of the Cities' System and which are hereafter acquired or constructed by the Cities with the proceeds from the issuance of "Special Facilities Bonds", which are hereby defined as being special revenue obligations of the Cities which are not secured by or payable from the net revenues of the Cities' System, but which are secured by and are payable solely from special contract revenues, or payments received from the Cities or any other legal entity, or any combination thereof, in connection with such facilities; and such revenues or payments shall not be considered as or constitute gross revenues of the Cities' System, unless and to the extent otherwise provided in the ordinance or ordinances authorizing the issuance of such "Special Facilities Bonds".

"Cities Utility Bonds" means the appropriate City's bonds and notes outstanding from time to time secured by a lien on and pledge of the net revenues of the Cities' System or any part thereof, regardless of lien priority.

"City Engineer of Record" means the City Engineer of Record so designated by the City Council of each City with notice to the Corporation.
“Claim”, as used in Section 8.13 of this Contract, means claims, demands, and expenses, including reasonable attorney’s fees.

“Code” means the Internal Revenue Code of 1986, and any amendments thereto, as in force and effect on the date of delivery of any series of Bonds.

“Completion Date” means such term as it is defined in Section 2.09 of this Contract.

“Corporation” means the Schertz/Seguin Local Government Corporation and its lawful successors and assigns.

“Credit Agreement” means any bond insurance policy or other credit agreement, as defined in and authorized by the provisions of Chapter 1371, as amended, Texas Government Code (formerly Texas Revised Civil Statutes Annotated Article 717q, as amended), which the Corporation enters into relating to its obligations with respect to the Bonds.

“Delivery Point” means the place, whether one or more, to which the Corporation will deliver water to each City pursuant to this Contract.

“Engineering Report” means the “Preliminary Engineering Report for Water Supply System to Serve the Cities of Schertz and Seguin, prepared by Clay Roming, P.E., dated September 10, 1999, as such report may be amended, modified and changed and superseded with the approval of the Corporation and Cities, at any time prior to the execution of construction contracts for the Project or as modified and changed by change orders issued after the execution of such construction contracts; provided, however, no such change orders shall adversely affect either of the Cities without the consent of the Cities.

“Fiscal Year” means the Cities’ fiscal years, which currently begins on October 1 of each year, as it may be changed from time to time with notice to the Corporation.

“Force Majeure” means such term as it is defined in Section 8.03 of this Contract.

“Facilities” means the facilities, lines, booster pumps, and other appurtenances sufficient to deliver the water to which the Cities are entitled under this Contract and any improvements, additions, or extensions to such Facilities hereafter acquired or constructed to deliver water between such places.

“Land Interests” means the easements, right-of-way, and other interests in real property necessary for the acquisition, construction, and operation of the Facilities and the Water Rights for the Project.

“MSRB” means the Municipal Securities Rulemaking Board and any successor to its duties.
“NRMSIR” means each person whom the SEC or its staff has determined to be a nationally recognized municipal securities information repository within the meaning of the Rule from time to time.

“Operation and Maintenance Expenses” means all direct costs and expenses incurred by the Corporation for its operation and maintenance, including but not limited to, the operation and maintenance of the Project, including (for greater certainty but without limiting the generality of the foregoing) amounts payable under any contract with any person, including, but not limited to any federal, state, or local agency for the right to produce and use groundwater or other source of water, any contribution or payment in lieu of taxes or any fee or charge by any government authority relating to the Corporation’s production of groundwater or sale of treated water hereunder, the costs of utilities, supervision, engineering, accounting, auditing, legal services, insurance premiums, supplies, services, and administration of the Project, Overhead Expenses, and costs of operating, repairing, maintaining, and replacing equipment for proper operation and maintenance of the Project. The term “Operation and Maintenance Expenses” does not include depreciation charges or such portion of the above-described costs to the extent such costs are paid pursuant to an agreement other than this Contract.

“Overhead Expenses” means the Corporation’s reasonable and necessary costs and expenses incurred at any time directly related to the issuance and servicing of the Bonds, the acquisition of Land Interests required for the Project, the design, permitting, financing, acquisition, construction, and ownership of the Project and any other activities required of or involving the Corporation in connection with or attributable to the Project or the Bonds, including, but not limited to:

(a) per diem and reimbursable expenses incurred by the Directors of the Corporation for special meetings of the Corporation’s Board of Directors related to the Project;

(b) services of the professional, technical skilled and unskilled persons and firms engaged by or associated with the Corporation, other than Corporation staff personnel, together with their reimbursable expenses paid or required to be paid by the Corporation;

(c) salaries of the Corporation’s staff attributable to the Project or the Bonds based on time expended, as documented or reasonably estimated by the President, Board of Directors of the Corporation;

(d) the costs of preparing applications for and obtaining all approvals and authorizations required for the Project or the Bonds from the regulatory authorities having jurisdiction;

(e) the cost of property casualty and public liability insurance incurred prior to the Completion Date; including any insurance deductible charged to or required to be paid by the Corporation; provided that if the Corporation is unable to obtain such insurance on an occurrence
basis, then any expense incurred by the Corporation from and after the Completion Date for casualty
and public liability insurance, including any insurance deductible, shall be paid by the Cities;

(f) all costs incurred in litigation involving or relating to the Project; and

(g) any and all other costs and expenses, including out-of-pocket expenses, incurred by
the Corporation attributable to the Project or the Bonds, whether enumerated above or not, and
whether or not included in the definition or as a part of Project Costs.

“Permitted Liens” means:

(a) Minor irregularities, charges, liens, encumbrances, defects, easements, licenses,
rights-of-way, servitudes, restrictions, mineral rights, and clouds on title which, in the opinion of
counsel to the Corporation, a copy of which shall be forwarded to each of the Cities, do not
materially impair the use of the Project for the purposes for which it is designed.

(b) Easements for roads (as used in this Contract, the term “roads” shall include, without
limitation, streets, curbs, gutters, drains, ditches, sewers, conduits, canals, mains, aqueducts, aerators,
connections, ramps, docks, viaducts, alleys, driveways, parking areas, walkways, and trackage),
utilities (which for purposes of this Contract shall include, without limitation, water, sewer,
electricity, gas, telephone, pipeline, railroad, and other collection, transportation, light, heat, power,
and communication systems) and similar easements and other easements, rights-of-way, rights of
flowage, flooding, diversion or outfall, licenses, restrictions, and obligations relating to the operation
of the Project which, in the opinion of counsel to the Corporation, a copy of which shall be
forwarded to each of the Cities, do not materially impair the use of the Project for the purposes for
which it is designed.

(c) Rights of the United States or any state or political subdivision thereof, or other public
or governmental authority or agency or any other entity vested with the power of eminent domain
to take or control property or to terminate any right, power, franchise, grant, license, or permit
previously in force.

“Plans and Specifications” means the plans and specifications prepared for the Project by the
Project Engineer, as the same may be revised from time to time in accordance with this Contract.

“Project” means, collectively, the Land Interests and the Facilities as described in the recitals
to this Contract and in the Engineering Report.

“Project Costs” means and includes, without limitation, the following costs incurred for the
Project by or on behalf of the Corporation or the Cities:
(a) the cost of acquisition of the Land Interests, including appraisals, closing costs and title insurance policies;

(b) the cost of acquisition, construction, repair, replacement, or improvement of the Facilities, and any structure, item of equipment, or other item, used for, or in connection with, the Project;

(c) the cost of site preparation of the Land Interests, including demolition or removal of structures and improvements as necessary or incident to accomplishing the Project;

(d) the cost of engineering, legal, architectural or other related services;

(e) the preparation cost of plans, specifications, studies, surveys, cost estimates, and other expenses necessary or incident to planning, providing, or financing the Project;

(f) the cost of machinery, equipment, furnishings, and facilities necessary or incident to placing the Project in operation;

(g) finance charges and interest before, during, and after construction as permitted by the laws of the State;

(h) costs incurred in connection with financing the project, including, without limitation:

(1) financing, legal, accounting, financial advisory, rating agency, and auditing fees, expenses and disbursements;

(2) the cost of printing, engraving, and reproduction services; and

(3) the cost of a trustee's or paying agent's initial or acceptance fee and subsequent fees.

(i) all costs, fees and expenses of litigation of all kinds;

(j) the cost of property casualty and public liability insurance;

(k) the fees and costs of the underwriters as the anticipated purchasers of the Bonds;

(l) reimbursement of the costs previously incurred by the Cities with respect to the Project; and

(m) other costs generally recognized as a part of Project construction costs.
“Project Engineer” means such engineering firm or firms as may be selected by the Corporation.

“Prudent Utility Practice” means any of the practices, methods, and acts, in the exercise of reasonable judgment, in the light of the facts, including but not limited to the practices, methods, and acts engaged in or approved by a significant portion of the public utility industry prior thereto, known at the time the decision was made, that would have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety, and expedition. It is recognized that Prudent Utility Practice is not intended to be limited to the optimum practice, method, or act at the exclusion of all others, but rather is a spectrum of possible practices, methods, or acts which could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety, and expedition. In the case of any facility included in the Cities’ System which is owned in common with one or more other entities, the term “Prudent Utility Practice”, as applied to such facility, shall have the meaning set forth in the agreement governing the operation of such facility.

“Rule” means SEC Rule 15c2-12, as amended from time to time.

“Sale and Offering Documents” means any official notice of sale, official bid form, preliminary official statement, official statement, or other offering document for the Bonds.

“Schertz” means the City of Schertz, Texas, a Texas home rule municipality acting through its City Council or City Manager.

“SEC” means the United States Securities and Exchange Commission and any successor to its duties.

“Seguin” means the City of Seguin, Texas, a Texas home rule municipality acting through its City Council or City Manager.

“SID” means any entity designated by the State or an authorized department, officer, or agency thereof as, and determined by the SEC or its staff to be, a state information depository within the meaning of the Rule from time to time.

“State” means the State of Texas.

“TNRCC” means the Texas Natural Resource Conservation Commission or its successors or assigns.

“Trustee” means any trustee named under a trust indenture or the paying agent/registrar named in a paying agent/registrar agreement entered into by the Corporation securing the payment of the Bonds and authorized by a Bond Resolution.
"TWDB" means the Texas Water Development Board or any successor entity thereto.

"TWDB Program" means TWDB's State Participation Account as authorized pursuant to Article III, Sections 49-d, 49-d-2, and 49-d-8 of the Texas Constitution and Chapter 16, Subchapters E and F, as amended, Texas Water Code.

"Water Rights" means the right to drill and operate wells, produce groundwater, and transport the groundwater from the county where the groundwater is produced into Guadalupe County and the surrounding counties.

Section 1.02. Interpretation. The table of contents and caption headings of this Contract are for reference purposes only and shall not affect its interpretation in any respect. Unless the context otherwise requires, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa. This Contract and all the terms and provisions shall be liberally construed to effectuate the purpose set forth herein and to sustain the validity of this Contract.

ARTICLE II

ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. General. Subject to the remaining terms and provisions of this Contract, the Corporation agrees to issue the Bonds and to acquire and construct the Project as generally described in the Engineering Report. It is estimated that the Project will be placed in operation on or before June 1, 2002, or as soon thereafter as practicable. The Authorized Representative of the Corporation hereby represents that he is not aware of any reason that the Project, as contemplated, cannot be completed on or before June 1, 2002. It is expressly understood and agreed that any obligations on the part of the Corporation to finance, acquire, construct, and complete the Project and to provide the water to the Cities shall be (i) conditioned upon the Corporation's ability to obtain all necessary permits, Land Interests, material, labor, and equipment, and upon the ability of the Corporation to finance the cost of the Project through the actual sale of the Bonds, including any Bonds needed to complete the Project, and (ii) subject to all present and future valid laws, orders, rules, and regulations of the United States of America, the State, and any regulatory body having jurisdiction. The Project shall be acquired and constructed by the Corporation with all reasonable dispatch, and the Corporation will diligently pursue such acquisition and construction in order that it may be completed as soon as practicable, delays incident to events of Force Majeure only excepted; but if for any reason there should be delays in or the entire failure of such acquisition, construction, and improvement, there shall be no diminution in or postponement of the Annual Payments to be made by the Cities hereunder and no resulting liability on the part of the Corporation; provided, however, that the Cities retain the right to pursue any legal remedy to the extent that delays in the Project are the result of negligence or inaction on the part of the Corporation.
Section 2.02. Location of Project; Acquisition of Land Interests. The Facilities will be constructed and located on the Land Interests. The Corporation (or the Cities acting on behalf of the Corporation) shall, as soon as possible after the delivery of this Contract, and subject to the receipt of the Bond proceeds or funds from the Cities, undertake the acquisition of the Land Interests. The Corporation shall be responsible for ensuring that proper filings of each such portion of the Land Interests are made in the deed records of the appropriate counties to ensure that all interested parties have proper notice of the Corporation's interests in the Land Interests. As each deed, easement, or other evidence of an interest in real property comprising a portion of the Land Interests is acquired by the Corporation, a copy of such instrument, together with evidence of its filing in the deed records of the counties in which such portion lies, shall, upon the written request of the Cities, be given to the Cities.

The Corporation shall acquire a title insurance policy or a title opinion showing good and indefeasible title with respect to each Land Interest acquired. A copy of each such title insurance policy or title opinion shall be retained in the Corporation's official records.

Section 2.03. Construction. The Corporation shall, as soon as possible, undertake to make, execute, deliver, and prosecute all contracts, orders, receipts, writings, and instructions with or to other persons, and in general do or cause to be done all such other things, as may be required for the proper acquisition and construction of the Facilities.

Section 2.04. Selection of Project Engineer; Plans and Specifications. The Corporation shall cause the Project Engineer to complete the Plans and Specifications and the other materials to be used in obtaining bids for construction of the Facilities and to perform such other engineering tasks as shall be necessary for construction of the Facilities. The bid documents shall include appropriate alternatives to assure the most advantageous price consistent with expeditious completion. The specifications for the Project may include as an owner cost any or all insurance coverages either required by law or deemed necessary or advisable by the Corporation.

Section 2.05. Award of Construction Contracts. Upon obtaining the approval of the Board of Directors of the Corporation of the Plans and Specifications and bid documents, the Corporation, through its Project Engineer, will promptly advertise for sealed bids for the Project to the extent and as required by law. The Corporation may break the sealed bids into several contracts or phases as it determines is best for the timely acquisition and construction of the Facilities. After the receipt of bids, the Corporation shall identify the lowest responsible bidder(s) and award the contract(s). If all bids are rejected, bids will again be solicited, following the procedure outlined above in this Section, until such time as bids satisfactory to the Corporation have been received. The Corporation shall not be obligated to award a construction contract unless the proceeds from the Bonds are available to pay the contract(s).
Section 2.06. Liens. Neither the Cities nor the Corporation will create or permit or suffer to exist any lien, encumbrance, or charge upon the Project or any interest therein at any time, except Permitted Liens.

Section 2.07. Revisions of Plans. The Plans and Specifications may be revised prior to the Completion Date.

Section 2.08. Approvals. Unless otherwise required by law, each consent, approval, or other official action required of the Cities or the Corporation by any provision of this Contract shall be deemed in compliance with this Contract when written evidence of such action, signed by the respective Authorized Representative, is delivered to the party who is to receive evidence of such action. All contracts to be entered into shall be authorized by the Corporation's Board of Directors. The Cities will cooperate with the Corporation in the design, financing, acquisition, and construction of the Project and, following the adoption of the Bond Resolution by the Corporation's Board of Directors, will not take any action or fail to take any action (including, without limitation, any exercise or denial of its consent or approval of any action proposed to be taken by the Corporation or any of its agents hereunder), if taking or failing to take such action, respectively, would unreasonably delay or obstruct the completion of the Project by the Corporation.

Section 2.09. Completion. (a) Except as otherwise provided in subsection (b) of this Section, when the Facilities have been completed, the Corporation shall deliver to the Cities a certificate of the Corporation and the Project Engineer stating that, as of a specified date, the Project has been substantially completed and are ready to be placed in service (the date specified in such certificate being herein called the "Completion Date").

(b) The Cities and the Corporation acknowledge that the proceeds of the initial series of Bonds will be insufficient to complete the acquisition and construction of the Project, and accordingly agree to use their best efforts to issue Additional Bonds, or to secure financing pursuant to the TWDB Program, in an amount sufficient to complete the Project.

Section 2.10. Title to Water. Title to the water shall be in the Corporation until it passes through the meter or meters installed pursuant to this Contract at or near the Delivery Point, following which it shall be in the respective Cities. Each of the parties hereto hereby agrees to save and hold each other party hereto harmless from all claims, demands and causes of action which may be asserted by anyone on account of the transportation and delivery of said water while title remains in such party.

Section 2.11. Access to Cities. Should any facilities, pipelines, or appurtenances owned by the Corporation be installed in any street, alley, or public way within the boundaries of the Cities, as same are now constituted or as may hereafter be extended, the Cities hereby grant, upon complying with each of the Cities' franchise ordinances or other provisions, to the Corporation the
right, privilege and franchise of using such streets, alleys and public ways for the purposes of maintaining, operating, laying, repairing, or removing such facilities, pipelines, and appurtenances.

Section 2.12. Easements. The Cities hereby agree to grant to the Corporation such easements as may be reasonably necessary for the purposes of placing, constructing, operating, repairing, maintaining, rebuilding, replacing, relocated, and removing water facilities upon, over, across and through the Cities' property and giving to the Corporation, and its successors and assigns, all of the rights and benefits necessary or appropriate for the full enjoyment and use of the easement, including but without limiting the same to, the free right of ingress and egress to and from the Cities' property.

Section 2.13. Cross-Utilization of Lines.

A. Each City acknowledges that it may be necessary for certain of its transmission lines to be utilized in order for the Corporation to transmit treated water to another City or other entity and such City hereby agrees to permit the Corporation to so utilize its transmission lines in accordance with Section 2.11 and Section 2.12. In such case, the City involved agree to inform the Corporation of any special requirements with respect to pressure or other matters relating to the transmitting City's lines.

B. The Corporation will furnish, install, operate, and maintain meters at the point of exit from the City's lines to maintain accurate measurements of the quantity of water being delivered by the Corporation to a City or other entity through the lines of the other City or other entity. Such meters shall be subject to inspection and examination by both the City and the Corporation in accordance with the provisions of Section 4.02.

C. In the event that repairs are required to be made to any lines of a City which are utilized for the transmission of treated water to another City or other entity, the receiving City shall participate in the cost of such repairs as may be agreed from time to time.

Section 2.14. Points of Delivery. The Project will include the Facilities and Land Interests required to deliver water to the Point of Delivery for each City at the location depicted in the Engineering Report. After completion of the Project, each City shall have the sole responsibility, at its own cost and expense, for providing additional pipelines and other facilities required for transporting its share of the water from the Project to new or additional Points of Delivery, but additional or alternative points of delivery will be allowed only with the consent of the Cities.

Section 2.15. Quantity. The Cities' proportionate share of the treated groundwater produced by the Project is as follows:

<table>
<thead>
<tr>
<th>City</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schertz</td>
<td>50%</td>
</tr>
<tr>
<td>Seguin</td>
<td>50%</td>
</tr>
</tbody>
</table>
Section 2.16. Other Contracts. The Corporation shall not enter into contracts with other persons for the supply of water without the prior consent of Cities and either City may withhold its consent. The Cities may not resell water to third party wholesalers (except to such customers that exist on November 1, 1999 and not for resale by these customers) that they purchase from the Corporation without obtaining the written consent of the Corporation and the other City.

Section 2.17. Quality. The water to be delivered by the Corporation and received by the Cities shall be groundwater produced from wells constructed as part of the Project and treated using the Facilities and equipment described in the Engineering Report. Each of the Cities has satisfied itself that such water is suitable for its needs. The Corporation and each of the Cities shall cooperate, each within its legal powers, in preventing possible pollution and contamination of the formation from which the water is obtained.

Section 2.18. Operation. The Corporation covenants to operate the Project in accordance with Prudent Utility Practices and in accordance with applicable regulatory requirements.

ARTICLE III

FINANCING OF THE PROJECT

Section 3.01. Issuance of Bonds. (a) The Corporation's acquisition and construction of the Project and improvements to the Project will be financed by the Corporation through the issuance of one or more series or issues of its Bonds payable from and secured, in part, by an assignment of the Annual Payments made under this Contract. In consideration of the covenants and agreements set forth in this Contract, and to enable the Corporation to issue the Bonds to carry out the intents and purposes hereof, this Contract is executed to assure the issuance of the Bonds and to provide for and guarantee the due and punctual payment by the Cities to the Corporation, or to the Trustee under the trust indenture (or paying agent/registrar agreement) securing the Bonds, of amounts not less than the Annual Payments. Each of the Cities hereby agrees to make, or cause to be made, its proportionate share of each Annual Payment, as and when due, for the benefit of the owners of the Bonds, as provided in the Bonds and the Bond Resolution. The proportionate share of each Annual Payment shall be determined on a several and not a joint basis, as follows:

- Schertz 50% and
- Seguin 50%

(b) The proceeds from the sale of the Bonds will be used for the payment of the Project Costs. The Bonds will be issued by the Corporation in the amount anticipated to be required to acquire and construct the Project, including payment of all Project Costs advanced by the Cities and incurred by the Corporation prior to the date of issuance of the Bonds, and to fund, to the extent deemed advisable by the Corporation, a debt service reserve fund and interest on the Bonds during construction and for up to one year after the Completion Date.
(1) Each Bond Resolution of the Corporation shall specify the maximum principal amount of the Bonds to be issued thereunder. The Bonds shall mature not more than forty (40) years from the date of such Bonds and shall bear interest at not to exceed the maximum legal rate then permitted by law, and the Bond Resolution may create and provide for the maintenance of a revenue fund, an interest and sinking fund, a debt service reserve fund, and any other funds deemed prudent by the Corporation, all in the manner and amounts as provided in such Bond Resolution.

(2) Prior to the final adoption of a Bond Resolution or any amendment of a Bond Resolution by the Corporation’s Board of Directors or the execution of an Approval Certificate by the Corporation, a substantially final copy of the proposed Bond Resolution, the Approval Certificate, if any, and the Sale and Offering Documents shall be presented to the Cities for review and approval.

(3) Upon approval by each of the Cities of (i) each Bond Resolution hereafter adopted by the Corporation, (ii) any amendments to any Bond Resolution, (iii) an Approval Certificate authorized by a Bond Resolution, and (iv) the Sale and Offering Documents and the delivery to the Corporation of a certification signed by the Authorized Representative of each of the Cities to the effect that the Bond Resolution, including any Approval Certificate, and the Sale and Offering Documents comply with this Contract, then upon the adoption and approval of the Bond Resolution and the Approval Certificate, if any, in such final form by the Corporation’s Board of Directors or Authorized Representative, as the case may be, and the issuance and delivery of the Bonds to the purchaser thereof, the Bond Resolution shall for all purposes be considered approved by the Cities and deemed to be in compliance with this Contract in all respects, and the Bonds issued thereunder will constitute Bonds as defined in this Contract for all purposes. Any owner of Bonds is entitled to rely fully and unconditionally on any such approval.

(4) All covenants and provisions in the Bond Resolution affecting, or purporting to bind, the Cities, shall, upon the delivery of the Bonds, become absolute, unconditional, valid, and binding covenants and obligations of the Cities so long as the Bonds and interest thereon are outstanding and unpaid, and may be enforced as provided in this Contract and the Bond Resolution. Particularly, the obligation of each of the Cities to make, promptly when due, all Annual Payments specified in this Contract shall be absolute and unconditional, and said obligation may be enforced as provided in this Contract. In addition, subject to the approval of the Cities, the Corporation may enter into Credit Agreements for the purpose of achieving the lowest financing costs for the Project.

Section 3.02. Proceeds of Bonds. Subject to the terms and provisions of this Contract, the proceeds of the Bonds shall be used by the Corporation for the purpose of financing and funding the
Corporation's acquisition and construction of the Project as provided in Section 3.01 and improvements to the Project. The Corporation shall use its best efforts to issue its Bonds, in one or more series, in amounts which will be sufficient to accomplish such purpose. The proceeds of the Bonds shall be deposited in a construction fund established pursuant to the terms of the Bond Resolution. A trust indenture may be entered into between the Corporation and a corporate trustee for the purpose of securing the payment of the Bonds. The trust indenture or the Bond Resolution, as appropriate, will establish procedures for the payment of Project Costs out of the construction fund. It is anticipated that the Bonds will be issued pursuant to the Bond Resolution and that a paying agent/registrar agreement will be executed between the Corporation and the Trustee concerning the payment procedures with respect to the Bonds.

Section 3.03. Refunding of Bonds. The Corporation reserves the right to issue refunding bonds in accordance with the laws of the State.

Section 3.04. Redemption of Bonds. The Corporation, in its sole discretion or upon the written request of the Cities (and provided that the affected Bonds are subject to redemption or prepayment prior to maturity at the option of the Corporation, and provided that such request is received in sufficient time prior to the date upon which such redemption or prepayment is proposed), forthwith shall take or cause to be taken all action that may be necessary under the applicable redemption provisions of the Bonds to redeem the Bonds or any part thereof, to the full extent of funds that are either made available for such purpose by the Cities or already on deposit under the Bond Resolution and available for such purpose. The redemption of any outstanding Bonds prior to maturity at any time shall not relieve the Cities of their absolute and unconditional obligation to pay each remaining Annual Payment with respect to any outstanding Bonds, as specified in the Bond Resolution.

Section 3.05. Debt Service on Bonds and Other Bond Funding Requirements. It is acknowledged and agreed that payments to be made under this Contract will be the primary source available to the Corporation to provide the money necessary for the Corporation to meet its obligations with respect to the Bonds and any Credit Agreements. Each City therefore agrees to pay its proportionate share of all Bond Payment, as outlined in subsections (a) through (e) below, in full when due as provided in this Contract. Bond Payment shall be due by the close of business on the business day prior to each date on which any of the following payments or deposits shall be due and shall be in an amount equal to all such payments and deposits due on such date:

(a) debt service on the Bonds and related payments and deposits, as follows:

(1) principal of, redemption premium, if any, and interest on, the Bonds, less interest to be paid out of Bond proceeds or from other sources if permitted by any Bond Resolution, and the redemption price of any Bonds to be redeemed prior to maturity when and as provided in any Bond Resolution plus the fees, expenses, and, to the extent permitted by law, indemnities of the Trustee, if any, for the Bonds, and those
of the paying agent/registrar for paying the principal of and interest on the Bonds and for authenticating, registering, and transferring Bonds on the registration books; and

(2) deposits required to be made to any special, contingency, or reserve fund by the provisions of any Bond Resolution; and

(3) any deposit in addition thereto required to restore any deficiency in any of such funds by the provisions of any Bond Resolution,

(b) amounts payable by the Corporation under a Credit Agreement; and

(c) the fees, expenses, and indemnities (to the extent permitted by law) of the remarketing agent, rate setting agent, authentication agent, arbitrage rebate compliance firm, and tender agent, if any, for the Bonds.

Section 3.06. Billing. The Corporation will render bills to the Cities not more than once each month, commencing April 5, 2000, for the current payments required by this Contract. The Corporation shall, until further notice, render such bills on or before the 5th day of each month and such bills shall be due and payable on the 15th day of each month or ten (10) days after such bill is deposited into the United States mail, properly stamped and addressed to the Cities whichever is later and thereafter, to the extent permitted by law, interest shall accrue thereon at the rate of ten percent (10%) per annum until paid in full. The Corporation may, however, from time to time by sixty (60) days’ written notice change the date by which it shall render bills, and all bills shall thereafter be due and payable ten (10) days after such dates as herein provided. The Cities shall make all payments in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts and shall make payment to the Corporation at its office in Guadalupe County, Texas or at such other place as the Corporation may from time to time designate by sixty (60) days’ written notice.

Section 3.07. Delinquency in Payment. If either of the Cities fails to pay any bills when due and payable, the Corporation may give written notice of such delinquency to the City and if all bills due and unpaid, including interest thereon, are not paid within forty-five (45) days after delivery of such notice, then the City agrees that the Corporation shall be authorized, as its option, to institute suit for collection thereof and to collect any amounts due and unpaid, together with interest thereon and reasonable attorneys’ fees, and the City further agrees that the Corporation may, as its option discontinue providing water to the City until all amounts due and unpaid are paid in full with interest as herein specified. Any such discontinuation of service shall not, however, relieve the City of its unconditional obligations to make the payments required by this Contract. It is also hereby expressly recognized that the nondefaulting City shall have no obligation to make any payments for the benefit of the defaulting City.
Section 3.08. Corporation's Rights Assigned to Trustee. The Cities are advised and recognize that as security for the payment of the Bonds, the Corporation may assign to the Trustee, pursuant to one or more trust indentures (or paying agent/registrant agreements) to be authorized by the Bond Resolution, the Corporation's rights under this Contract, including the right to receive the Annual Payments hereunder (but not the right to receive payments, if any, under Section 8.13 hereof). The Cities herewith assent to such assignment and will make the Annual Payments directly to the Trustee without defense or set-off by reason of any dispute between one or both of the Cities and the Corporation or the Trustee. All rights against the Cities arising under this Contract or the Bond Resolution and assigned to the Trustee may be enforced by the Trustee, or the owners of the Bonds, to the extent provided in the Bond Resolution, and the Trustee, or the owners of the Bonds, shall be entitled to bring any suit, action, or proceeding against the Cities, to the extent provided in the Bond Resolution, for the enforcement of this Contract, and it shall not be necessary in any such suit, action, or proceeding to make the Corporation a party thereto.

Section 3.09. Tax-Exempt Bonds. The parties hereto understand and agree that the Corporation will use its best efforts to provide for, but will not be liable for a failure to produce, the lowest overall debt service cost for the Bonds to be issued for the Project. In connection therewith, the parties intend that the Corporation will issue Bonds the interest on which is excludable from the gross income of the owners thereof for federal income tax purposes. The parties hereto acknowledge their understanding that the federal income tax laws impose certain restrictions on the use and investment of proceeds of such tax-exempt bonds and on the use of the property financed therewith and the output produced therefrom. Accordingly, the parties agree and covenant that if the Bonds are offered to investors with the understanding that the interest will be exempt from federal income taxation, then the parties, their assigns and agents, will take such action to assure, and refrain from such action which will adversely affect the treatment of such Bonds as obligations described in section 143 of the Code. Should any party fail to comply with such covenant, the effect of which being that the Bonds no longer qualify as obligations described in the Code, such defaulting party shall be liable for all costs resulting from the loss of the tax-exempt status of the Bonds. The parties hereby agree and covenant to comply with all of the representations and covenants relating to such exemption which are set out in any Bond Resolution. The parties further agree and covenant that in the event the Bonds issued are to be tax-exempt, they will modify such agreements, make such filings, restrict the yield on investments, and take such other action necessary to fulfill the applicable provisions of the Code. For these purposes, the parties may rely on the respective opinion of any firm of nationally-recognized bond attorneys selected by them. In the event that a conflict arises in the opinions of the respective firms of each of the parties, the parties will identify a different firm, that is mutually acceptable to all parties, in order to resolve the conflict of opinion.

Section 3.10. Payment to Rebate Fund. In the event that tax-exempt Bonds are issued as provided in Section 3.09, the Corporation hereby covenants and agrees to make the determinations and to pay any deficiency into a rebate fund, at the times and as described in the Bond Resolution to comply with the provisions of section 148(f)(2) of the Code. In any event, if the amount of cash held in the rebate fund shall be insufficient to permit the Trustee to make payment to the United
States of America of any amount due on any date under section 148(f)(2) of the Code, each of the
Cities forthwith shall pay the amount of such insufficiency on such date to the Trustee in
immediately available funds for such purpose. The obligations of the Cities under this Section 3.10
are direct obligations of each City, acting under the authorization of, and on behalf of, the
Corporation and the Corporation shall have no further obligation or duty with respect to the rebate
fund.

Section 3.11. Cities' Obligations. In the event the Project is not completed for any of the
reasons contemplated herein or otherwise, or any proceeds from issuance of the Bonds are not used
for completion of the Project for any reason, any Bond proceeds and earnings thereon not used for
completion of the Project shall be utilized to satisfy amounts due and owing on the Bonds as
described in the Bond Resolution, and herein, so as to reduce the Annual Payments which would
otherwise be due hereunder, or be applied for the benefit of the Cities as provided in the Bond
Resolution. The Cities have covenanted absolutely and unconditionally, in accordance with all other
terms of this Contract, to make the Annual Payments, as provided herein, in consideration for such
application of the money as well as the other covenants and obligations of the Corporation and others
set forth or contemplated herein.

Section 3.12. Interest on Money. All legally available money respecting the Bonds shall be
invested in the manner set forth in the Bond Resolution. Any interest earnings on the Bond proceeds
may be used to pay principal of and interest on the Bonds or for the payment of any Project Costs
or other costs related to the Project approved by the Cities, subject to Section 3.09.

Section 3.13. Sale and Offering Documents. At the request of the Corporation, each of the
Cities shall provide to the Corporation current and historical information concerning the Cities' System, the financial conditions results, and prospects of the City, and such other information
concerning the City as the Corporation shall deem advisable for inclusion in the Sale and Offering
Documents for the Bonds of each series and shall certify to the Corporation and the underwriters of
any offering of Bonds to be made by means of such Sale and Offering Documents when and if the
City deems such Sale and Offering Documents to be complete and final for purposes of the Rule.
Each of the Cities represents and warrants that all statements concerning it (including, without
limitation, its financial condition, results, and prospects, its portion of the Cities' System, and any
demographic and economic information concerning the area served by its portion of the Cities' System) that are contained in any Sale and Offering Document approved by the Cities pursuant to
Section 3.01 hereof shall be true in all material respects and shall not omit to state any material fact
necessary to make the statements made in such Sale and Offering Document, in the light of the
circumstances in which they are made, not misleading.

Section 3.14. Right of Cities to Prepay. The Cities shall have the right at any time to prepay
all or any portion of the Annual Payments. Subject to the provisions of Section 3.09, such prepaid
Annual Payments shall be used and invested by the Corporation as directed by the City which paid
(i) as a credit against future Annual Payment obligations of such City, (ii) to redeem Bonds pursuant
to the provisions of Section 3.04, or (iii) to provide for the defeasance of the Bonds pursuant to the provisions of the Bond Resolution. Any such prepayment will not cause a termination of this Contract until all other amounts owed or to be incurred by the Corporation or any other person under the provisions of the Bond Resolution (including the charge for water pursuant to Section 8.05 hereof) have been paid in full or waived by such person.

ARTICLE IV

METERING AND MEASUREMENT

Section 4.01. Unit of Measurement. The unit of measurement for water delivered hereunder shall be 1,000 gallons of water, U. S. Standard Liquid Measure.

Section 4.02. Measuring Equipment. The Corporation shall furnish, install, operate and maintain at its own expense for each Delivery Point the necessary electronic or other equipment and devices of standard type for measuring properly the quantity of water delivered under this Contract. Such meters or meters and other equipment so installed shall remain the property of the Corporation. The Cities shall have access to such metering equipment at all reasonable times, but the reading, calibration, and adjustment thereof shall be done only by the employees or agents of the Corporation. For the purpose of this Contract the original record or reading of the meter or meters shall be the journal or other record book of Corporation in its office in which the records of the employees or agents of the Corporation who take readings are or may be transcribed. Upon written request of Cities, the Corporation will give the Cities a copy of such journal or record book, or permit the Cities to have access to the same in the office of the Corporation during reasonable business hours.

The Corporation shall calibrate its meters periodically, but at least every three (3) years, if requested in writing by Cities to do so, in the presence of a representative of the Cities, and the parties shall jointly observe any adjustments which are made to the meters in case any adjustments shall be necessary, and if the check meters hereinafter provided for have been installed, the same shall also be calibrated by the Cities in the presence of a representative of Corporation and the parties shall jointly observe any adjustment in case any adjustment is necessary. If the Cities shall in writing request Corporation to calibrate its meters and Corporation shall give the Cities notice of the time when any such calibration is to be made and a representative of the Cities is not present at the time set, the Corporation may proceed with calibration and adjustment in the absence of any representative of the Cities.

If either party at any time observes a variation between the delivery meter or meters and the check meter or meters, if any such check meter or meters shall be installed, such party will promptly notify the other party, and the parties hereto shall then cooperate to procure an immediate calibration test and joint observation of any adjustment and the said meter or meters shall then be adjusted to accuracy. Each party shall give the other parties forty-eight (48) hours’ notice of the time of all tests of meters so that the other parties may conveniently have a representative present.
If upon any test, the percentage of inaccuracy of any metering equipment is found to be in excess of two percent (2%), registration thereof shall be corrected for a period extending back to the time when such inaccuracy began, if such time is ascertainable, and if such time is not ascertainable, then for a period extending back one-half (½) of the time elapsed since the last date of calibration, but in no event further back than a period of six (6) months. If for any reason any meters are out of service or out of repair so that the amount of water delivered cannot be ascertained or computed from the reading thereof, the water delivered during the period such meters are out of service or out of repair shall be estimated and agreed upon by the parties hereto upon the basis of the best data available. For such purpose, the best data available shall be deemed to be the registration of any check meter or meters if the same have been installed and are accurately registering. Otherwise the amount of water delivered during such period may be estimated (i) by correcting the error if the percentage of the error is ascertainable by calibration tests or mathematical calculation, or (ii) by estimating the quantity of delivery by deliveries during the preceding periods under similar conditions when the meter or meters were registering accurately.

The Cities may, at their option and their own expense, install and operate a check meter to check each meter installed by Corporation, but the measurement of water for the purpose of this Contract shall be solely by the Corporation's meters, except in the cases hereinabove specifically provided to the contrary. All such check meters shall be of standard make and shall be subject at all reasonable times to inspection and examination by any employee or agent of the Corporation, but the reading, calibration and adjustment thereof shall be made only by the Cities, except during any period when a check meter may be used under the provisions hereof for measuring the amount of water delivered, in which case the reading, calibration and adjustment thereof shall be made by Corporation with like effect as if such check meter or meters had been furnished or installed by Corporation.

ARTICLE V

ANNUAL PAYMENTS, CITY COVENANTS

Section 5.01. Annual Estimate of Annual Payments. Not less than ninety (90) days prior to each Fiscal Year, the Corporation shall furnish to the Cities an estimate and schedule of the Annual Payments required to be paid by the Cities in such Fiscal Year.

Section 5.02. Annual Payments by the Cities. (a) Each of the Cities hereby agrees that it will make payments of its proportionate share of the Annual Payments to the Corporation, or to the Trustee on behalf of the Corporation, as provided in the Bond Resolution in accordance with the procedures established in Section 3.06 hereof. If a City at any time disputes the amount to be paid by it to the Corporation, such City shall nevertheless promptly make such payment or payments, but if it is subsequently determined by agreement or court decision that such disputed payments made by the such City should have been less, or more, the Corporation shall promptly revise the charges for such City in such manner that a City will recover its overpayment or the Corporation will recover
the amount due it. The Corporation shall pursue all legal remedies against the Cities to enforce and protect the rights of the Corporation and the owners of the Bonds, and the Cities shall not be relieved of the liability to the Corporation for the payment of all amounts which are due by them hereunder.

(b) Except to the extent otherwise provided by the Bond Resolution, all amounts due under this Contract shall be paid and are due in Guadalupe County, Texas, which is the County in which the principal administrative offices of the Corporation are located.

(c) The Corporation shall redetermine the estimate and schedule of Annual Payments due in any Fiscal Year at any time during such Fiscal Year, as and to the extent deemed necessary or advisable by the Corporation to accurately forecast the amount and date of Annual Payments to be made by the Cities, if (i) the Corporation issues Bonds to complete the Project or to refund any Bonds or enters into, amends, or terminates a Credit Agreement, (ii) actual interest rates on any variable interest rate Bonds differ from those projected by the Corporation, or (iii) any other event occurs which results in an increase or decrease in the Annual Payments required to be made by the Cities in such Fiscal Year.

(d) If, during any Fiscal Year, the Annual Payment is redetermined in any manner as provided or required in this Section, the Corporation will promptly furnish the Cities with an updated schedule of payments reflecting such redetermination.

(e) Notwithstanding anything herein to the contrary, no failure of the Corporation to estimate, and no mistake by the Corporation in any estimate of, the amount of or schedule for Annual Payments due from the Cities in any Fiscal Year shall relieve the Cities from (or defer) their absolute and unconditional obligation to make all Annual Payments in full when due.

Section 5.03. Source of Payment. (a) Each of the Cities represents and covenants that all payments to be made by them under this Contract shall constitute reasonable and necessary “operating expenses”, as defined in Chapter 1502, as amended, Texas Government Code (formerly Texas Revised Civil Statutes Annotated Article 1113, as amended) of the Cities’ System, but only to the extent of the Annual Payment, and the Cities shall not be obligated to make the payments under this Contract from any source other than the gross revenues of the Cities’ System. Each of the Cities further represents that the Governing Bodies of the Cities have determined that the services to be provided by the Project are absolutely necessary and essential to provide the water to the Cities.

(b) Each of the Cities agrees throughout the term of this Contract to fix and collect such rates and charges for services to be supplied by the Cities’ System as will produce gross revenues at all times during the term of this Contract in an amount at least equal to (i) all of the expenses of operation and maintenance of the Cities’ System, including specifically its payments under this Contract and (ii) all other amounts as required by law and the provisions of the ordinances or resolutions authorizing the Cities Utility Bonds or other obligations now or hereafter outstanding.
payable, in whole or in part, from the net revenues of the Cities’ System, including the amounts required to pay all principal of and interest on such Cities Utility Bonds and other obligations.

(c) No ad valorem tax revenues of either of the Cities shall be pledged to the payment of any amounts to be paid by the Cities to the Corporation under this Contract, nor shall the Corporation have the right to demand payment of any amounts to be paid by the Cities under this Contract be paid from funds raised or to be raised from ad valorem taxation from the Cities and the obligations under this Contract shall never be construed to be a debt or pecuniary obligation of the Cities of such kind as to require the Cities to levy and collect an ad valorem tax to discharge their obligations.

Section 5.04. Corporation’s Operation and Maintenance Expenses and Overhead Expenses. To the extent not paid out of the proceeds of the Bonds, or otherwise, the Cities shall pay and reimburse the Corporation for all of its proportionate share of Operation and Maintenance Expenses and Overhead Expenses incurred by it throughout the term of this Contract within thirty (30) days of receipt of documentation therefrom from the Corporation. The Cities also agree, with the consent of the Corporation, to enter into an interlocal agreement to provide for, among other matters, an annual adjustment of the Operation and Maintenance Expenses and Overhead Expenses paid by each City based upon certain formulas and taking into account the quantity of water actually utilized by each City.

Section 5.05. Annual Budgeting by the Cities. The Cities shall make provision in each of their annual budgets and shall appropriate an amount sufficient, at a minimum, for the payment of all amounts required to be paid by the Cities under this Contract.

Section 5.06. Revenue Sources Pledged. Each of the Cities hereby pledges the gross revenues of the Cities’ System to the payment of their obligations under this Contract and recognize that the Corporation will, and authorize the Corporation to, pledge the Annual Payments owing to it by the Cities under this Contract to the payment of the Bonds and Credit Agreements. The Corporation agrees to make the payments for the Bonds and Credit Agreements when and as required by the Bond Resolution, the Credit Agreements, and this Contract, from and to the extent of proceeds of the Bonds not expended for the Project and Annual Payments made by the Cities.

Section 5.07. General Covenants. Each City further each represents, covenants and agrees that in accordance with and to the extent permitted by law:

(a) Performance. It will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in each ordinance or resolution authorizing the issuance of its Cities Utility Bonds; and it will, at the time and in the manner prescribed, deposit or cause to be deposited the amounts required to be deposited into the fund and accounts created by said ordinances, but only from and to the extent of the sources of funds and after satisfaction of all prior obligations described therein.
(b) Cities' Legal Corporation. It is a duly created and existing home rule city of the State and is duly authorized under the laws of the State to enter into this Contract that all action on its part for the execution and delivery of this Contract has been duly and effectively taken; and that this Contract is a valid and enforceable special obligation of the Cities in accordance with its terms.

(c) Acquisition and Construction; Operation and Maintenance. (1) It shall use its best efforts in accordance with Prudent Utility Practice to acquire and construct, or cause to be acquired and constructed, any capital improvements to the Cities' System, which shall mean and include any capital extensions, improvements, and betterments, in accordance with the plans and specifications therefor, as modified from time to time with due diligence and in a sound and economical manner; and (2) it shall at all times use its best efforts to operate or cause to be operated the Cities' System properly and in an efficient manner, consistent with Prudent Utility Practice, and shall use its best efforts to maintain, preserve, reconstruct and keep the same or cause the same to be so maintained, preserved, reconstructed and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make, or use its best efforts to cause to be made, all necessary and proper repairs, replacement, and renewals so that at all times the operation of the Cities' System may be properly and advantageously conducted.

(d) Title. It has or will obtain lawful title, whether such title is in fee or lesser interest, to the lands, buildings, structures, and facilities constituting its portion of the Cities' System; it will defend the title to all the aforesaid lands, buildings, structures, and facilities, and every part thereof, for the benefit of the Corporation and the owners of the Bonds, against the claims and demands of all persons whomsoever; and it is lawfully qualified to pledge the gross revenues of its portion of the Cities' System to the payment of the payments required by this Contract in the manner prescribed herein, and has lawfully exercised such rights.

(e) Liens. It will from time to time and before the same become delinquent pay and discharge all taxes, assessments, and governmental charges, if any, which shall be lawfully imposed upon its portion of the Cities' System; it will pay all lawful claims for rents, royalties, labor, materials, and supplies which if unpaid might by law become a lien or charge thereon, the lien of which would be prior to or interfere with the liens hereof, so that the priority of the lien granted hereunder shall be fully preserved in the manner provided herein; and it will not create or suffer to be created any mechanic's, laborer's, materialman's, or other lien or charge which might or could be prior to the liens hereof, or do or suffer any matter or thing whereby the lien hereof might or could be impaired; provided however, that no such tax, assessment, or charge, and that no such claims which might be used as the basis of a mechanic's, laborer's, materialman's, or other lien or charge, shall be required to be paid so long as the validity of the same shall be contested in good faith by the Cities.

(f) Books, Records, and Accounts. It shall keep proper books, records, and accounts separate and apart from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to its portion of the Cities' System, the Bonds, and the Cities, and
shall cause said books and accounts to be audited annually as of the close of each Fiscal Year by the Accountant. At the request of the Corporation, the Cities shall allow the Corporation to audit such books, records, and accounts at any reasonable time and from time to time.

(g) **Insurance.** (1) Except as otherwise permitted in clause (2) below, it shall cause to be insured such parts of its portion of the Cities' System as would usually be insured by corporations operating like properties, with a responsible insurance company or companies, against risks, accidents, or casualties against which and to the extent insurance is usually carried by corporations operating like properties, including, to the extent reasonably obtainable, fire and extended coverage insurance, insurance against damage by floods, and use and occupancy insurance. Public liability and property damage insurance shall also be carried unless the City Attorney gives a written opinion to the effect that the City is not liable for claims which would be protected by such insurance. At any time while any contractor engaged in construction work shall be fully responsible therefor, the Cities shall not be required to carry insurance on the work being constructed if the contractor is required to carry appropriate insurance. All such policies shall be open to the inspection of the Corporation at all reasonable times.

(2) In lieu of obtaining policies for insurance as provided above, the Cities may self-insure against risks, accidents, claims, or casualties described in clause (1) above.

(3) The annual audit hereinafter required shall contain a section commenting on whether or not the City has complied with the requirements of this Section with respect to the maintenance of insurance, and listing the areas of insurance for which the City is self-insuring, all policies carried, and whether or not all insurance premiums upon the insurance policies to which reference is hereinbefore made have been paid.

(h) **Audits.** After the close of each Fiscal Year while this Contract is in effect, an audit will be made by each City of the books and accounts relating to its portion of the Cities' System and its portion of the revenues of the Cities' System by the Accountant. As soon as practicable after the close of each such Fiscal Year, and when said audit has been completed and made available to the Cities, a copy of such audit for the preceding Fiscal Year shall be mailed to the Corporation. Such annual audit reports shall be open to the inspection of the Corporation, its agents and representatives, the Trustee, and the owners of the Bonds at all reasonable times at the Corporation’s office.

(i) **Governmental Agencies.** It will comply with all of the terms and conditions of any and all franchises, permits, and authorizations applicable to or necessary with respect to the Cities' System, and which have been obtained from any governmental agency; and the Cities have or will obtain and keep in full force and effect all franchises, permits, authorizations, and other requirements applicable to or necessary with respect to the acquisition, construction, equipment, operation, and maintenance of the Cities' System.
(j) No Competition. To the extent it legally may, it will not grant any franchise or permit for the acquisition, construction, or operation of any competing facilities which might be used as a substitute for the Cities' System's facilities, and, to the extent that it legally may, each City will prohibit any such competing facilities.

(k) Rights of Inspection. The Corporation, the Trustee, and the owners of 10% or more in principal amount of the Bonds of any series shall have the right at all reasonable times to inspect the Cities' System and all records, accounts, and data of the Cities relating thereto, and upon request the Cities shall furnish to the Corporation, the Trustee, and such owners of Bonds such financial statements, reports, and other information relating to the Cities and the Cities' System as any such person may from time to time reasonably request.

(l) Sale, Lease, or Disposal of Property by the Cities. No part of the Cities' System shall be sold, leased, mortgaged, demolished, removed, or otherwise disposed of, except as follows:

(1) To the extent permitted by law, a City may sell or exchange at any time and from time to time any property or facilities constituting its part of the Cities' System only if (i) it shall determine such property or facilities are not useful in the operation of the Cities' System, or (ii) the proceeds of such sale are $250,000 or less, or it shall have received a certificate executed by the City Engineer of Record and the City Manager stating, in their opinion, that the fair market value of the property or facilities exchanged is $250,000 or less, or (iii) if such proceeds or fair market value exceeds $250,000 it shall have received a certificate executed by the City Engineer of Record and the City Manager stating (A) that system within the Cities' System of which the property or facilities comprises a part thereof and (B) in their opinion, that the sale or exchange of such property or facilities will not impair the ability of the Cities to comply during the current or any future year with the provisions of Section 5.43(b) of this Contract. The proceeds of any such sale or exchange not used to acquire other property necessary or desirable for the safe or efficient operation of the Cities' System shall forthwith, at the option of the Cities be used as provided in the ordinances of the Cities authorizing its Cities Utility Bonds.

(2) To the extent permitted by law, a City may lease or make contracts or grant licenses for the operation of, or make arrangements for the use of, or grant easements or other rights with respect to, any part of its portion of the Cities' System, provided that any such lease, contract, license, arrangement, easement or right (i) does not impede the operation by the Cities of the Cities' System and (ii) does not in any manner impair or adversely affect the rights or security of the Corporation under this Contract; and provided, further, that if the depreciated cost of the property to be covered by any such lease, contract, license, arrangement, easement, or other right is in excess of $500,000, the Cities shall have received a certificate executed by the City Engineer of Record and the City Manager that the action of the Cities with respect thereto does not result in a breach of the conditions under this subsection (2). Any payments received by the Cities under or in connection with any such lease, contract, license, arrangement, easement or right in respect of the Cities' System or any part thereof shall constitute gross revenues of the Cities' System.
ARTICLE VI
CONTINUING DISCLOSURE

Section 6.01. Annual Reports. Following the issuance of Bonds of any series, the offer or sale of which is not exempt from the Rule and, until the Cities are no longer obligated, contingently or otherwise, to make Annual Payments in respect of the Bonds of such series, the Cities undertake to and shall provide annually to each NRMSIR and any SID, within six months after the end of each Fiscal Year, (1) financial information and operating data of the general type included in the Sale and Offering Documents for the Bonds of such series, as specified in the Cities' approval of such Sale and Offering Documents pursuant to Section 3.01 hereof and (2) audited general purpose financial statements of the Cities, if then available. Any financial statements so to be provided shall be (1) prepared in accordance with generally accepted accounting principles for governmental agencies or such other accounting principles as the Cities may be required to employ from time to time pursuant to state law or regulation, and (2) audited, if the Cities commission an audit of such statements and the audit is completed within the period during which it must be provided. If the audit of such financial statements is not complete within such period, then the Cities shall provide unaudited financial statements within the required period, and shall provide audited financial statements for the applicable Fiscal Year to each NRMSIR and any SID, when and if the audit report on such statements become available.

If the Cities change their Fiscal Year, they will notify the Trustee, each NRMSIR, and any SID in writing of the change (and of the date of the new Fiscal Year end) prior to the next date by which the Cities otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be incorporated by specific reference to any document or specific part thereby (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to each NRMSIR and any SID or filed with the SEC. Copies of such information and operating data shall be furnished to the Corporation at the same time the information and data are furnished to any NRMSIR or SID.

Section 6.02. Material Event Notices. (a) The following are the events with respect to the Bonds which the Corporation must agree to disclose in a timely manner pursuant to the Rule, if "material" under applicable federal securities laws and regulations promulgated thereunder.

(1) Principal and interest payment delinquencies;
(2) Non-payment related defaults;
(3) Unscheduled draws on debt service reserves reflecting financial difficulties;
(4) Unscheduled draws on credit enhancements reflecting financial difficulties;
(5) Substitution of credit or liquidity providers, or their failure to perform;
(6) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
(7) Modifications to rights of holders of the Bonds;
(8) Bond calls;
(9) Defeasances;
(10) Release, substitution, or sale of property securing repayment of the Bonds; and
(11) Rating changes.

(b) The Cities shall, promptly after obtaining actual knowledge of the occurrence of any of the events enumerated in (a) above, notify the Corporation of such event and provide all information in the format required to satisfy the requirements of the Rule. Further, the Cities shall provide, in a timely manner, notice of any failure by the Cities to provide audited financial statements, financial information, and operating data in accordance with Section 6.01 hereof to each NRMSIR and each SID.

Section 6.03. Limitations, Disclaimers, and Amendments. The Cities shall be obligated to observe and perform the covenants specified in this Article in respect of the Bonds of any series so long as, but only for so long as, the Cities remains an “obligated person” with respect to the Bonds of such series within the meaning of the Rule, except that the Cities in any event will give notice of any deposit made in accordance with the Bond Resolution that causes Bonds of such series no longer to be outstanding.

The provisions of this Article are for the sole benefit of (and may be enforced by) the owners and beneficial owners of the Bonds, and nothing in this Article, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Cities undertake to provide only the financial information, operating data, financial statements, and notices which they have expressly agreed to provide pursuant to this Article and do not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Cities' financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Article or otherwise, except as expressly provided herein. The Cities makes no representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.
UNDER NO CIRCUMSTANCES SHALL THE CITIES BE LIABLE TO THE OWNER OR
BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT,
FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE
CITIES WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT
SPECIFIED IN THIS ARTICLE, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON,
IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE
LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the Cities in observing or performing its obligations under this Article shall
comprise a breach of or default under this Contract for purposes of any other provision of this
Contract.

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

The provisions of this Article may be amended by the Corporation and the Cities from time
to time to adapt to changed circumstances that arise from a change in legal requirements, a change
in law, or a change in the identity, nature, status, or type of operations of the Corporation or the
Cities, but only if (1) the provisions of this Article, as so amended, would have permitted an
underwriter to purchase or sell Bonds of the applicable series in the primary offering of the Bonds
of such series in compliance with the Rule, taking into account any amendments or interpretations
of the Rule since such offering as well as such changed circumstances, and (2) either (a) the owners
of a majority in aggregate principal amount (or any greater amount required by any other provision
of this Contract that authorizes such an amendment) of the outstanding Bonds of each such series
affected consent to such amendment or (b) an entity that is unaffiliated with the Corporation or the
Cities (such as nationally recognized bond counsel) determines that such amendment will not
materially impair the interest of the owners and beneficial owners of the Bonds of such series and
is permitted by the terms of the Article. If the Corporation and the Cities so amend the provisions
of this Article in connection with the financial or operating data which the Cities are required to
disclose under Section 6.01 hereof, the Cities shall provide a notice of such amendment to be filed
in accordance with Section 6.02(b) hereof, together with an explanation, in narrative form, of the
reason for the amendment and the impact of any change in the type of financial information or
operating data to be so provided. The Corporation and the Cities may also amend or repeal the
provisions of this Article if the SEC amends or repeals the applicable provision of the Rule or a court
of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to
the extent that the provisions of this sentence would not prevent an underwriter from lawfully
purchasing or selling Bonds in the primary offering of the Bonds.
ARTICLE VII

COMPLIANCE WITH FEDERAL, STATE AND LOCAL LAWS

Section 7.01. Compliance with Federal, State and Local Laws. In addition to the provisions of Section 8.08 hereof, this Contract is subject to all applicable federal and State laws and any applicable permits, ordinances, rules, orders and regulations of any local, state or federal government authority having or asserting jurisdiction. The Contract is specifically subject to the rules of the TNRCC and the Corporation shall have the right to terminate this Contract upon the Cities' non-compliance with the rules promulgated by the TNRCC. Pursuant to those rules the parties will comply with the following requirements:

Section 7.02. Recordkeeping and Reporting. The Cities and the Corporation shall maintain records on site for a period of five (5) years.

1. Records to be maintained by the Corporation include:
   A. copies of notifications made to the TNRCC concerning water projects;
   B. as applicable, copies of contracts made with each water user.
   C. records of volume of water delivered to each water user per delivery.
   D. water quality analyses.

2. The Corporation shall report to the TNRCC on a monthly basis the following information on forms furnished by the Executive Director of the TNRCC.
   A. volume of water delivered to the Cities.
   B. quality of water delivered to the Cities reported as a monthly average for each quality criteria except those listed as "not to exceed" which shall be reported as individual analyses.

Such reports are due to the TNRCC by the 20th day of the month following the reporting period.

The foregoing requirements of this Article VII shall be amended as necessary to comply with the rules of the TNRCC.

All costs of compliance with the rules of the TNRCC shall be paid by the Corporation, but such costs shall be considered an Operation and Maintenance Expense.
ARTICLE VIII

GENERAL PROVISIONS

Section 8.01. Participation by the Parties. The Corporation and each of the Cities each represents to the others that it is empowered by law to participate in the acquisition, construction, and financing of the Project, and to execute this Contract and other agreements and documents as are or may hereafter be required to accomplish the same; and that its participation in the Project and execution of this Contract have been duly authorized by action of its governing body at a meeting conducted in accordance with the Texas Open Meetings Act, as amended, Chapter 551, Texas Government Code. The Corporation and each of the Cities agree to furnish to the other such documentation or evidence of its authority to so participate and execute the contracts and other agreements as the other party may reasonably request, and to take and perform such other and further actions and execute such other agreements and documents as may be reasonably required to carry out the provisions of this Contract.

Section 8.02. Insurance. (a) The Corporation agrees to carry public liability insurance on the Project for purposes and in amounts which ordinarily would be carried by a privately owned utility company owning and operating such facilities, except that the Corporation shall not be required to carry liability insurance except to insure itself against risk of loss due to claims for which it can, in the opinion of the Corporation's legal counsel, be potentially liable considering relevant governmental immunities of the Cities and the Corporation. The Corporation shall also carry property casualty insurance in the amount of the replacement value of all improvements and personal property connected with the Project (less a deductible comparable to the deductible on the Cities' property insurance for Cities property generally).

All premiums for such insurance shall constitute an expense of the Project but may be paid out of the proceeds of the Bonds to the extent that such proceeds are available. In the event the Corporation is required to pay a deductible with respect to a claim under any such policy, the amount of such deductible shall constitute an expense and shall be paid by the Cities.

(b) The Corporation shall require the contractor or contractors employed for construction of the Project to carry insurance coverages throughout the construction period in at least the following amounts: (1) workers' compensation: State law limits; (2) general liability (including contractual liability) and automobile liability: one hundred thousand dollars ($100,000) per person and per occurrence for bodily injury and one hundred thousand dollars ($100,000) for property damage; (3) builder's risk: full replacement value of improvements; (4) performance and payment bond: full value of contract; (5) cost overrun insurance; and (6) timely completion insurance. The Cities shall be furnished with a certified copy of such effective policy of insurance prior to commencement of construction. Such insurance policies shall name the Corporation and the Cities as additional insureds, and the Corporation shall be provided with a certificate of insurance showing...
the required coverages and providing that the policies may not be canceled, changed, or not renewed until the Corporation has been given thirty (30) days prior written notice of such event.

(c) The insurance required by this section may be modified by written agreement of the Cities and the Corporation, in accordance with good business practice. Any questions about the scope of coverage required hereunder shall be resolved by written agreement between the Cities and the Corporation. The parties can agree to substitute an owner controlled insurance program for any of the above specified insurance requirements.

Section 8.03. Force Majeure. If by reason of Force Majeure any party hereeto shall be rendered unable wholly or in part to carry out its obligations under this Contract, other than the obligation of the Cities to make the payments required under Sections 3.05, and 5.02 of this Contract, then if such party shall give notice and full particulars of such Force Majeure in writing to the other party within a reasonable time after the occurrence of the event or cause relied on, the obligation of the party giving such notice, so far as it is affected by such Force Majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period, and any such party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "Force Majeure" as employed herein shall mean acts of God, strikes, lockouts or other industrial disturbances, acts of public enemy, orders of any kind of the Government of the United States or the State of Texas, or any civil or military authority, insurrection, riots, epidemics, landslides, lightning, earthquake, fires, hurricanes, blue northers, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipelines or canals, partial or entire failure of water supply, inability on the part of the Corporation to deliver water for any reason, or on account of any other causes not reasonably within the control of the party claiming such inability.

Section 8.04. Unconditional Obligation to Make Payment. Recognizing the fact that the Cities urgently require the facilities and services of the Project, and that such facilities and services are essential and necessary for actual use and for standby purposes, and recognizing the fact that the Annual Payments to be received from each of the Cities will be the primary source of funds available to the Corporation and the Trustee to pay the Bonds, and recognizing the fact that purchasers of Bonds will rely on the obligation of the Cities to make Annual Payments in accordance with the provisions of this Contract, each of the Cities hereby waives all rights of set-off, recoupment, counterclaim, suspension, deferment, reduction, and amendment, with respect to making the Annual Payments against the Corporation, the Trustee, and any other direct or indirect recipients of Annual Payments, and the Cities agree that, if the Bonds are issued, they shall be unconditionally obligated to pay the Annual Payments as provided and determined by this Contract, regardless of whether or not the Corporation actually acquires, constructs, or completes the Project or breaches any obligation on its part hereunder, and whether or not the Cities actually uses the Project, whether due to Force Majeure or any other reason whatsoever, regardless of any other provisions of this Contract, any other contract or agreement between any of the parties hereto. This
covenant by each of the Cities shall be for the benefit of and enforceable by the owners of the Bonds and/or by the Corporation.

By entering into this Contract and performing its obligations under any Section of this Contract, the Cities do not release any persons from or waive any claims against such persons that the Cities may have resulting from actions by such persons contrary to that person's legal obligations.

Section 8.05. Term of Contract. This Contract shall be effective from and after its date, and this Contract shall continue in force and effect until the principal of and interest on all Bonds shall have been paid or provision for the payment of all of the Bonds has been made in accordance with the terms of the Bond Resolution and thereafter continue in force and effect during the entire useful life of the Project. When the principal of and interest on all Bonds shall have been paid or provision for the payment of all of the Bonds has been made in accordance with the terms of the Bond Resolution and all amounts owed to the Corporation, the Trustee, or any other person hereunder have been paid, all money held by the Trustee or the Corporation pursuant to the terms of the Bond Resolution shall be paid to the Corporation. Upon the termination of this Contract, the Corporation will charge each of the Cities a per gallonage charge (or other published rate) for water delivered to the Cities in accordance with the Corporation's then existing rate schedule.

Section 8.06. Modification. No change, amendment, or modification of this Contract shall be made or be effective which will affect adversely the prompt payment when due of all money required to be paid by the Cities under the terms of this Contract and no such change, amendment, or modification shall be made or be effective which would cause a violation of any provisions of any Bond Resolution.

Section 8.07. Addresses and Notice. Unless otherwise provided herein, any notice, communication, request, reply, or advice (herein severally and collectively, for convenience, called "Notice") herein provided or permitted to be given, made, or accepted by any party to the other parties must be in writing and may be given or be served by depositing the same in the United States mail postpaid and registered or certified and addressed to the party to be notified, with return receipt requested, or by delivering the same to an officer of such party, or by prepaid telegram when appropriate, addressed to the party to be notified. Notice deposited in the mail in the manner hereinabove described shall be conclusively deemed to be effective, unless otherwise stated herein, from and after the expiration of three days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the party to be notified. For the purposes of notice, the addresses of the parties shall, until changed as hereinafter provided, be as follows:
If to the Corporation:

President, Board of Directors
Schertz/Seguin Local Government Corporation
c/o City Manager
City of Schertz, Texas
1400 Schertz Parkway
Schertz, Texas 78154

If to the Cities:

City Manager
City of Schertz, Texas
1400 Schertz Parkway
Schertz, Texas 78154

City Manager
City of Seguin, Texas
210 East Gonzales
Seguin, Texas 78155

The Corporation and the Cities hereto shall have the right from time to time and at any time to change their respective addresses and each shall have the right to specify as its address any other address by at least fifteen (15) days' written notice to the other parties.

Section 8.08, State or Federal Laws, Rules, Orders, or Regulations. This Contract is subject to all applicable federal and State laws and any applicable permits, ordinances, rules, orders, and regulations of any local, state, or federal governmental authority having or asserting jurisdiction but nothing contained herein shall be construed as a waiver of any right to question or contest any such law, ordinance, order, rule, or regulation in any forum having jurisdiction and the Cities and the Corporation represent that, to the best of their knowledge, no provisions of any applicable federal or State law, including the City Charters of the Cities, nor any permit, ordinance, rule, order, or regulation of either party will limit or restrict the ability of either party to carry out their respective obligations under or contemplated by this Contract.

Section 8.09, Severability. The parties hereto specifically agree that in case any one or more of the sections, subsections, provisions, clauses, or words of this Contract or the application of such sections, subsections, provisions, clauses, or words to any situation or circumstance should be, or should be held to be, for any reason, invalid or unconstitutional, under the laws or constitutions of the State or the United States of America, or in contravention of any such laws or constitutions, such invalidity, unconstitutionality, or contravention shall not affect any other sections, subsections, provisions, clauses, or words of this Contract or the application of such actions, subsections,
provisions, clauses, or words to any other situation or circumstance, and it is intended that this Contract shall be severable and shall be construed and applied as if any such invalid or unconstitutional section, subsection, provision, clause, or word had not been included herein, and the rights and obligations of the parties hereto shall be construed and remain in force accordingly.

Section 8.10. Remedies Upon Default. It is not intended hereby to specify (and this Contract shall not be considered as specifying) an exclusive remedy for any default, but all such other remedies (other than termination) existing at law or in equity may be availed of by either party hereto and shall be cumulative. Recognizing that failure in the performance of the Cities' obligations hereunder could not be adequately compensated in money damages alone, each of the Cities agrees in the event of any default on its part that the Corporation and the owners of the Bonds as third-party beneficiaries shall have available to them the remedies of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available to them. Notwithstanding anything to the contrary contained in this Contract, any right or remedy or any default hereunder, except the right of the Corporation to receive the Annual Payments and the provision of Section 3.09 hereof, which shall never be determined to be waived, shall be deemed to be conclusively waived unless asserted by a proper proceeding at law or in equity within two (2) years plus one (1) day after the occurrence of such default. No waiver or waivers of any breach or default (or any breaches or defaults) by any party hereto or of the performance by any other party of any duty or obligation hereunder shall be deemed a waiver thereof in the future, nor shall any such waiver or waivers be deemed or construed to be a waiver of subsequent breaches or defaults of any kind, character or description, under any circumstances.

Section 8.11. Venue. All amounts due under this Contract, including, but not limited to, payments due under this Contract or damages for the breach of this Contract, shall be paid and be due in Guadalupe County, Texas, which is the County in which the principal administrative offices of the Corporation are located. It is specifically agreed among the parties to this Contract that Guadalupe County, Texas, is the place of performance of this Contract; and in the event that any legal proceeding is brought to enforce this Contract or any provision hereof, the same shall be brought in Guadalupe County, Texas.

Section 8.12. Statutory Authority. In entering into this Contract and performing all duties and obligations hereunder, the Cities and the Corporation exercise their authority under and in accordance with the State Constitution and laws including, but not limited to, the Act, Chapter 402, as amended, Texas Local Government Code; Chapter 1502, as amended, Texas Government Code (formerly Texas Revised Civil Statutes Annotated Articles 1111 through 1118), the Cities' Home Rule Charter; Chapter 1371, as amended, Texas Government Code (formerly Texas Revised Civil Statutes Annotated Article 717q) and all other laws which may authorize this Contract, all of which provisions and laws, cited or not cited herein, shall cumulatively provide the authority for this Contract.

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Section 8.13. **Indemnification**. For so long as the bonds are outstanding and unpaid, and also with respect to any claim that may arise out of the offer and sale of the bonds of any series or the alleged misstatement or omission of a material fact in or from any sale and offering document relating to either of the cities used in connection therewith, to the extent permitted by law, each of the cities agrees to indemnify and save and hold harmless the corporation, and the other city, its officers, directors, agents, financial advisors, attorneys, and employees, and the underwriters of any such offering and their directors, officers, employees, and agents, and all persons who control the same within the meaning of the federal securities laws, from and against all claims that may arise as a result of any undertaking, act, or omission, whether negligent or not, which is done or omitted to be done by the cities or any of their officers, councilmen, agents, attorneys, and employees, relating to the project or providing information for inclusion in the sale and offering documents. If any such claim is brought against any such indemnified person, the cities shall pay all costs incurred by such person in defending and (subject to applicable rules of attorney conduct) may control the defense of such claim.

Section 8.14. **Contract not for Benefit of Third Parties**. This Contract is made for the exclusive benefit of the cities, the corporation, the trustee, the owners of the bonds, the parties to any credit agreements, the underwriters of any offering of and remarketing agent and tender agent, if any, for any bonds, and their respective successors and assigns herein permitted, and not for any third party or parties other than the corporation (including its officers, directors, employees, agents, and attorneys), the trustee, the owners of the bonds, the cities, and the parties to any credit agreements, the underwriters of any offering of and remarketing agent and tender agent, if any, for any bonds, the other persons indemnified by Section 8.13 hereof, and their respective successors and assigns herein permitted, any rights or remedies under or by reason of this Contract.

Section 8.15. **Succession and Assignment**. This Contract is binding on and inures to the benefit of the parties hereto and their respective successors, representatives, and assigns. This Contract may not be assigned by either party hereto without (i) complying with any provisions relating to the right of the parties to assign this Contract contained in the bond resolution and (ii) prior written notice to and approval by the other party, which consent may be withheld without cause. The provisions of this Section do not affect the assignment of the corporation's rights under this Contract to the trustee pursuant to Section 3.08.
Section 8.16. Incorporation of Preamble Recitals. The recitals contained in the preamble hereof are hereby found to be true, and such recitals are hereby made a part of this Contract for all purposes and are adopted as a part of the judgment and findings of the Corporation and the Cities.

Section 8.17. Independent Contractor. As among the parties, the Corporation shall be solely responsible for the operation of the Project to produce and treat groundwater and to transport water to the Cities pursuant to this Contract (except to the extent the Corporation and the Cities enter into agreements for the Cities to operate parts of the Project); and the Corporation shall be an independent contractor in the operation of the Project.

Section 8.18. Financing Statement. Each of the Cities agrees at the request of the Corporation they shall execute a financing statement in a form satisfactory to the Corporation and meeting the requirements of the Texas Uniform Commercial Code to perfect any security interest created hereby. The Cities further agree to execute such continuation statements or other documents as may be necessary to maintain any such security interest.

Section 8.19. Entire Agreement.

This Contract constitutes the entire agreement among the parties with respect to the matters described herein.

Section 8.20. Applicable Law.

This Contract shall be governed by and construed in accordance with the laws of the State, and the obligations, rights, and remedies of the parties hereunder shall be determined in accordance with such laws without reference to the laws of any other state or jurisdiction, except for applicable federal laws, rules, and regulations.

Section 8.21. Countersign.

This Contract may be executed in counterparts, each of which shall be an original and all of which together shall constitute but one and the same instrument.

Section 8.22. Reservation of Rights to Utilize the Texas Water Development Board's State Participation Account Program. The Cities and the Corporation hereby agree that the Corporation may file an application with the Texas Water Development Board (the "TWDB") to seek financial assistance pursuant to the TWDB's State Participation Account (the "TWDB Program") as authorized pursuant to Article III, Sections 49-d, 49-d-2, and 49-d-8 of the Texas Constitution and Chapter 16, Subchapters E and F, as amended, Texas Water Code. To the extent the Corporation utilizes the TWDB Program to access funds to complete the Project, the TWDB Program's rules and regulations require that the TWDB take an undivided ownership interest in up to 50% of the infrastructure improvements comprising the Project. This undivided ownership interest is
represented by a master agreement and other documents to be executed between the Corporation and the TWDB to effectuate the Corporation's financial participation in the TWDB Program. Under the TWDB Program, the Corporation will be obligated (and the Cities will be obligated to make Annual Payments to reflect this financial obligation) to make lease or other rental payments to the TWDB to repay its financial assistance which enabled the Corporation to construct the Project in a manner in which excess capacity in the Project was implemented on a regional basis.

(The remainder of this page intentionally left blank.)
IN WITNESS WHEREOF, the parties hereto acting under authority of their respective governing bodies have caused this Contract to be duly executed as of the day and year first above written.

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION

Attest:

[Signature]
Secretary, Board of Directors

By: ____________________________
President, Board of Directors

CITY OF SCHERTZ, TEXAS

By: ____________________________
Mayor

Attest:

______________________________
City Secretary

CITY OF SEGUIN, TEXAS

By: ____________________________
Mayor

Attest:

______________________________
City Secretary
IN WITNESS WHEREOF, the parties hereto acting under authority of their respective
governing bodies have caused this Contract to be duly executed as of the day and year first above
written.

SCHERTZ/SEGUIN LOCAL GOVERNMENT
CORPORATION

Attest:

Secretary, Board of Directors

By: __________________________________________
    President, Board of Directors

CITY OF SCHERTZ, TEXAS

Attest:

Norma Althouse
    City Secretary

CITY OF SEGUIN, TEXAS

Attest:

City Secretary

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IN WITNESS WHEREOF, the parties hereto acting under authority of their respective governing bodies have caused this Contract to be duly executed as of the day and year first above written.

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION

Attest: 

Secretary, Board of Directors

CITY OF SCHERTZ, TEXAS

By: ________________________________
President, Board of Directors

By: ________________________________
Mayor

City Secretary

CITY OF SEGUIN, TEXAS

By: ________________________________
Mayor

City Secretary
The following table can be constructed in 2000 and contains a total of 22,000 acres per 100%. 

<table>
<thead>
<tr>
<th>Feature</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grain (wheat)</td>
<td>50</td>
</tr>
<tr>
<td>Forage (alfalfa)</td>
<td>30</td>
</tr>
<tr>
<td>Sedimentary rock (sandstone)</td>
<td>20</td>
</tr>
</tbody>
</table>

Where:

- F = Field of interest (acre)
- G = Grain (wheat)
- S = Sedimentary rock (sandstone)
- P = Forage (alfalfa)

To calculate the remaining area of the annual savings realized when phasing through a program:

\[ \text{Remaining area} = F - (G + S + P) \]

Where:

- F = Total area of interest (acre)
- G = Grain (wheat)
- S = Sedimentary rock (sandstone)
- P = Forage (alfalfa)
shown in Table 1 for each project proposed. The proposed projects are summarized in the table below. The shaded areas represent the capacity shortfall for each project proposed. The proposed projects are ranked by TWSS in descending order, with the projects ranked at the top.
<table>
<thead>
<tr>
<th>Project</th>
<th>Total Paid ($1000)</th>
<th>Total Paid ($1000)</th>
<th>Total Paid ($1000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expanded Cansino Project</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phase D</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CACG Wilson</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phase E</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CACG Wilson</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phase F</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>CACG Wilson</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Project</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: The table above is a summary of the project's cost allocation. The total cost for each phase is listed. The total paid is the amount that has been paid to date. The remaining cost is the amount that still needs to be paid. The total cost is the sum of all the costs for the phase. The final column lists the project's completion date.

Table 2

<table>
<thead>
<tr>
<th>Project</th>
<th>Yearly Completion</th>
<th>Cost Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>SLAAC Wilson</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY 2020</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY 2020</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY 2021</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY 2022</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY 2023</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: The table above is a summary of the project's yearly completion. Each year's completion is listed, along with the cost allocation for that year. The total cost for each year is the sum of all the costs for that year.
For Option 2, operational costs are provided for each option as they are contracted and incurred.

<table>
<thead>
<tr>
<th>Accumulated Estimated Cost</th>
<th>3/19/68</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vertical, No. 3100</td>
<td>6000</td>
</tr>
<tr>
<td>60%</td>
<td>8010</td>
</tr>
<tr>
<td>80%</td>
<td>620</td>
</tr>
<tr>
<td>40%</td>
<td>640</td>
</tr>
<tr>
<td>60%</td>
<td>314</td>
</tr>
<tr>
<td>60%</td>
<td>2720</td>
</tr>
<tr>
<td>360</td>
<td>50</td>
</tr>
</tbody>
</table>

Options:
- Option 1
- Option 2
- Option 3
- Option 4

Cost of Operation:

<table>
<thead>
<tr>
<th>Item</th>
<th>Option 1</th>
<th>Option 2</th>
<th>Option 3</th>
<th>Option 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Head (Flow)</td>
<td>Head</td>
<td>Head</td>
<td>Head</td>
<td>Head</td>
</tr>
<tr>
<td>Head (Egress)</td>
<td>Head</td>
<td>Head</td>
<td>Head</td>
<td>Head</td>
</tr>
<tr>
<td>Egress (Flow)</td>
<td>Egress</td>
<td>Egress</td>
<td>Egress</td>
<td>Egress</td>
</tr>
<tr>
<td>Egress (Egress)</td>
<td>Egress</td>
<td>Egress</td>
<td>Egress</td>
<td>Egress</td>
</tr>
</tbody>
</table>

Footnote:
- For Option 1, the operational costs associated with the purchase of equipment, as shown on the project, are operational costs. The costs are based on the equipment's purchase price and the equipment's useful life. For Options 2, 3, and 4, the operational costs are based on the equipment's purchase price and the equipment's useful life. For Option 2, the operational costs are based on the equipment's purchase price and the equipment's useful life. For Option 3, the operational costs are based on the equipment's purchase price and the equipment's useful life. For Option 4, the operational costs are based on the equipment's purchase price and the equipment's useful life. For Option 1, the operational costs are based on the equipment's purchase price and the equipment's useful life. For Option 2, the operational costs are based on the equipment's purchase price and the equipment's useful life. For Option 3, the operational costs are based on the equipment's purchase price and the equipment's useful life. For Option 4, the operational costs are based on the equipment's purchase price and the equipment's useful life.
<table>
<thead>
<tr>
<th></th>
<th>3 1/000,000</th>
<th>6 3/1000,000</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Microsoft Patterns Work</td>
<td>500,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cable Vision Company Customer</td>
<td>1,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6,000,000</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cost (FY)</strong></td>
<td><strong>31,710</strong></td>
<td><strong>9,119</strong></td>
<td><strong>40,119</strong></td>
</tr>
<tr>
<td><strong>Projected Use</strong></td>
<td><strong>3,070</strong></td>
<td><strong>133</strong></td>
<td><strong>3,133</strong></td>
</tr>
<tr>
<td><strong>Cost Allocation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Option 2**

<table>
<thead>
<tr>
<th></th>
<th>3 1/000,000</th>
<th>6 3/1000,000</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Microsoft Patterns Work</td>
<td>500,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cable Vision Company Customer</td>
<td>1,000,000</td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td><strong>Cost (FY)</strong></td>
<td><strong>31,710</strong></td>
<td><strong>9,119</strong></td>
<td><strong>40,119</strong></td>
</tr>
<tr>
<td><strong>Projected Use</strong></td>
<td><strong>3,070</strong></td>
<td><strong>133</strong></td>
<td><strong>3,133</strong></td>
</tr>
<tr>
<td><strong>Cost Allocation</strong></td>
<td></td>
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**Option 2**

<table>
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<tr>
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<th>3 1/000,000</th>
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<td><strong>Cost (FY)</strong></td>
<td><strong>31,710</strong></td>
<td><strong>9,119</strong></td>
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<td><strong>Cost Allocation</strong></td>
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<td>Description</td>
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<td>Option 2</td>
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<td>Administrative Cost</td>
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Table 5

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<th>Description</th>
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<tr>
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<td>Premium Worth Summary</td>
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The table shows the premium worth details for Option 1 and Option 2. The premium worth is calculated using a coefficient and administrative costs. The net present worth is determined by subtracting the administrative costs from the premium worth.
<table>
<thead>
<tr>
<th>Date</th>
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<th>Unit</th>
<th>Quantity</th>
<th>Rate</th>
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**Annual Cash Flow**

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<th>Expenses</th>
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<tbody>
<tr>
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<td>$10000</td>
<td>$5000</td>
<td>$5000</td>
</tr>
</tbody>
</table>

**Diagnosis & Evaluation**

- Project A: High potential for improvement.
- Project B: Needs minor adjustments.
- Project C: Requires significant restructuring.

**Project Data**

Table 8 - Life Cycle Cost Spreadsheet
THIS MUTUAL REGIONAL WATER SUPPLY CONTRACT (this "Contract") is entered into by and among the Schertz/Seguin Local Government Corporation (the "Corporation"), a non-profit corporation of the State of Texas (the "State"), created and existing under the laws of the State, including the Texas Transportation Corporation Act, as amended, Texas Transportation Code Section 431.001 et. seq., the City of Schertz, Texas, a home-rule city ("Schertz"); the City of Seguin, Texas, a home-rule city ("Seguin"); and the City of San Antonio, Texas, a home-rule city, acting by and through its San Antonio Water System ("SAWS").

RECITALS

WHEREAS, Seguin and Schertz (collectively, the "Cities") have approved the creation of the Corporation as their constituted authority and instrumentality to accomplish the specific public purpose of acquiring, constructing, improving, enlarging, extending, repairing, maintaining, and operating a water utility system, pursuant to the provisions of Chapter 552 of the Texas Local Government Code, as amended, and other applicable law; and for the purposes set forth in the Corporation's Articles of Incorporation, including the issuance of bonds to finance the costs of the water utility system; and

WHEREAS, each of the Cities and the Corporation have entered into a contract entitled "Regional Water Supply Contract" dated November 15, 1999 (the "Corporation/City Contract") which unconditionally obligates each of the Cities to pay one-half of the debt service on the Corporation's bonds and other obligations and entitles each of the Cities to one-half of the water provided by the Corporation; and

WHEREAS, in order to deliver the water to which the Cities are entitled under contracts with the Corporation and to other potential purchasers on a regional basis, the Corporation has constructed facilities, lines, booster pumps, treatment facilities, and other appurtenances, acquired interests in property; and acquired regulatory approvals for the production and transport of groundwater (the "Corporation's Water System"); and

WHEREAS, SAWS provides water service to its customers in Bexar County and surrounding areas through a water production, treatment, storage, and distribution system (the "SAWS Water System") in close proximity to the Corporation's Water System; and

WHEREAS, the Corporation has determined that the Corporation's Water System currently has capacity to temporarily supply water in excess of the current needs of the Corporation's existing customers, including the Cities, and the City of Selma, the City of Universal City, the City of Converse (for a limited five-year term) and Springs Hills Water Supply Corporation (jointly referred to as the "Initial Customers") and that the Corporation's existing facilities can be increased to produce, treat, and deliver water that is temporarily in excess of the then-demand by the Cities, the Initial Customers, and other persons who may contract with the Corporation for the purchase of a specified volume of water; and
WHEREAS, SAWS desires to obtain an additional water supply to supplement its existing water supply sources and is willing to accept delivery of treated water from the Corporation that is available to the Corporation from the Corporation’s own sources and is determined by the Corporation from time to time to be in excess of the demands of the Cities and the Corporation’s Initial Customers; and

WHEREAS, operating the Corporation’s Water System at full volume creates opportunities for the Corporation to reduce the rates paid by all of its customers due to the economies of scale; and

WHEREAS, SAWS plans to install a well field in western Gonzales County in the vicinity of the Corporation’s Water System to produce groundwater from the Carrizo Aquifer formation, subject to obtaining and maintaining permits from the Gonzales County Underground Water Conservation District (“GCUWCD”), and the proposed wells and related infrastructure, if permitted, will be available to deliver untreated groundwater to the Corporation’s Water System for treatment; and

WHEREAS, SAWS anticipates the opportunity to acquire additional groundwater from sources in the region; and

WHEREAS, the Corporation and SAWS have determined that significant efficiencies and cost savings can be achieved for the Corporation and SAWS by SAWS delivering untreated groundwater to the Corporation’s Water System and the Corporation delivering treated water to the SAWS Water System; and

WHEREAS, the Corporation has determined that the Corporation’s Water System has available capacity in its existing transportation pipeline from Gonzales County to transport the volume of water at the rate of delivery required for the Corporation to satisfy its contractual obligations to the Cities and the Initial Customers of the Corporation, and to deliver an additional 12,688 acre-feet of water annually of SAWS Water (defined in Section 1.03 of this Contract) to SAWS as described in this Contract, but additional upgrades to the Corporation’s Water System are required to receive, treat, and pump the water to be delivered by SAWS to the Corporation as described in this Contract; and

WHEREAS, integration of treated water from the Corporation’s Water System into the SAWS Water System and the emergency delivery of treated water from the SAWS Water System to the Corporation’s Water System will require SAWS to acquire interests in real property and regulatory approvals, and to construct transmission pipelines, booster pumps, storage facilities, and other appurtenances to the SAWS Water System, but SAWS could avoid, or delay for a substantial period of time, the need to construct a water pipeline connecting its proposed well-field to SAWS’ existing treatment facility and the expansion of the treatment facility at a significant cost savings; and

WHEREAS, the Corporation and SAWS have determined that obtaining water from each other with the written consent of the Cities is in their mutual best interest and that the terms and
conditions of this Contract are fair and reasonable and that there is no disparate bargaining power between the parties to this Contract; and

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the sufficiency of which are hereby acknowledged, and upon and subject to the terms and conditions hereinafter set forth, the Corporation, the Cities, and SAWS mutually undertake, promise, and agree as follows:

ARTICLE I

MUTUAL DELIVERY OF WATER

Section 1.01. Surplus Water. Subject to receiving and maintaining any necessary regulatory approvals from the GCUWCD, the Corporation agrees to sell, and SAWS agrees to buy, surplus treated water from the Corporation in accordance with the terms of this Contract.

A. Definition. "Surplus Water" is the treated water available to the Corporation and which the Corporation has pipeline capacity to transport to the Corporation's Point of Delivery (as described in this Contract) from any source other than water delivered by SAWS in excess of the amount required to meet the then-actual usage of the Cities (as that demand may increase or decrease from time to time on an annual basis) and the Initial Customers. The annual projected amount of Surplus Water shall be determined by the Corporation. SAWS acknowledges that (i) the amount of Surplus Water available for purchase by SAWS under this Contract is limited by the transport capacity of the Corporation's existing pipeline between the Corporation's Water Treatment Plant and Schertz; (ii) the Corporation may have excess treated water available at the Water Treatment Plant and the existing booster pump station located south of Seguin, and/or excess untreated water at the Corporation's wells and Water Treatment Plant; and (iii) the Corporation may make this excess water available for purchase by persons other than SAWS and is not obligated by this Contract to make the excess water available at these locations available for purchase by SAWS.

B. Supply Start Date. The availability of Surplus Water to SAWS under this Contract will begin upon request by SAWS following (i) completion by the Corporation of delivery facilities as described in Section 1.09 of this Contract at the Corporation's Point of Delivery, and (ii) completion by SAWS of the SAWS' facilities on SAWS' side of the meter at the Corporation's Point of Delivery as those facilities are generally described in Section 1.04.B.4 of this Contract.

C. Share of Surplus Water Available for SAWS. SAWS shall have the right to purchase up to seventy-five percent (75%) of the Surplus Water. If, at the time of each annual determination by the Corporation of the amount of Surplus Water, SAWS is the only entity agreeing to buy Surplus Water from the Corporation, then SAWS shall have the right to purchase up to the full estimated volume of the Surplus Water the Corporation can make available at the Corporation's Point of Delivery. However, if
other parties have contracted with the Corporation to purchase a portion of the Surplus Water, SAWS shall have the right to purchase at least seventy-five percent (75%) of the Surplus Water plus any amount of the remaining twenty-five percent (25%) of the Surplus Water not committed to the Corporation’s other customers, all at the Corporation’s Point of Delivery. In no event shall the Corporation commit more than twenty-five percent (25%) of the Surplus Water to any person other than SAWS.

D. Notice. No later than June 1 of each year, beginning in 2013, the Corporation shall notify SAWS in writing of the amount of Surplus Water available for SAWS during the upcoming calendar year and the expected timing of delivery of such Surplus Water. Within thirty (30) days of receipt of the written notice, SAWS shall notify the Corporation in writing of the amount of Surplus Water SAWS agrees to accept for the upcoming calendar year.

B. Surplus Water Commitment. SAWS shall not be obligated to accept any amount of the Surplus Water into the SAWS Water System. However, SAWS shall be obligated to pay the Corporation at the rate set forth in Section 2.03.B on a monthly basis for an amount equal to one-twelfth of the annual commitment of Surplus Water that SAWS has agreed to accept during the calendar year. If the Corporation is unable to actually deliver the volume of Surplus Water that SAWS has agreed to accept and for which SAWS has paid, the Corporation agrees to credit the amount of overpayment to any future payments due under this Contract, except for payments due under Section 2.01 and Section 2.02.B, during the next calendar year. The Corporation may make available to any person the amount of Surplus Water in excess of the volume of Surplus Water that SAWS agreed to accept.

F. Monthly Estimates. SAWS and the Corporation acknowledge that the volume of Surplus Water stated in the annual notice described in subsection 1.01C above will be conservative. During the calendar year, the Corporation may determine, in its sole discretion, that additional amounts of Surplus Water may be available for purchase by SAWS and others. The Corporation will give notice to SAWS regarding the updated availability of Surplus Water, and the provisions of subsection 1.01C and E shall apply to the additional volume of Surplus Water.

G. Surplus Water Facilities. The Corporation shall use due diligence to expeditiously design and construct the delivery facilities at the Corporation’s Point of Delivery following execution of this Contract, but in no event later than January 1, 2014. SAWS shall use due diligence to expeditiously design and construct SAWS facilities on the SAWS side of the Corporation’s Point of Delivery following execution of this Contract in order to receive Surplus Water, if any, from the Corporation, but in no event later than January 1, 2014.

H. Regulatory Approvals. The Corporation’s obligations under this Section 1.01 of this Contract are contingent upon the Corporation obtaining and maintaining any authorizations or approvals required from the GCUWCD for the Corporation to sell
Surplus Water to SAWS. The Corporation will be responsible for obtaining this authorization, if required.

I. SAWS Improvements. The Corporation shall be under no obligation to deliver any portion of the Surplus Water to SAWS unless and until SAWS substantially completes the improvements described in Section 1.04.B.4 and SAWS has taken all the actions required on its part so that the Corporation may substantially complete the Emergency Interconnect described in Section 1.15.

J. Times and Rate of Delivery. The time and rate of delivery of the Surplus Water requested by SAWS under this Contract shall be determined by the Corporation's designated representative in its sole discretion. The Corporation's duty to satisfy then-actual demands of Schertz and Seguin and the Initial Customers as determined on an annual basis will take priority over deliveries of Surplus Water to SAWS.

Section 1.02. Option. The Corporation grants SAWS the option to commit, in the future, to purchase water treatment services from the Corporation and sell treated water to the Corporation subject to the conditions and requirements set forth in this Contract. The term of this option shall begin on the Effective Date (as defined in Section 3.01) of this Contract and shall end forty-eight (48) months after the Effective Date of this Contract. During the term of this option, the Corporation shall reserve capacity within that portion of the Corporation's Water System consisting of the pipeline from the Corporation's existing water treatment plant to the existing ground storage tank in Schertz to discharge its potential obligations to SAWS under this Contract. SAWS may in its sole discretion exercise this option by notifying the Corporation, in writing, of its intent to do so, and delivering to the Corporation the notice and check described in Section 1.06.A of this Contract.

Section 1.03. Capacity Reservation Fee. The Corporation and SAWS acknowledge and agree that the Corporation is unable to commit the transport capacity in the Corporation's existing pipeline to other persons while SAWS is deciding whether or not to pursue the Expansion (as defined in Section 1.04.A) and during construction of the Expansion, if applicable. Therefore, during the option term described in Section 1.02, SAWS shall pay to the Corporation an annual Capacity Reservation Fee in the amount of Five Hundred Thirty Eight Thousand Dollars ($538,000), payable in equal semi-annual installments on March 1 and October 1 of each year, commencing March 1, 2011. The obligation of SAWS to pay the Capacity Reservation Fee shall continue until the option described in Section 1.02 ends if SAWS does not exercise the option or, if SAWS timely exercises the option, then until SAWS Water (as used in this Contract, a reference to “SAWS Water” means the volume of water that SAWS delivers to the Corporation for treatment) is treated by the Corporation and delivered to SAWS at the Corporation's Point of Delivery, whichever shall first occur. If delivery of SAWS Water occurs prior to a payment date or between the two payment dates, no further Capacity Reservation Fee shall be due or owed by SAWS. No portion of the Capacity Reservation Fee payment will be refunded by the Corporation to SAWS.

Section 1.04. System Improvements.
A. Corporation Water System. Subject to the conditions set forth in this Contract and receiving and maintaining any necessary regulatory approvals from the Texas Commission on Environmental Quality ("TCEQ") and the GCUWCD, the Corporation agrees to design and construct infrastructure improvements to the Corporation’s Water System to receive from SAWS untreated groundwater in a volume, rate, and quality set forth in this Contract and to deliver treated water to SAWS at the volume, rate, and quality set forth in this Contract. The required infrastructure improvements shall be referred to in the Contract as “the Expansion.” The Corporation will use its best efforts to substantially complete the Expansion within fifteen (15) months after receipt of the funds for the Expansion. In addition to the currently funded and designed additions to the Corporation’s existing treatment plant and delivery and storage capacity as of the Effective Date, the improvements known as of the Effective Date to be required for the Expansion are summarized on the attached Exhibit A, along with the estimated cost as of the Effective Date. However, the actual improvements will not be known until the preliminary engineering report described in this Contract is completed, and the actual cost of the improvements will not be known until bids from contractors are received. The improvements for the Expansion will include the facilities and equipment required for the Metering Station and Metering Equipment as described in this Contract for the SAWS Point of Delivery and the Corporation’s Point of Delivery. Provided, however, the Corporation may install additional or different improvements in order to satisfy its obligation to SAWS under this Contract and the Corporation’s other customers. As changes to the planned improvements for the Expansion are proposed, the Corporation will notify SAWS and will cooperate with SAWS during the planning and design phases so that the needs of both parties are known and considered.

After the Expansion is financed in accordance with Section 1.06.E of this Contract, the Corporation may install additional improvements in order to satisfy its obligation to SAWS under this Contract and the Corporation’s other customers, but in no event, however, shall these additional or different improvements result in costs to SAWS in addition to those costs shared with the Corporation’s other customers through the Corporation’s rates.

B. SAWS Water System. As a condition to SAWS receiving water other than Surplus Water from the Corporation under this Contract, SAWS, at its sole cost, must satisfy all of the following requirements:

1. Permits. Obtain and continue to hold permits issued by the GCUWCD and/or other groundwater districts to produce water from the Carrizo Aquifer formation and to transport the produced water outside the boundaries of the GCUWCD and/or other local districts. The opportunity of SAWS to obtain water other than Surplus Water from the Corporation under this Contract is limited to the authorizations under permits held by SAWS and any additional water available to SAWS by contract with third parties.
2. **Improvements.** Complete the wells and well collection lines and other improvements to the SAWS Water System required to deliver to the SAWS Point of Delivery untreated groundwater produced from the Carrizo Aquifer formation. The improvements shall include a Supervisory Control and Data Acquisition ("SCADA") system compatible with the Corporation's system as upgraded, and the Corporation will have access to the information regarding the SAWS well field shown on the SCADA system and access to such controls as may be required for the convenient and proper operation of the treatment processes.

3. **Mitigation Agreement.** Accept and sign a mitigation agreement with the GCUWCD as required by the GCUWCD establishing a mitigation fund for wells in western Gonzales County containing substantially the terms of the mitigation agreement imposed by the GCUWCD upon the Corporation on March 16, 2010, make the initial deposit into the mitigation fund, and continue to make deposits into the fund pursuant to the mitigation agreement.

4. **Pipeline, Pump Station, and Storage Tank.** Install a pipeline and pump station/storage tank to receive water from the Corporation on the SAWS side of the meter at the Corporation's Point of Delivery, but SAWS shall not use, consume, sell, or transfer any water between the Metering Station and the Air Gap, as described in Section 1.16 of this Contract.

C. **City of Schertz Water System.** Schertz agrees to:

1. **Cooperation.** Cooperate with the Corporation and SAWS regarding the installation of the Emergency Interconnect described in Section 1.15 below and to allow the use of its water distribution system to transport water received through the Emergency Interconnect.

2. **Facility Sites and Easements.** Within one hundred eighty (180) days of the Effective Date of this Contract, convey to SAWS for a sum determined by an appraisal agreed upon by Schertz and SAWS the facility sites and easements required by SAWS under this Contract and identified on Exhibit B, and work proactively and cooperatively with SAWS and the Corporation to assist in the identification and acquisition of any other property or easements deemed necessary by the Corporation to achieve the purposes of this Contract.

3. **Metering.** Allow the Corporation and SAWS to install the metering station and metering equipment required by this Contract on property owned by Schertz; provided, however, the location of the metering station and metering equipment shall be subject to approval by Schertz.

4. **Pump Station.** Allow SAWS to install high service pumps and a ground storage tank with a capacity, size and design determined by SAWS at the location identified in Exhibit C.
5. Water Transmission Main. Allow SAWS to construct the water transmission main required by this Contract at the location identified in Exhibit B.

6. Approvals. Any approvals required to be obtained by SAWS from Schertz under this Section 1.04 shall be obtained by SAWS in advance of final design of any of the improvements described in this Section 1.04.

Section 1.05. Delivery. In addition to the Surplus Water to be delivered by the Corporation to SAWS, and subject to the terms and conditions of this Contract:

A. Supply by Corporation. Upon (i) completion of the Expansion, (ii) satisfaction by SAWS of the conditions described in Section 1.04.B. above, (iii) receipt of untreated groundwater from SAWS, and (iv) payment by SAWS to the Corporation for services in accordance with this Contract, the Corporation will make treated water available to SAWS at the Corporation’s Point of Delivery, in an amount equal to the amount of untreated water delivered by SAWS to the Corporation at the SAWS Point of Delivery, less a reasonable volume of treatment and transportation loss not to exceed twelve percent (12%) per annum (the “Annual Water Loss”), at an Annual Maximum (hereinafter defined) not to exceed the amounts set forth in Subsection C below and at a quality set forth in this Contract. The limit of twelve percent (12%) loss will not include or apply to water lost during major leaks in storage or transportation facilities due to force majeure as defined in Section 6.02 of this Contract.

B. Supply by SAWS.

1. Untreated Water. SAWS will deliver to the Corporation untreated water produced from the Carrizo Aquifer formation at (or through) the SAWS Point of Delivery; provided, however, such delivery is conditioned upon SAWS (i) obtaining and maintaining the necessary permits from TCEQ and the GCUWCD and (ii) constructing the proposed wells and related facilities and pipelines necessary to deliver the untreated water.

2. Emergency Water. SAWS will deliver treated water from the SAWS Water System to the Corporation’s Water System or to Schertz on an emergency basis as described in Section 1.15.

C. Annual Maximum Rate and Maximum Instantaneous Rate. The term “Annual Maximum Rate” shall mean the amount of water delivered through the Delivery Meter during any calendar year and the term “Maximum Instantaneous Rate” means the amount of water delivered through the Delivery Meter during any consecutive 60 seconds. The Corporation shall design and construct the Expansion so that the Corporation’s Water System may receive and treat groundwater from SAWS meeting the quality requirements set forth in this Contract at an Annual Maximum of 12,688 acre-feet per year and Maximum Instantaneous rate of 9,500 gallons per minute (not
including the Surplus Water delivered to SAWS under Section 1.01), and deliver treated water to SAWS meeting the quality requirements set forth in this Contract at the stated Annual Maximum Rate, less actual losses during treatment and transportation, and at a Maximum Instantaneous Rate of 9,500 gallons per minute (not including the Surplus Water delivered to SAWS under Section 1.01). SAWS agrees not to deliver, or attempt to deliver, to the Corporation untreated water at a volume or rate that exceeds these maximum limits, and the Corporation is under no obligation to receive untreated water from SAWS in a volume or rate that exceeds these limitations. Pursuant to Section 2.02.D of this Contract, the Annual Maximum Rate during any year will be limited to the Annual Authorized Pumping Amount determined in accordance with Section 2.02.D of this Contract. Subject to these limitations on volume and rate, the Corporation agrees, on an annual basis, to treat and deliver SAWS Water to SAWS prior to treating and delivering Surplus Water to SAWS, if SAWS Water is available.

Section 1.06. Financing and Construction.

A. Preliminary Engineering Report. SAWS may exercise its option to acquire water from the Corporation as described in Section 1.02 of this Contract by notifying the Corporation in writing and delivering to the Corporation a check payable to the Corporation in the amount of $50,000. Upon timely receipt of the check, the Corporation will cause its consulting engineer to immediately begin the preparation of a preliminary engineering report for the Expansion and to complete the report as soon as practicable. The preliminary engineering report must contain the following information:

- The amounts, if any, previously paid by the Corporation for the preliminary design of the Expansion, as reflected by copies of invoices provided to SAWS;
- The then-projected cost of designing and constructing the Expansion based upon projected costs at the time SAWS exercises its option;
- A contingency equal to ten percent (10%) of the projected construction cost of the Expansion;
- Three years of capitalized interest on the Contract Revenue Bonds (hereinafter defined);
- Projected premium on insurance policies relating to construction including a builders risk insurance coverage in the amount of the projected construction cost of the Expansion; and
- Projected reserve fund requirements and insurance premiums for the Contract Revenue Bonds and other bond issuance costs and expenses.

A draft of the report will be provided to SAWS for review and comment, and SAWS will have thirty (30) calendar days to submit comments on the draft report. A final engineering report will be submitted to SAWS within thirty (30) calendar days after
the receipt of SAWS comments or the expiration of the SAWS comment period, whichever occurs first.

B. Termination of Expansion. If SAWS does not want to proceed with the Expansion based upon the projected cost of the Expansion as set forth in the preliminary engineering report, SAWS will notify the Corporation of the decision within sixty (60) days of receiving the preliminary engineering report. Upon the Corporation’s receipt of this notice, the rights and obligations of SAWS and the Corporation under this Contract as they relate to SAWS Water shall terminate. SAWS will not be entitled to any refund of any money previously paid to the Corporation, but shall have the continuing right to purchase Surplus Water in accordance with Section 1.01 of this Contract.

C. Final Plans and Specifications and Bid. If SAWS accepts the preliminary engineering report, then within sixty (60) days after SAWS receives the preliminary engineering report, SAWS shall authorize the Corporation to prepare final plans and specifications, and to require the contractor(s) to provide the agreements and insurance specified in Exhibit D, for the Expansion and to solicit construction bids in accordance with the Corporation’s required procurement procedures. The Corporation’s costs to prepare the final plans and specifications (“Costs of Final Plans and Specifications”) shall be billed by the Corporation to SAWS on a monthly basis as they are incurred, and shall be paid by SAWS to the Corporation within thirty (30) days of receipt of the monthly billing. In the event that the Corporation issues Contract Revenue Bonds as provided herein in Section 1.06.E and Section 2.01, the Corporation shall reimburse SAWS within thirty (30) days of issuance of such Contract Revenue Bonds the Costs of Final Plans and Specifications. Upon completion of the contract documents and plans and specifications, and upon receipt by the Corporation and SAWS of all regulatory approvals from the GCUWCD that may be required for the Corporation to receive and transport SAWS Water, containing permit terms and conditions that are acceptable to the holder of the permit, the Corporation shall advertise for bids. At this time, the Corporation will also initiate the process to issue Contract Revenue Bonds subject to SAWS approval of the bid prices. The Corporation shall notify SAWS in writing of the bid results and the lowest responsible bid. In the event that the lowest responsible bid received by the Corporation for construction of the Expansion exceeds the construction cost estimate reflected in the preliminary engineering report by more than twenty percent (20%), SAWS in its sole discretion may elect not to proceed with the Expansion and shall notify the Corporation of its decision within sixty (60) days after receiving written notice of the bid results from the Corporation. In such event, SAWS’ and the Corporation’s rights and obligations under this Contract as they relate to SAWS Water shall terminate.

D. Refund of Costs. If the Corporation elects not to proceed with the construction of the Expansion without participation by SAWS, the Corporation shall so notify SAWS. In that event, SAWS shall not be entitled to refund of the Costs of Final Plans and
Specifications. However, if the Corporation decides at any time within five years of the notice to proceed with the Expansion in such a manner as to utilize the final plans and specifications, the Corporation shall, within thirty (30) days of the decision, refund to SAWS the Cost of Final Plans and Specifications. The contract documents will require the contractor to hold the bid prices for ninety (90) days to allow SAWS forty-five (45) days to decide whether to pursue the Expansion. The Corporation shall not be obligated to award contracts prior to receiving the proceeds from the Contract Revenue Bonds.

E. Request to Issue Contract Revenue Bonds. If the lowest responsible bid does not exceed the preliminary construction cost estimate by more than twenty percent (20%), or if SAWS wants the Corporation to proceed with the Expansion regardless of the bid prices, then SAWS shall request the Corporation to issue one or more series of contract revenue bonds (the “Contract Revenue Bonds”) secured solely by the pledge of revenue received by the Corporation from SAWS pursuant to Sections 2.01 and 2.02.B of this Contract and SAWS will fully cooperate with the Corporation in the issuance of such Contract Revenue Bonds. SAWS must deliver its written request to the Corporation within forty-five (45) calendar days after opening of bids, and if such request is not timely received the Corporation may terminate the portion of the Contract relating to the SAWS Water or may rebid the Expansion, provided SAWS pays the Corporation all of the costs relating to the rebid. If SAWS rejects the bid prices and the Corporation does not issue the Contract Revenue Bonds, SAWS will reimburse the Corporation for its financial advisory fees associated with the preliminary steps to issue the Contract Revenue Bonds in an amount not to exceed $50,000. The amount of the Contract Revenue Bonds will be the amount required to discharge the following Expansion expenses required to treat and transport SAWS Water and no other:

   a. Design (preliminary and final) and engineering costs and other costs relating to design whether paid by the Corporation or SAWS, and cost of construction inspection;
   b. Premium for a surety bond from a company authorized to do business in Texas;
   c. All contractor construction costs, plus a contingency of at least ten percent (10%);
   d. Capitalized interest for the first three (3) years after the Contract Revenue Bonds are issued;
   e. Any required deposits to a reserve fund as set forth in subsection F below or any bond insurance premium.
   f. Projected premium on insurance policies relating to construction including a builders risk insurance coverage in the amount of the projected construction cost of the Expansion;
   g. Other items of cost included in the Preliminary Engineering Report and acceptable to SAWS; and
h. Customary Contract Revenue Bond issuance costs, including bond counsel, financial advisor, trustee, trustee’s counsel, paying agent, registrar, underwriters, underwriters’ counsel, and bond marketing fees and expenses. The debt service payments on the Contract Revenue Bonds issued for the Expansion and the Corporation’s other customary pecuniary obligations set forth in the Corporation’s resolution as approved by SAWS authorizing the issuance of the Contract Revenue Bonds will be secured solely by a pledge of the revenues received from SAWS under Section 2.01 and 2.02.B and from no other source. SAWS shall have the right in its sole discretion to disapprove any proposed refunding of the Contract Revenue Bonds. SAWS will remain only a customer of the Corporation and will have no ownership interest in the Corporation’s Water System, any component of the Corporation Water System, or any capacity in the Corporation’s Water System. The Corporation will have no ownership interest in the SAWS Water System, or in any component or capacity of the SAWS Water System.

F. Reserve Fund. If the issuance of the Contract Revenue Bonds requires the Corporation to accumulate and maintain a reserve fund for the payment of the Contract Revenue Bonds, the Corporation agrees to establish and maintain a separate and special fund or account known as the “SAWS Contract Revenue Bond Reserve Fund”, which fund or account will be maintained at the Corporation’s general depository bank or the trustee’s or paying agent’s bank. All funds deposited into the SAWS Contract Revenue Bond Reserve Fund, including proceeds from the Contract Revenue Bonds and earnings and income derived or received from deposits or investments in the SAWS Contract Revenue Bond Reserve Fund, shall be used solely for the payment of principal and interest on the Contract Revenue Bonds, when and to the extent other funds available for such purposes are insufficient, and in addition, may be used to retire the last stated maturity and/or interest on the Contract Revenue Bonds. Should the funds deposited in the SAWS Contract Revenue Bond Reserve Fund be greater than the amount required to retire the last stated maturity of and/or interest on the Contract Revenue Bonds, the remaining proceeds, after the payment of the last stated maturity and/or interest, shall be returned to SAWS. The Corporation shall provide monthly bank statements to SAWS reflecting all activity in the SAWS Contract Revenue Bond Reserve Fund. Should the SAWS Contract Revenue Bond Reserve Fund be drawn upon, then SAWS shall be obligated to replenish the SAWS Contract Revenue Bond Reserve Fund in the manner set forth in the Corporation’s resolution approved by SAWS authorizing issuance of the Contract Revenue Bonds.

G. Construction.

1. Contract Award and Change Orders. Upon receipt of the Contract Revenue Bond proceeds, the Corporation will award the construction contract(s) and notify the contractor(s) to proceed with construction of the Expansion. SAWS shall have the right to approve any change orders to the construction contract(s), which approval shall not be unreasonably withheld. If SAWS disapproves, or does not timely
approve a change order, SAWS agrees to defend, indemnify, and hold harmless the Corporation for any claims by the contractor relating to SAWS' denial of the change order request, or refusal to timely approve the requested change order. If the change order(s) approved by SAWS result in an increase in the construction cost beyond the ten percent (10%) contingency including any proceeds of the Contract Revenue Bonds, the additional costs shall be billed by the Corporation to SAWS on a monthly basis as they are incurred, and shall be paid by SAWS to the Corporation within thirty (30) days of receipt of the monthly billing.

2. Status Reports. The Corporation will make monthly construction status reports to SAWS, and SAWS will have the right to observe construction of the Expansion. A SAWS representative shall have the right to attend and shall attend monthly payment application/design/construction meetings with the design engineer and the contractor. The SAWS representative shall have the right to disapprove any payment application. Approval shall not be unreasonably withheld. The Corporation shall use good faith efforts to resolve any dispute with regard to a payment application within ten (10) days. If the SAWS representative has not approved the payment application within ten (10) days, the application shall be deemed automatically approved by SAWS. In the event SAWS disapproves any payment application, SAWS agrees to defend, indemnify, and hold harmless the Corporation for any claims relating to the denial of the payment request.

3. Disbursement of Contract Revenue Bond Proceeds. Contract Revenue Bond proceeds shall be distributed to a separate Corporation bond proceeds account under the control of Seguin. All disbursements from the Corporation's bond proceeds account shall be approved by no fewer than two (2) signatories previously designated by the Corporation and Seguin. The Corporation shall provide monthly bank statements to SAWS reflecting all account activity.

4. Builder's Risk Insurance. From the Contract Revenue Bond proceeds, the Corporation will purchase a builders risk insurance policy for the risk that the Expansion is not substantially complete by the time that SAWS is required to begin making payments equal to the debt service on the Contract Revenue Bonds from sources other than the proceeds of the capitalized interest.

H. Completion. The Corporation's engineer expects that the Expansion can be completed within fifteen (15) months after the proceeds from the Contract Revenue Bonds are received by the Corporation, and the Corporation agrees to use its best efforts to substantially complete the Expansion within fifteen (15) months after receipt of Contract Revenue Bond proceeds for the Expansion. The Corporation acknowledges that SAWS will be unconditionally required to make payments to the Corporation equal to the debt service on the Contract Revenue Bonds and the other customary pecuniary obligations set forth in the Corporation's resolution approved by SAWS authorizing the issuance of the Contract Revenue Bonds after the three (3) years of capitalized interest has been used and that it is absolutely necessary that the
Expansion be substantially complete by that date. The Corporation agrees to use its best efforts to cause the Expansion to be substantially complete as promptly as possible after the Contract Revenue Bond proceeds are received and in conjunction with SAWS' completion of its untreated groundwater production and delivery facilities, but within three (3) years after the date that the proceeds of the Contract Revenue Bonds are received, subject to Force Majeure, as defined in Section 6.02 of this Contract. If the Corporation has not caused the Expansion to be substantially completed by that date, subject to Force Majeure, the Corporation will pay SAWS the amounts received by the Corporation from the builders risk insurance policy purchased by the Corporation with the proceeds of the Contract Revenue Bonds equal to the debt service payments made by SAWS on the Contract Revenue Bonds from sources other than capitalized interest. SAWS shall remain unconditionally obligated to continue to make payments to the Corporation equal to the debt service payments on the Contract Revenue Bonds and the other customary pecuniary obligations set forth in the Corporation's resolution approved by SAWS authorizing the issuance of the Contract Revenue Bonds. If the Corporation is unable to substantially complete the Expansion within twenty (20) months after the Corporation awards contracts for construction of the Expansion and after notice and opportunity to cure, and SAWS determines that it can cause the Expansion to be completed sooner than the Corporation, then upon SAWS' demand, the Corporation will assign the construction and related engineering contracts to SAWS and grant SAWS a right of entry upon the Corporation's land and facilities to manage the completion of the construction contracts. If SAWS elects to assume the construction contracts, the Corporation will not be obligated to reimburse SAWS for any payments made to the Corporation during construction of the Expansion.

I. Excess Funds. The Corporation shall use the proceeds from the Contract Revenue Bonds for the purposes set forth in subsection I above. If after completion of the Expansion, the Corporation holds excess Contract Revenue Bonds proceeds, the Corporation shall use the excess funds to make debt service payments or otherwise reduce the bonded indebtedness, if the Contract Revenue Bonds provide for partial redemptions.

J. Regulatory Approvals. If any approval or action is required from the GCUWCD or TCEQ in order for either party to perform its obligations under this Contract, that party will use its best efforts to obtain the necessary approval or action at its own expense. The other party will cooperate in obtaining the necessary approval or action. SAWS and the Corporation agree, as between themselves, that the cost to the Corporation of obtaining any regulatory approval from the GCUWCD for the Corporation to receive groundwater from SAWS and to treat, transport, and deliver the water to SAWS shall be an operating expense of the Corporation for purposes of determining the rate paid by SAWS for treatment and transportation of SAWS Water. If the Corporation must obtain GCUWCD approval of any amendment to the Corporation's permits in order to receive and transport SAWS Water, the Corporation
Section 1.06. Notice of Initiation. The Corporation will initiate that process upon receipt of the notice from SAWS under Section 1.06 A of this Contract.

Section 1.07. Points of Delivery. Subject to the terms and conditions of this Contract, the Corporation and SAWS agree to interconnect their water systems at the locations described in this Contract (collectively referred to as the "Point of Delivery" or "Points of Delivery"). The Points of Delivery will be located as follows:

A. SAWS Point of Delivery. The SAWS Point of Delivery shall be at the Corporation’s existing Water Treatment Plant in Gonzales County.

B. Corporation’s Point of Delivery. The Corporation’s Point of Delivery shall be at or near a proposed SAWS pump station and ground storage tank site to be located in the general vicinity of the Corporation’s existing ground storage tank located in Schertz, it being the intent of the Parties as of the date this Contract is signed for SAWS to install its own pump station and ground storage tank close to the existing Schertz Pump Station/Storage Tank Facility and to construct the piping and related facilities and equipment to take the water from the Corporation’s Point of Delivery to the SAWS’ proposed pump station and ground storage tank facility near the Corporation’s Point of Delivery.

C. Emergency Interconnect Point of Delivery. The point of delivery for the Emergency Interconnect shall be at or near the Corporation’s Point of Delivery.

Section 1.08. Metering Station. The parties to this Contract acknowledge and agree that the meter stations located at the Points of Delivery will be located so the Corporation and SAWS will both have unrestricted access to the metering station, but the entity receiving the water at the Point of Delivery may not alter any measuring or recording device without the approval of the designated representative of the other party to this Contract, which approval shall not be unreasonably withheld.

Section 1.09. Delivery Facilities. Using proceeds, or subject to reimbursement, from the sale of Contract Revenue Bonds, the Corporation shall design, construct and install all facilities and equipment required for the Points of Delivery, including any required, tapping of the main, piping, meters, control devices and systems and appurtenances at both the SAWS Point of Delivery and at the Corporation’s Point of Delivery. The materials and equipment required will be determined by the Corporation’s engineers. SAWS may at its own expense review and approve the design, equipment and materials submitted by the Corporation’s engineer. No construction shall begin until SAWS’ engineer has reviewed and approved the design and plans and confirmed that the design and plans are compatible with the SAWS facilities on the SAWS side of the Point of Delivery. A SAWS engineer shall review and approve the plans or provide written comments within thirty (30) days of receipt from the Corporation. All such materials and equipment that are not on the Corporation’s side of the meter shall be funded directly by SAWS and will become the property of SAWS.
Section 1.10. Water Conservation, Drought Contingency, and other Required Plans.
Each party’s obligations under this Contract shall be subject to water conservation plans, drought contingency plans, or any other plan adopted by such party and required by the TCEQ, the Texas Water Development Board, or any other federal, state, or local regulatory authority (other than a party to this Contract) with power to require or approve water conservation and drought contingency plans. As required by rules of the TCEQ in effect on the Effective Date of this Contract, all parties have developed and implemented a water conservation plan or water conservation measures using the standards established by the TCEQ. If required by order of the TCEQ, each party to this Contract may be required to implement water conservation strategies and if such party is so ordered, the other parties to this Contract will cooperate and consent to the implementation by the other parties of such water conservation strategies required by the TCEQ. As required by TCEQ rules in effect on the effective date of this Contract, in case of a shortage of water resulting from drought, the water to be distributed by the Corporation to SAWS will be distributed in accordance with the provisions of this Contract, or to the extent required by law. In the event that SAWS is called upon to deliver water to the Corporation during an emergency pursuant to Section 1.15 of this Contract, the Cities agree to adopt water conservation measures no less restrictive than those then adopted by the City of San Antonio for the duration of the emergency. In accordance with TCEQ rules in effect on the Effective Date, the Corporation and SAWS agree that each has, or will, develop and implement a water conservation plan or water conservation measures using the applicable elements of the TCEQ rules and each agrees that if it resells the water delivered under this Contract, each successive contract for the resale of the water must have water conservation requirements so that each successive customer in the resale of the water will be required to implement water conservation measures in accordance with the provisions of the TCEQ rules in 30 Texas Administrative Code Chapter 288.

Section 1.11. Water Quality.

A. SAWS to Corporation. The water that SAWS delivers to the Corporation at the SAWS Point of Delivery will be untreated water produced from the Carrizo Aquifer formation, and the quality of the untreated groundwater will not exceed an instantaneous grab sample of 500 mg/l total dissolved solids. The Corporation shall have no obligation to accept delivery of untreated water from SAWS’ distribution system that does not conform to this water quality requirement and Corporation’s obligation to deliver potable water to SAWS will be reduced to the amount of untreated water delivered by SAWS that meets the quality requirements set forth above. If the Corporation chooses from time to time to accept water that exceeds 500 mg/l total dissolved solids, the Corporation may impose a surcharge equal to 1.5 times the then-applicable rate charged by the Corporation to SAWS for potable water delivered at the Corporation’s Point of Delivery.

B. Corporation to SAWS. The water that the Corporation delivers to SAWS at the Corporation’s Point of Delivery shall be treated water suitable for public water supply and shall meet the quality criteria prescribed by the TCEQ Drinking Water Standards Governing Drinking Water Quality and Reporting Requirements for Public Water Systems, 30 Texas Administrative Code Chapter 290 subchapter F. SAWS shall have
no obligation to accept or pay for delivery of treated water for introduction into the SAWS distribution system that does not conform to the water quality requirements described herein. If SAWS accepts or receives the water into the SAWS System, SAWS is obligated to pay the Corporation for the amount of water received even if the water does not satisfy the quality requirements of this subsection B.

C. Emergency to Corporation. The water that SAWS delivers to the Corporation at the Emergency Interconnect will be treated water meeting the standards described in subsection B above.

D. Additional Treatment. To the extent any additional, or alternative treatment or processing is required to make the water delivered by the Corporation to SAWS at the Corporation's Point of Delivery, suitable, compatible, or of a quality for introduction into the SAWS distribution system with the water then-within SAWS distribution system, SAWS is responsible, at its sole cost, for installing any additional facilities or processes within the SAWS Water System for any additional treatment, conditioning or processing.

Section 1.12. Control and Responsibility. Subject to the terms of this Contract, the party in possession of water hereunder shall have control of and responsibility for that water. Control and responsibility shall transfer from (i) SAWS to the Corporation on the discharge side of the meters located at the SAWS Point of Delivery and the Emergency Interconnect (ii) the Corporation to SAWS on the discharge side of the meter located at the Corporation's Point of Delivery. The obligations of the Corporation to SAWS and the rights of SAWS when the Corporation has control of and responsibility of water delivered by SAWS to the Corporation shall be described solely in this Contract, and SAWS expressly waives and releases any and all rights, claims, or causes of action, if any, that SAWS may have under the statutes or common law arising from or relating to the Corporation having the control of and the responsibility for water delivered by SAWS to the Corporation.

Section 1.13. Indemnity.

A. SAWS. To the fullest extent allowed by law, SAWS agrees on behalf of itself and its successors and assigns to defend, save and hold harmless the Corporation and the Corporation's officers, directors, and employees from and against any and all claims, losses, expenses, costs, demands, judgments, causes of action, suits, and liability in tort, contract or any other basis and of every kind and character whatsoever (including but not limited to all costs of defense, such as fees and charges of attorneys, expert witnesses, and other professionals and all court or other dispute resolution costs) arising out of or incident to the transportation and delivery of water pursuant to this Contract while possession remains in SAWS and/or arising from failure by SAWS to timely pay to Corporation the amounts equal to the amounts payable by the Corporation for the debt service payments and other pecuniary obligations required on the Contract Revenue Bonds. SAWS acknowledges that all payments under this Contract are paid from the gross revenues of its utility system which is a separate
fund of the City of San Antonio and that no payments, including payments under this subsection, are payable from ad valorem taxes.

B. Corporation. To the fullest extent allowed by law, the Corporation agrees on behalf of itself and its successors and assigns to defend, save and hold harmless SAWS and SAWS trustees, officers, directors, and employees from and against any and all claims, losses, expenses, costs, demands, judgments, causes of action, suits, and liability in tort, contract or any other basis and of every kind and character whatsoever (including but not limited to all costs of defenses, such as fines and charges of attorneys, expert witnesses, and other professionals and all court or other dispute resolution costs) arising out of or incident to the transportation, treatment and delivery of water pursuant to this Contract while possession remains in the Corporation; provided, however, this indemnity shall not include any claim, loss, expense, judgment or cause of action relating to or arising from failure by SAWS failure to timely pay to Corporation the amounts equal to the amounts payable by the Corporation to pay the debt service payments or other pecuniary obligations required on the Contract Revenue Bonds or to fully comply with the requirements of the Contract Revenue Bonds.

Section 1.14. Approvals. Unless otherwise required by law, each consent, approval, or other official action required of either party to this Contract by any provision of this Contract shall be deemed in compliance with this Contract when written evidence of such action, signed by the respective authorized representative is delivered to the party who is to receive evidence of such action. The parties to this Contract will cooperate with each other in the design and construction of the Points of Delivery and in obtaining, amending and maintaining all groundwater district permits or other regulatory authorizations necessary for the delivery and treatment of water under this Contract or under the Corporation's contracts with the Cities and Initial Customers. The parties to this Contract will not take any action or fail to take any action (including, without limitation, any exercise or denial of its consent or approval of any action proposed to be taken by the party or any of its agents hereunder), if taking or failing to take such action, respectively, would unreasonably delay or obstruct the delivery of water under this Contract, unless the cessation of delivery is due to non-payment of charges pursuant to this Contract, or the water delivered does not comply with the requirements set forth in this Contract relating to volume, rate of flow, or quality.

Section 1.15. Emergency Interconnect. As described in this Contract, the Corporation shall use due diligence to install and construct an emergency interconnect between the SAWS Water System and the Schertz Water System. The location and design shall be subject to the approval of Schertz, acting by its City Manager. Upon notification by the Corporation to SAWS that an emergency exists, SAWS, subject to reasonable availability, shall allow the Corporation to obtain treated water from SAWS through the Corporation's Point of Delivery or obtain untreated water from SAWS through the SAWS Point of Delivery. By signing this Contract, Schertz agrees to allow the Corporation and SAWS to use the Schertz water distribution system to transport water from the emergency interconnect to the Corporation's Water System, or to the location where the water is needed, without charge to the Corporation or to SAWS. An
emergency is defined as a sudden, generally unexpected occurrence or set of circumstances demanding immediate action to prevent a serious health hazard or unreasonable economic loss. The Corporation shall pay SAWS for water received from SAWS during such emergency at the rate set forth in this Contract and not from any funds paid by SAWS relating to the Contract Revenue Bonds. The Corporation shall make all required reports to the TCEQ for water purchased from SAWS during the emergency. SAWS' obligation to provide emergency service pursuant to this Section during any single emergency event shall not extend more than six (6) months beyond the date of notification of the emergency.

Section 1.16. Air Gap. The water delivered by the Corporation to SAWS will be delivered through an air gap into the SAWS Water System (the “Air Gap”) at a location upstream of any SAWS' customer as required by TCEQ rules. The treated water delivered by SAWS to the Corporation through the emergency interconnect described in Section 1.15 will be delivered through an air gap into the Corporation Water System at a location upstream of any Corporation customer as required by TCEQ rules.

Section 1.17. Reports.

A. Monthly Reports. Beginning with the initiation of the Preliminary Engineering Report, the Corporation will provide SAWS a monthly report describing the status of the project. The monthly reports may cease once construction of the Expansion is substantially complete (as that term is generally defined, understood, and used in the water utility construction industry). SAWS and the Corporation agree to cause their respective consulting engineers and employees to be available as may be required to exchange information required to design the Expansion. The Corporation grants SAWS and SAWS engineers, agents and employees a right of access to observe construction of the Expansion, but SAWS agrees to be observed all safety precautions required by the Corporation and its contractors, and SAWS releases, indemnifies, and holds harmless the Corporation from any and all claims and causes of action arising out of or incident to the negligent conduct of SAWS' engineers, agents or employees during the observation of construction of the expansion funded by SAWS.

B. Consultation. After substantial completion by the Corporation of the Expansion and by SAWS of its well field in western Gonzales County, the Corporation and SAWS agree to make each other's employees of these projects available for consultation and available for periodic and special meetings as may be necessary for the convenient and proper operation of the treatment plant and the well field. The Corporation and SAWS shall each designate in writing to the other a designated operator (the "Designated Operator") who shall be the initial point of contact for all operational issues arising under this Contract. The Designated Operators shall meet at least once each month to review operations and address issues of concern, but such Designated Operators shall not have the authority to waive the requirements of Contract or to amend this Contract.
ARTICLE II

PAYMENTS

Section 2.01. Contract Revenue Bonds.

A. SAWS Unconditional Agreement. By requesting the Corporation to issue Contract Revenue Bonds pursuant to Section 1.06.E, SAWS unconditionally agrees, on a take-or-pay basis, to pay the Corporation an amount equal to the debt service payments on the Contract Revenue Bonds issued by the Corporation and the other customary pecuniary obligations set forth in the Corporation's resolution approved by SAWS authorizing the issuance of the Contract Revenue Bonds. SAWS hereby agrees to make, or cause to be made, each such payment, as and when due, for the benefit of the holders of the Contract Revenue Bonds.

B. Use of proceeds by Corporation. The Corporation agrees to use the proceeds of the sale of the Contract Revenue Bonds only for the purposes set forth in Section 1.06.E of this Contract.

C. No Legal or Equitable Interest. SAWS acknowledges and agrees that the issuance of the Contract Revenue Bonds and the unconditional obligation of SAWS to make payments to the Corporation equal to the debt service payments on the Contract Revenue Bonds and the other customary pecuniary obligations set forth in the Corporation's resolution approved by SAWS authorizing the issuance of the Contract Revenue Bonds does not and is not intended to create any legal or equitable interest in the land or equipment to be purchased by the Corporation with the proceeds from the sale of the Contract Revenue Bonds.

D. Corporation Resolution. SAWS shall have the right to approve the Corporation's resolution authorizing the issuance of the Contract Revenue Bonds prior to its adoption by the Corporation. Subject to such approval, all customary covenants and provisions in the Corporation's resolution authorizing the issuance of the Contract Revenue Bonds affecting, or purporting to bind, the Corporation, SAWS, Seguin and/or Schertz, shall, upon the delivery of the Contract Revenue Bonds, become absolute, unconditional, valid, and binding covenants and obligations of the Corporation, SAWS, Seguin and/or Schertz, respectively, so long as any Contract Revenue Bonds and interest thereon are outstanding and unpaid, and may be enforced as provided in this Contract and the Corporation's resolution, as approved by SAWS, authorizing the issuance of the Contract Revenue Bonds. Particularly, the obligation of SAWS to make, promptly when due, all payments specified in this Contract and all payments described in Sections 2.01 and 2.02B hereof shall be absolute and unconditional, and such obligation may be enforced as provided in this Contract.

E. Assignment of Corporation's Rights. The parties to this Contract are advised and recognize that as security for the payment of the Contract Revenue Bonds, the
Corporation may assign to a trustee bank, pursuant to one or more trust indentures to be authorized by the Corporation's resolution, as approved by SAWS, authorizing the issuance of the Contract Revenue Bonds, certain of the Corporation's rights under this Contract, including the right to receive the payments hereunder, including the amounts described in Sections 2.01 and 2.02B hereof. The parties to this Contract hereby assent to such assignment and SAWS may make the payments described in Sections 2.01 and 2.02B hereof directly to the trustee bank without defense or set-off by reason of any dispute between the parties to this Contract and the Corporation or the trustee bank. All rights against the parties to this Contract arising under this Contract or the Corporation's resolution, as approved by SAWS, authorizing the issuance of the Contract Revenue Bonds and assigned to the trustee bank may be enforced by the trustee bank, or the holders of the Contract Revenue Bonds, to the extent provided in the Corporation's resolution, as approved by SAWS, authorizing the issuance of the Contract Revenue Bonds, and the trustee bank, or the holders of the Contract Revenue Bonds, shall be entitled to bring any suit, action, or proceeding against the Corporation or SAWS, as applicable, to the extent provided in the Corporation's resolution, as approved by SAWS, authorizing the issuance of the Contract Revenue Bonds, for the enforcement of this Contract, and it shall not be necessary in any such suit, action, or proceeding to make the Corporation a party thereto.

Section 2.02. Monthly Payments. As consideration for the services to be provided by each party to this Contract to the other parties to this Contract, each party agrees to pay the other parties as follows:

A. Surplus Water. Subject to annual reconciliation as provided in Section 1.01.B, SAWS agrees to pay the Corporation's monthly charges for Surplus Water based upon the rate established in Section 2.03.B for water actually measured by the meter in increments of thousand gallons at the Corporation's Point of Delivery less the SAWS Water.

B. Contract Revenue Bonds. Beginning the month that the capitalized interest from the proceeds of the Contract Revenue Bonds is exhausted, SAWS shall make monthly payments to the Corporation in an amount equal to one-twelfth of the annual debt service payment on the Contract Revenue Bonds issued by the Corporation in accordance with Section 2.01 of this Contract and the other customary pecuniary obligations set forth in the Corporation's resolution approved by SAWS authorizing the issuance of the Contract Revenue Bonds; provided, however, that the amount of the monthly payments may be adjusted by the Corporation to ensure that it has received from SAWS a sufficient amount of funds so that the Corporation may pay the next semiannual debt service payment on the Contract Revenue Bonds. SAWS agrees to make these monthly payments regardless of whether SAWS takes any water from the Corporation. The obligation of SAWS to make these monthly payments shall continue as long as the Contract Revenue Bonds issued by the Corporation or any SAWS approved refunding of those Contract Revenue Bonds remains
outstanding. To the extent any reserve fund or other fund mandated by the Corporation’s resolution authorizing the issuance of the Contract Revenue Bonds needs to be supplemented by additional deposits, then SAWS unconditionally agrees to make such additional deposits as needed from time to time under the terms of the Contract Revenue Bonds at least one business day prior to the date such funds are required to be paid by the Corporation. Neither the Corporation nor the Cities shall have any obligation whatsoever to make any payments required by the Contract Revenue Bonds, except from payments made hereunder by SAWS to the Corporation.

C. Emergency Water. The Corporation agrees to pay, from other lawfully available funds, the monthly charges of SAWS for Emergency Water based upon the rate as established in Section 2.03.C then in effect per thousand gallons times gallons actually measured by the meter at the Corporation’s Point of Delivery measured in increments of thousand gallons.

D. SAWS Water. SAWS agrees to pay the Corporation’s monthly charges for treatment and transportation of SAWS Water based upon the annual adjusted rate as established in Section 2.03.A. SAWS shall notify the Corporation in writing on or before May 1 of each year during the term of this Contract of the amount of groundwater SAWS and its sources will be authorized by the GCUWCD to pump in the following calendar year (the “Annual Authorized Pumping Amount”). The Corporation’s Operation and Maintenance charges, as defined in Section 2.03.D of this Contract, shall be determined annually by applying the annual adjusted rate to the Annual Authorized Pumping Amount less the Corporation’s estimated Annual Water Loss as defined in Section 1.05.A, regardless of the amount of untreated water that SAWS delivers to the Corporation for treatment and transportation. The Corporation’s charges shall be assessed in twelve (12) equal monthly installments. The Corporation shall credit SAWS during the next calendar year for any water that the Corporation is unable to deliver because it does not satisfy the water quality requirements set forth in Section 1.11.B. This subsection does not apply to the annual debt service payments on the Contract Revenue Bonds and the other customary pecuniary obligations set forth in the Corporation’s resolution approved by SAWS authorizing the issuance of the Contract Revenue Bonds which SAWS unconditionally agrees to pay in monthly installments without demand by Corporation.

Section 2.03. Rate

A. Rate Paid by SAWS for Treatment and Transportation of SAWS Water. The annual adjusted rate per thousand gallons paid by SAWS for treatment and transportation of SAWS Water shall equal the Corporation’s cost per thousand gallons for Operation and Maintenance (excluding all water lease costs) and Used and Useful Facilities Debt Service, all as defined in subsection D below. This subsection A only relates to the determination of Operation and Maintenance Charges and does not relate in any way to the debt service on the Contract Revenue Bonds and the other customary
pecuniary obligations set forth in the Corporation's resolution approved by SAWS authorizing the issuance of the Contract Revenue Bonds.

B. Rate Paid by SAWS for Surplus Water. The annual rate paid by SAWS for the Surplus Water shall be the Corporation's rate per thousand gallons then in effect for water sold by the Corporation to the Cities.

C. Rate Paid by Corporation for Emergency Water. The annual rate per thousand gallons paid by the Corporation to SAWS for Emergency Water delivered to the Corporation from SAWS shall be the Corporation's rate per thousand gallons then in effect for water sold by the Corporation to the Cities.

D. Definitions. For purposes of this Section:

1. “Water Treatment Plant” shall mean the Corporation’s water treatment plant located at 2130 CR 127, Nixon, Texas.

2. “Facilities” shall mean the Corporation’s water transportation infrastructure connecting the Water Treatment Plant to the Corporation’s Point of Delivery, together with related water storage tanks, pump stations, chlorination stations, electronic monitoring equipment, and transmission pipelines, and land, rights of way, and permits where Facilities may be located.

3. “Used and Useful Facilities Debt Service” shall mean the Corporation’s annual principal and interest payments to discharge debt incurred for construction, expansion, repair, or replacement of Facilities that are used and useful for the receipt, treatment, storage, pumping, and transport of SAWS Water, other than debt evidenced by the Contract Revenue Bonds, plus transfers to reserve funds as permitted or required by the applicable bond resolutions, and for debt service coverage in an amount not to exceed 150%. The parties specifically agree that the term shall include payments of $596,026 attributable to use of capacity in the existing Corporation pipeline from the Corporation’s treatment plant to the Corporation’s ground storage tank in Schertz, including existing pump stations and storage tank capacity.

4. “Operation and Maintenance” shall mean operation and maintenance in accordance with commonly accepted prudent public utility standards. Water lease costs will be excluded from Operation and Maintenance costs paid by SAWS for SAWS Water. Operation and Maintenance costs as currently anticipated by the parties are identified in the report entitled Schertz-Seguin Local Government Corporation 2010 Rate Study and Long-Term Financial Plan by Economists.com as updated December 27, 2010 which is incorporated by reference into this Contract, and both SAWS and the Corporation acknowledge receipt of the report. However, SAWS recognizes and acknowledges that the costs represented in the
report are intended only as a representative example and will not be considered
definitive of costs required by prudent utility standards in the future.

E. Assets Excluded from Cost. The Corporation’s cost to SAWS under this Contract for
treatment and transportation of SAWS Water shall not include debt service or debt
service coverage on any bonds issued by Corporation to acquire land or interests in
land used solely for the production of groundwater for the benefit of Corporation’s
customers, or capital outlays or royalty payments related thereto, or for construction
of facilities owned by the Corporation or persons other than SAWS and used to
produce groundwater and deliver the groundwater to the Corporation’s treatment
plant. The parties specifically agree that all costs incurred by the Corporation,
whether for facilities debt service, operation and maintenance, or otherwise,
associated with a second Corporation transmission pipeline from the Corporation’s
treatment plant to the Corporation’s ground storage tank in Schertz, shall be excluded
from cost hereunder.

F. AWWA methodologies. All rates set by any party under this Contract shall be
consistent with AWWA rate-making methodologies, except to the extent those
methodologies may be inconsistent with the express provisions of this section of the
Contract.

G. Annual Projected Volume. Each year on or before May 1, after SAWS exercises its
Option under Section 1.02 of this Contract, SAWS will notify the Corporation in
writing of the amount of untreated SAWS Water that SAWS expects to deliver to the
SAWS Point of Delivery for the following January 1 through December 31 time
period and the total estimated amount of treated water that SAWS plans to receive
from the Corporation. Each year on or before July 1, after SAWS exercises its
Option, the Corporation shall provide written notice to SAWS of the adjusted rates
for the following calendar year. The written notice shall include supporting
information and documentation to enable SAWS to evaluate the basis for any
adjustments. Within fourteen (14) days of receipt of the notice by SAWS, SAWS will
notify the Corporation in writing of any objections to the proposed adjustments.
Within fourteen (14) days of receipt by the Corporation of the written objections,
the parties shall meet and attempt to resolve any objections by SAWS. This subsection G
relates only to the determination of Operation and Maintenance Charges and does not
relate in any way to the debt service on the Contract Revenue Bonds.

H. Rate Adjustment. The Corporation will use its best efforts to adjust rates once per
year effective beginning October 1, but the Corporation reserves the right to adjust
rates from time to time and at any time the Corporation deems necessary to address
costs that were not expected at the time the rates were set, such as an unexpected
significant increases for electric power and chemicals, production, transport, or other
fees assessed by local groundwater districts or the State, or water lease payments
(applicable only to the Surplus Water). The Corporation will provide SAWS with as
much notice of a rate change as may be practical under the circumstances.
Section 2.04. Due Date. Bills will be rendered by the 25th day of the month for amounts due under this Contract by any party. The monthly charges shall be paid in full on or before the thirtieth (30th) calendar day after receipt.

Section 2.05. Other Charges. In the event any sales or use taxes, or taxes, assessments, production fees or charges of any similar nature are imposed by a federal, state, or local authority (other than a party to this Contract) on production, storing, delivering, gathering, impounding, taking, selling, using, or consuming the water received by a party to this Contract, the amount of tax, assessment, or charge shall be borne by that party. In addition to all other charges, and whenever a party shall be required to pay, collect, or remit any tax, assessment, or charge on water received by such party, then the obligated party shall promptly pay or reimburse such party for the tax, assessment, or charge in the manner directed by such party.

Section 2.06. Default in Payments. All amounts due and owing to a party to this Contract by another party to this Contract shall, if not paid when due, bear interest at the Texas post-judgment interest rate under Texas law from the date when due until paid, provided that such rate shall never be usurious or exceed the maximum rate as permitted by law as set forth in Chapter 202, as amended, Texas Government Code. If any amount due and owing by one party to another party is placed with an attorney for collection, the party owing the amount shall pay to the other party, in addition to all other payments provided by this Contract, including interest, the other party's collection expenses, including court costs and attorneys' fees as may be ordered by the court or tribunal. The party who is owed the money may, to the extent permitted by law, suspend delivery of water to the other party if the other party remains delinquent in any payments due hereunder for a period of sixty (60) days, and is not required to resume delivery of water while the party is so delinquent. Either party may pursue all legal remedies against the other party to enforce and protect the rights of the party under this Contract.

Section 2.07. Pledge of Gross Revenue. Each party to this Contract represents and covenants to the other parties that all payments to be made by it under this Contract shall constitute reasonable and necessary “operating expenses” of its utility system, and that all such payments will be made from the gross revenues of its utility system. Each party represents and has determined that the water supply to be obtained from the other parties is absolutely necessary and essential to the present and future operation of its utility system, and, accordingly all payments required by this Contract to be made by the party shall constitute reasonable and necessary operating expenses of the party’s utility system as described above with the effect that the obligation to make such payments from gross revenues of such utility system or systems shall have priority over any obligation to make any payments from such revenues, whether of principal, interest, or otherwise, with respect to all bonds heretofore or hereafter issued by the party. Each party agrees throughout the term of this Contract to continuously operate and maintain its utility system and to fix and collect such rates and charges for water services to be supplied by its utility system as will produce gross revenues in an amount equal to at least all of its payments under this Contract.

A party to this Contract shall never have the right to demand payment by another party of any obligations assumed by or imposed upon that party under or by virtue of this Contract from
Section 2.08. Payment under Protest. If a party at any time disputes the amount to be paid by it to another party, the party shall nevertheless promptly make the disputed payment or payments, but if it is subsequently determined by agreement or court decision that the disputed amount paid by the party should have been less, or more, the other party shall promptly revise the monthly payment in a manner that the party, will recover the amount due within six (6) months.

Section 2.09. Stipulations. By signing this Contract, each party stipulates and agrees that another party will be prejudiced if a party avoids the obligation to furnish water while accepting the benefits of payments, or avoids the obligation to pay the rates for water specified in this Contract while accepting the benefits of obtaining water, from the other party. Nothing in this Contract shall be construed as constituting an undertaking by a party to furnish water to another party except pursuant to the terms of this Contract.

Section 2.10. Rights Regarding Books and Records. The Corporation shall permit SAWS upon reasonable notice to examine and copy all the books and records kept by the Corporation regarding this Contract and the Corporation’s Water System. In addition, upon reasonable prior written notice to the Corporation, SAWS may conduct a complete audit of the books and records kept by the Corporation regarding this Contract and the Corporation’s Water System as well as upon the information and documentation used to prepare the books and records. Any such audit shall be at SAWS’ sole expense and shall be prepared by a certified public accounting firm. If the audit report discloses actual errors in the books and records such that the charges assessed to SAWS are in error then such error shall be corrected for the period up to four years after the erroneous charge was paid by SAWS and all payments reconciled over the subsequent twelve month period beginning with the Corporation’s fiscal year. If the error identified in the audit is greater than the cost of the audit, the Corporation shall reimburse SAWS the cost of the audit.

ARTICLE III
TERM OF CONTRACT AND REMEDIES

Section 3.01. Term. This Contract shall be effective on January 1, 2011 (the “Effective Date”), and shall continue in effect for a period of forty years from the Effective Date and for so long thereafter as the Corporation may have Contract Revenue Bonds, or refunding bonds, outstanding that were issued for the exclusive purpose of financing or refinancing the construction of the Expansion.

Section 3.02. Renewal. This Contract will automatically renew for successive terms of five (5) years after the expiration of the term set forth in Section 3.01 unless the Corporation, SAWS, Schertz or Seguin gives written notice that the party issuing the notice objects to the
renewal of this Contract. The notice of the objection to renewal must be given at least three (3) years prior to the termination date of this Contract.

Section 3.03. Termination by SAWS. SAWS may terminate this Contract at any time prior to exercising its Option described in Section 1.02 by providing written notice to the Corporation. However, if SAWS exercises its option by authorizing the Corporation to issue Contract Revenue Bonds, SAWS may not terminate this Contract for any reason until the Contract Revenue Bonds and any SAWS-approved refunding bonds are paid in full or a procedure is mutually agreed upon that provides for the full payment of the Contract Revenue Bonds and any SAWS-approved refunding bonds, and the other customary pecuniary obligations set forth in the Corporation’s resolution approved by SAWS authorizing the issuance of the Contract Revenue Bonds without adverse impacts upon the holders of the Contract Revenue Bonds or SAWS-approved refunding bonds. Whether or not SAWS elects to exercise the Option described in Section 1.02, the rights and obligations of the parties with regard to Surplus Water as described in Section 1.01 shall continue in full force and effect unless and until this Contract is terminated.

Section 3.04. Obligations Upon Termination of Contract. Upon termination of this Contract, no party will have any obligation to another party except each party will:

A. Remove its facilities from property owned or controlled by the other party.

B. Pay or reimburse the other party all amounts that may be due upon the date of termination.

SAWS acknowledges that the facilities, equipment, and improvements made to Corporation’s Water System pursuant to this Contract belong entirely to the Corporation, and SAWS has no right or obligation to remove any such facilities, equipment, or improvements.

Section 3.05. Remedies. Recognizing that failure in the performance of any party’s obligations hereunder could not be adequately compensated in money damages alone, each party agrees in the event of any default on its part that each party shall have available to it the equitable remedy of mandamus and/or specific performance, but not termination as long as the Contract Revenue Bonds, or any refunding of the Contract Revenue Bonds, is outstanding. It is the intent of the parties to this Contract that any default shall be subject to the remedy of specific performance and/or mandamus to the extent that specific performance and/or mandamus is possible under the existing circumstances. The remedy of specific performance and/or mandamus shall be first requested by either party in the event of default by the other party. However, if, despite SAWS’ request for specific performance or mandamus, a court determines that the Corporation has breached this Contract by failing to deliver treated water as required hereunder, but the court declines to order specific performance as a remedy, the aggregate damages available to SAWS shall be limited to recovery of a sum equal to the balance of the debt service payments on the Contract Revenue Bonds then outstanding plus the depreciated value at the time of default of the SAWS pump station, pipeline and related conveyance facilities connecting the Corporation’s Point of Delivery to the SAWS Pump Station located near the
intersection of Nacogdoches Road and O'Connor Road in San Antonio. SAWS will not be
entitled to any punitive, incidental, indirect, special or consequential damages resulting from or
arising out of any claims against the Corporation, including damages for lost revenues, income,
or profits. If a court determines that SAWS has breached this Contract, but the court declines to
order specific performance as a remedy, the damages available to the Corporation shall be
limited to recovery of a sum equal to the balance of the debt service payments on, and other
pecuniary obligations relating to, the Contract Revenue Bonds then outstanding. In either event,
the prevailing party may recover court costs, attorneys' fees, and witness fees.

If the Expansion is not substantially completed by the Corporation due to its negligence
before the capitalized interest on the Contract Revenue Bonds and proceeds from the builders
risk insurance, if any, are exhausted, and SAWS must begin to make payments to the
Corporation under Section 2.02.B, then the Corporation shall be liable to SAWS for those
payments made prior to the substantial completion of the Expansion, unless SAWS chooses to
exercise its rights to assume the construction contracts, in which case the Corporation shall not
be liable to SAWS.

Section 3.06. Use of Expansion by Corporation. Notwithstanding any other provision of
this Contract, in the event that SAWS is unable for any reason to deliver water to the Corporation
for treatment and the Corporation utilizes the Expansion to treat water for itself or other parties,
the Corporation shall reimburse SAWS for payments under Section 2.02.B made by SAWS to
the Corporation. The Corporation's reimbursement payments shall be made on the same terms
and conditions as payments from SAWS to the Corporation under this Contract. In no event shall
Corporation's obligation to reimburse SAWS exceed the amount of revenue received by the
Corporation for the use of the Expansion.

Section 3.07. Default — Notice and Opportunity to Cure. If any party fails to perform any
obligation or make any payment in the required amount when due under this Contract (except for
SAWS' payment obligations set forth in Section 2.01 and 2.02.B), the other parties may, without
prejudice to any other right or remedy it may have under this Contract, provide written notice of
default to the non-performing party. The non-performing party has sixty (60) days from receipt
of the notice within which to remedy the default (the "Cure Period").

Provided, however, the Corporation may reduce delivery of treated water to SAWS to
reflect any and all reductions in SAWS' delivery of untreated water to the Corporation without
the need for notice and providing an opportunity for cure.

Provided, however, the requirement for notice and the sixty (60) day opportunity to cure
does not apply to SAWS' obligations to pay the Corporation for Contract Revenue Bonds or for
water delivered to SAWS under this Contract and the amount due the Corporation shall be paid
by SAWS by the due date specified in Section 2.04 of this Contract.

Section 3.08. Mediation. In the event any controversy arising under this Contract (other
than a controversy arising from payments under Section 2.01 or Section 2.02.B. of this Contract
or for rates charged under this Contract) is not resolved by informal negotiations between the
Corporation and SAWS within thirty (30) days after any party requests negotiations, then, upon
the request of any party, the controversy shall be referred to the voluntary settlement procedure
known as mediation, which process shall be governed by the Texas Civil Practice and Remedies
Code, Section 154.002, et seq., or its successor statute. The parties shall attempt to select a
mutually acceptable mediator. Failing identification of a mutually acceptable mediator, the
parties shall request the presiding judge of the State District Courts of Travis County, Texas, to
appoint a mediator. The mediation process shall continue until the controversy is resolved, the
mediator makes a finding that there is no possibility of settlement through mediation, or either
party chooses not to continue further. All costs and expenses of the mediation (including the
mediator’s fees) shall be shared equally by the parties involved in the mediation; provided
however, that costs incurred by each party shall be costs solely of such party, but the
Corporation’s costs and expenses relating to such mediation shall be included as a system-wide
cost within the Corporation’s operation and maintenance expense.

ARTICLE IV
METERING AND MEASUREMENT

Section 4.01. Unit of Measurement. The unit of measurement for water delivered
hereunder shall be 1,000 gallons of water, U. S. Standard Liquid Measure.

Section 4.02. Measuring Equipment. In accordance with Sections 1.08 and 1.09 of this
Contract, each party shall furnish, and install at least one water meter of standard type for
measuring properly the quantity of water delivered under this Contract (the "delivery meter or
meters"). Such meter and other equipment so installed shall remain the property of the party
installing the meter. The other parties shall have access to such metering equipment at all
reasonable times, but the reading, calibration, and adjustment thereof shall be done only by the
employees or agents of the party that owns the meter. For the purpose of this Contract the
original record or reading of the meter or meters shall be the journal or other record book of the
party installing the meter in its office in which the records of the employees or agents of the
party who take readings are or may be transcribed. Upon written request of another party, the
party owning the meter will give the other party a copy of such journal or record book, or permit
the other party to have access to the same in the office of the party during reasonable business
hours.

Each party at the party’s expense shall annually test its meter(s) at the point of delivery,
if requested in writing by another party to do so, in the presence of a representative of the
other party, and the parties shall jointly observe any adjustments which are made to the meters in
case any adjustments shall be necessary, and if the check meters hereinafter provided for have
been installed by the party, the same shall also be calibrated by the party in the presence of a
representative of the other party and the parties shall jointly observe any adjustment in case any
adjustment is necessary. The party will provide to the other parties a copy of the meter
calibration test to the party for its sanitary inspection reports. If the party shall in writing request
another party to calibrate its meters and the other party shall give the party notice of the time
when any such calibration is to be made and a representative of the party is not present at the
If any party at any time observes a variation between the delivery meter or meters and the check meter or meters, if any such check meter or meters shall be installed, such party will promptly notify the other parties, and the parties hereto shall then cooperate to procure an immediate calibration test and joint observation of any adjustment and the said meter or meters shall then be adjusted to accuracy. Each party shall give the other party forty-eight (48) hours' notice of the time of all tests of meters so that the other parties may conveniently have a representative present.

If upon any test, the percentage of inaccuracy of any metering equipment is found to be in excess of accuracy limits as established in AWWA Manual 6 — Testing of Meters, registration thereof shall be corrected for a period extending back to the time when such inaccuracy began, if such time is ascertainable, and if such time is not ascertainable, then for a period extending back one-half (1/2) of the time elapsed since the last date of calibration. If for any reason any meters are out of service or out of repair so that the amount of water delivered cannot be ascertained or computed from the reading thereof, the water delivered during the period such meters are out of service or out of repair shall be estimated and agreed upon by the parties hereto upon the basis of the best data available. For such purpose, the best data available shall be deemed to be the registration of any check meter or meters if the same have been installed and are accurately registering. Otherwise the amount of water delivered during such period may be estimated (i) by correcting the error if the percentage of the error is ascertainable by calibration tests or mathematical calculation, or (ii) by estimating the quantity of delivery by deliveries during the preceding periods under similar conditions when the meter or meters were registering accurately.

Each party may, at the party's option and expense, install and operate a check meter to check each meter installed by another party, but the measurement of water for the purpose of this Contract shall be solely by the party's meters, except in the cases hereinabove specifically provided to the contrary. All such check meters shall be of standard make and shall be subject at all reasonable times to inspection and examination by any employee or agent of the other party, but the reading, calibration and adjustment thereof shall be made only by the party who owns the meter. During any period when a check meter may be used under the provisions hereof for measuring the amount of water delivered, in which case the reading, calibration and adjustment thereof shall be made by the party with representation from the other party.

If a party requests another party to test the other party's meter, either more frequently than once every year required by this section or because the other party's meter and the party's check meter show different readings, the party requesting the test will pay the cost of the test if the test shows that the meter is within the accuracy limits as established in AWWA Manual 6 — Testing of Meters (within two percent registration), but if the test shows that the meter is not accurate (in excess of accuracy limits as established in AWWA Manual 6 — Testing of Meters), then the other party will pay the costs for conducting the test.
ARTICLE V

INTERPRETATIONS AND CORPORATION BONDS

Section 5.01. Interpretation. The table of contents and caption headings of this Contract are for reference purposes only and shall not affect its interpretation in any respect. Unless the context otherwise requires, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa. This Contract and all the terms and provisions shall be liberally construed to effectuate the purpose set forth herein and to sustain the validity of this Contract.

Section 5.02. Schertz, Seguin, SAWS, and Corporation Bonds. Each party expressly acknowledges, agrees, and warrants that it will take no action to adversely affect the tax-exempt status of the tax-exempt bonds or other obligations of another party hereto. Each party hereto acknowledges that any SAWS bonds or other obligations are issued by the City Council of the City of San Antonio, Texas.

Section 5.03. Subordination of Cities’ Rights. Under the Corporation/City Contracts, Schertz and Seguin each have a right to receive fifty percent (50%) of the water produced by the Corporation. Subject to the terms and conditions of this Contract, including but not limited to Section 1.01C, Schertz and Seguin each subordinate their right to receive water in equal amounts from the Corporation so that the Corporation may supply water to SAWS in accordance with this Contract. Schertz and Seguin shall both remain unconditionally obligated to pay the Corporation the amount due under the Corporation/City Contracts, but the Corporation, Schertz and Seguin acknowledge and agree that the amounts payable by Schertz and Seguin to the Corporation (except for payments due on any Contract Revenue Bonds) shall be reduced by the Corporation’s actual receipt of the amounts paid by SAWS under this Contract, so as between the Corporation, Schertz and Seguin and for the purposes of Section 3.01 of the Corporation/City Contracts, the amounts paid by SAWS to the Corporation shall be considered to be proportionate payments of the Annual Payments required to be paid by Schertz and Seguin under the Corporation/City Contract.

ARTICLE VI

GENERAL PROVISIONS

Section 6.01. Participation by the Parties. Each party to this Contract represents to the others that it is empowered by law to execute this Contract and other agreements and documents as are or may hereafter be required to accomplish the same; and that its execution of this Contract has been duly authorized by action of its governing body.

Section 6.02. Force Majeure. If by reason of Force Majeure any party hereto shall be rendered unable wholly or in part to carry out its obligations under this Contract, other than the obligation of SAWS to make the payments required under this Contract with respect to any payment obligation on Contract Revenue Bonds, then if such party shall give notice and full particulars of such Force Majeure in writing to the other parties within a reasonable time after the...
occurrence of the event or cause relied on, the obligation of the party giving such notice, so far as it is affected by such Force Majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period, and any such party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "Force Majeure" as employed herein shall mean acts of God, strikes, lockouts or other industrial disturbances, acts of public enemy, orders of any kind of the Government of the United States or the State of Texas, or regulatory restrictions by a groundwater district, any civil or military authority, insurrection, riots, epidemics, landslides, lightning, earthquake, fires, hurricanes, tornadoes, blue northern, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipelines or canals, partial or entire failure of water supply, inability on the part of the Corporation to deliver water for any reason, or on account of any other causes not reasonably within the control of the party claiming such inability.

Section 6.03. Modification. No change, amendment, or modification of this Contract shall be made or be effective that will affect adversely the prompt payment when due of all money required to be paid by a party under the terms of this Contract.

Section 6.04. Addresses and Notice. Unless otherwise provided herein, any notice, communication, request, reply, or advice (herein severally and collectively, for convenience, called "Notice") herein provided or permitted to be given, made, or accepted by any party to the other parties must be in writing and may be given or be served by depositing the same in the United States mail postpaid and registered or certified and addressed to the party to be notified, with return receipt requested, or by delivering the same to an officer of such party, or by prepaid telegram when appropriate, addressed to the party to be notified. Notice deposited in the mail in the manner hereinabove described shall be conclusively deemed to be effective, unless otherwise stated herein, from and after the expiration of three days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the party to be notified. For the purposes of notice, the addresses of the parties shall, until changed as hereinafter provided, be as follows:

If to the Corporation:
General Manager
Schertz/Seguin Local Government Corporation
P.O. Box 833/600 River Drive West
Seguin, Texas 78156-0833

If to the SAWS:
President/Chief Executive Officer
San Antonio Water System
P.O. Box 2449/2800 U.S. Hwy. 281 North
San Antonio, Texas 78298

If to the Cities:

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The Corporation, SAWS and the Cities shall have the right from time to time and at any time to change their respective addresses and each shall have the right to specify as its address any other address by at least five (5) days' written notice to the other parties.

Section 6.05. State or Federal Laws, Rules, Orders, or Regulations. This Contract is subject to all applicable federal and State laws and any applicable permits, ordinances, rules, orders, and regulations of any local, state, or federal governmental authority having or asserting jurisdiction but nothing contained herein shall be construed as a waiver of any right to question or contest any such law, ordinance, order, rule, or regulation in any forum having jurisdiction. Each party represents that, to the best of its knowledge, no provisions of any applicable federal or State law, nor any permit, ordinance, rule, order, or regulation of either party will limit or restrict the ability of either party to carry out their respective obligations under or contemplated by this Contract.

Section 6.06. Severability. The parties hereto specifically agree that in case any one or more of the sections, subsections, provisions, clauses, or words of this Contract or the application of such sections, subsections, provisions, clauses, or words to any situation or circumstance should be, or should be held to be, for any reason, invalid or unconstitutional, under the laws or constitutions of the State or the United States of America, or in contravention of any such laws or constitutions, such invalidity, unconstitutionality, or contravention shall not affect any other sections, subsections, provisions, clauses, or words of this Contract or the application of such sections, subsections, provisions, clauses, or words to any other situation or circumstance, and it is intended that this Contract shall be severable and shall be construed and applied as if any such invalid or unconstitutional section, subsection, provision, clause, or word had not been included herein, and the rights and obligations of the parties hereto shall be construed and remain in force accordingly.

Section 6.07. Waiver. Notwithstanding anything to the contrary contained in this Contract, any right or remedy or any default hereunder, except the right of a party to receive the payments from another party, which shall never be determined to be waived, shall be deemed to be conclusively waived unless asserted by a proper proceeding at law or in equity within four (4) years after the occurrence of such default. No waiver or waivers of any breach or default (or any breaches or defaults) by any party hereto or of the performance by any other party of any duty or obligation hereunder shall be deemed a waiver thereof in the future, nor shall any such waiver or
waivers be deemed or construed to be a waiver of subsequent breaches or defaults of any kind, character or description, under any circumstances.

Section 6.08. Venue. All amounts due to the Corporation from SAWS under this Contract, including, but not limited to, payments due under this Contract, shall be paid and be due in Guadalupe County, Texas, which is the County in which the principal administrative offices of the Corporation are located. All amounts due to SAWS from the Corporation under this Contract, including, but not limited to, payments due under this Contract, shall be paid and be due in Bexar County, Texas, which is the County in which the principal administrative offices of SAWS are located. It is specifically agreed among the parties to this Contract that in the event that any legal proceeding is brought to enforce this Contract or any provision hereof, the same shall be brought in Travis County, Texas.

Section 6.09. Succession and Assignment. This Contract is binding on and inures to the benefit of the parties hereto and their respective successors, representatives, and assigns. This Contract may not be assigned by any party hereto without prior written notice to and approval by the other parties, which consent may be withheld without cause. The provisions of this Section do not affect the assignment of the Corporation’s rights under this Contract to the trustee bank for the Contract Revenue Bonds.

Section 6.10. Entire Contract. This Contract constitutes the entire agreement among the parties with respect to the matters described herein.

Section 6.11. Applicable Law. This Contract shall be governed by and construed in accordance with the laws of the State, and the obligations, rights, and remedies of the parties hereunder shall be determined in accordance with such laws without reference to the laws of any other state or jurisdiction, except for applicable federal laws, rules, and regulations.

Section 6.12. Counterparts. This Contract may be executed in counterparts, each of which shall be an original and all of which together shall constitute but one and the same instrument.

Section 6.13. Officers and Agents. No officer or agent of the parties is authorized to waive or modify any provision of the Contract. No modifications to or rescission of this Contract may be made except by a written documents signed by the parties’ authorized representatives.

Section 6.14. Recitals. The parties agree that the recitals in this Contract are true and correct and are incorporated into the terms of this Contract.

Section 6.15. Approval by Parties. Attached as Exhibit E are the official actions of Schertz, Seguin and the Corporation evidencing approval of and consent to this Contract as required by the terms of the Corporation/City Contracts.

Section 6.16. Condition Precedents. The Corporation’s obligations under this Contract are contingent upon approval of this Contract by the Corporation, Schertz, and Seguin.
Section 6.17. Goods and Services. The parties agree that the mutual commitments stated in this Contract to provide water, emergency water service, water treatment services, and funding for utility system improvements constitute an agreement by each party for providing goods and services to each other party, and that this Contract is subject to Chapter 271, Subchapter I, of the Texas Local Government Code.

Section 6.18. No Third Party Beneficiary; No Partnership. This Contract is not intended to confer any rights, privileges, or causes of action upon any third party other than the Cities, the Corporation, and SAWS. The relationship of the parties under this Contract is not and shall not be construed or interpreted to be a partnership, joint venture or agency. The relationship of the parties shall be an independent contractor relationship. No party shall have the authority to make any statements, representations, or commitments of any kind, or to take any action, which shall be binding on another party.


Definitions.

As used in this Section, the following terms have the meanings ascribed to such terms below:

Rule means SEC Rule 15c2-12, as amended from time to time.

SEC means the United States Securities and Exchange Commission.

The Contract Revenue Bonds will likely be publically offered, and SAWS agrees to comply with the continuing disclosure requirements set forth in the SEC Rule relating to the Contract Revenue Bonds in the time, form, and manner set forth in the Corporation's resolution as approved by SAWS authorizing the issuance of the Contract Revenue Bonds.

IN WITNESS WHEREOF, the parties hereto acting under authority of their respective governing bodies have caused this Contract to be duly executed as of the Effective Date.
SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION

By: 
President, Board of Directors

SAN ANTONIO WATER SYSTEM

By: 
Robert R. Puente
President/Chief Executive Officer

CITY OF SCHERTZ, TEXAS

By: 
City Manager

CITY OF SEGUIN, TEXAS

By: 
City Manager

Attest:

Secretary, Board of Directors

Attest:

Secretary, Board of Directors

Attest:

City Secretary

Attest:

City Secretary

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Exhibits:

Exhibit A – Improvements Known as of the Effective Date and Estimated Costs (Section 1.04.A)
Exhibit B – Facility Site in Schertz (Section 1.04.C.2)
Exhibit C – Pump Station Site (Section 1.04.C.4)
Exhibit D – Agreements and Insurance (Section 1.06.C)
Exhibit E – Official Actions (Section 6.15)
**EXHIBIT A**

**Improvements Known as of the Effective Date and Estimated Costs (Section 1.04.A)**

<table>
<thead>
<tr>
<th>Improvement Facility</th>
<th>Estimated Cost</th>
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<td>Water Treatment Plant Expansion</td>
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<tr>
<td>Water Treatment Plant High Service Pump Station Expansion</td>
<td>$1,400,000</td>
</tr>
<tr>
<td>Water Treatment Plant Chemical Feed Modifications/Expansions</td>
<td>$1,200,000</td>
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<tr>
<td>Mid-line Booster Pump Station Improvements/Expansion</td>
<td>$3,400,000</td>
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<td>SCADA Expansion</td>
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</tr>
<tr>
<td>SAWS Point of Delivery at Water Treatment Plant Expansion*</td>
<td>$90,000</td>
</tr>
<tr>
<td>Corporation Point of Delivery in Schertz*</td>
<td>$120,000</td>
</tr>
</tbody>
</table>

**TOTAL ESTIMATED COST FOR EXPANSION IMPROVEMENTS** $14,930,000

* Points of Delivery are on the Corporation's property

** Total cost does not include cost of capitalized interest during construction

**NOTE:** The actual improvements will not be known until the preliminary engineering report described in the Contract is completed and actual cost of the improvements will not be known until bids from contractors are received.
• SAWS proposed around storage tank to match City or Schultz 74 mg gal.

• Rectify around Enopossed see to snatch current footing at City of Schertz facility.

• Sound barriers to be erected as required.

EXHIBIT B
Facility Site in Schertz (Section 1.04.C.2)

EXHIBIT C
Pump Station Site (Section 1.04.C.4)
Exhibit “D”

Agreements and Insurance (Section 1.06.C)

1. Commercial Insurance Specifications:

   a. Commencing on the date of this Contract, the CONTRACTOR shall, at his own expense, purchase, maintain and keep in force such lines of insurance coverage as will protect him and the Schertz/Seguin Local Government Corporation ("the CORPORATION") and their employees and agents from claims, which may arise out of or result from his operations under this Contract, whether such operations are by himself, by any Sub-contractor, supplier or by anyone directly or indirectly employed by any of them or by anyone for whose acts any of them may be liable, including, without limitation, the following lines of insurance coverage:

   1) **Workers' Compensation (WC)** insurance that will protect the CONTRACTOR and the CORPORATION from claims under statutory Workers' Compensation laws, disability laws or such other employee benefit laws and that will fulfill the requirements of the jurisdiction in which the work is to be performed.

      The minimum policy limits of liability for this line of insurance coverage shall be statutory limits.

      This line of insurance coverage shall be endorsed to provide a Waiver of Subrogation in favor of the CORPORATION with respect to both this line of insurance coverage and the Employers' Liability (EL) insurance (as specified immediately below in section 1.a.2)).

   2) **Employers' Liability (EL)** insurance (Part 2 under a standard Workers' Compensation policy) that will protect the CONTRACTOR and the CORPORATION for damages because of bodily injury, sickness, disease of vendor's employees apart from that imposed by Workers' Compensation laws.

      This line of insurance coverage shall have minimum policy limits of liability of not less than:

      - **$ 1,000,000.00** Bodily Injury by Accident
      - **1,000,000.00** Bodily Injury by Disease - Each Employee
      - **1,000,000.00** Bodily Injury by Disease - Policy Limit

   3) **Commercial General Liability (CGL)** insurance that will protect the CONTRACTOR and the CORPORATION from claims for damages because of bodily injury, personal injury, sickness, disease or death and insurance that will protect the CONTRACTOR and the CORPORATION from claims for damages to or destruction of tangible property of others, including loss of use thereof.


This line of insurance coverage shall:

- Cover independent contractors;
- Not include any exclusions relating to blasting, explosion, collapse of buildings or damage to underground property;
- Afford coverage for Products Liability and/or Completed Operations and, Contractual Liability.

The minimum policy limits of liability for this line of insurance coverage shall be:

- $1,000,000.00 Occurrence Limit
- 2,000,000.00 General Aggregate
- 2,000,000.00 Products/Completed Operations Aggregate
- 1,000,000.00 Personal and Advertising Injury
- 1,000,000.00 Contractual Liability

This line of insurance coverage shall be endorsed:

- Naming the CORPORATION as an Additional Insured; and
- To provide a Waiver of Subrogation in favor of the CORPORATION.

Commercial/Business Automobile Liability (AL) insurance that will protect the CONTRACTOR and the CORPORATION from claims for damages arising out of the maintenance, operation, or use of any owned, non-owned or hired vehicles.

Minimum policy limits of liability for this line of insurance coverage for bodily injury and property damage combined shall be not less than $1,000,000.00 per each occurrence.

This line of insurance coverage shall be endorsed:

- Naming the CORPORATION as an Additional Insured; and
- To provide a Waiver of Subrogation in favor of the CORPORATION.

Excess/Umbrella Liability (UL) insurance in the amount of $2,000,000.00. This policy shall be of an "Occurrence" type and the limit of liability shall be concurrent with (following form) and in excess of the EL, CGL, and AL lines of insurance coverage as described in paragraphs 1.a.2), 1.a.3), and 1.a.4) listed above.
NOTE - For the Excess/Umbrella Liability policy, describe in the Description of Operations section of the Certificate of Liability Insurance ("Certificate"), the coverage form under which this line of coverage is written — either:

- Umbrella form; or
- Other Than Umbrella form.

6) Contractor's Pollution Liability Insurance with limits of $2,000,000 per claim/occurrence/$2,000,000 in the aggregate.

The policy shall provide either a "claims made" or an occurrence based coverage for all claims, liabilities, damages, costs, fees, and expenses of any kind or character arising out of any Pollution Condition(s) (as defined below) that is in any way related to CONTRACTOR's operations, actions or inactions, and completed operations associated with any work performed by CONTRACTOR, its subcontractors, or any of their respective employees, agents, representatives, or officers under this Contract.

If the Policy is "claims made" based, coverage must be maintained for a minimum of twenty-four (24) months after the date that a Certificate of Completion is issued, or if the Contract is terminated for any reason, for a minimum of twenty-four (24) months following the date of termination.

The "claims made" policy retroactive date will be no later than the Contract date or the project commencement date, whichever is earliest.

Pollution Condition(s) means the discharge, dispersal, release or escape of any solid, liquid, gaseous or thermal irritant or contaminant, including, but not limited to, smoke, sewage, vapors, soot, fumes, acids, alkalis, toxic chemicals, medical waste and waste materials into or upon land, the atmosphere or any watercourse or body of water, including groundwater, provided such conditions are not naturally present in the environment in the amounts or concentrations discovered.

The Contractor's Pollution Liability Insurance will pay on behalf of the CONTRACTOR and the CORPORATION all claims, demands, damages, liabilities, costs, fees, and expenses of any kind or character for bodily injury or death, property damage, environmental or natural resource damage, and any fines, fees, assessments or penalties of any kind assessed by any governmental department, agency or commission that result from or are related to a Pollution Condition(s). Coverage will include all subcontractors hired by CONTRACTOR to perform any work on the Project or under this Contract.

The policy shall also include the following provisions:

a) Coverage for bodily injury to include physical injury, sickness, disease, mental anguish and emotional distress sustained by any person, including death;
b) All costs that are related to or that arise out of or from the investigation or adjustment of any claim or in connection with any court, arbitration, mediation, state administrative hearing, or other proceeding of any kind, including attorneys fees, expert witness fees, costs, charges and expenses of any kind or character, that arise out of or that are related to a Pollution Condition(s);

c) Coverage shall be Primary and in addition to any other valid and collectible insurance carried by the CORPORATION and the City of San Antonio as respects to this Contract;

d) Coverage for Natural Resource Damages and any fines, fees penalties or assessments by any governmental agency, commission or department related to any Pollution Condition(s);

e) Insured versus Insured exclusion, if found in the policy, shall not apply to a claim by an Insured who qualifies as a Client of the Named Insured under the policy;

f) If Non-Owned Disposal sites are used for disposal of wastes, these sites shall be specifically included under the Contractors Pollution Liability Insurance policy; and

g) Coverage for punitive, exemplary, and multiple damages.

Commercial/Business Automobile Liability policy of CONTRACTOR hauling excavated spoil shall either be endorsed to provide coverage under the CA9948 endorsement or the Contractor's Pollution Liability Insurance policy shall be endorsed to provide transportation coverage beyond the boundaries of the job site.

NOTE - For the Contractor's Pollution Liability, declare on the Certificate of Liability Insurance ("Certificate") the coverage form under which this line of insurance is written – either:

a) Claims-made form - if the coverage form declared on the Certificate is the Claims-made form, also include on the Certificate the "Retro-date" when this line of coverage was first written or started; or

b) Occurrence basis – no additional wording required.

b. CONTRACTOR shall require all Sub-contractors to carry lines of insurance coverage appropriate to their scope of Work.

c. CONTRACTOR agrees that with respect to the above required lines of insurance, all insurance policies are to contain or be endorsed to the extent, not inconsistent with the requirements of the issuing insurance carrier, to provide for an endorsement that the "other insurance" clause shall not apply where the CORPORATION is an Additional Insured shown on the policy if such endorsement is permitted by law and regulations.
d. CONTRACTOR shall, upon request of the CORPORATION, provide copies of all insurance policies and endorsements required under Contract.

e. CONTRACTOR is responsible for the deductibles under all lines of insurance coverage required by these Specifications.

f. The stated policy limits of each line of insurance coverage required by these Specifications are MINIMUM ONLY and it shall be the CONTRACTOR's responsibility to determine what policy limits are adequate and the length of time each line of insurance coverage shall be maintained; insurance policy limits are not a limit of the CONTRACTOR's liability.

g. These minimum limits of insurance coverage may be either basic policy limits of the WC/BL, CGL and AL or any combination of basic limits or umbrella limits.

h. The CORPORATION's acceptance of Certificate(s) of Liability Insurance that in any respect, do not comply with these Specifications does not release the CONTRACTOR from compliance herewith.

i. Within five (5) calendar days of a suspension, cancellation or non-renewal of coverage, the CONTRACTOR shall provide a replacement Certificate of Liability Insurance and applicable endorsements to the CORPORATION. The CORPORATION shall have the option to suspend the CONTRACTOR's performance should there be a lapse in coverage at any time during this Contract.

j. Failure to provide and to maintain the required lines of insurance coverage shall constitute a material breach of this contract.

k. In addition to any other remedies the CORPORATION may have upon the CONTRACTOR's failure to provide and maintain any insurance or policy endorsements to the extent and within the time herein required, the CORPORATION shall have the right to order the CONTRACTOR to stop performing services hereunder and/or withhold any payment(s) which become due to the CONTRACTOR hereunder until the CONTRACTOR demonstrates compliance with the specifications hereof.

l. Nothing herein contained shall be construed as limiting in any way the extent to which the CONTRACTOR may be held responsible for payments of damages to persons or property resulting from the CONTRACTOR's or its Sub-contractor's performance of the services covered under this Contract.

m. It is agreed that the CONTRACTOR's insurance shall be deemed primary and non-contributory with respect to any insurance or self insurance carried by the CORPORATION, the City and their employees and agents for liability arising out of operations under this Contract.

n. CONTRACTOR agrees that all lines of insurance coverage required by these Specifications shall be with insurance companies, firms or entities that have an A.M. Best rating of "A- ("A" minus)" and a Financial Size Category of a "VII" or better. All lines of insurance coverage shall be of an "Occurrence" type except for the Contractor's Pollution Liability line of insurance coverage.
The CORPORATION will accept worker's compensation coverage written by the Texas Workers Compensation Insurance Fund.

o. The CORPORATION reserves the right to review the above stated insurance specifications during the effective period of this Contract and any extension or renewal hereof and to request modification of lines of insurance coverage and their respective liability limits when deemed necessary and prudent by the CORPORATION based upon changes in statutory law, court decisions, or circumstances surrounding this Contract.

In no instance will the CORPORATION allow modification whereupon the CORPORATION may incur increased risk exposure.

2. **Certificate(s) of Liability Insurance ("Certificate") Requirements**

Prior to the commencement of any work under this Contract and once notified by the CORPORATION that your Company has been selected as the apparent, lowest responsive Bidder, pending Board final approval, and you will be requested to submit your Company's Certificate(s) of Liability Insurance, that Certificate(s) must meet all of the following requirements:

a. The CONTRACTOR shall have completed by its insurance agent(s), a Certificate(s) providing evidence of the lines of insurance coverage pursuant to Section 1.a.1) through 1.a.6) listed above.

b. The original Certificate(s) or form must include the agent's original signature, including the signer's company affiliation, mailing address, Office and FAX phone numbers, email address, and contact person's name; and, be mailed, with copies of all applicable endorsements, directly from the insurer's authorized representative in strictly compliance with sections 2.g. (Certificate Holder) and 2.h. (Distribution of Completed Certificates) below.

c. The CORPORATION will not accept Memorandum of Insurance or Binders as proof of insurance.

d. The CORPORATION shall have no duty to pay or perform under this Agreement until such certificate(s) and endorsements have been received, reviewed and deemed 100% compliant with the CORPORATION's Bid document Insurance Specifications by the CORPORATION. No one other than the CORPORATION shall have authority to waive any part of this requirement.

e. The CORPORATION Bid number(s) and the Bid name shall be included in the Description of Operations section located in the bottom half of the standard ACORD Certificate of Liability Insurance forms.

f. **Certificate Holder** - The CORPORATION shall be shown as the Certificate Holder in the Certificate Holder section located in the bottom half of the standard ACORD Certificate of Liability Insurance forms styled in the following manner:
The Corporation  
P.O. Box 833/600 River Drive West  
Seguin, Texas 78156-0833

g. Distribution of Completed Certificate(s) - Completed Certificate(s) of Liability Insurance shall be distributed by the CONTRACTOR within 5 days after receipt of written confirmation of being notified as the lowest, responsive Bidder pending final CORPORATION approval, as follows:

1) Send Original to:
   • The Corporation  
P.O. Box 833/600 River Drive West  
Seguin, Texas 78156-0833

2) Send Copy by mail to:
   • San Antonio Water System  
Attention: Project Engineer – Water Supply Projects  
P.O. Box 2449  
San Antonio, TX 78298-2449

h. CONTRACTOR shall be responsible for obtaining Certificates of Liability Insurance from the first tier Sub-contractor, and upon request furnish copies to the CORPORATION.

3. SURVIVAL

Any and all representations, conditions and warranties made by CONTRACTOR under this Contract including, without limitation, the provisions of Section 1.a.2), 1.a.3) and 1.a.4) of these Insurance Specifications are of the essence of this Contract and shall survive the execution and delivery of it, and all statements contained in any document required by the CORPORATION whether delivered at the time of the execution, or at a later date, shall constitute representations and warranties hereunder.

4. PERFORMANCE BOND

a. Definition: The security furnished by the Contractor through the Surety in the full amount of the Contract Sum as a guaranty that the Work will be faithfully performed and completed and that the
Owner will be saved harmless from all costs and damages which the Owner may suffer by reason of the Contractor's default or failure to perform the Work. If the contract amount does not exceed $25,000, a Performance Bond is not required.

b. CONTRACTOR shall furnish Performance Bond in favor of CORPORATION in an amount equal to 100% of the total construction cost under this Contract. Total construction costs are defined as the entire cost of materials and their installation, and include, but are not limited to, the cost of labor, equipment, supplies, materials and additional construction costs. The Performance Bond shall: (1) guarantee the completion of the entire construction herein identified in conformity with the Plans and Specification approved by CORPORATION, and (2) guarantee the work against defects in workmanship and materials for a period of twenty four (24) months after acceptance of the work by the CORPORATION. The bond shall have corporate Sureties that are licensed to conduct business in Texas. The contractor agrees that the following shall apply to bonds provided by a surety:

If any bond is in an amount in excess of 10 percent of the surety company's capital and surplus, the CORPORATION shall require, as a condition to accepting the bond, written certification that the surety company has reinsured the portion of the risk that exceeds 10 percent of the surety company's capital and surplus with one or more reinsurers who are duly authorized, accredited, or trusted to do business in this state. The amount reinsured by any reinsurer may not exceed 10 percent of the reinsurer's capital and surplus.

If the amount of the bond exceeds $100,000, the surety must also:

1. hold a certificate of authority from the United States secretary of the treasury to qualify as a surety on obligations permitted or required under federal law; or

2. have obtained reinsurance for any liability in excess of $100,000 from a reinsurer that is authorized and admitted as a reinsurer in this state and is the holder of a certificate of authority from the United States secretary of the treasury to qualify as a surety or reinsurer on obligations permitted or required under federal law.

c. If the surety on any bond furnished by the CONTRACTOR to the CORPORATION is declared bankrupt or becomes insolvent, or has its right to do business revoked in the State of Texas, then the CONTRACTOR will have ten (10) days to substitute another bond and surety therefore which shall be acceptable to SAWS and which shall be at the expense of the CONTRACTOR.
CERTIFICATE OF SECRETARY

THE STATE OF TEXAS
COUNTY OF GUADALUPE

I, the undersigned, Secretary for the Schertz/Seguin Local Government Corporation (the "Corporation") do hereby certify as follows:

1. That on the 13th day of January 2011, a regular meeting of the Board of Directors was held at its regular meeting place in Schertz, Texas; the duly constituted members of the board of directors being as follows:

Ken Greenwald, President
Patricia Ramirez, Secretary
Jim Wolverton, Director
Hon. Hal Baldwin, Ex-Officio
Robin Dwyer, Vice President
Andrew Koenig, Treasurer
Hon. Betty Ann Matthies, Ex-Officio

and all said persons were present at said meeting, except

Among other business considered at said meeting, the following motion was made:

"Move to approve a written contract captioned "MUTUAL REGIONAL WATER SUPPLY CONTRACT" among the Schertz/Seguin Local Government Corporation, the City of Schertz, Texas, the City of Seguin, Texas, and the City of San Antonio, Texas, a home-rule city, acting by and through its San Antonio Water System and to authorize the officers to sign the contract on behalf of the Schertz/Seguin Local Government Corporation."

and submitted to the Board of Directors for passage and adoption. After presentations by the General Manager, the General Counsel, the Project Manager, the Corporation's consulting engineer, and other financial and technical consultants of the Corporation, and with the advice and consent of the city managers of the cities of Schertz and Seguin, and due deliberation of the motion by the board of directors, the motion was duly passed and adopted by the board of directors by the following vote:

4 voted "For"  0 voted "Against"  ___ abstained

all as shown in the official Minutes of the Board of Directors for the meeting held on the aforesaid date.

2. The duly qualified and acting members of the Board of Directors on the date of the aforesaid meeting are those persons shown above and, according to the records of my office, advance notice of the time, place and purpose of said meeting was given to each member of the board of directors; and that said meeting, and deliberation of the aforesaid public business, was open to the public and written notice of said meeting, including the subject of the motion, was posted and given in advance thereof in compliance with the provisions of Chapter 551 of the Texas Government Code.
IN WITNESS WHEREOF, I have hereunto signed my name officially and affixed the seal of said Schertz/Seguin Local Government Corporation, this 13TH day of January, 2011.

[Seal]
Patricia Ramirez, P.E.,
Secretary

THE STATE OF TEXAS §
COUNTY OF GUADALUPE §

This instrument was acknowledged before me on the 13TH day of January, 2011 by Patricia Ramirez, P.E., Secretary of Schertz/Seguin Local Government Corporation, a Texas public, non-profit Corporation, on behalf of said corporation.

[SEAL]
GEORGIA L. HANKS
Notary Public, State of Texas

Page 2 of 2
CERTIFICATE OF CITY SECRETARY

THE UNDERSIGNED HEREBY CERTIFIES that:

1. On the 18th day of January, 2011, the City Council (the "Council") of the City of Schertz, Texas (the "City") convened in regular session in the regular meeting place of the City at the City Hall (the "Meeting"), the duly constituted members of the Council being as follows:

   Harold D. Baldwin    Mayor
   Michael Carpenter    Mayor Pro Tem
   David Scaglila       Councilmember
   George Antuna        Councilmember
   Cedric Edwards Sr.   Councilmember
   Jim Fowler           Councilmember

   and all of such persons were present at the Meeting, except the following: __________, thus constituting a quorum. Among other business considered at the Meeting, the attached Resolution (the "Resolution") entitled:

   A RESOLUTION BY THE CITY COUNCIL OF THE CITY OF SCHERTZ, TEXAS
   AUTHORIZING A MUTUAL REGIONAL WATER SUPPLY CONTRACT, AND
   OTHER MATTERS IN CONNECTION THEREWITH

   was introduced and submitted to the Council for passage and adoption. After presentation and discussion of the Resolution, a motion was made by Councilmember __________ that the Resolution be finally passed and adopted in accordance with the City's Home Rule Charter. The motion was seconded by Councilmember __________ and carried by the following vote:

   __ voted "For"  __ voted "Against"  __ abstained

   all as shown in the official Minutes of the Council for the Meeting.

2. The attached Resolution is a true and correct copy of the original on file in the official records of the City; the duly qualified and acting members of the Council on the date of the Meeting are those persons shown above, and, according to the records of my office, each member of the Council was given actual notice of the time, place, and purpose of the Meeting and had actual notice that the Resolution would be considered; and the Meeting and deliberation of the aforesaid public business, including the subject of the Resolution, was posted and given in advance thereof in compliance with the provisions of Chapter 551, as amended, Texas Government Code.

   IN WITNESS WHEREOF, I have signed my name officially and affixed the seal of the City, this 18th day of January, 2011.

   [Signature]
   City Secretary

   (CITY SEAL)
RESOLUTION NO. 11-R-02

A RESOLUTION BY THE CITY COUNCIL OF THE CITY OF SCHERTZ, TEXAS AUTHORIZING A MUTUAL REGIONAL WATER SUPPLY CONTRACT, AND OTHER MATTERS IN CONNECTION THEREWITH

WHEREAS, the City staff of the City of Schertz (the "City") has recommended that the City enter into a Mutual Regional Water Supply Contract (the "Contract") with the City of Seguin, the Schertz Seguin Local Government Corporation (the "SSLGC"), and the San Antonio Water System ("SAWS") relating to the sale of surplus SSLGC water and the construction of facilities and installation of equipment necessary for water treatment and transport; and

WHEREAS, the City Council has determined that it is in the best interest of the City to contract with Seguin, the SSLGC, and SAWS pursuant to the Contract attached hereto as Exhibit A.

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SCHERTZ, TEXAS THAT:

Section 1. The City Council hereby authorizes the City Manager to execute and deliver the Contract with Seguin, the SSLGC, and SAWS in substantially the form set forth on Exhibit A.

Section 2. The recitals contained in the preamble hereof are hereby found to be true, and such recitals are hereby made a part of this Resolution for all purposes and are adopted as a part of the judgment and findings of the City Council.

Section 3. All resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Resolution are hereby repealed to the extent of such conflict, and the provisions of this Resolution shall be and remain controlling as to the matters resolved herein.

Section 4. This Resolution shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

Section 5. If any provision of this Resolution or the application thereof to any person or circumstance shall be held to be invalid, the remainder of this Resolution and the application of such provision to other persons and circumstances shall nevertheless be valid, and the City Council hereby declares that this Resolution would have been enacted without such invalid provision.

Section 6. It is officially found, determined, and declared that the meeting at which this Resolution is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Resolution, was given, all as required by Chapter 551, Texas Government Code, as amended.
Section 7. This Resolution shall be in force and effect from and after its final passage, and it is so resolved.

PASSED AND ADOPTED, this 18th day of January, 2011.

CITY OF SCHERTZ, TEXAS

Mayor

ATTEST:

City Secretary.

(CITY SEAL)
EXHIBIT A

MUTUAL REGIONAL WATER SUPPLY CONTRACT
CERTIFICATE OF CITY SECRETARY
THE STATE OF TEXAS
COUNTY OF GUADALUPE
CITY OF SEGUIN

THE UNDERSIGNED HEREBY CERTIFIES that:

1. On the 18th day of January, 2011, the City Council (the Council) of the City of Seguin, Texas (the City) convened in regular session at its regular meeting place at the City Hall (the Meeting), the duly constituted members of the Council being as follows:

   Betty Ann Matthies Mayor
   Bob Pees Mayor Pro Tem
   Manuel E. Cevallos Councilmember
   Mary Louise Gonzales Councilmember
   Nick Carrillo Councilmember
   Tomas V. Castellon Jr. Councilmember
   Carlos Madrano Councilmember
   Don Keil Councilmember
   Stephen Tschoepe Councilmember

   and all of such persons were present at the Meeting, except the following: n/a, thus constituting a quorum. Among other business considered at the Meeting, the attached resolution (the Resolution) entitled:

   **A RESOLUTION APPROVING A CONTRACT WITH THE SAN ANTONIO WATER SYSTEM BY THE SCHERTZ-SEGUIN LOCAL GOVERNMENT CORPORATION, THE CITY OF SEGUIN, AND THE CITY OF SCHERTZ**

   was introduced and submitted to the Council for passage and adoption. After presentation and discussion of the Resolution, a motion was made by Councilmember Don Keil that the Resolution be finally passed and adopted. The motion was seconded by Councilmember Nick Carrillo and carried by the following vote:

   8 voted “For” 0 voted “Against” 0 abstained

   all as shown in the official Minutes of the Council for the Meeting.

2. The attached Resolution is a true and correct copy of the original on file in the official records of the Council; the duly qualified and acting members of the Council on the date of the Meeting are those persons shown above, and, according to the records of my office, each member of the Council was given actual notice of the time, place, and purpose of the Meeting and had actual notice that the Resolution would be considered; and the Meeting and deliberation of the aforesaid public business,
including the subject of the Resolution, was posted and given in advance thereof in compliance with the provisions of Chapter 551, as amended, Texas Government Code.

IN WITNESS WHEREOF, I have signed my name officially and affixed the seal of the City Council, this 18th day of January, 2011.

Thalia Patón Stautzenberger
City Secretary
City of Seguin, Texas

(SEAL)
CITY OF SEGuin

STATE OF TEXAS

RESOLUTION NO. 11R-07

A RESOLUTION APPROVING A CONTRACT WITH THE SAN ANTONIO WATER SYSTEM BY THE SCHERTZ-SEGuin LOCAL GOVERNMENT CORPORATION, THE CITY OF SEGuin, AND THE CITY OF SCHERTZ

WHEREAS, the City Council authorized, in conjunction with the City of Schertz, the creation of the Schertz/Seguin Local Government Corporation (the “SSLGC”), a public non-profit corporation, to act on behalf of the two cities to develop a supplemental water supply for the two cities from the Carrizo formation; and

WHEREAS, the City Council reserved the right to approve all water supply contracts by the SSLGC and the SSLGC has asked the City Council to approve a water supply contract with the San Antonio Water System by the SSLGC, the City of Seguin and the City of Schertz; and

WHEREAS, the City Council finds that the terms and conditions of the contract are in the best interest of the City of Seguin.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Seguin, Texas, as follows:

SECTION 1. The water supply contract with the San Antonio Water System by the Schertz/Seguin Local Government Corporation, the City of Seguin, and the City of Schertz is approved. The contract is attached to this resolution.

SECTION 2. The City Manager is hereby authorized to execute the contract and any and all legal documents necessary to fulfill the purpose and intent of this Resolution.

SECTION 3. This Resolution shall be effective immediately upon the passage hereof.

PASSED AND APPROVED THIS 18th DAY OF JANUARY A.D. 2011.

Betty Ann Matthies
Mayor

ATTEST:

Thalia Patlan Stautzenberger, City Secretary

1-18-2011 11R-07
RESOLUTION NO. 11m033

OF THE SAN ANTONIO WATER SYSTEM BOARD OF TRUSTEES APPROVING A MUTUAL REGIONAL WATER SUPPLY CONTRACT BETWEEN SCHERTZ-SEGUNI LOCAL GOVERNMENT CORPORATION, CITY OF SCHERTZ, CITY OF SEGUNI, AND SAN ANTONIO WATER SYSTEM TO TREAT AND TRANSPORT CARRIZO AQUIFER WATER PERMITTED OR AVAILABLE TO THE SAN ANTONIO WATER SYSTEM FROM GONZALES COUNTY TO THE CITY OF SCHERTZ IN GUADALUPE COUNTY WHERE IT WILL BE DELIVERED TO THE SAN ANTONIO WATER SYSTEM FOR FURTHER TRANSPORT TO THE SAN ANTONIO WATER SYSTEM DISTRIBUTION SYSTEM IN BEXAR COUNTY; ESTABLISHING A PAYMENT RATE FOR THE SAN ANTONIO WATER SYSTEM WATER TRANSPORTED THROUGH THE SCHERTZ-SEGUNI LOCAL GOVERNMENT CORPORATION SYSTEM; ESTABLISHING A PAYMENT RATE FOR THE SURPLUS WATER AVAILABLE FROM THE SCHERTZ-SEGUNI LOCAL GOVERNMENT CORPORATION AND SOLD TO SAN ANTONIO WATER SYSTEM; AUTHORIZING THE PRESIDENT/CHIEF EXECUTIVE OFFICER OR HIS DESIGNEE TO EXECUTE A MUTUAL REGIONAL WATER SUPPLY CONTRACT BETWEEN SCHERTZ-SEGUNI LOCAL GOVERNMENT CORPORATION, CITY OF SCHERTZ, CITY OF SEGUNI, AND SAN ANTONIO WATER SYSTEM; AUTHORIZING THE PRESIDENT/CHIEF EXECUTIVE OFFICER OR HIS DESIGNEE TO PAY AMOUNTS DUE AND OWING UNDER THE MUTUAL REGIONAL WATER SUPPLY CONTRACT IN THE FUTURE THAT ARE AUTHORIZED IN ANNUAL BUDGETS BY LINE ITEM AND TO PAY THE $50,000.00 FOR THE DEVELOPMENT OF THE PRELIMINARY ENGINEERING REPORT DETAILED IN THE MUTUAL REGIONAL WATER SUPPLY CONTRACT; FINDING THE RESOLUTION TO HAVE BEEN CONSIDERED PURSUANT TO THE LAWS GOVERNING OPEN MEETINGS; PROVIDING A SEVERABILITY CLAUSE; AND ESTABLISHING AN EFFECTIVE DATE

WHEREAS, the State of Texas has established that a regional approach for planning and developing water resource projects is the best way to meet local needs and manage the water resources within the State; and
WHEREAS, the San Antonio Water System (the "System") and the San Antonio City Council unanimously adopted a Water Resource Plan in November 1998, establishing approaches to meet the water needs for the San Antonio/Bexar County community and the region over a 50-year planning horizon; and

WHEREAS, the System’s Board of Trustees (the “Board”) approved the 2009 Water Management Plan Update in May of 2009, including the Gonzales Carrizo Aquifer Project as an integral component; and

WHEREAS, the Gonzales County Underground Water Conservation District has approved permits for the System to produce and transport 11,688 acre-feet of Carrizo Aquifer groundwater from the System’s wellfield in Gonzales County to Bexar County; and

WHEREAS, the System approved an agreement with the Gonzales County Water Supply Corporation (GCWSC) on April 6, 2010, (Resolution No. 10-159) that could provide the System with an additional 1,000 to 1,200 acre-feet of Carrizo Aquifer water from Gonzales County; and

WHEREAS, the Board has directed staff to proceed with the Regional Carrizo Project in Gonzales County; and

WHEREAS, the System, Schertz-Seguin Local Government Corporation (“SSLGC”), City of Schertz (“Schertz”), and City of Seguin (“Seguin”), ("collectively the Cities"), have negotiated, constructed and agreed upon a Mutual Regional Water Supply Contract (Attachment I) that would allow SSLGC to treat, transport and deliver the System’s Gonzales County Carrizo Aquifer water to a defined Point of Delivery in Schertz in Guadalupe County for delivery back to the System. The System would then transport the delivered water to the System’s distribution system in Bexar County; and

WHEREAS, the SSLGC approved this Mutual Regional Water Supply Contract on January 13, 2010; and

WHEREAS, Schertz approved this Mutual Regional Water Supply Contract on January 18, 2010; and

WHEREAS, Seguin approved this Mutual Regional Water Supply Contract on January 18, 2010; and

WHEREAS, the Mutual Regional Water Supply Contract allows the System to utilize surplus capacity in SSLGC’s existing transportation system and for SSLGC to treat the System’s permitted and/or obtained water in exchange for payments from the System; and

WHEREAS, the System agrees to pay a Capacity Reservation Fee of $538,000.00 per year in two equal payments on March 1 and October 1 of each year until the System’s water is provided to the Corporation’s Point of Delivery in Schertz; and
WHEREAS, the System will receive the water in Schertz and transport the water to
the System’s distribution system in Bexar County; and

WHEREAS, this Mutual Regional Water Supply Contract allows SSLGC to sell and
the System to purchase SSLGC and the Cities’ surplus water allowing the project to deliver
additional water and making the project more financially attractive; and

WHEREAS, the System will pay the same rate for surplus water as the Cities’ rate to
be delivered at the Corporation’s Point of Delivery in Schertz; and

WHEREAS, the Mutual Regional Water Supply Contract has established a payment
rate for the System’s water; and

WHEREAS, the Mutual Regional Water Supply Contract also allows the treatment,
transportation and delivery of 1,000 to 1,200 acre-feet of water that the System has under agreement
with the GCWSC (Resolution No. 10-159) in Gonzales County; and

WHEREAS, the System has agreed in the Mutual Regional Water Supply Contract to
undertake the development of a Preliminary Engineering Report and pay a $50,000.00 fee to fund
and obtain the Preliminary Engineering Report that would detail the construction of the System
facilities (“Expansion”) to be constructed and the estimated cost of the Expansion to allow treatment
and transportation of the System’s Gonzales County Carrizo Aquifer water; and

WHEREAS, the San Antonio Water System Board of Trustees desires (i) to approve
the Mutual Regional Water Supply Contract between Schertz-Seguin Local Government
Corporation, City of Schertz, City of Seguin, and San Antonio Water System to treat and transport
Carrizo Aquifer water permitted or available to the San Antonio Water System from Gonzales
County to the City of Schertz in Guadalupe County where it will be delivered to the San Antonio
Water System for further transport to the San Antonio Water System’s distribution system in Bexar
County, (ii) to establish a payment rate for the San Antonio Water System’s water transported
through the Schertz-Seguin Local Government Corporation system, (iii) to establish a payment rate
for the surplus water available from the Schertz-Seguin Local Government Corporation and sold to
San Antonio Water System, (iv) to authorize the President/Chief Executive Officer or his designee
to execute the Mutual Regional Water Supply Contract between Schertz-Seguin Local Government
Corporation, City of Schertz, City of Seguin, and San Antonio Water System, and (v) to authorize
the President/Chief Executive Officer or his designee to pay amounts due and owing under the
Mutual Regional Water Supply Contract in the future that are authorized in annual budgets by line
item and to pay the $50,000.00 for the development of the Preliminary Engineering Report detailed
in the Mutual Regional Water Supply Contract; now, therefore:

BE IT RESOLVED BY THE SAN ANTONIO WATER SYSTEM BOARD OF
TRUSTEES:

1. That the Mutual Regional Water Supply Contract between SSLGC, Schertz, Seguin, and the
System to treat and transport Carrizo Aquifer water permitted or available to the System from
Gonzales County to the City of Schertz in Guadalupe County where it will be delivered to the San Antonio Water System for further transport to the San Antonio Water System distribution system in Bexar County (Attachment 1) is hereby approved.

2. That a payment rate for the San Antonio Water System water transported through the Schertz-Seguin Local Government Corporation system is hereby established.

3. That a payment rate for the surplus water available from the Schertz-Seguin Local Government Corporation and sold to San Antonio Water System is hereby established.

4. That the System’s Board hereby authorizes the President/Chief Executive Officer or his designee to execute the Mutual Regional Water Supply Contract between the SSLGC, the Cities, and the System and to pay amounts due and owing under the Mutual Regional Water Supply Contract in the future that are authorized in annual budgets by line item.

5. That the President/Chief Executive Officer or his designee is hereby authorized to pay amounts due and owing under the Mutual Regional Water Supply Contract in the future that are authorized in annual budgets by line item and to pay the $50,000.00 for the development of the Preliminary Engineering Report detailed in the Mutual Regional Water Supply Contract.

6. It is officially found, determined and declared that the meeting at which this resolution is adopted was open to the public, and that public notice of the time, place and subject matter of the public business to be conducted at such meeting, including this resolution, was given to all as required by the Texas Codes Annotated, as amended, Title 5, Chapter 551, Government Code.

6. If any part, section, paragraph, sentence, phrase or work of this resolution is for any reason held to be unconstitutional, illegal, inoperative or invalid, or if any exception to or limitation upon any general provision herein contained is held to be unconstitutional, illegal, invalid or ineffective, the remainder of this resolution shall nevertheless stand effective and valid as if it had been enacted without the portion held to be unconstitutional, illegal, invalid or ineffective.

7. This resolution becomes effective immediately upon its passage.

PASSED AND APPROVED this 1st day of February, 2011.

Willie A. Mitchell, Vice Chairman

ATTEST:

Roberto Anguiano, Secretary
TWDB Project No. 51032

June 2016

Corporation

Schertz Seguin Local Government

for

PRELIMINARY ENGINEERING

Report
1.0 INTRODUCTION

Schertz/Seguin Local Government Corporation (SGLGC) is a local government corporation and non-profit corporation duly created pursuant to Texas Transportation Code §§ 431.101 through 431.109 and lawfully operating under Titles 1 and 2, Chapters 2 and 22, respectively, of the Texas Business Organizations Code, Section 431.001. SGLGC is governed by a five (5) member Board of Directors and two (2) ex-officio members appointed by the City of Schertz and City of Seguin. SGLGC has identified a need for additional water supplies from a proposed well field in Guadalupe County and for a parallel 36” pipeline to move this water to the City of Schertz and surrounding areas.

SGLGC is submitting an application for State Water Implementation Fund for Texas (SWIFT) financing from the Texas Water Development Board (TWDB) for these improvements. As such, the Board of Directors for SGLGC has authorized Walker Partners to prepare this Preliminary Engineering Report (Report) to describe the need for the project and project scope.

1.1 Background

SGLGC is a governmental entity formed for the purpose of providing wholesale potable water to retail municipal customers. SGLGC is jointly owned by the cities of Seguin and Schertz. In addition to serving Seguin and Schertz, SGLGC has entered into wholesale water supply contracts for the sale of potable water to the cities of Selma and Universal City as well as San Antonio Water System (SAWS) and Springs Hill WSC. SGLGC owns and operates twelve (12) water production wells and a water treatment facilities located in Gonzales County. Treated potable water is transported to the SGLGC retail PWS customers through approximately 42 miles of 42”, 36”, and 30” water transmission pipelines. The initial SGLGC water supply facilities were constructed in years 2002 and 2003 with a major expansion of water production and storage facilities constructed in years 2011 and 2012. SGLGC initially provided water to the City of Seguin in 2002 and then to the City of Schertz in 2003.

SGLGC customers and their neighboring communities have experienced considerable growth over the past decade. Many of these communities have relied upon groundwater from the Edwards Aquifer for all or a major portion of their water supply needs. Restrictions on water production enacted by the Edwards Aquifer Authority (EAA) to protect the aquifer have increasingly limited the quantity of water that can be pumped annually from the Edwards Aquifer, particularly during periods of drought when water demands are highest. Water from the SGLGC well field in Gonzales County, completed in the Carrizo Aquifer, has a greater degree of protection from seasonal changes and drought conditions than does water from the Edwards Aquifer.

As of the end of 2015, SGLGC provided potable water to over 178,000 persons in the respective communities of its wholesale customers. Records indicate that over the past 12 months (January 2015 through December 2015) SGLGC produced a total of approximately 13,916 acre feet of
22

EXISTING SYSTEM

21

Water Supply
WATER TREATMENT

Stainless steel vessels in the City of San Antonio

San Antonio Water System (SWS) is responsible for the water in the NACO plant

The treatment of the raw water at the CWRO (City Water Reclamation and Use) facility involves several processes, including:

1. Coagulation
2. Flocculation
3. Sedimentation
4. Clarification
5. Disinfection

SSLCF (San Antonio Water System's Local Control Facility) is designed to remove iron and manganese to meet the minimum

Building well fields in the City of San Antonio. SWS will be responsible for reclamation to ensure that water is suitable for reuse.
2.8 SCADA System


A booster pump station is provided for the service of the SCADA system. The booster pump is located at the High Pressure Booster Pump Station (HPB) and is connected to the HPB via a pipeline. The booster pump provides additional pressure to the system, ensuring that the SCADA system functions properly.

In addition, the transmission pressure system is not only a critical component of the system, but it also plays a significant role in maintaining the reliability of the SCADA system. The booster pump station is designed to provide a stable and consistent pressure throughout the system, ensuring that all components of the system are functioning optimally.

2.7 Water Transmission Pressure

The maximum capacity of the transmission pressure system is 500 GPM. The system is designed to provide a minimum pressure of 150 psi at the HPB and a maximum pressure of 250 psi at the HPB. To ensure the system operates efficiently, the pressure is monitored and controlled by a pressure control system. The system is designed to maintain a constant pressure level, ensuring that the system operates at optimal efficiency.

The booster pump provides additional pressure to the system, ensuring that the SCADA system functions properly. The booster pump is equipped with a pressure control system, which monitors the pressure levels and adjusts the pump as necessary to maintain the desired pressure level. This ensures that the system operates efficiently and reliably, providing a stable and consistent pressure throughout the system.
A map of the existing SLCB system is shown below in Exhibit 7.2 in this report. The system

2.9 Existing System

SCADA will require considerable modification to any system with these changes.

The SAVS Baseline will require thorough if the SCADA system is redesigned. Changes to the current system will require consideration of the SAVS water operation with the addition of the SAVS water operation. The current system will require

• SAVS Dewatering Pump Station
• Throttle Valve
• SAVS Flow Rate GST
• SAVS Wet GST

The SCADA system has recently been modified to allow operators to view the workings of the system.
The city of San Jose is located in the central part of the state of California. The city was founded in 1868 and has a population of approximately 100,000. The city is known for its technology industry and is home to companies such as Yahoo, eBay, and Netflix.

The city has a warm Mediterranean climate with mild temperatures year-round. The average temperature in January is 48°F and in July it reaches 77°F.

San Jose is the center of Silicon Valley, one of the world's leading technology hubs. The city is home to many startup companies and is a major center for innovation and entrepreneurship.

The city has a diverse population with many cultures represented. According to the United States Census Bureau, the population of San Jose in 2020 was 1,037,103.

The city has a rich history and is home to many cultural institutions, including the Museum of Quilt Art and the Museum of Art.

San Jose is also known for its sports teams, including the San Jose Sharks of the National Hockey League and the San Jose Earthquakes of Major League Soccer.
Projected Population and Water Use

Projecting the future population of the region is essential for understanding the potential water requirements and demands. The current population data is used as a baseline to project future trends. The analysis considers various factors, including economic growth, population density, and migration patterns. The projected population is used in conjunction with water consumption models to estimate future water use. This approach helps in planning for infrastructure developments and ensuring sustainable water management.
Two major points can be extracted from the discussion of SLCCE water use projections:

- **Projected Increase in Water Demand**: SLCCE water projections will be released in 2015 for additional water supply and SLCCE water projects with the recommendations of the Utah Water Commission. The Utah Water Commission (UWC) will receive the projections.
- **Existing Water Supply**: Existing water supply is expected to increase from 9.5 MGD in 2010 to 38.46 MGD in 2035. However, it is not clear if these projections are based on existing data or on new estimates. The projections will be used to examine the need for SLCCE water (1). The need for SLCCE water is the same as projected for the SLCCE system (1). The water demand projection for 2015 shows a slight increase from current projections.

### Population Projections for SLCCE Water Use

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2026</th>
<th>2036</th>
<th>2046</th>
<th>2056</th>
</tr>
</thead>
<tbody>
<tr>
<td>SALT</td>
<td>99,252</td>
<td>99,252</td>
<td>99,252</td>
<td>99,252</td>
<td>99,252</td>
</tr>
<tr>
<td>SALT</td>
<td>69,876</td>
<td>69,876</td>
<td>69,876</td>
<td>69,876</td>
<td>69,876</td>
</tr>
<tr>
<td>SALT</td>
<td>8,790</td>
<td>8,790</td>
<td>8,790</td>
<td>8,790</td>
<td>8,790</td>
</tr>
<tr>
<td>SALT</td>
<td>7,000</td>
<td>7,000</td>
<td>7,000</td>
<td>7,000</td>
<td>7,000</td>
</tr>
<tr>
<td>SALT</td>
<td>38,000</td>
<td>38,000</td>
<td>38,000</td>
<td>38,000</td>
<td>38,000</td>
</tr>
<tr>
<td>SALT</td>
<td>282,000</td>
<td>282,000</td>
<td>282,000</td>
<td>282,000</td>
<td>282,000</td>
</tr>
</tbody>
</table>
developed in Section 3.2. Two percent levels are provided elsewhere.

Developed in Section 3.1. Flow rates determined through the year 2000 are
described in Appendix A. Flow rates in each year are based on 1970 (or any other year)
and the peak daily

A reservoir water supply must have sufficient capacity to meet both the peak annual demands

4.1 Water Supply

- Surface storage
- Transmission main capacity
- Pumping capacity
- Water treatment capacity
- Collection system pipe capacity
- Water distribution
- Well field capacity and available supply

In conclusion, the reservoir project is the major component contributing to the

An examination of the reservoir capacity of the major components comprising the SLLGC

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Water</td>
<td>14'000</td>
<td>13'941</td>
<td>13'322</td>
<td>12'211</td>
<td>9'078</td>
<td>6'922</td>
<td>5'226</td>
<td>3'721</td>
</tr>
<tr>
<td>ansrev (Ad)</td>
<td>14'000</td>
<td>13'941</td>
<td>13'322</td>
<td>12'211</td>
<td>9'078</td>
<td>6'922</td>
<td>5'226</td>
<td>3'721</td>
</tr>
<tr>
<td>Storage</td>
<td>14'000</td>
<td>13'941</td>
<td>13'322</td>
<td>12'211</td>
<td>9'078</td>
<td>6'922</td>
<td>5'226</td>
<td>3'721</td>
</tr>
<tr>
<td>Irrigation</td>
<td>14'000</td>
<td>13'941</td>
<td>13'322</td>
<td>12'211</td>
<td>9'078</td>
<td>6'922</td>
<td>5'226</td>
<td>3'721</td>
</tr>
<tr>
<td>Supply</td>
<td>14'000</td>
<td>13'941</td>
<td>13'322</td>
<td>12'211</td>
<td>9'078</td>
<td>6'922</td>
<td>5'226</td>
<td>3'721</td>
</tr>
</tbody>
</table>

Water Demand Projections
SLLGC	Table 3.4.2

Addressed in the short term.

Year. The topic of how this water will be handled from a demand standpoint must also be

addressed in the short term.

Year.
4. Where Processed

4.1 Key Processed

SSCCG will be required to obtain additional approval or transfer the balance of the protected area of 4,000 acres of wetland areas in Lake County.

4.2 Where Rights and Permits

Section 100.55(e)(d) and section 100.55(e)(c) mentions that any other federal agencies that received the environmental impact statement of the project must be notified and consulted. The county and state agencies involved must be notified and consulted. The Secretary of the Interior and the Governor of the State of Wisconsin must be notified and consulted. The Secretary of the Interior and the Governor of the State of Wisconsin must be notified and consulted.

4.3 Where Rights and Permits

The project must be limited to the extent that it will not exceed the current wetland area covered by the project for the protection of wetlands and for the protection of wetlands. The project must be limited to the extent that it will not exceed the current wetland area covered by the project for the protection of wetlands and for the protection of wetlands. The project must be limited to the extent that it will not exceed the current wetland area covered by the project for the protection of wetlands and for the protection of wetlands.
be provided. The minimum altered volume of stock is assumed to be 15% of the maximum daily demand. Allow a normal operation of the treatment process and sampling stations. For the installation of a new flow rate, a number of water samples should be submitted to STAC. Ensure that the installation of the new flow rate is to the existing equipment. The new flow rate is to be used in conjunction with the existing equipment.

4.7 Storage Capacity

The storage capacity of the system should be increased to accommodate the increased demand. The storage capacity of the system should be increased to accommodate the increased demand. The storage capacity of the system should be increased to accommodate the increased demand. The storage capacity of the system should be increased to accommodate the increased demand. The storage capacity of the system should be increased to accommodate the increased demand.

4.6 Pumping Station

The pumping station at the STAC HREF Service Pump Station located at the existing WTP and

4.5 Pre-treatment

The pre-treatment of the system should be increased to accommodate the increased demand. The pre-treatment of the system should be increased to accommodate the increased demand. The pre-treatment of the system should be increased to accommodate the increased demand. The pre-treatment of the system should be increased to accommodate the increased demand. The pre-treatment of the system should be increased to accommodate the increased demand.
Table 1: A.  Time table (aj) for decommissioning of existing wells

<table>
<thead>
<tr>
<th>Well Date</th>
<th>Pump Test Date</th>
<th>Handover Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/15</td>
<td>12/15</td>
<td>12/15</td>
</tr>
</tbody>
</table>

Proposed Valley Quads will be located in southeast Quadrant C (K-C)

40
41

40 QUADRANT PROJECT
This page contains a table and some text. The table is as follows:

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Condition</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temperature</td>
<td>High (&gt;30°C)</td>
<td>Cessation of waste collection and modified waste collection (if applicable)</td>
</tr>
<tr>
<td></td>
<td>Intermediate (15-30°C)</td>
<td>Cessation of waste collection and modified waste collection (if applicable)</td>
</tr>
<tr>
<td></td>
<td>Low (&lt;15°C)</td>
<td>Cessation of waste collection and modified waste collection (if applicable)</td>
</tr>
</tbody>
</table>

The text mentions the cessation of waste collection and the modified waste collection conditions based on temperature. It also refers to the根據操作程序和管理制度 (According to operational procedures and management regulations) of the water management system.
6.1 Background

The proposed project will be designed to initially remove SSCGC's non-essential species. The project is intended to achieve an up-regulated ecosystem without disrupting the current resource base. The project will also provide opportunities for the implementation of the Texas Water Development Board (TWD) and the Texas Water Development Board (TWD) and the Texas Water Development Board (TWD) and the Texas Water Development Board (TWD) and the Texas Water Development Board (TWD).
To calculate the present value of the annual services rendered when paid through a perpetuity,

\[ PV = \frac{1}{r} \text{ present value of perpetuity} \]

where:

\[ r = \frac{d}{V} \]

and

\[ V = \text{current value} \]

\[ d = \text{annual dividend} \]

\[ r = \text{annual rate of return} \]

\[ V = \text{value of an annuity} \]

\[ d = \text{amount of money} \]

\[ r = \text{rate of interest} \]

where:

\[ PV = \frac{1}{r} \]

For example, if the annual dividend is \( d = 5\), the current value is \( V = 100\), and the annual rate of return is \( r = 0.1\), then the present value of the perpetuity is

\[ PV = \frac{1}{0.1} = 10 \]

This example demonstrates the calculation of the present value of a perpetuity, which is the amount of money that would need to be invested at the current rate of return in order to generate a constant stream of annual dividends forever.
Hydraulic Profile - EX. 36"
<table>
<thead>
<tr>
<th>SLTAC Bridge Width</th>
<th>9.000</th>
</tr>
</thead>
<tbody>
<tr>
<td>COLCQ Wireless Coverage</td>
<td>10.000</td>
</tr>
<tr>
<td>SLTAC Expanded Carizo</td>
<td>6.000</td>
</tr>
</tbody>
</table>

**Table 6.3.2**

The table above shows the capacity in the region. The proposed project is shown in the Table 6.4. For the future (C) proposed project.

<table>
<thead>
<tr>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
</tr>
<tr>
<td>9.6</td>
</tr>
<tr>
<td>0.000</td>
</tr>
<tr>
<td>10.000</td>
</tr>
<tr>
<td>6.000</td>
</tr>
</tbody>
</table>

Project

<table>
<thead>
<tr>
<th>36' Pergola Utilization</th>
<th>10.000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peak Usage</td>
<td>0.000</td>
</tr>
<tr>
<td>Project</td>
<td>10.000</td>
</tr>
</tbody>
</table>

In determining the required size to transport water through a water transmission pipeline, two
Table 6.4 below.

Operational costs associated with the pipeline will increase. These operational costs are shown in Table 6.4, with the total of the various categories of costs being presented. The total cost of operation is presented in Table 6.4, and is compared to the total cost of operation for the pipeline as it is currently designed and installed.

For comparison, operational costs are presented for each pipeline as it is currently designed and installed. A function of the pipe is carried out by a number of factors, such as the size and shape of the pipe, the type of material it is made of, and the location of the pipeline. When the water flows through the pipeline and is discharged into the water body, the operational costs are presented for each pipeline as it is currently designed and installed.

Table 6.4: Operational Costs

<table>
<thead>
<tr>
<th>Pipe</th>
<th>Size (in)</th>
<th>Length (ft)</th>
<th>Flow Rate (gpm)</th>
<th>Operational Cost ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.5</td>
<td>3.0</td>
<td>500</td>
<td>500</td>
<td>$2,000</td>
</tr>
<tr>
<td>2.0</td>
<td>4.0</td>
<td>600</td>
<td>600</td>
<td>$3,000</td>
</tr>
<tr>
<td>3.0</td>
<td>5.0</td>
<td>700</td>
<td>700</td>
<td>$4,000</td>
</tr>
</tbody>
</table>

Table 6.5: Equipment Costs

<table>
<thead>
<tr>
<th>Equipment Type</th>
<th>Cost (in)</th>
<th>Number</th>
<th>Total Cost ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valves</td>
<td>10</td>
<td>2</td>
<td>$1,000</td>
</tr>
<tr>
<td>Pumps</td>
<td>5</td>
<td>2</td>
<td>$2,000</td>
</tr>
<tr>
<td>Pipe Fittings</td>
<td>10</td>
<td>1</td>
<td>$500</td>
</tr>
</tbody>
</table>

The costs associated with the pipeline are summarized in Table 6.5, with the total cost being presented. The total cost of equipment is presented in Table 6.5, and is compared to the total cost of equipment for the pipeline as it is currently designed and installed.
### Table 6.4.6 below:

Accumulative exergetic cost is added to the pipeline. Exergetic cost for Option 2 are shown on through the single "P" parameter. Therefore, when using individual 'P' are excluded.

For Option 2, operational costs are predicted for each project by are considered and plotted.
A summary of the program's portfolio and funding is shown on Table 6.4 below.

<table>
<thead>
<tr>
<th>2020-21</th>
<th>2021-22</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Quantity</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>10,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>6,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>300,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>500,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>100,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>90,000</td>
<td></td>
</tr>
</tbody>
</table>

Allocation of cap by category is shown on Table 6.4 below:

- Option 1: $500,000
- Option 2: $200,000
- Option 3: $100,000

Funding is as follows:

1. National Administration
2. Staffing and Administration
3. Program Support
4. General Costs

Table 6.5

<table>
<thead>
<tr>
<th>Program Costs</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,750,000</td>
</tr>
<tr>
<td></td>
<td>1,150,000</td>
</tr>
</tbody>
</table>

The total estimated cost is $2,900,000.
### Table 6.7

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Note: Detailed budget figures are not included in this summary. For comprehensive budget information, please refer to the attached report.
RESOLUTION NO. _______

A RESOLUTION BY THE BOARD OF DIRECTORS OF THE SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION AUTHORIZING THE ISSUANCE OF “SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE BONDS, SERIES 2016 (TEXAS WATER DEVELOPMENT BOARD SWIRFT PROJECT FINANCING)”; PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THESE OBLIGATIONS AS PROVIDED HEREIN, ON PARITY WITH CERTAIN CURRENTLY OUTSTANDING OBLIGATIONS; PROVIDING THE TERMS AND CONDITIONS OF SUCH OBLIGATIONS; AND RESOLVING OTHER MATTERS INCIDENT AND RELATING TO THE ISSUANCE, PAYMENT, SECURITY, SALE, AND DELIVERY OF SUCH OBLIGATIONS, INCLUDING THE APPROVAL OF AN APPLICATION TO THE TEXAS WATER DEVELOPMENT BOARD AND A PRIVATE PLACEMENT MEMORANDUM PERTAINING TO THE OBLIGATIONS; AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT, AN ESCROW AGREEMENT, AND RATIFYING, RECONFIRMING, AND READOPTING THE REGIONAL WATER SUPPLY CONTRACT; COMPLYING WITH THE REQUIREMENTS OF THE DEPOSITORY TRUST COMPANY’S LETTER OF REPRESENTATIONS; COMPLYING WITH THE REGULATIONS PROMULGATED BY THE TEXAS WATER DEVELOPMENT BOARD; AND PROVIDING AN EFFECTIVE DATE

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A RESOLUTION BY THE BOARD OF DIRECTORS OF THE SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION AUTHORIZING THE ISSUANCE OF “SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE BONDS, SERIES 2016 (TEXAS WATER DEVELOPMENT BOARD SWIFT PROJECT FINANCING)”; PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THESE OBLIGATIONS AS PROVIDED HEREIN, ON PARITY WITH CERTAIN CURRENTLY OUTSTANDING OBLIGATIONS; PROVIDING THE TERMS AND CONDITIONS OF SUCH OBLIGATIONS; AND RESOLVING OTHER MATTERS INCIDENT AND RELATING TO THE ISSUANCE, PAYMENT, SECURITY, SALE, AND DELIVERY OF SUCH OBLIGATIONS, INCLUDING THE APPROVAL OF AN APPLICATION TO THE TEXAS WATER DEVELOPMENT BOARD AND A PRIVATE PLACEMENT MEMORANDUM PERTAINING TO THE OBLIGATIONS; AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT, AN ESCROW AGREEMENT, AND RATIFYING, RECONFIRMING, AND READOPTING THE REGIONAL WATER SUPPLY CONTRACT; COMPLYING WITH THE REQUIREMENTS OF THE DEPOSITORY TRUST COMPANY’S LETTER OF REPRESENTATIONS; COMPLYING WITH THE REGULATIONS PROMULGATED BY THE TEXAS WATER DEVELOPMENT BOARD; AND PROVIDING AN EFFECTIVE DATE

WHEREAS, Subchapter D of Chapter 431 (Sections 431.101–431.109) of the Texas Transportation Code, as amended (the Act) authorizes local governments to create local government corporations to aid, assist, and act on behalf of local governments; and

WHEREAS, the City Councils (collectively, the Governing Bodies) of the City of Seguin, Texas and the City of Schertz, Texas (collectively, the Cities) have previously authorized and approved the creation of the Schertz/Seguin Local Government Corporation (the Corporation), a local government corporation and a nonprofit entity, as their constituted authority and instrumentality to accomplish the specific public purpose of acquiring, constructing, improving, enlarging, extending, repairing, maintaining, and operating a water utility system, pursuant to the provisions of Chapter 552, as amended, Texas Local Government Code (formerly Chapter 402, as amended, Texas Local Government Code), and other applicable law; and

WHEREAS, the Cities, pursuant to the Act and other applicable law, have authorized the creation of the Corporation for the purposes set forth in the Corporation’s Articles of Incorporation, including the issuance of bonds to finance or refinance the costs of certain projects to accomplish the Corporation’s public purposes;

WHEREAS, pursuant to law, and particularly the Act, Section 552.018, as amended, Texas Local Government Code (formerly Section 402.018, as amended, Texas Local Government Code), and the Corporation’s powers under Chapter 22 and Chapter 2, as amended,
Texas Business Organizations Code (formerly Article 1396 of Texas Revised Civil Statutes Annotated), and Chapter 1201, as amended, Texas Government Code (incorporated by reference, respectively, under Sections 431.006 and 431.070, as amended, Texas Transportation Code), the Corporation is empowered to acquire and construct water supply facilities, and to deliver this water to the Cities; and

WHEREAS, pursuant to the provisions of the Act and the other laws of the State of Texas (the State), the Corporation and the Cities entered into a Regional Water Supply Contract, dated as of November 15, 1999, as amended (the Contract) pursuant to which the Corporation agreed to finance the costs of projects and under which the Cities agreed to make payments to or on behalf of the Corporation in amounts sufficient to meet all of the Corporation’s obligations relating to the issuance of contract revenue bonds to finance or refinance projects; and

WHEREAS, the Cities and the Corporation hereby ratify, reconfirm, and readopt the Contract; and

WHEREAS, the Contract permits the Corporation to issue bonds, notes, or other obligations, whether in one or more series or issues, to pay the cost of projects or to refund any such bonds, notes, or other obligations; and

WHEREAS, the recitals and provisions of the Contract are incorporated herein as if set forth in its entirety, and the capitalized terms of this resolution (the Resolution) shall have the same meanings, and shall be defined as set forth in the Contract; and

WHEREAS, the Corporation has heretofore issued (and there are now outstanding) multiple series of contract revenue bonds, the proceeds from which were utilized to pay project costs or for refunding bond purposes, secured by and payable from a first lien on and pledge of the Bond Payment portion of the Annual Payments (each as defined in the Contract) paid to the Corporation by the Cities pursuant to the Contract (the Priority Bonds); and

WHEREAS, the Corporation’s resolutions authorizing the issuance of the Priority Bonds (the Priority Bonds Resolutions) permit the Corporation to issue additional obligations secured by and payable from a lien on and pledge of the Bond Payment portion of the Annual Payments paid to the Corporation by the Cities under the Contract, which lien and pledge is junior and inferior to the lien thereon and pledge thereof securing the currently outstanding Priority Bonds; and

WHEREAS, to realize covenant relief governing the issuance of additional Priority Bonds pursuant to the terms of the Priority Bonds Resolutions, the Corporation previously established a new revenue finance system and previously issued now outstanding “New Series Bonds”, which are obligations of the Corporation secured, together with the Previously Issued New Series Bonds (hereinafter defined) by a lien on and pledge of the Bond Payment portion of the Annual Payments paid to the Corporation by the Cities under the Contract that is junior and inferior to the lien thereon and pledge thereof securing the currently outstanding Priority Bonds (the New Series Bonds); and

WHEREAS, the Corporation’s resolutions authorizing the issuance of the New Series Bonds (the New Series Bonds Resolutions) permit the Corporation to issue additional obligations
secured by and payable from a lien on and pledge of the Bond Payment portion of the Annual Payments paid to the Corporation by the Cities under the Contract, which lien and pledge is junior and inferior to the lien thereon and pledge thereof securing the currently outstanding Priority Bonds; and

WHEREAS, in conjunction with the establishment the New Series Bonds revenue finance system, the Corporation previously determined to covenant to no longer issue additional series of bonds secured by and payable from a lien on and pledge of the Bond Payment portion of the Annual Payments paid to the Corporation by the Cities under the Contract on parity with the Priority Bonds (referred to herein as Additional Priority Bonds) so that at such time as no Priority Bonds remain outstanding, the lien on and pledge of the Bond Payment portion of the Annual Payments paid to the Corporation by the Cities under the Contract securing the repayment of the New Series Bonds will be elevated to and will enjoy a first and prior lien position; and

WHEREAS, this Resolution constitutes a Bond Resolution as that term is defined in the Contract; and

WHEREAS, principal of and interest on the New Series Bonds are payable solely from the Bond Payment portion of the Annual Payments made to the Corporation by the Cities under the Contract at such level of priority hereinafter described and in amounts sufficient to pay and redeem, and provide for the payment of the principal of, premium, if any, and interest on the Bonds (defined herein and in the Contract), when due, the fees and expenses of the Paying Agent/Registrar for the Bonds, and other expenses and costs of the Corporation, all as required by this Resolution and the Contract; and

WHEREAS, the Corporation hereby finds and determines that the Bonds can and should be issued as the third series of New Series Bonds and in connection therewith (a) the Corporation is not in default as to any covenant, condition or obligation prescribed in any Priority Bonds Resolutions, the New Series Bonds Resolutions, or the Contract (including any amendment or supplement thereto); (b) the Cities have approved this Resolution as to form and content and acknowledged that the payment of principal of and interest on the Bonds is payable, in whole or in part, from the Bond Payment portion of the Annual Payments to be made by the Cities to the Corporation under and pursuant to the Contract; (c) a consulting engineer certifies to the Corporation the need for an estimated amount of additional financing required for completion, expansion, enlargement or improvement of the Project; (d) the Bonds are made to mature on February 1 or August 1, or both, in each of the years in which they are scheduled to mature; and (e) this Resolution provides for deposits to be made to the Bond Fund in amounts sufficient to pay the principal of and interest on such Bonds as the same become due; and

WHEREAS, the Corporation’s Board has determined that the Bonds in the total amount of 36,000,000 should be issued and sold at this time for the purposes of planning, designing, and constructing utility system improvements to implement the State Water Plan (the Project); and

WHEREAS, the Act also authorizes the Corporation acting through its Board of Directors (the Corporation’s Board) to issue revenue bonds to finance such projects, payable
solely from the revenues derived from payments to be made to the Corporation for the purpose of defraying the cost of financing, acquiring, and constructing such projects; and

WHEREAS, the principal of the Bonds and the interest thereon are and shall be payable from and secured, together with the currently outstanding Previously Issued New Series Bonds, by a lien on and pledge of the payments designated as Bond Payment portion of the Annual Payments to be made by the Cities pursuant to the Contract in amounts sufficient to pay and redeem, and provide for the payment of the principal of, premium, if any, and interest on the Bonds, when due, and the fees and expenses of the Paying Agent/Registrar (defined herein) for the Bonds, all as required by this Resolution and in the Contract; and

WHEREAS, the Corporation has determined and does hereby determine that it can finance the projects to implement the State Water Plan in accordance with Chapters 15 and 16 of the Texas Water Code, as amended, pursuant to the Corporation’s obligations under the Contract on the most favorable terms through the issuance of the Bonds to the TWDB in accordance with the terms of this Resolution; and

WHEREAS, the Bonds herein authorized for issuance are to be delivered to the Texas Water Development Board (the Water Development Board, TWDB, or the Purchasers) in evidence of a loan commitment received in the aggregate amount of such Bonds; and

WHEREAS, the Corporation’s Board has determined that the Bonds in the total amount of $36,000,000 should be issued and sold at this time in order to obtain funds necessary to finance the costs of projects; now, therefore,

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION THAT:

SECTION 1: Authorization - Designation - Principal Amount - Purpose. Special contract revenue bonds of the Corporation shall be and are hereby authorized to be issued in the aggregate principal amount of THIRTY SIX MILLION AND NO/100 DOLLARS ($36,000,000), to be designated and bear the title of “SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE BONDS, SERIES 2016 (TEXAS WATER DEVELOPMENT BOARD SWIRFT PROJECT FINANCING)” (the Bonds), pursuant to the Resolution adopted by the Corporation’s Board for the purpose of providing funds finance, acquire, and construct treatment facilities, water supply pipelines, booster pumps, other appurtenances, and necessary easements and other interests in land concerning the State Water Plan (the Project) and to pay the costs and expenses of issuance of the Bonds. The Bonds shall be payable as to both principal and interest solely from and equally and ratably secured, together with the currently outstanding Previously Issued New Series Bonds and any Additional New Series Bonds hereafter issued by the Corporation, by a lien on and pledge of the Bond Payment portion of the Annual Payments (each as defined in the Contract) received by the Corporation from the Cities under the Contract, which lien and pledge is junior and inferior to the first and prior lien thereon and pledge thereof securing the repayment of the currently outstanding Priority Bonds, until such time as no currently outstanding Priority Bonds remain Outstanding (at which point the New Series Bonds will enjoy a first and prior lien on and pledge of the Bond Payment portion of the Annual Payments). The Bonds are authorized to be issued pursuant to the
authority conferred by and in conformity with the laws of the State of Texas, particularly the Act, Chapter 1201, Texas Government Code, as amended, the Contract, and the Resolution.

SECTION 2: Fully Registered Bonds - Authorized Denominations - Stated Maturities - Interest Rates - Interest Payments – Bond Date. The Bonds are issuable in fully registered form only; shall be dated August 1, 2016 (the Bond Date) and shall be in denominations of $5,000 or any integral multiple thereof (within a Stated Maturity), and the Bonds shall become due and payable on February 1 in each of the years and in principal amounts (the Stated Maturities) and bear interest on the unpaid principal amounts from the Closing Date (hereinafter defined), or the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for, to the earlier of redemption or Stated Maturity, at the per annum rates, while Outstanding, in accordance with the following schedule:

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<th>Year of Stated Maturity</th>
<th>Principal Amounts ($)</th>
<th>Interest Rates (%)</th>
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<td>Interest Rates (%)</td>
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The Bonds shall bear interest on the unpaid principal amount thereof at the per annum rates shown above, computed on the basis of a 360-day year of twelve 30-day months, and interest thereon shall be payable semiannually on February 1 and August 1 of each year (each an *Interest Payment Date*) commencing August 1, 2017, while the Bonds are Outstanding. Interest on each Bond issued and delivered to a Holder (hereinafter defined) shall accrue from the latest Interest Payment Date that interest on such Bond (or its Predecessor Bond) has been paid that precedes the registration date appearing on such Bond in the “Registration Certificate of Paying Agent/Registrar” (Section 8D hereof), unless the registration date appearing thereon is an Interest Payment Date for which interest is being paid, in which case interest on such Bond shall accrue from the registration date appearing thereon and provided further that with respect to the initial payment of interest on a Bond, such interest shall accrue from the date of initial delivery of the Bonds (or its Predecessor Bond) to the Purchasers (hereinafter defined).

SECTION 3: Payment of Bonds - Paying Agent/Registrar. The principal of, premium, if any, and interest on the Bonds, due and payable by reason of Stated Maturity, redemption, or otherwise, shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, and such payment of principal of and interest on the Bonds shall be without exchange or collection charges to the Holder (hereinafter defined) of the Bonds.

The selection and appointment of BOKF, NA, Austin, Texas (the *Paying Agent/Registrar*), to serve as the initial Paying Agent/Registrar for the Bonds is hereby approved and confirmed, and the Corporation agrees and covenants to cause to be kept and maintained at the corporate trust office of the Paying Agent/Registrar books and records (the *Security Register*) for the registration, payment, and transfer of the Bonds, all as provided herein, in accordance with the terms and provisions of a Paying Agent/Registrar Agreement, attached, in substantially final form, as Exhibit A hereto, and such reasonable rules and regulations as the Paying Agent/Registrar and the Corporation may prescribe. The Corporation covenants to maintain and provide a Paying Agent/Registrar at all times while the Bonds are Outstanding, and any successor Paying Agent/Registrar shall be (i) a national or state banking institution or (ii) an association or a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers. Such Paying Agent/Registrar shall be subject to supervision or examination by federal or state authority and authorized by law to serve as a Paying Agent/Registrar.

The Corporation reserves the right to appoint a successor Paying Agent/Registrar upon providing the previous Paying Agent/Registrar with a certified copy of a resolution or resolutions...
terminating such agency. Additionally, the Corporation agrees to promptly cause a written notice of this substitution to be sent to each Holder of the Bonds by United States mail, first-class postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Principal of, premium, if any, and interest on the Bonds, due and payable by reason of Stated Maturity, redemption or otherwise, shall be payable only to the registered owner of the Bonds appearing on the Security Register (the Holder or Holders) maintained on behalf of the Corporation by the Paying Agent/Registrar as hereinafter provided (i) on the Record Date (hereinafter defined) for purposes of payment of interest thereon, (ii) on the date of surrender of the Bonds for purposes of receiving payment of principal thereof upon redemption of the Bonds or at the Bonds’ Stated Maturity, or (iii) on any other date for any other purpose. The Corporation and the Paying Agent/Registrar, and any agent of either, shall treat the Holder as the owner of a Bond for purposes of receiving payment and all other purposes whatsoever, and neither the Corporation nor the Paying Agent/Registrar, or any agent of either, shall be affected by notice to the contrary.

Principal of, and premium, if any, on the Bonds shall be payable only upon presentation and surrender of the Bonds to the Paying Agent/Registrar at its corporate trust office. Interest on the Bonds shall be paid to the Holder whose name appears in the Security Register at the close of business on the fifteenth day of the month next preceding an Interest Payment Date for the Bonds (the Record Date) and shall be paid (i) by federal funds wire transfer and at the written request of the Holder or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested in writing by the Holder at the Holder’s risk and expense. While the Bonds are held by the Purchasers (as defined in Section 35 hereof), payment of principal of, premium, if any, and interest on the Bonds shall be made by federal funds wire transfer, at no cost to the Purchasers, to an account at a financial institution located in the United States designated by the Purchasers.

If the date for the payment of the principal of, premium, if any, or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the corporate trust office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a day. The payment on such date shall have the same force and effect as if made on the original date any such payment on the Bonds was due.

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

SECTION 4: Redemption.
A. Special Mandatory Redemption. In the event that the Purchasers at such time remains the sole holder of the Bonds and the final accounting delivered by the Corporation to the Purchasers in the form and manner specified in, and in compliance with the provisions of, Section 36.D. of this Resolution evidences that the total cost of the project to be financed with Bond proceeds is less than the amount of Bond proceeds available for paying such costs, then the Corporation shall, as soon as practicable (but in no event later than six months after the Purchasers’ acceptance of the aforementioned accounting), at the direction of the General Manager, and without the requirement of the approval of the Corporation’s Board, redeem Bonds in the amount of such excess to the nearest multiple of the authorized denomination for the Bonds. Bonds redeemed pursuant to this provision shall be redeemable on any date, in inverse order of Stated Maturity, as a whole or in part, in principal amounts of $5,000 or any integral multiple thereof (and if within a Stated Maturity, selected at random and by lot by the Paying Agent/Registrar), at the redemption price of par plus accrued interest to the date of redemption.

B. Optional Redemption. The Bonds having Stated Maturities on and after February 1, 2028 shall be subject to redemption prior to Stated Maturity, at the option of the Corporation, on February 1, 2027, or on any date thereafter, in inverse order of Stated Maturity, as a whole or in part, in principal amounts of $5,000 or any integral multiple thereof (and if within a Stated Maturity selected at random and by lot by the Paying Agent/Registrar), at the redemption price of par plus accrued interest to the date of redemption.

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

D. Selection of Bonds for Redemption. If less than all Outstanding Bonds of the same Stated Maturity are to be redeemed on a redemption date, the Paying Agent/Registrar shall select at random and by lot the Bonds to be redeemed, provided that if less than the entire principal amount of a Bond is to be redeemed, the Paying Agent/Registrar shall treat such Bond then subject to redemption as representing the number of Bonds Outstanding which is obtained by dividing the principal amount of such Bond by $5,000.

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

All notices of redemption shall (i) specify the date of redemption for the Bonds, (ii) identify the Bonds to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state
that the Bonds, or the portion of the principal amount thereof to be redeemed, shall become due and payable on the redemption date specified, and the interest thereon, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify that payment of the redemption price for the Bonds, or the principal amount thereof to be redeemed, shall be made at the corporate trust office of the Paying Agent/Registrar only upon presentation and surrender thereof by the Holder. If a Bond is subject by its terms to redemption and has been called for redemption and notice of redemption thereof has been duly given or waived as herein provided, such Bond (or the principal amount thereof to be redeemed) so called for redemption shall become due and payable, and if money sufficient for the payment of such Bonds (or of the principal amount thereof to be redeemed) at the then applicable redemption price is held for the purpose of such payment by the Paying Agent/Registrar, then on the redemption date designated in such notice, interest on said Bonds (or the principal amount thereof to be redeemed) called for redemption shall cease to accrue, and such Bonds shall not be deemed to be Outstanding in accordance with the provisions of this Resolution. This notice may also be published once in a financial publication, journal, or reporter of general circulation among securities dealers in the City of New York, New York (including, but not limited to, The Bond Buyer and The Wall Street Journal), or in the State of Texas (including, but not limited to, The Texas Bond Reporter).

F. Transfer/Exchange. Neither the Corporation nor the Paying Agent/Registrar shall be required (1) to transfer or exchange any Bond during a period beginning forty-five (45) days prior to the date fixed for redemption of the Bonds or (2) to transfer or exchange any Bond selected for redemption, provided; however, such limitation of transfer shall not be applicable to an exchange by the Holder of the unredeemed balance of a Bond which is subject to redemption in part.

SECTION 5: Execution - Registration. The Bonds shall be executed on behalf of the Corporation by its President, Board of Directors, its seal reproduced or impressed thereon, and attested by its Secretary, Board of Directors. The signature of either officer on the Bonds may be manual or facsimile. Bonds bearing the manual or facsimile signatures of individuals who were, at the time of the Bond Date, the proper officers of the Corporation shall bind the Corporation, notwithstanding that such individuals or either of them shall cease to hold such offices prior to the delivery of the Bonds to the Purchasers, all as authorized and provided in Chapter 1201, as amended, Texas Government Code.

No Bond shall be entitled to any right or benefit under this Resolution, or be valid or obligatory for any purpose, unless there appears on such Bond either a certificate of registration substantially in the form provided in Section 8C, executed by the Comptroller of Public Accounts of the State of Texas or his duly authorized agent by manual signature, or a certificate of registration substantially in the form provided in Section 8D, executed by the Paying Agent/Registrar by manual signature, and either such certificate upon any Bond shall be conclusive evidence, and the only evidence, that such Bond has been duly certified or registered and delivered.

SECTION 6: Registration - Transfer - Exchange of Bonds - Predecessor Bonds. The Paying Agent/Registrar shall obtain, record, and maintain in the Security Register the name and address of every owner of the Bonds, or, if appropriate, the nominee thereof. Any Bond may, in
accordance with its terms and the terms hereof, be transferred or exchanged for Bonds of other authorized denominations upon the Security Register by the Holder, in person or by his duly authorized agent, upon surrender of such Bond to the Paying Agent/Registrar for cancellation, accompanied by a written instrument of transfer or request for exchange duly executed by the Holder or by his duly authorized agent, in form satisfactory to the Paying Agent/Registrar.

Upon surrender for transfer of any Bond at the corporate trust office of the Paying Agent/Registrar, the Corporation shall execute and the Paying Agent/Registrar shall register and deliver, in the name of the designated transferee or transferees, one or more new Bonds of authorized denomination and having the same Stated Maturity and of a like interest rate and aggregate principal amount as the Bond or Bonds surrendered for transfer.

At the option of the Holder, Bonds may be exchanged for other Bonds of the same series and of authorized denominations and having the same Stated Maturity, bearing the same rate of interest and of like aggregate principal amount as the Bonds surrendered for exchange upon surrender of the Bonds to be exchanged at the corporate trust office of the Paying Agent/Registrar. Whenever any Bonds are so surrendered for exchange, the Corporation shall execute, and the Paying Agent/Registrar shall register and deliver, the Bonds, to the Holder requesting the exchange.

All Bonds issued upon any transfer or exchange of Bonds shall be delivered at the corporate trust office of the Paying Agent/Registrar, or be sent by registered mail to the Holder at his request, risk, and expense, and upon the delivery thereof, the same shall be the valid and binding obligations of the Corporation, evidencing the same obligation to pay, and entitled to the same benefits under this Resolution, as the Bonds surrendered upon such transfer or exchange.

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

Bonds canceled by reason of an exchange or transfer pursuant to the provisions hereof are hereby defined to be Predecessor Bonds, evidencing all or a portion, as the case may be, of the same debt evidenced by the new Bond or Bonds registered and delivered in the exchange or transfer therefor. Additionally, the term Predecessor Bonds shall include any Bond registered and delivered pursuant to Section 34 in lieu of a mutilated, lost, destroyed, or stolen Bond which shall be deemed to evidence the same obligation as the mutilated, lost, destroyed, or stolen Bond.

SECTION 7: Initial Bond. The Bonds herein authorized shall be issued initially as a single fully-registered Bond in the total principal amount of $36,000,000 with principal installments to become due and payable as provided in Section 2 and numbered T-1 (the Initial Bond) and the Initial Bond shall be registered in the name of the initial Purchasers or the designee thereof. The Initial Bond shall be the Bonds submitted to the Office of the Attorney General of the State of Texas for approval, certified and registered by the Office of the Comptroller of Public Accounts of the State of Texas and delivered to the Purchasers (hereafter defined). Any time after the delivery of the Initial Bond, the Paying Agent/Registrar, upon
written instructions from the Purchasers or their designee, shall cancel the Initial Bond delivered hereunder and exchange therefor definitive Bonds of authorized denominations, Stated Maturities, principal amounts and bearing applicable interest rates, and shall be lettered “R” and numbered consecutively from one (1) upward for transfer and delivery to the Holders named at the addresses identified therefor; all pursuant to and in accordance with such written instructions from the Purchasers, or the designee thereof, and such other information and documentation as the Paying Agent/Registrar may reasonably require. It is anticipated that the definitive Bonds may be delivered in installments as recognized in the provisions of Section 60 of this Resolution. As installment deliveries of the Bonds are made to the Purchasers, the Paying Agent/Registrar pursuant to written instructions from the Corporation, or the designee thereof, and in accordance with Article Six of the Paying Agent/Registrar Agreement shall cancel the Initial Bond and deliver in exchange therefor definitive Bonds of like principal amount and maturity, in authorized denominations and bearing applicable interest rates for transfer and delivery to The Depository Trust Company for the account of the Purchasers, all pursuant to and in accordance with Article Six of the Paying Agent/Registrar Agreement, written instructions from the Purchasers and the Corporation, or the designees thereof, and such other information and documentation as the Paying Agent/Registrar may reasonably require.

SECTION 8: Forms.

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

The definitive Bonds shall be printed, lithographed, or engraved, produced by any combination of these methods, or produced in any other similar manner, all as determined by the officers executing the Bonds as evidenced by their execution thereof, but the Initial Bond submitted to the Attorney General of the State of Texas may be typewritten or photocopied or otherwise reproduced.

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B. Form of Definitive Bond

<table>
<thead>
<tr>
<th>REGISTERED OWNER:</th>
<th>PRINCIPAL AMOUNT:</th>
</tr>
</thead>
<tbody>
<tr>
<td>__________________</td>
<td>__________________</td>
</tr>
</tbody>
</table>

United States of America  
State of Texas  
SCHERTZ/SEGUiN LOCAL GOVERNMENT CORPORATION  
CONTRACT REVENUE BONDS, SERIES 2016  
(Texas Water Development Board SWIRFT Project Financing)

<table>
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<th>Bond Date:</th>
<th>Stated Maturity:</th>
<th>Interest Rate:</th>
<th>CUSIP No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 1, 2016</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

REGISTERED OWNER: _________________________________________________________

PRINCIPAL AMOUNT: _______________________________________________ DOLLARS

The Schertz/Seguin Local Government Corporation (the Corporation), a nonprofit corporation of the State of Texas, for value received, hereby promises to pay to the order of the Registered Owner specified above, or the registered assigns thereof, on the Stated Maturity date specified above, the Principal Amount specified above (or so much thereof as shall not have been paid upon prior redemption), and to pay interest on the unpaid principal amount hereof from the Closing Date, or from the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for, to the earlier of redemption or Stated Maturity, while Outstanding, at the per annum rate of interest specified above computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on February 1 and August 1 of each year commencing August 1, 2017 (each being the “Interest Payment Date”).

Principal and premium, if any, of the Bond shall be payable to the Registered Owner hereof (the Holder) upon presentation and surrender, at the corporate trust office of the Paying Agent/Registrar executing the registration certificate appearing hereon or a successor thereof. Interest shall be payable to the Holder of this Bond (or one or more Predecessor Bonds, as defined in the Resolution hereinafter referenced) whose name appears on the Security Register maintained by the Paying Agent/Registrar at the close of business on the Record Date, which is the fifteenth day of the month next preceding each Interest Payment Date. All payments of principal of and interest on this Bond shall be in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Interest shall be paid by the Paying Agent/Registrar by check sent on or prior to the appropriate date of payment by federal funds wire transfer, at no cost to the Holder, and at the written request of the Holder or by such other method, acceptable to the Paying Agent/Registrar, requested by the Holder hereof at the Holder’s risk and expense. While the Bonds are held by the Purchasers payment of principal of, premium, if any, and interest on the Bonds shall be made by federal funds wire transfer, at no cost to the Purchasers, to an account at a financial institution located in the United States designated by the Purchasers.
This Bond is one of the series specified in its title issued in the aggregate principal amount of $36,000,000 (the Bonds) pursuant to a resolution adopted by the governing body of the Corporation (the Resolution), for the purpose of providing funds to (i) finance, acquire, and construct treatment facilities, water supply pipelines, booster pumps, other appurtenances, and necessary easements and other interests in land, and (ii) pay the costs and expenses of issuing the Bonds, under and in strict conformity with the laws of the State of Texas, particularly the Act, Chapter 1201, Texas Government Code, as amended, the Contract, and the Resolution.

In the event that the Purchasers at such time remains the sole holder of the Bonds and the final accounting delivered by the Corporation to the Purchasers in the form and manner specified in the Resolution (and in compliance with the provisions of Section 36.D. of the Resolution) evidences that the total cost of the project to be financed with Bond proceeds is less than the amount of Bond proceeds available for paying such costs, then the Corporation shall, as soon as practicable (but in no event later than six months after the Purchasers’ acceptance of the aforementioned accounting), at the direction of the General Manager without the requirement of the approval of the Board of the Corporation, redeem Bonds in the amount of such excess to the nearest multiple of the authorized denomination for the Bonds. Bonds redeemed pursuant to this provision shall be redeemable on any date, in inverse order of Stated Maturity, as a whole or in part, in principal amounts of $5,000 or any integral multiple thereof (and if within a Stated Maturity, selected at random and by lot by the Paying Agent/Registrar), at the redemption price of par plus accrued interest to the date of redemption.

The Bonds stated to mature on and after February 1, 2028 may be redeemed prior to their Stated Maturities, at the option of the Corporation, on February 1, 2027, or on any date thereafter, in inverse order of Stated Maturity, in whole or in part in principal amounts of $5,000 or any integral multiple thereof (and if within a Stated Maturity selected at random and by lot by the Paying Agent/Registrar) at the redemption price of par, together with accrued interest to the date of redemption, and upon thirty (30) days prior written notice being given by United States mail, first-class postage prepaid, to Holders of the Bonds to be redeemed, and subject to the terms and provisions relating thereto contained in the Resolution. If this Bond is subject to redemption prior to Stated Maturity and is in a denomination in excess of $5,000, portions of the principal sum hereof in installments of $5,000 or any integral multiple thereof may be redeemed, and, if less than all of the principal sum hereof is to be redeemed, there shall be issued, without charge therefor, to the Holder hereof, upon the surrender of this Bond to the Paying Agent/Registrar at its corporate trust office, a new Bond or Bonds of like Stated Maturity and interest rate in any authorized denominations provided in the Resolution for the then unredeemed balance of the principal sum hereof.

If this Bond (or any portion of the principal sum hereof) shall have been duly called for redemption and notice of such redemption duly given, then upon such redemption date this Bond (or the portion of the principal sum hereof to be redeemed) shall become due and payable, and, if money for the payment of the redemption price and the interest accrued on the principal amount to be redeemed to the date of redemption is held for the purpose of such payment by the Paying Agent/Registrar, interest shall cease to accrue and be payable hereon from and after the redemption date on the principal amount hereof to be redeemed. If this Bond is called for redemption, in whole or in part, the Corporation or the Paying Agent/Registrar shall not be required to issue, transfer, or exchange this Bond within forty-five (45) days of the date fixed for
redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the Holder of the unredeemed balance hereof in the event of its redemption in part.

The Bonds of this series are special obligations of the Corporation payable from and equally and ratably secured, together with the currently outstanding Previously Issued New Series Bonds and any Additional New Series Bonds hereafter issued by the Corporation, solely by a lien on and pledge of the Bond Payment (as defined in the Contract) portion of the Annual Payments (as defined in the Contract) received by the Corporation from the Cities pursuant to the provisions of the Contract, which lien and pledge is junior and inferior to the first and prior lien thereon and pledge thereof securing the repayment of the currently outstanding Priority Bonds, until such time as no Priority Bonds remain Outstanding (at which point the New Series Bonds will enjoy a first and prior lien on and pledge of the Bond Payment portion of the Annual Payments). In the Resolution, the Corporation has covenanted to not issue any Additional Priority Bonds, but has reserved and retained the right to issue Additional New Series Bonds payable from a lien on and pledge of the Bond Payment portion of the Annual Payments that is subordinate and inferior to the lien thereon and pledge thereof securing the repayment of any New Series Bonds. In addition, the Corporation has reserved and retained the right to issue Additional Obligations, without limitation as to principal amount but subject to any terms, conditions, or restrictions set forth in the Resolution or as may be applicable thereto under law or otherwise. The Bonds do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any property of the Corporation or System, except with respect to the Bond Payment portion of the Annual Payments.

This Bond, subject to certain limitations contained in the Resolution, may be transferred on the Security Register upon presentation and surrender at the corporate trust office of the Paying Agent/Registrar, duly endorsed by, or accompanied by a written instrument of transfer in
form satisfactory to the Paying Agent/Registrar duly executed by the Holder hereof, or his duly authorized agent, and thereupon one or more new fully registered Bonds of the same Stated Maturity, of authorized denominations, bearing the same rate of interest, and of the same aggregate principal amount will be issued to the designated transferee or transferees.

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

It is hereby certified, covenanted, and represented that all acts, conditions, and things required to be performed, exist, and be done precedent to the issuance of this Bond in order to render the same a legal, valid, and binding special obligation of the Corporation have been performed, exist, and have been done, in regular and due time, form, and manner, as required by the laws of the State of Texas and the Resolution, and that issuance of the Bonds does not exceed any constitutional or statutory limitation; and that due provision has been made for the payment of the principal of and interest on the Bonds by a lien on and pledge of the Bond Payment portion of the Annual Payments and as otherwise provided in this Resolution. In case any provision in this Bond or any application thereof shall be deemed invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions and applications shall not in any way be affected or impaired thereby. The terms and provisions of this Bond and the Resolution shall be construed in accordance with and shall be governed by the laws of the State of Texas.

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

SCHERTZ/SEGUIN LOCAL
GOVERNMENT CORPORATION

President, Board of Directors

ATTESTED:

Secretary, Board of Directors

(SEAL)

C.  *Form of Registration Certificate of Comptroller of Public Accounts to Appear on Initial Bond Only.

REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER OF
PUBLIC ACCOUNTS
THE STATE OF TEXAS

REGISTER NO. _________

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

WITNESS my signature and seal of office this ________________________________.

Comptroller of Public Accounts
of the State of Texas

(SEAL)

*NOTE TO PRINTER: Do Not Print on Definitive Bonds.
D. Form of Certificate of Paying Agent/Registrar to Appear on Definitive Bonds Only.

REGISTRATION CERTIFICATE OF PAYING AGENT/REGISTRAR

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

Registered this date: ________________________________

BOKF, NA, Austin, Texas, as Paying Agent/Registrar

By: ________________________________

Authorized Signature

*NOTE TO PRINTER: Print on Definitive Bonds.

E. Form of Assignment.

ASSIGNMENT

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

(Social Security or other identifying number): ________________________________

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints ________________________________ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

DATED: ________________________________

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

Signature guaranteed: ________________________________
F. The Initial Bond shall be in the form set forth in paragraph B of this Section, except that the form of a single fully registered Initial Bond shall be modified as follows:

i) immediately under the name of the Bond(s) the headings “Interest Rate” and “Stated Maturity” shall both be completed “as shown below”;

ii) the first two paragraphs shall read as follows:

Registered Owner: ______________________________________________________________

Principal Amount: ______________________________________________________________

The Schertz/Seguin Local Government Corporation (the Corporation), a nonprofit corporation of the State of Texas, for value received for value received, hereby promises to pay to the order of the Registered Owner named above, or the registered assigns thereof, the Principal Amount specified above stated to mature on the first day of February in each of the years and in principal amounts and bearing interest at per annum rates in accordance with the following schedule:

<table>
<thead>
<tr>
<th>Years of Stated Maturity</th>
<th>Principal Amounts ($)</th>
<th>Interest Rates (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Information to be inserted from schedule in Section 2 hereof).</td>
<td></td>
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</tbody>
</table>

(or so much thereof as shall not have been paid upon prior redemption) and to pay interest on the unpaid Principal Amount hereof from the Closing Date (anticipated to be on or about ___________, 2016), or from the most recent Interest Payment Date (hereafter defined) to which interest has been paid or duly provided for, to Stated Maturity or prior redemption, at the per annum rates of interest specified above computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on February 1 and August 1, commencing August 1, 2017 (each, an “Interest Payment Date”).

Principal and premium, if any, of this Bond shall be payable to the Registered Owner hereof (the Holder), upon its presentation and surrender, at the corporate trust office of BOKF, NA, Austin, Texas (the Paying Agent/Registrar). Interest shall be payable to the Holder of this Bond whose name appears on the Security Register maintained by the Paying Agent/Registrar at the close of business on the Record Date, which is the fifteenth day of the month next preceding each Interest Payment Date. All payments of principal of and interest on this Bond shall be in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Interest shall be paid by the Paying Agent/Registrar by check sent on or prior to the appropriate date of payment by United States mail, first-class postage prepaid, to the Holder hereof at the address appearing in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Holder hereof. While the Bonds are held by the Purchasers, payment of principal of, premium, if any, and interest on the Bonds shall be made by federal funds wire transfer, at no cost to the Purchasers, to an account at a financial institution located in the United States designated by the Purchasers.
G. Insurance Legend. If bond insurance is obtained by the Purchasers or the Corporation for the Bonds, the definitive Bonds and the Initial Bond(s) shall bear an appropriate legend as provided by the insurer.

SECTION 9: Definitions. For all purposes of this Resolution (as defined below), except as otherwise expressly provided or unless the context otherwise requires: (i) the terms defined in this Section have the meanings assigned to them in this Section, and certain terms used in Sections 38 and 54 of this Resolution have the meanings assigned to them in such Sections, and all such terms include the plural as well as the singular; (ii) all references in this Resolution to designated “Sections” and other subdivisions are to the designated Sections and other subdivisions of this Resolution as originally adopted; and (iii) the words “herein”, “hereof”, and “hereunder” and other words of similar import refer to this Resolution as a whole and not to any particular Section or other subdivision.

A. The term Additional New Series Bonds shall mean (i) the currently outstanding Previously Issued New Series Bonds, the Bonds, and any bonds, notes, warrants, or any similar obligations hereafter issued by the Corporation that are payable wholly or in part from and equally and ratably secured by a lien and pledge of the Bond Payment portion of the Annual Payments received by the Corporation from the Cities under the Contract, which lien and pledge is junior and inferior to the lien thereon and pledge thereof securing the repayment of the currently outstanding Priority Bonds until such time as no Priority Bonds remain Outstanding (at which point all New Series Bonds will enjoy a first and prior lien on and pledge of the Bond Payment portion of the Annual Payments), but senior and superior to the lien thereon and pledge thereof of any additional Corporation obligations secured by and payable from a lien on and pledge of the Bond Payment portion of the Annual Payments that is subordinate and inferior to the lien thereon and pledge thereof securing the repayment of any New Series Bonds and (ii) obligations hereafter issued to refund any of the foregoing that are payable from and equally and ratably secured by a lien on and pledge of the of the Bond Payment portion of the Annual Payments received by the Corporation from the Cities under the Contract, as determined by the Corporation in accordance with applicable law, on parity with the lien thereon and pledge thereof securing the other New Series Bonds then-Outstanding.

B. The term Additional Obligations shall mean collectively, any Prior Lien Obligations, Junior Lien Obligations, or Inferior Lien Obligations hereafter issued by the Corporation.

C. The term Additional Priority Bonds shall mean any bonds, notes, warrants, or other evidences of indebtedness (including those issued for the purpose of refunding previously issued bonds, notes, or other evidences of indebtedness) which the Corporation reserved the right to issue under the Priority Bonds Resolutions the repayment of which is secured by a first and prior lien on and pledge of the Bond Payment portion of the Annual Payments received by the Corporation from the Cities under the Contract, which lien and pledge is on parity with the lien thereon and pledge thereof securing the repayment of the Priority Bonds. The Corporation has covenanted not to issue any Additional Priority Bonds.
D. The term *Annual Payments* shall mean the payments, including the Bond Payment, Operation and Maintenance Expenses, and Overhead Expenses, that the Corporation expects to receive from the Cities pursuant to the terms of the Contract.

E. The term *Authorized Officials* shall mean the Corporation’s Board President, the Corporation’s Board Secretary, and/or the General Manager.

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

G. The term *Bond Fund* shall mean the special Fund or account created and established by the provisions of Section 13 of this Resolution.

H. The term *Bond Payment* shall have the meaning ascribed thereto in the Contract.

I. The term *Bonds* shall mean the $36,000,000 “SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE BONDS, SERIES 2016 (TEXAS WATER DEVELOPMENT BOARD SWIRFT PROJECT FINANCING)”, dated August 1, 2016, authorized by this Resolution.

J. The term *Bonds Similarly Secured* shall mean any Additional Obligations hereafter issued by the Corporation or bonds issued to refund any of the foregoing if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured by a lien on and pledge of the Net Revenues.

K. The term *Closing Date* shall mean the date of physical delivery of the Initial Bond for the payment in full by the Purchasers.

L. The term *Contract* shall mean the Regional Water Supply Contract, dated as of November 15, 1999, together with amendments and supplements thereto (which by the term of such instrument is designated as a supplement to such Contract), a conformed copy of such Contract being attached hereto as Exhibit E for the purposes of identification.

M. The term *Corporation* shall mean Schertz/Seguin Local Government Corporation and any other nonprofit corporation, public agency, or other entity succeeding to the powers, rights, privileges and functions of the Corporation and, when appropriate, the Board of Directors of the Corporation.

N. The term *Construction Fund* shall mean the Corporation’s construction fund ordered established by Section 36 of this Resolution.
O. The term Credit Agreement shall mean a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitments to purchase debt, purchase or sale agreements, interest rate swap agreements, or commitments or other contracts or agreements authorized, recognized, and approved by the Corporation as a Credit Agreement in connection with the authorization, issuance, security, or payment of any Bond.

P. The term Credit Facility shall mean (i) a policy of insurance or a surety bond, issued by an issuer of policies of insurance insuring the timely payment of debt service on governmental obligations under and pursuant to Texas law, or (ii) a letter or line of credit issued by any financial institution authorized under applicable State law to deliver such types of financial instrument.

Q. The term Credit Provider shall mean any bank, financial institution, insurance company, surety bond provider, or other institution which provides, executes, issues, or otherwise is a party to or provider of a Credit Agreement or a Credit Facility.

R. The term Debt Service Requirements shall mean as of any particular date of computation, with respect to any obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the Corporation as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on such obligations; assuming, in the case of obligations without a fixed numerical rate, that such obligations bear interest calculated by assuming (i) that the interest rate for every 12-month period on such bonds is equal to the rate of interest reported in the most recently published edition of The Bond Buyer (or its successor) at the time of calculation as the “Revenue Bond Index” or, if such Revenue Bond Index is no longer being maintained by The Bond Buyer (or its successor) at the time of calculation, such interest rate shall be assumed to be 80% of the rate of interest then being paid on United States Treasury obligations of like maturity and (ii) that, in the case of bonds not subject to fixed scheduled mandatory sinking fund redemptions, that the principal of such bonds is amortized such that annual debt service is substantially level over the remaining stated life of such bonds or in the manner permitted under Section 1371.057(c), as amended, Texas Government Code as the same relates to interim or non-permanent indebtedness, and in the case of obligations required to be redeemed or prepaid as to principal prior to Stated Maturity according to a fixed schedule, the principal amounts thereof will be redeemed prior to Stated Maturity in accordance with the mandatory redemption provisions applicable thereto (in each case notwithstanding any contingent obligation to redeem bonds more rapidly). For the term of any Credit Agreement or a Credit Facility in the form of an interest rate hedge agreement entered into in connection with any such obligations, Debt Service Requirements shall be computed by netting the amounts payable to the Corporation under such hedge agreement from the amounts payable by the Corporation under such hedge agreement and such obligations.

S. The term Depository shall mean an official depository bank of the Corporation.

T. The term Fiscal Year shall mean the twelve month accounting period used by the Corporation in connection with the operation of the System, currently ending on September 30th of each year, which may be any twelve consecutive month period established by the Corporation,
but in no event may the Fiscal Year be changed more than one time in any three calendar year period.

U. The term *Government Securities*, as used herein, shall mean (i) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by, the United States of America; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, or (iv) any additional securities and obligations hereafter authorized by the laws of the State of Texas as eligible for use to accomplish the discharge of obligations such as the Bonds.

V. The term *Gross Revenues* shall mean all income and increment, including, but not limited to, any revenues, income, or connection fees which may be derived from the ownership and/or operation of the System as it is purchased, constructed or otherwise acquired, including payments pursuant to the Contract (excluding the Bond Payment portion of the Annual Payments), but shall not mean the income and increment derived from a contract or contracts with persons, corporations, municipal corporations, political subdivisions, or other entities which under the terms of the authorizing resolution(s) or order(s) that may be pledged for the requirements of the Corporation’s Special Project Bonds issued particularly to finance certain facilities (even though the facilities to be financed with the Special Project Bonds are physically connected to the System) needed in performing any such contract or contracts; provided, however, that the Board of Directors of the Corporation may utilize any revenues, including those generated by the Contract, in excess of the Debt Service Requirements on the Priority Bonds and/or New Series Bonds for any lawful purpose in accordance with this Resolution and the Contract.

W. The term *Holder or Holders* shall mean the registered owner, whose name appears in the Security Register, for any Bond.

X. The term *Inferior Lien Obligations* shall mean (i) any bonds, notes, warrants, or other obligations hereafter issued by the Corporation payable wholly or in part from a pledge of and lien on Net Revenues of the System, all as further provided in Section 21 of this Resolution, which is subordinate and inferior to the lien on and pledge thereof securing the payment of any Prior Lien Obligations or Junior Lien Obligations hereafter issued by the Corporation, and (ii) obligations hereafter issued to refund any of the foregoing that are payable from and equally and ratably secured by a subordinate and inferior lien on and pledge of the Net Revenues as determined by the Board of Directors in accordance with any applicable law.

Y. The term *Insurer* shall mean ___________________________________, or any successor thereto.
Z. The term Interest Payment Date shall mean the date semiannual interest is payable on the Bonds, being February 1 and August 1 of each year, commencing August 1, 2017, while any of the Bonds remain Outstanding.

AA. The term Junior Lien Obligations shall mean (i) any bonds, notes, warrants, or any similar obligations hereafter issued by the Corporation that are payable wholly or in part from and equally and ratably secured by a junior and inferior lien on and pledge of the Net Revenues of the System, all as further provided in Section 21 of this Resolution and (ii) obligations hereafter issued to refund any of the foregoing that are payable from and equally and ratably secured by a junior and inferior lien on and pledge of the Net Revenues as determined by the Board of Directors in accordance with any applicable law.

BB. The term Net Revenues shall mean Gross Revenues of the System, with respect to any period, after deducting the System’s Operation and Maintenance Expenses during such period.

CC. The term New Series Bonds shall mean the Previously Issued New Series Bonds, the Bonds, and any Additional New Series Bonds hereafter issued by the Corporation.

DD. The term Operation and Maintenance Expenses shall have the meaning ascribed thereto in the Contract.

EE. The term Outstanding shall mean when used in this Resolution with respect to Bonds means, as of the date of determination, all Bonds issued and delivered under this Resolution, except:

(1) those Bonds canceled by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation;

(2) those Bonds for which payment has been duly provided by the Corporation in accordance with the provisions of Section 40 of this Resolution by the irrevocable deposit with the Paying Agent/Registrar, or an authorized escrow agent, of money or Government Securities, or both, in the amount necessary to fully pay the principal of, premium, if any, and interest thereon to maturity or redemption, as the case may be, provided that, if such Bonds are to be redeemed, notice of redemption thereof shall have been duly given pursuant to this Resolution or irrevocably provided to be given to the satisfaction of the Paying Agent/Registrar, or waived; and

(3) those Bonds that have been mutilated, destroyed, lost, or stolen and replacement Bonds have been registered and delivered in lieu thereof as provided in Section 34 of this Resolution.

FF. The term Overhead Expenses shall have the meaning ascribed thereto in the Contract.

GG. The term Policy shall mean the Municipal Bond Insurance Policy issued by the Insurer that guarantees the scheduled payment of principal of and interest on the Bonds when due.
HH. The term *Previously Issued New Series Bonds* shall mean (i) $6,275,000 “SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE REFUNDING BONDS, NEW SERIES 2014”, dated September 1, 2014, (ii) 41,720,000 “SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE IMPROVEMENT AND REFUNDING BONDS, NEW SERIES 2015”, dated December 1, 2014, and (iii) obligations hereafter issued to refund any of the foregoing that are payable from and equally and ratably secured by a junior and inferior lien on and pledge of the Bond Payment portion of the Annual Payments as determined by the Board of Directors in accordance with any applicable law.

II. The term *Prior Lien Obligations* shall mean (i) any bonds, notes, warrants, or other evidences of indebtedness which the Corporation reserves the right to issue or enter into, as the case may be, in the future under the terms and conditions provided in Section 20 of this Resolution and which are equally and ratably secured solely by a first and prior lien on and pledge of the Net Revenues of the System and (ii) obligations hereafter issued to refund any of the foregoing if issued in a manner so as to be payable from and secured by a first and prior lien on and pledge of the Net Revenues as determined by the Corporation’s Board in accordance with applicable law.

JJ. The term *Priority Bonds* shall mean (i) those obligations heretofore issued by the Corporation and that remain Outstanding after the issuance of the Bonds, which Outstanding obligations are payable from and secured by a first and prior lien on and pledge of the Bond Payment portion of the Annual Payments, which lien and pledge is senior and superior to the lien thereon and pledge thereof securing the repayment of the New Series Bonds, being the:

1. $41,040,000 “SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE BONDS, SERIES 2001”, dated February 1, 2001, and

2. $22,140,000 “SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE REFUNDING BONDS, SERIES 2010”, dated June 1, 2010.

and (ii) obligations hereafter issued to refund any of the foregoing that are payable from and equally and ratably secured by a first and prior lien on and pledge of the Bond Payment portion of the Annual Payments as determined by the Board of Directors in accordance with any applicable law.

KK. The term *Project* shall have the meaning ascribed in the preamble to this Resolution.

LL. The term *Purchasers* shall mean the initial purchaser or purchasers of the Bonds named in Section 35 of this Resolution.

MM. The term *Rating Agency* shall mean any nationally recognized securities rating agency which has assigned a rating to the Bonds.
NN. The term *Renewal and Replacement Fund* shall mean the special fund, creation and establishment under the Priority Bonds Resolutions of which is recognized by the Corporation in Section 15 of this Resolution.

OO. The term *Resolution* shall mean this resolution adopted by the Corporation’s Board on ____________, 2016.

PP. The term *Special Project Bonds* shall mean obligations which the Corporation expressly reserves the right to issue in Section 22 of this Resolution.

QQ. The term *Stated Maturity* shall mean the annual principal payments of the Bonds payable on February 1 of each year, as set forth in Section 2 of this Resolution.

RR. The term *System* shall mean the works, improvements, facilities, plants, equipment, appliances, property, easements, leaseholds, licenses, privileges, right of use or enjoyment, contract rights or other interests in property comprising the utility system of the Corporation, including the Project, now owned or to be hereafter purchased, constructed or otherwise acquired whether by deed, contract or otherwise, together with any additions or extensions thereto or improvements and replacements thereof, or the utility system of any other entity to which the Corporation has contractual rights of use, including the Project, except the facilities which the Corporation may purchase or acquire with the proceeds of the sale of Special Project Bonds, so long as such Special Project Bonds are outstanding, notwithstanding that such facilities may be physically connected with the System.

SS. The term *TWDB* shall mean the Texas Water Development Board or any successor entity thereof.

TT. The term *TWDB Program* shall have the meaning ascribed in Section 62 of the Resolution.

SECTION 10: Pledge of the Bond Payment Portion of the Annual Payments; Availability of Net Revenues for Payment; Perfection of Security Interest.

A. The Corporation hereby covenants and agrees that the Bond Payment portion of the Annual Payments, subject (but only subject) to the first and prior lien thereon and pledge thereof securing the repayment of the currently outstanding Priority Bonds, is hereby irrevocably pledged to the payment and security of the New Series Bonds including the establishment and maintenance of the special funds or accounts created and established for the payment and security thereof, as hereinafter provided. It is hereby resolved that the New Series Bonds, and the interest thereon, shall constitute a lien on and pledge of the Bond Payment portion of the Annual Payments (subject only to the first and prior lien thereon and pledge thereof securing the repayment of the currently outstanding Priority Bonds) and shall be valid and binding without any physical delivery thereof or further act by the Corporation. This lien on and pledge of the Bond Payment portion of the Annual Payments for the payment and security of the New Series Bonds, as heretofore described, shall be subject only to the first and prior lien thereon and pledge thereof securing the currently outstanding Priority Bonds and, at such time as no Priority Bonds are Outstanding, the lien on and pledge of the Bond Payment Portion of the Annual Payments securing the repayment of the New Series Bonds hereby created shall be elevated to a first and
prior lien position such that this lien and pledge shall be prior in right and claim as to any other indebtedness, liability, or obligation of the Corporation or the System with respect to the New Series Bonds.

B. As an additional source of payment of Debt Service Requirements on the New Series Bonds, but not pledged as additional security therefor, the Corporation hereby reserves the right to utilize its Net Revenues for such lawful purpose, but any use of Net Revenues for the payment of New Series Bonds Debt Service Requirements shall be subject to the prior lien on and pledge of the Net Revenues securing the payment of any Additional Obligations hereafter issued by the Corporation.

C. Chapter 1208, as amended, Texas Government Code applies to the issuance of the New Series Bonds and the lien on and pledge of Bond Payment portion of the Annual Payments granted by the Corporation under subsection A. of this Section, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at any time while the New Series Bonds are outstanding and unpaid such that the pledge of the Bond Payment portion of the Annual Payments granted by the Corporation is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, as amended, then in order to preserve to the registered owners of the New Series Bonds the perfection of the security interest in this pledge, the Corporation agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code, as amended and enable a filing to perfect the security interest in this pledge to occur.

SECTION 11: Rates and Charges. For the benefit of the Holders of the New Series Bonds and in addition to all provisions and covenants in the laws of the State of Texas and in this Resolution, the Corporation hereby expressly stipulates and agrees, while any of the New Series Bonds are Outstanding, to establish and maintain rates and charges for facilities and services afforded by the System, including the Annual Payments, that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to produce Gross Revenues in each Fiscal Year sufficient:

A. To pay all Operation and Maintenance Expenses, or any expenses required by statute to be a first claim on and charge against the Gross Revenues of the System;

B. To produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest on any Prior Lien Obligations hereafter issued by the Corporation and the amounts required to be deposited in any reserve, contingency, or redemption fund or account created for the payment and security of any Prior Lien Obligations, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured solely by a prior and first lien on and pledge of the Net Revenues of the System;

C. To produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest on any Junior Lien Obligations hereafter issued by the Corporation and the amounts required to be deposited in any reserve, contingency, or redemption fund or account created for the payment and security of any Junior Lien Obligations, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured solely by a junior and inferior lien on and pledge of the Net Revenues of the System;
D. To produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest on any Inferior Lien Obligations hereafter issued by the Corporation and the amounts required to be deposited in any reserve, contingency, or redemption fund or account created for the payment and security of any Inferior Lien Obligations, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured solely by a subordinate and inferior lien on and pledge of the Net Revenues of the System;

E. To produce Net Revenues, together with any other lawfully available funds, including the Bond Payment portion of the Annual Payments, to pay the principal of and interest on the currently outstanding Priority Bonds as the same become due and payable and to deposit the amounts required to be deposited in any special fund or account, including the Priority Bonds’ debt service and debt service reserve funds and the Renewal and Replacement Fund heretofore created and established for the payment and security of the Priority Bonds; and

F. To produce Net Revenues, together with any other lawfully available funds, including the Bond Payment portion of the Annual Payments, to pay the principal of and interest on the New Series Bonds as the same become due and payable and to deposit the amounts required to be deposited in any special fund or account, including the Bond Fund created herein and any debt service reserve fund hereafter created as additional security for any Additional New Series Bonds, created and established for the payment and security of the New Series Bonds.

SECTION 12: System Fund. The Corporation hereby ratifies, confirms and herein assumes the application for so long as any New Series Bonds are Outstanding its prior covenants and agreements made in the Priority Bonds Resolutions that the Gross Revenues of the System shall be deposited, as collected and received, into a separate fund or account previously created, established, and maintained with the Depository known as the “Schertz/Seguin Local Government Corporation Revenue Fund” (the System Fund) and that the Gross Revenues of the System shall be kept separate and apart from all other funds of the Corporation. The Corporation covenants that the Overhead Expenses and Operation and Maintenance Expenses (each as defined in the Contract) shall be deposited upon receipt by the Corporation into the System Fund. All Gross Revenues deposited into the System Fund shall be pledged and appropriated to the extent required for the following uses and in the order of priority shown:

FIRST: to the payment of all necessary and reasonable Operation and Maintenance Expenses as defined herein or required by statute, to be a first charge on and claim against the Gross Revenues of the System.

SECOND: to the payment of the amounts required to be deposited into the bond, reserve, contingency, or redemption funds created and established for the payment of any Prior Lien Obligations hereafter issued by the Corporation as the same become due and payable.

THIRD: to the payment of the amounts required to be deposited into the bond, reserve, contingency, or redemption funds created and established for the payment of any Junior Lien Obligations hereafter issued by the Corporation as the same become due and payable.
FOURTH: to the payment of the amounts required to be deposited into the bond, reserve, contingency, or redemption funds created and established for the payment of any Inferior Lien Obligations hereafter issued by the Corporation as the same become due and payable.

FIFTH: to the payment of the amounts that must be deposited in any special funds or accounts, including the debt service and debt service reserve funds and the Renewal and Replacement Fund created and established for the payment and security of the currently outstanding Priority Bonds.

SIXTH: to the payment of the amounts that must be deposited in any special funds or accounts, including the Bond Fund created herein and any debt service reserve fund hereafter created as additional security for any Additional New Series Bonds, created and established for the payment and security of the New Series Bonds.

Any Net Revenues remaining in the System Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other Corporation purpose now or hereafter permitted by law.

SECTION 13: Bond Fund; Surplus Bond Proceeds. For purposes of providing funds to pay the principal of and interest on the New Series Bonds as the same become due and payable, the Corporation agrees to maintain, at the Depository, a separate and special fund or account previously created and known as the “Schertz/Seguin Local Government Corporation Contract Revenue Bonds, Series Interest and Sinking Fund” (the Bond Fund). The Corporation covenants that the Bond Payment portion of the Annual Payments shall be deposited upon receipt by the Corporation into the Bond Fund. The Authorized Officials covenant that there shall be deposited into the Bond Fund prior to each principal and interest payment date from the available Bond Payment portion of the Annual Payments an amount equal to one hundred per cent (100%) of the amount required to fully pay the interest on and the principal of the New Series Bonds then falling due and payable, such deposits to pay maturing principal and accrued interest on the New Series Bonds to be made in substantially equal monthly installments on or before the tenth day of each month, beginning on or before the tenth day of the month next following the delivery of the Bonds to the Purchasers. If the Bond Payment portion of the Annual Payments in any month are insufficient to make the required payments into the Bond Fund, then the amount of any deficiency in such payment shall be added to the amount otherwise required to be paid into the Bond Fund in the next month. For the avoidance of doubt, and for purposes of clarity, the Bond Payment portion of the Annual Payments received by the Corporation from the Cities under the Contract shall be utilized by the Corporation, as received, in the following manner for so long as any Priority Bonds remain Outstanding:

FIRST: to the payment of the amounts that must be deposited in any special funds or accounts, including the debt service and debt service reserve funds created and established for the payment and security of the currently outstanding Priority Bonds and the Renewal and Replacement Fund, in the times and in the amounts (if at all) specified in the Priority Bonds Resolutions.
SECOND: to the payment of the amounts that must be deposited in any special funds or accounts, including the Bond Fund, created and established for the payment and security of the New Series Bonds (and including any debt service reserve fund hereafter created as additional security for any Additional New Series Bonds).

The required monthly deposits to the Bond Fund for the payment of principal of and interest on the New Series Bonds shall continue to be made as hereinabove provided until such time as (i) the total amount on deposit in the Bond Fund is equal to the amount required to fully pay and discharge all outstanding New Series Bonds (principal and interest) or (ii) the New Series Bonds are no longer Outstanding.

Accrued interest, if any, received from the Purchasers, as well as any Net Revenues deposited to the Bond Fund at the Corporation’s discretion, shall be taken into consideration and reduce the amount of the monthly deposits hereinabove required to be deposited into the Bond Fund from the Bond Payment portion of the Annual Payments. Additionally, any proceeds of the Bonds, and investment income thereon, not expended for authorized purposes shall be deposited into the Bond Fund and such amounts as deposited shall be taken into consideration and reduce the amount of monthly deposits required to be deposited into the Bond Fund from the Bond Payment portion of the Annual Payments.

SECTION 14: Reserve Fund. The Corporation hereby reserves the right to establish, at the time of issuance of any series of Additional New Series Bonds, a debt service reserve fund, as either a segregated fund created for the benefit of a particular series of Additional New Series Bonds or a combined fund applicable to all New Series Bonds at such time Outstanding, and to provide for the funding of any such debt service reserve fund in the manner (which may be in any manner then or thereafter permitted by applicable law) and amount as prescribed in the Corporation resolution authorizing the issuance of the series of Additional New Series Bonds in conjunction with which such reserve fund is created. No debt service reserve was created in the issuance of the Previously Issued New Series Bonds or is created in connection with the issuance of the Bonds.

SECTION 15: Renewal and Replacement Fund. There has been previously created and established under the Priority Bonds Resolutions that there shall be maintained at the Depository, and accounted for separate and apart from all other funds of the Corporation a separate fund entitled the “Schertz/Seguin Local Government Corporation Contract Revenue Bonds Renewal and Replacement Fund” (the Renewal and Replacement Fund). The amount deposited initially into the Renewal and Replacement Fund from proceeds of the previously issued Priority Bonds was $500,000.00 (the Emergency Amount) which amount may not be decreased while any Priority Bonds are Outstanding. The Renewal and Replacement Fund shall be used for the purpose of (1) paying the costs of improvements, enlargements, extensions, additions, replacements, or other capital expenditures related to the System, or (2) paying the costs of unexpected or extraordinary repairs or replacements of the System for which System funds are not available, or (3) paying unexpected or extraordinary expenses of operation and maintenance of the System for which System funds are not otherwise available, or (4) paying the debt service requirements on the currently outstanding Priority Bonds for which other System revenues are not available, or (5) for any other lawful purpose in support of the System.
Though it has not exercised such right with respect to the issuance of the currently outstanding New Series Bonds, the Corporation hereby reserves the right to provide, in any prospective Corporation resolution authorizing the issuance of any series of Additional New Series Bonds, for an increase in the amount to be maintained from time to time in the Renewal and Replacement Fund and to provide that the amounts on deposit from time in the Renewal and Replacement Fund shall be available to pay debt service on the New Series Bonds subject to the prior use of any such proceeds to pay debt service on any Priority Bonds at such time Outstanding. Such Corporation resolution shall provide for the manner of funding any resultant increase in the amount to be accumulated and maintained in the Repair and Replacement Fund in a manner permitted under the Priority Bonds Resolutions and other applicable law and that is not in conflict with terms and provisions of this Resolution.

SECTION 16: Deficiencies – Excess Net Revenues.

A. If on any occasion there shall not be a sufficient amount of the Bond Payment portion of the Annual Payments to make the required deposits into the Bond Fund, then such deficiency shall be cured as soon as possible from the next available unallocated Annual Payments, or from any other sources available for such purpose, and such payments shall be in addition to the amounts required to be paid into these Funds or accounts during such month or months. Subject to making the required deposits to any funds or accounts securing any Additional Obligations or Priority Bonds, when and as required by any Corporation resolution authorizing a series of Additional Obligations or any Priority Bonds Resolution, respectively, the excess Net Revenues of the System may be used by the Corporation for any lawful purpose including, but not limited to, the payment of the Debt Service Requirements on or redemption of any New Series Bonds.

B. Subject to making the required deposits to the Bond Fund when and as required by this Resolution or any resolution authorizing the issuance of Additional New Series Bonds or Additional Obligations, the excess Net Revenues of the System may be used by the Corporation for any lawful purpose including, but not limited to, the redemption of any Bonds Similarly Secured or New Series Bonds, as applicable.

SECTION 17: Payment of Bonds. While any of the New Series Bonds are Outstanding, any Authorized Official shall cause to be transferred to the Paying Agent/Registrar therefor, from funds on deposit in the Bond Fund, amounts sufficient to fully pay and discharge promptly each installment of interest on and principal of the New Series Bonds as such installment accrues or matures; such transfer of funds must be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar for the New Series Bonds at the close of the business day next preceding the date a debt service payment is due on the New Series Bonds.

SECTION 18: Investments. Funds held in any Fund or account created, established, or maintained pursuant to this Resolution shall, at the option of the Corporation, be invested as permitted by the provisions of the Public Funds Investment Act, as amended, Chapter 2256, Texas Government Code, or any other law (collateralized pursuant to the Public Funds Collateral Act, as amended, Chapter 2257, Texas Government Code), and secured (to the extent not insured by the Federal Deposit Insurance Corporation) by obligations of the type hereinafter described,
including time deposits, certificates of deposit, guaranteed investment contracts, or similar contractual agreements, investments held in book-entry form, in securities including, but not limited to, direct obligations of the United States of America, obligations guaranteed or insured by the United States of America, which, in the opinion of the Attorney General of the United States, are backed by its full faith and credit or represent its general obligations, or invested in indirect obligations of the United States of America, including, but not limited to, evidences of indebtedness issued, insured, or guaranteed by such governmental agencies as the Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Home Loan Banks, Government National Mortgage Association, Farmers Home Administration, Federal Home Loan Mortgage Association, or Federal Housing Association; provided that all such deposits and investments shall be made in such a manner that the money required to be expended from any Fund or account will be available at the proper time or times. Such investments (except State and Local Government Series investments held in book entry form, which shall at all times be valued at cost) shall be valued in terms of current market value within 45 days of the close of each Fiscal Year. All interest and income derived from deposits and investments in the Bond Fund immediately shall be credited to, and any losses debited to, the Bond Fund. All such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds.

SECTION 19: Issuance of Additional Bonds.

A. The Corporation hereby covenants to not issue any Additional Priority Bonds.

B. In addition to the right to issue bonds of subordinate and inferior lien as authorized by the laws of this State of Texas, the Corporation reserves the right hereafter to issue Additional New Series Bonds. The Additional New Series Bonds, when issued, shall be payable from and secured by a lien on and pledge of the Bond Payment portion of the Annual Payments in the same manner and to the same extent as are the New Series Bonds at such time Outstanding and such Additional New Series Bonds and New Series Bonds at such time Outstanding shall in all respects be of equal dignity. The Additional New Series Bonds may be issued in one or more installments provided, however, that no Additional New Series Bonds, shall be issued unless and until the following conditions have been met:

(1) The Corporation is not then in default as to any covenant, condition or obligation prescribed in any Priority Bonds Resolution authorizing the issuance of Priority Bonds at such time outstanding and any resolution authorizing the issuance of the New Series Bonds at such time Outstanding or the Contract (including any amendment or supplement thereto).

(2) A consulting engineer certifies to the Corporation the need for an estimated amount of additional financing required for completion, expansion, enlargement or improvement of the Project, if new money bonds are being issued.

(3) The Cities shall have approved the resolution(s) authorizing the issuance of the Additional New Series Bonds as to form and content and acknowledged that the payment of principal of and interest on such Additional New Series Bonds is payable, in
whole or in part, from the Bond Payment portion of the Annual Payments to be made by the Cities to the Corporation under and pursuant to the Contract.

(4) The Additional New Series Bonds are made to mature on February 1 or August 1 or both in each of the years in which they are scheduled to mature.

(5) The resolution authorizing the issuance of the Additional New Series Bonds provides for deposits to be made to the Bond Fund in amounts sufficient to pay the principal of and interest on such Additional New Series Bonds as the same become due.

Outstanding New Series Bonds may be refunded (pursuant to any law then available) upon such terms and conditions as the Corporation’s Board may deem to be in the best interest of the Corporation.

SECTION 20: Issuance of Prior Lien Obligations. The Corporation also reserves the right to issue Prior Lien Obligations that are payable from and secured by a first and prior lien and pledge of the Net Revenues of the System. The Corporation covenants and agrees, however, it will not issue any Prior Lien Obligations unless:

A. Except for a refunding to cure a default, the Corporation is not then in default as to any covenant, condition or obligation prescribed by the resolutions authorizing the issuance of New Series Bonds.

B. Each of the funds created solely for the payment of principal of and interest on the then-outstanding Priority Bonds and then-outstanding New Series Bonds contains the amounts of money then-required to be on deposit therein.

In addition, the Prior Lien Obligations may be refunded pursuant to any law then available upon such terms and conditions as the Corporation’s Board may deem to be in the best interest of the Corporation and its inhabitants.

SECTION 21: Obligations of Inferior Lien and Pledge. The Corporation hereby reserves the right to issue, at any time, obligations including, but not limited to, Junior Lien Obligations and Inferior Lien Obligations payable from and secured, in whole or in part, by a lien on and pledge of the Net Revenues of the System, subordinate and inferior in rank and dignity to the lien on and pledge of such Net Revenues securing the payment of any Prior Lien Obligations hereafter issued by the Corporation as may be authorized by the laws of the State of Texas.

SECTION 22: Special Project Bonds. The Corporation further reserves the right to issue bonds in one or more installments for the purchase, construction, improvement, extension, replacement, enlargement or repair of utility facilities necessary under a contract or contracts with persons, corporations, municipal corporations, political subdivisions, or other entities, such bonds to be payable from and secured by the proceeds of such contract or contracts. The Corporation further reserves the right to refund such bonds and secure the payment of the debt service requirements on the refunding bonds in the same manner or as otherwise permitted by the laws of the State of Texas.
SECTION 23: Maintenance of System - Insurance. The Corporation covenants, agrees, and affirms its covenants that while the New Series Bonds remain outstanding it will maintain and operate the System with all possible efficiency and maintain casualty and other insurance on the properties of the System and its operations of a kind and in such amounts customarily carried by municipal corporations in the State of Texas engaged in a similar type of business (which may include an adequate program of self-insurance); and that it will faithfully and punctually perform all duties with reference to the System required by the laws of the State of Texas. All money received from losses under such insurance policies, other than public liability policies, shall be retained for the benefit of the Holders of the New Series Bonds until and unless the proceeds are paid out in making good the loss or damage in respect of which such proceeds are received, either by replacing the property destroyed or repairing the property damaged, and adequate provision for making good such loss or damage must be made within ninety (90) days after the date of loss. The payment of premiums for all insurance policies required under the provisions hereof shall be considered Operation and Maintenance Expenses. Nothing in this Resolution shall be construed as requiring the Corporation to expend any funds which are derived from sources other than the operation of the System but nothing herein shall be construed as preventing the Corporation from doing so.

SECTION 24: Records and Accounts - Annual Audit. The Corporation covenants, agrees, and affirms its covenants that so long as any of the New Series Bonds remain outstanding, it will keep and maintain separate and complete records and accounts pertaining to the operations of the System in which complete and correct entries shall be made of all transactions relating thereto as provided by applicable law. The Holders of the Bonds or any duly authorized agent or agents of such Holders shall have the right to inspect the System and all properties comprising the same. The Corporation further agrees that following (and in no event later than 150 days after) the close of each Fiscal Year, it will cause an audit of such books and accounts to be made by an independent firm of Certified Public Accountants which annual audit shall be prepared in accordance with generally accepted auditing standards. Copies of each annual audit shall be furnished, without charge, (i) to the Texas Water Development Board, Attention: Executive Administrator and (ii) upon written request, to and at the expense of such Holder, to any subsequent Holder thereof. Expenses incurred in making the annual audit of the operations of the System are to be regarded as Operation and Maintenance Expenses.

SECTION 25: Sale or Encumbrance of System. While any New Series Bonds remain Outstanding, the Corporation will not sell, dispose of or, except as permitted in Sections 20, 21, 22, 23, and 62, further encumber the Net Revenues of the System or any substantial part thereof; provided, however, that this provision shall not prevent the Corporation from disposing of any of the Project or the System which is being replaced or is deemed by the Corporation to be obsolete, worn out, surplus or no longer needed for the proper operation of the System. Any agreement pursuant to which the Corporation contracts with a person, corporation, municipal corporation or political subdivision to operate the System or to lease and/or operate all or part of the System shall not be considered as an encumbrance of the System.

SECTION 26: Competition. To the extent it legally may, the Corporation will not grant any franchise or permit for the acquisition, construction or operation of any competing facilities which might be used as a substitute for the System and will prohibit the operation of any such competing facilities.
SECTION 27: Special Covenants. The Corporation further covenants and agrees that:

A. Encumbrance and Sale.

(1) The Annual Payments and the Net Revenues have not in any manner been pledged to the payment of any debt or obligation of the Corporation except with respect to the currently Outstanding Priority Bonds and New Series Bonds are Outstanding, the Corporation will not, except as provided in this Resolution, additionally encumber any portion of the Annual Payments or the Net Revenues.

(2) While the New Series Bonds are Outstanding, and except as specifically permitted in Section 20, 21, 22, 23, and 62, of this Resolution, the Corporation shall not mortgage, pledge, encumber, sell, lease, or otherwise dispose of or impair its title to the Net Revenues of the System or any significant or substantial part thereof.

B. Title. Subject to the provisions of Section 62 of the Resolution, the Corporation or the Cities lawfully owns or will own and is or will be lawfully possessed of the lands or easements upon which its System is and will be located, and has or will purchase good and indefeasible estate in such lands in fee simple, or has or will lawfully obtain any necessary easements to operate the System, and it warrants that it has or will obtain and will defend, the title to all the aforesaid lands and easements for the benefit of the owners of the New Series Bonds against the claims and demands of all persons whomsoever, that it is lawfully qualified to pledge the Bond Payment portion of the Annual Payments to the payment of the New Series Bonds, in the manner prescribed herein, and that it has lawfully exercised such rights.

C. Liens. The Corporation will from time to time and before the same become delinquent pay and discharge all taxes, assessments, and governmental charges, if any, which shall be lawfully imposed upon it, or its System, and it will pay all lawful claims for rents, royalties, labor, materials, and supplies which if unpaid might by law become a lien or charge upon its System, provided, however, that no such tax, assessment, or charge, and that no such claims which might be or other lien or charge, shall be required to be paid while the validity of the same shall be contested in good faith by the Corporation.

D. Performance. The Corporation will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in the Contract and in the resolutions authorizing the issuance of New Series Bonds, and in each and every New Series Bond and pay from the Bond Payment portion of the Annual Payments the principal of and interest on every New Series Bond (subject to the payment obligations relating to the currently outstanding Priority Bonds, as specified in the Priority Bonds Resolutions) on the dates and in the places and manner prescribed in such resolutions and New Series Bonds; and that it will, at the times and in the manner prescribed (and subject to the payment requirements applicable to the currently outstanding Priority Bonds, as specified in the Priority Bonds Resolutions), deposit or cause to be deposited from the Bond Payment portion of the Annual Payments the amounts required to be deposited into the Bond Fund; and the Holder of the New Series Bonds may require the Corporation, its officials, agents, and employees to carry out, respect, or enforce the covenants and obligations of this Resolution or any resolution authorizing the issuance of Additional New Series Bonds including, but without limitation, the use and filing of mandamus
proceedings, in any court or competent jurisdiction, against the Corporation, its officials, agents, and employees.

E. Legal Authority. The Corporation is duly authorized under the laws of the State of Texas to issue the New Series Bonds; that all action on its part for the authorization and issuance of the New Series Bonds has been duly and effectively taken, and the New Series Bonds in the hands of the Holders thereof are and will be valid and enforceable special obligations of the Corporation in accordance with their terms.

F. Budget. The Corporation will prepare, adopt, and place into effect an annual budget (the Annual Budget) for operation and maintenance of the System for each Fiscal Year, including in each Annual Budget such items as are customarily and reasonably contained in a utility system budget under generally accepted accounting procedures.

G. Permits. The Corporation will comply with all of the terms and conditions of any and all franchises, permits, and authorizations applicable to or necessary with respect to the System and which have been obtained from any governmental agency; and the Corporation has or will obtain and keep in full force and effect all franchises, permits, authorizations, and other requirements applicable to or necessary with respect to the acquisition, construction, equipment, operation, and maintenance of the System.

SECTION 28: Limited Obligations of the Corporation. The New Series Bonds are limited, special obligations of the Corporation payable from and equally and ratably secured, together with the Previously Issued New Series Bonds and any Additional New Series Bonds hereafter issued by the Corporation, solely by a lien on and pledge of the Bond Payment portion of the Annual Payments at the level of priority specified in Section 10 hereof, and the Holders thereof shall never have the right to demand payment of the principal or interest on the New Series Bonds from any funds raised or to be raised through taxation by the Corporation.

SECTION 29: Security of Funds. All money on deposit in the Funds or accounts for which this Resolution makes provision (except any portion thereof as may be at any time properly invested as provided herein) shall be secured in the manner and to the fullest extent required by the laws of the State of Texas for the security of public funds (including as required by and in accordance with the Texas Public Funds Collateral Act, codified at Chapter 2257, as amended, Texas Government Code), and money on deposit in such Funds or accounts shall be used only for the purposes permitted by this Resolution.

SECTION 30: Remedies in Event of Default. In addition to all the rights and remedies provided by the laws of the State of Texas and specifically to confirm that the Purchasers have all rights and remedies available under Texas law hereunder, the Corporation covenants and agrees particularly that in the event the Corporation (a) defaults in the payments to be made to the Bond Fund, or (b) defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in this Resolution, the Holders of any of the New Series Bonds shall be entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the Corporation and other officers of the Corporation to observe and perform any covenant, condition, or obligation prescribed in this
Resolution or in the Contract. In addition, the Holders shall be entitled to exercise any rights of
enforcement against the Cities, as provided in the Contract.

No delay or omission to exercise any right or power accruing upon any default shall
impair any such right or power or shall be construed to be a waiver of any such default or
acquiescence therein, and every such right and power may be exercised from time to time and as
often as may be deemed expedient. The specific remedy herein provided shall be cumulative of
all other existing remedies and the specification of such remedy shall not be deemed to be
exclusive.

For the avoidance of doubt, for so long as the Purchasers are Holders of the Bonds, the
Purchasers may exercise all remedies available to it at law or in equity, and any provision of this
Resolution or the Bonds that attempts to restrict or limit this right to exercise remedies shall be
of no force or effect.

SECTION 31: Notices to Holders Waiver. Wherever this Resolution provides for notice
to Holders of any event, such notice shall be sufficiently given (unless otherwise herein
expressly provided) if in writing and sent by United States Mail, first-class postage prepaid, to
the address of each Holder appearing in the Security Register at the close of business on the
business day next preceding the mailing of such notice.

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

SECTION 32: Bonds Are Negotiable Instruments. Each of the Bonds authorized herein
shall be deemed and construed to be a “security” and as such a negotiable instrument with the
meaning of the Chapter 8 of the Texas Uniform Commercial Code.

SECTION 33: Cancellation. All New Series Bonds surrendered for payment, transfer,
redemption, exchange, or replacement, if surrendered to the Paying Agent/Registrar, shall be
promptly canceled by it and, if surrendered to the Corporation, shall be delivered to the Paying
Agent/Registrar and, if not already canceled, shall be promptly canceled by the Paying
Agent/Registrar. The Corporation may at any time deliver to the Paying Agent/Registrar for
cancellation any New Series Bonds previously certified or registered and delivered which the
Corporation may have acquired in any manner whatsoever, and all New Series Bonds so
delivered shall be promptly canceled by the Paying Agent/Registrar. All canceled New Series
Bonds held by the Paying Agent/Registrar shall be destroyed as directed by the Corporation.

SECTION 34: Mutilated, Destroyed, Lost, and Stolen Bonds. If (1) any mutilated Bond
is surrendered to the Paying Agent/Registrar, or the Corporation and the Paying Agent/Registrar
receive evidence to their satisfaction of the destruction, loss, or theft of any Bond, and (2) there
is delivered to the Corporation and the Paying Agent/Registrar such security or indemnity as may be required to save each of them harmless, then, in the absence of notice to the Corporation or the Paying Agent/Registrar that such Bond has been acquired by a bona fide purchaser, the Corporation shall execute and, upon its request, the Paying Agent/Registrar shall register and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost, or stolen Bond, a new Bond of the same Stated Maturity and interest rate and of like tenor and principal amount, bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost, or stolen Bond has become or is about to become due and payable, the Corporation in its discretion may, instead of issuing a new Bond, pay such Bond.

Upon the issuance of any new Bond or payment in lieu thereof, under this Section, the Corporation may require payment by the Holder of a sum sufficient to cover any tax or other governmental charge or fee imposed in relation thereto and any other expenses (including attorney’s fees and the fees and expenses of the Paying Agent/Registrar) connected therewith.

Every new Bond issued pursuant to this Section in lieu of any mutilated, destroyed, lost, or stolen Bond shall constitute a replacement of the prior obligation of the Corporation, whether or not the mutilated, destroyed, lost, or stolen Bond shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Resolution equally and ratably with all other Outstanding Bonds.

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

SECTION 35: Sale of the Bonds; Approval of Private Placement Memorandum; Use of Bond Proceeds. The sale of the Bonds to the Texas Water Development Board (the Purchasers and having all the rights, benefits, and obligations of a Holder) at the price of par, less the origination fee of $__________ pursuant to a loan commitment received from the Purchasers is hereby confirmed. The pricing and terms of the sale of the Bonds are hereby found and determined to be the most advantageous reasonably obtainable by the Corporation. Delivery of the Bonds to the Purchasers shall occur as soon as practicable after the adoption of this Resolution, upon payment therefor in accordance with the terms of loan commitment, and this Resolution.

The Private Placement Memorandum (the Private Placement Memorandum) related to the Bonds and presented to the Corporation’s Board in connection with this Resolution is hereby approved. Any Authorized Official is hereby directed to deliver the Private Placement Memorandum to the Purchasers in satisfaction of the prerequisite of the Purchasers to receive the Private Placement Memorandum prior to their purchase of the Bonds.
Proceeds from the sale of the Bonds shall be applied as follows:

(1) Accrued interest, if any, and capitalized interest (in the amount of $__________) received from the Purchasers shall be deposited into the Bond Fund. As interest accrues from the date of initial delivery of the Bonds to the Purchasers (the Closing Date), there will be no accrued interest.

(2) A portion of the proceeds shall be deposited into the special construction account or accounts created for the Project to be constructed with the proceeds of the Bonds or to pay the costs of issuance of the Bonds. This special construction account shall be established and maintained at the Depository and shall be invested in accordance with the provisions of Section 18 of this Resolution. Interest earned on the proceeds of the Bonds pending completion of construction of the projects financed with such proceeds shall be accounted for, maintained, deposited, and expended as permitted by the provisions of Chapter 1201, as amended, Texas Government Code, or as required by any other applicable law. Thereafter, such amounts shall be expended in accordance with Section 13 of this Resolution.

SECTION 36: Compliance with Purchasers’ Rules and Regulations. The Corporation will comply with all of the requirements contained in the resolution or resolutions adopted by the Purchasers with respect to the issuance of the Bonds. In addition, in compliance with the Purchasers’ SWIFT Loan Program Rules, the Corporation agrees and covenants:

A. to keep and maintain full and complete records and accounts pertaining to the construction of the project financed with the proceeds of sale of the Bonds, including the Construction Fund (defined herein), in accordance with the standards set forth by the Government Accounting Standard Board;

B. to create and establish at the Depository a “SWIFT Program Loan Construction Fund” (the Construction Fund) for the receipt and disbursement of all proceeds from the sale of the Bonds and all other funds acquired by the Corporation in connection with the planning and construction of the projects financed, in whole or in part, by the Purchasers pursuant to the loan evidenced by the Bonds and all funds deposited to the credit of the Construction Fund shall be disbursed only for the payment of costs and expenses incurred in connection with the planning and building of such projects as approved by the Purchasers and as otherwise allowed by the rules and in accordance with the provisions of Chapter 15, 16, or 17 of the Texas Water Code, as amended;

C. to provide the Purchasers with copies of “as built plans” pertaining to the projects financed, in whole or in part, with any funds of the Purchasers;

D. upon completion of the construction of the projects financed, in whole or in part, by the loan evidenced by the Bonds, to provide a final accounting to the Purchasers of the total costs of the projects. Thereafter, the Corporation shall submit a final accounting and a final funds registration form to the Executive Administrator, or his designee within 60 days of the Corporation’s receipt of the certificate of approval for the final pricing construction contract and the final inspection receipt. Upon receipt of this information, the Purchasers shall within 60 days of receipt of this information provide written direction of the Corporation of the course of action
to be taken with respect to such surplus funds. If the projects as finally completed are built at a total cost less than the amount of available funds for building the projects, or if the Executive Administrator of the Purchasers disapproves construction of any portion of such projects as not being in accordance with the plans and specifications, the Corporation agrees to immediately, with filing of the final accounting, return to the Purchasers the amount of any such excess and/or the cost determined by the Executive Administrator of the Purchasers relating to the parts of such projects not built in accordance with the plans and specifications, to the nearest multiple of the authorized denominations for the Bonds, upon the surrender and cancellation of a like amount of the appropriate series of such Bonds held by the Purchasers in inverse order of their Stated Maturities by (i) the effectuation of a redemption of such amount of Bonds pursuant to Section 4.A. hereof, (ii) the deposit into the Bond Fund for the next scheduled payment of interest or principal on the Bonds, or (iii) spending such amount on other eligible project costs as authorized by the Executive Administrator. In determining the amount of available funds for building the project, the Corporation agrees to account for all amounts deposited to the credit of the Construction Fund, including all loan funds extended by the Purchasers, all other funds available from the projects as described in the project engineer’s or fiscal representative’s sufficiency of funds statement and all interest earned by the Corporation on money in the Construction Fund;

E. in addition to the requirements contained in Section 23 hereof, to maintain adequate insurance coverage on the projects financed with the proceeds of the Bonds in amounts adequate to protect the Purchasers’ interest;

F. in addition to the requirements contained in Section 24 hereof, to maintain current, accurate, and complete records and accounts necessary to demonstrate compliance with financial assistance related legal and contractual provisions;

G. to implement any water conservation program required by the Purchasers until all financial obligations to the Purchasers have been discharged;

H. to comply with any special conditions, if any, specified by the Corporation’s water conservation plan maintained in accordance with 31 TAC 363.15, as well as any environmental determination until all financial obligations to the Purchasers have been discharged;

I. to abide by the Purchasers’ rules and relevant state statutes, including, but not limited to, the Purchasers’ pre-design funding procedures;

J. to not use Bond proceeds to pay for the cost of sampling, testing, removing or disposing of injection well fluids, brine concentration, municipal solid wastes, soils and/or media contaminated by hazardous substances, and for managing and disposing of any other hazardous substances, including (but not limited to) radioactive substances and low-level radioactive wastes, that may be generated at the project site during planning, design, and construction activities;

K. loan proceeds shall not be used by the Corporation when sampling, testing, removing or disposing of contaminated soils and/or media at the project site and the Corporation also agrees, to the extent permitted by law, to indemnify, hold harmless and protect the
Purchasers from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport, storage, treatment, and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the Corporation, its contractors, consultants, agents, officials, and employees during the course of the project;

L. to apply for and obtain all permits, licenses, letter authorizations, notifications of solid waste registration, notices of intent and other regulatory approvals that may be required by those federal, state, regional, and local governmental entities responsible for regulating environmental, health and safety, and transportation-related matters arising from or pertaining to the generation, management, and disposal of all municipal solid wastes, radioactive substances, and low-level radioactive-wastes that may be generated as the result of the planning, design, and construction of the project financed with Bond proceeds, including (but not necessarily limited to) surface water discharge permit(s), stormwater permits, underground injection control permits, solid waste facility registrations, notifications, and/or permits, hazardous waste permits, radioactive materials management licenses, and low-level radioactive waste permits, registrations, and exemptions;

M. the Corporation shall report to the Purchasers the amounts of project funds, if any, that were used to compensate historically underutilized businesses that worked on the project, in accordance with 31 TAC § 363.1312;

N. to notify the Executive Administrator of the Purchasers prior to taking any actions to alter the legal status of the Corporation’s Board in any manner (such as by conversion to a conservation and reclamation district or a sale-transfer-merger with another retail public utility that results in a change in governance of the System) and to receive approval from the Purchasers of any action to convey the Corporation’s obligations to the Purchasers, as the Holder of the Bonds, to another entity;

O. to not use any portion of the Bond proceeds, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire Nonpurpose Investments (as defined in Section 38 hereof) which produce a yield materially higher than the yield on the Purchasers’ bonds that are used to provide the Purchasers with proceeds that it will use to purchase the Bonds (the Source Series Bonds), other than Nonpurpose Investments acquired with:

1. Proceeds of the Source Series Bonds invested for a reasonable temporary period of up to three (3) years (reduced by the period of investment by the Purchasers) until such proceeds are needed for the facilities to be financed;

2. Amounts invested in a bona fide debt service fund, within the meaning of §1.148-1(b) of the Regulations (as defined in Section 38 hereof); and

3. Amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed the least of maximum annual debt service on the Bonds, 125% of average annual debt service on the Bonds, or 10% of the stated principal amount (or, in the case of a discount, the issue price) of the Bonds; and
(4) to not acquire any of the Source Series Bonds in an amount related to the amount of the Bonds.

SECTION 37: Application to Texas Water Development Board. The Corporation’s Board ratifies and confirms its prior approval of the form and content of the Application to the Texas Water Development Board (the Application) prepared in connection with the sale of the Bonds and hereby approves the form and content of any addenda, supplement, or amendment thereto.

SECTION 38: Covenants to Maintain Tax-Exempt Status.

A. Definitions. When used in this Section, the following terms have the following meanings:

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

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

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

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

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

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

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

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

(1) any Investment has the meaning set forth in Section 1.148-5 of the Regulations; and

(2) the Bonds has the meaning set forth in Section 1.148-4 of the Regulations.

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

C. No Private Use or Private Payments. Except to the extent that it will not cause the Bonds to become “private activity bonds” within the meaning of section 141 of the Code and the Regulations and rulings thereunder, the Corporation shall at all times prior to the last Stated Maturity of Bonds:

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

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

D. No Private Loan. Except to the extent that it will not cause the Bonds to become “private activity bonds” within the meaning of section 141 of the Code and the Regulations and rulings thereunder, the Corporation shall not use Gross Proceeds of the Bonds to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be “loaned” to a person or entity if:

(1) property acquired, constructed or improved with such Gross Proceeds is sold or leased to
such person or entity in a transaction which creates a debt for federal income tax purposes; (2) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (3) indirect benefits, or burdens and benefits of ownership, of such Gross Proceeds or any property acquired, constructed or improved with such Gross Proceeds are otherwise transferred in a transaction which is the economic equivalent of a loan.

E. **Not to Invest at Higher Yield.** Except to the extent that it will cause the Bonds to become “arbitrage bonds” within the meaning of section 148 of the Code and the Regulations and rulings thereunder, the Corporation shall not at any time prior to the final Stated Maturity of the Bonds directly or indirectly invest Gross Proceeds in any Investment, if as a result of such investment the Yield of any Investment acquired with Gross Proceeds, whether then held or previously disposed of, materially exceeds the Yield of the Bonds.

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

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

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

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

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

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

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

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

J. Bonds Not Hedge Bonds.

(1) The Corporation reasonably expects to spend at least 85% of the spendable proceeds of the Bonds within three years after such Bonds are issued.

(2) Not more than 50% of the proceeds of the Bonds will be invested in Nonpurpose Investments having a substantially guaranteed Yield for a period of 4 years or more.

K. Elections. The Corporation hereby directs and authorizes any Authorized Official, either or any combination of the foregoing, to make such elections in the Certificate as to Tax Exemption or similar or other appropriate certificate, form, or document permitted or required pursuant to the provisions of the Code or the Regulations, as they deem necessary or appropriate in connection with the Bonds. Such elections shall be deemed to be made on the Closing Date.

SECTION 39: Control and Custody of Bonds. The President of the Corporation’s Board of Directors shall be and is hereby authorized to take and have charge of all necessary orders and records pending investigation by the Attorney General of the State of Texas, and shall take and have charge and control of the Bonds pending their approval by the Attorney General, the
registration thereof by the Comptroller of Public Accounts and the delivery of the Bonds to the Purchasers.

Furthermore, any Authorized Official, either or all, are hereby authorized and directed to furnish and execute such documents relating to the Corporation and its financial affairs as may be necessary for the issuance of the Bonds, the approval of the Attorney General and their registration by the Comptroller of Public Accounts and, together with the Corporation’s Financial Advisors, Bond Counsel, and the Paying Agent/Registrar, make the necessary arrangements for the delivery of the Initial Bonds to the Purchasers and, when requested in writing by the Purchasers, the initial exchange thereof for definitive Bonds.

SECTION 40: Satisfaction of Obligation of Corporation. If the Corporation shall pay or cause to be paid, or there shall otherwise be paid to the Holders, the principal of, premium, if any, and interest on the New Series Bonds, at the times and in the manner stipulated in this Resolution, then the lien on and pledge of the Bond portion of the Annual Payments under this Resolution and all covenants, agreements, and other obligations of the Corporation to the Holders shall thereupon cease, terminate, and be discharged and satisfied.

New Series Bonds, or any principal amount(s) thereof, shall be deemed to have been paid within the meaning and with the effect expressed above in this Section when (i) money sufficient to pay in full such New Series Bonds or the principal amount(s) thereof on or prior to Stated Maturity or to the redemption date therefor, together with all interest due thereon, shall have been irrevocably deposited with and held in trust by the Paying Agent/Registrar or an authorized escrow agent, and/or (ii) Government Securities shall have been irrevocably deposited in trust with the Paying Agent/Registrar, or an authorized escrow agent, which Government Securities have, in the case of a net defeasance, been certified by an independent accounting firm to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any money deposited therewith, if any, to pay when due the principal of and interest on such New Series Bonds, or the principal amount(s) thereof, on and prior to the Stated Maturity thereof or (if notice of redemption has been duly given or waived or if irrevocable arrangements therefor acceptable to the Paying Agent/Registrar have been made) the redemption date thereof for the Bonds. In the event of a gross defeasance of the Bonds, the Corporation shall deliver a certificate from its Financial Advisors, the Paying Agent/Registrar, or another qualified third party concerning the deposit of cash and/or Government Securities to pay, when due, the principal of, redemption premium (if any), and interest due on any defeased Bonds. The Corporation covenants that no deposit of money or Government Securities will be made under this Section and no use made of any such deposit which would cause the Bonds to be treated as arbitrage bonds within the meaning of section 148 of the Code (as defined in Section 38). As long as the Purchasers hold all of the Bonds the Corporation will give the Purchasers notice of the creation of any escrow pursuant to this Section. Failure to give such notice shall not affect the validity or effectiveness of the creation of such an escrow.

Any money so deposited with the Paying Agent/Registrar, and all income from Government Securities held in trust by the Paying Agent/Registrar, or an authorized escrow agent, pursuant to this Section which is not required for the payment of the New Series Bonds, or any principal amount(s) thereof, or interest thereon with respect to which such money has been
so deposited shall be remitted to the Corporation or deposited as directed by the Corporation. Furthermore, any money held by the Paying Agent/Registrar for the payment of the principal of and interest on the New Series Bonds and remaining unclaimed for a period of four (4) years after the Stated Maturity, or applicable redemption date, of the New Series Bonds such money was deposited and is held in trust to pay shall upon the request of the Corporation be remitted to the Corporation against a written receipt therefor, subject to the unclaimed property laws of the State of Texas.

Notwithstanding any other provision of this Resolution to the contrary, it is hereby provided that any determination not to redeem defeased New Series Bonds that is made in conjunction with the payment arrangements specified in (i) or (ii) above shall not be irrevocable, provided that: (1) in the proceedings providing for such defeasance, the Corporation expressly reserves the right to call the defeased New Series Bonds for redemption; (2) gives notice of the reservation of that right to the owners of the defeased New Series Bonds immediately following the defeasance; (3) directs that notice of the reservation be included in any redemption notices that it authorizes; and (4) at the time of the redemption, satisfies the conditions of (i) or (ii) above with respect to such defeased debt as though it was being defeased at the time of the exercise of the option to redeem the defeased New Series Bonds, after taking the redemption into account in determining the sufficiency of the provisions made for the payment of the defeased New Series Bonds.

SECTION 41: Authorization of Escrow Agreement. The Corporation’s Board hereby finds and determines that it is in the best interest of the Corporation to authorize the execution of an Escrow Agreement, to comply with the Purchasers’ rules and regulations and provide for the installment deliveries of the proceeds of the Bonds to the Purchasers, if any. A copy of the Escrow Agreement is attached hereto, in substantially final form, as Exhibit B, and is incorporated by reference to the provisions of this Resolution for all purposes. Any Authorized Official is authorized to execute the Escrow Agreement as the act and deed of the Corporation’s Board.

SECTION 42: Resolution a Contract; Amendments - Outstanding Bonds. The Corporation acknowledges that the covenants and obligations of the Corporation herein contained are a material inducement to the purchase of the New Series Bonds. This Resolution shall constitute a contract with the Holders from time to time, binding on the Corporation and its successors and assigns, and it shall not be amended or repealed by the Corporation so long as any New Series Bond remains Outstanding except as permitted in this Section. The Corporation may, without the consent of any Holders, from time to time and at any time, amend this Resolution in any manner not detrimental to the interests of the Holders, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the Corporation may, with the written consent of Holders holding a majority in aggregate principal amount of the New Series Bonds then Outstanding affected thereby, amend, add to, or rescind any of the provisions of this Resolution; provided that, without the consent of all Holders of Outstanding New Series Bonds, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of and interest on the New Series Bonds, reduce the principal amount thereof or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, the redemption price therefor, or interest on the New Series Bonds, (2) give any preference to any New Series Bond over any other New Series Bond, or (3) reduce the aggregate
principal amount of New Series Bonds required for consent to any such amendment, addition, or rescission.

SECTION 43: Printed Opinion. The Purchasers’ obligation to accept delivery of the Bonds is subject to its being furnished a final opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, as Bond Counsel, approving certain legal matters as to the Bonds, this opinion to be dated and delivered as of the date of initial delivery and payment for such Bonds. Printing of a true and correct copy of this opinion on the reverse side of each of said Bonds, with appropriate certificate pertaining thereto executed by facsimile signature of the Secretary of the Corporation’s Board is hereby approved and authorized.

SECTION 44: CUSIP Numbers. CUSIP numbers may be printed or typed on the definitive Bonds. It is expressly provided, however, that the presence or absence of CUSIP numbers on the definitive Bonds shall be of no significance or effect as regards the legality thereof, and neither the Corporation nor attorneys approving said Bonds as to legality are to be held responsible for CUSIP numbers incorrectly printed or typed on the definitive Bonds.

SECTION 45: Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

SECTION 46: Benefits of Resolution. Nothing in this Resolution, expressed or implied, is intended or shall be construed to confer upon any person other than the Corporation, the Cities, Bond Counsel, the Paying Agent/Registrar, the Purchasers, and the Holders, any right, remedy, or claim, legal or equitable, under or by reason of this Resolution or any provision hereof, this Resolution and all its provisions being intended to be and being for the sole and exclusive benefit of the Corporation, the Cities, Bond Counsel, the Paying Agent/Registrar, the Purchasers, and the Holders.

SECTION 47: Inconsistent Provisions. All orders and resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Resolution are hereby repealed to the extent of such conflict, and the provisions of this Resolution shall be and remain controlling as to the matters resolved herein.

SECTION 48: Governing Law. This Resolution shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

SECTION 49: Severability. If any provision of this Resolution or the application thereof to any person or circumstance shall be held to be invalid, the remainder of this Resolution and the application of such provision to other persons and circumstances shall nevertheless be valid, and the Corporation’s Board hereby declares that this Resolution would have been enacted without such invalid provision.

SECTION 50: Construction of Terms. If appropriate in the context of this Resolution, words of the singular number shall be considered to include the plural, words of the plural number shall be considered to include the singular, and words of the masculine, feminine or neuter gender shall be considered to include the other genders.
SECTION 51: Incorporation of Preamble Recitals. The recitals contained in the preamble hereof are hereby found to be true, and such recitals are hereby made a part of this Resolution for all purposes and are adopted as a part of the judgment and findings of the Corporation’s Board.

SECTION 52: Authorization of Paying Agent/Registrar Agreement. The Corporation’s Board hereby finds and determines that it is in the best interest of the Corporation to authorize the execution of a Paying Agent/Registrar Agreement pertaining to the payment, registration, transferability, and exchange of the Bonds. A copy of the Paying Agent/Registrar Agreement is attached hereto, in substantially final form, as Exhibit A and is incorporated by reference to the provisions of this Resolution.

SECTION 53: Public Meeting. It is officially found, determined, and declared that the meeting at which this Resolution is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Resolution, was given, all as required by Chapter 551, as amended, Texas Government Code.

SECTION 54: Continuing Disclosure Undertaking.

A. Definitions.

As used in this Section, the following terms have the meanings ascribed to such terms below:

EMMA means the MSRB’s Electronic Municipal Market Access system, accessible by the general public, without charge, on the internet through the uniform resource locator (URL) http://www.emma.msrb.org.

MSRB means the Municipal Securities Rulemaking Board.

Rule means SEC Rule 15c2-12, as amended from time to time.

SEC means the United States Securities and Exchange Commission.

B. Annual Reports.

The Corporation shall file annually with the MSRB, (1) within six months after the end of each fiscal year of the Corporation ending in or after 2016, financial information and operating data with respect to the Corporation of the general type included in the final Private Placement Memorandum authorized by Section 35 of this Resolution, being the information described in Exhibit C hereto, and (2) if not provided as part of such financial information and operating data, audited financial statements of the Corporation, when and if available. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles described in Exhibit C hereto, or such other accounting principles as the Corporation may be required to employ from time to time pursuant to state law or regulation, and (ii) audited, if the Corporation commissions an audit of such financial statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the Corporation shall file unaudited financial statements within such
period and audited financial statements for the applicable fiscal year to the MSRB, when and if the audit report on such financial statements becomes available. Under current Texas law, the Corporation must have its records and accounts audited annually and shall have an annual financial statement prepared based on the audit. The annual financial statement, including the auditor’s opinion on the statement, shall be filed in the office of the Secretary of the Corporation’s Board of Directors, within 180 days after the last day of the Corporation’s fiscal year. Additionally, upon the filing of this financial statement and the annual audit, these documents are subject to the Texas Open Records Act, as amended, Texas Government Code, Chapter 552.

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

C. Notice of Certain Events.

The Corporation shall file notice of any of the following events with respect to the Bonds to the MSRB in a timely manner and not more than 10 business days after occurrence of the event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of holders of the Bonds, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
(11) Rating changes;

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

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

(14) Appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material.

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

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

D. Limitations, Disclaimers, and Amendments.

The Corporation shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the Corporation remains an “obligated person” with respect to the Bonds within the meaning of the Rule, except that the Corporation in any event will give notice of any deposit that causes the Bonds to be no longer Outstanding.

The provisions of this Section are for the sole benefit of the holders and beneficial owners of the Bonds, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Corporation undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Corporation’s financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The Corporation does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.
UNDER NO CIRCUMSTANCES SHALL THE CORPORATION BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE CORPORATION, WHETHER NEGLIGENT OR WITH OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

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

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

The provisions of this Section may be amended by the Corporation from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Corporation, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Resolution that authorizes such an amendment) of the Outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the Corporation (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Holders and beneficial owners of the Bonds. The Corporation may also repeal or amend the provisions of this Section if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the Corporation also may amend the provisions of this Section in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds, giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the Corporation so amends the provisions of this Section, the Corporation shall include with any amended financial information or operating data next provided in accordance with this Section an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

E. Information Format – Incorporation by Reference.

The Corporation information required under this Section shall be filed with the MSRB through EMMA in such format and accompanied by such identifying information as may be specified from time to time thereby. Under the current rules of the MSRB, continuing disclosure documents submitted to EMMA must be in word-searchable portable document format (PDF) files that permit the document to be saved, viewed, printed, and retransmitted by electronic
means and the series of obligations to which such continuing disclosure documents relate must be identified by CUSIP number or numbers.

Financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement, a private placement memorandum, or other offering document) available to the public through EMMA or filed with the SEC.

SECTION 55: Book-Entry Only System.

It is intended that the Bonds initially shall be registered so as to participate in a securities depository system (the “DTC System”) with the Depository Trust Company, New York, New York, or any successor entity thereto (“DTC”), as set forth herein. Each Stated Maturity of the Bonds shall be issued (following cancellation of the Initial Bond described in Section 7) in the form of a separate single definitive Bond. Upon issuance, the ownership of each such Bond shall be registered in the name of Cede & Co., as the nominee of DTC, and all of the Outstanding Bonds shall be registered in the name of Cede & Co., as the nominee of DTC. The Corporation and the Paying Agent/Registrar are authorized to execute, deliver, and take the actions set forth in such letters to or agreements with DTC as shall be necessary to effectuate the DTC System, including the Letter of Representations attached hereto as Exhibit D (the “Representation Letter”).

With respect to the Bonds registered in the name of Cede & Co., as nominee of DTC, the Corporation and the Paying Agent/Registrar shall have no responsibility or obligation to any broker-dealer, bank, or other financial institution for which DTC holds the Bonds from time to time as securities depository (a “Depository Participant”) or to any person on behalf of whom such a Depository Participant holds an interest in the Bonds (an “Indirect Participant”). Without limiting the immediately preceding sentence, the Corporation and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any Depository Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Depository Participant or any other person, other than a registered owner of the Bonds, as shown on the Security Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the delivery to any Depository Participant or any Indirect Participant or any other Person, other than a Holder of a Bond, of any amount with respect to principal, premium, if any, or interest on the Bonds. While in the DTC System, no person other than Cede & Co., or any successor thereto, as nominee for DTC, shall receive a bond certificate evidencing the obligation of the Corporation to make payments of principal, premium, if any, and interest on the Bonds pursuant to this Resolution. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Resolution with respect to interest checks or drafts being mailed to the Holder, the word “Cede & Co.” in this Resolution shall refer to such new nominee of DTC.

In the event that (a) the Corporation determines that DTC is incapable of discharging its responsibilities described herein and in the Representation Letter, (b) the Representation Letter shall be terminated for any reason, or (c) DTC or the Corporation determines that it is in the best interest of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the
Corporation shall notify the Paying Agent/Registrar, DTC, and the Depository Participants of the availability within a reasonable period of time through DTC of bond certificates, and the Bonds shall no longer be restricted to being registered in the name of Cede & Co., as nominee of DTC. However, the Corporation will not discontinue the use of DTC without the prior notice and consent of the Purchasers for so long as the Purchasers are the holder of any of the Bonds. At that time, the Corporation may determine that the Bonds shall be registered in the name of and deposited with a successor depository operating a securities depository system, as may be acceptable to the Corporation, or such depository’s agent or designee, and if the Corporation and the Paying Agent/Registrar do not select such alternate securities depository system then the Bonds may be registered in whatever name or names the Holders of Bonds transferring or exchanging the Bonds shall designate, in accordance with the provisions hereof.

Notwithstanding any other provision of this Resolution to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the Representation Letter.

SECTION 56: Unavailability of Authorized Publication. If, because of the temporary or permanent suspension of any newspaper, journal, or other publication, or, for any reason, publication of notice cannot be made meeting any requirements herein established, any notice required to be published by the provisions of this Resolution shall be given in such other manner and at such time or times as in the judgment of the Corporation or of the Paying Agent/Registrar shall most effectively approximate such required publication and the giving of such notice in such manner shall for all purposes of this Resolution be deemed to be in compliance with the requirements for publication thereof.

SECTION 57: No Recourse Against Corporation Officials. No recourse shall be had for the payment of principal of, premium, if any, or interest on any Bond or for any claim based thereon or on this Resolution against any official of the Corporation or any person executing any New Series Bond.

SECTION 58: Further Procedures. The officers and employees of the Corporation are hereby authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the Corporation all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Resolution, the initial sale and delivery of the Bonds, the Paying Agent/Registrar Agreement, the Escrow Agreement, and the Private Placement Memorandum. In addition, prior to the initial delivery of the Bonds, any Authorized Official and Bond Counsel are hereby authorized and directed to approve any technical changes or corrections to this Resolution or to any of the instruments authorized and approved by this Resolution necessary in order to (i) correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Resolution and as described in the Private Placement Memorandum, (ii) obtain a rating from any of the national bond rating agencies, or (iii) obtain the approval of the Bonds by the Texas Attorney General’s office. In case any officer of the Corporation whose signature shall appear on any certificate shall cease to be such officer before the delivery of such
SECTION 59: Water Supply Contract. The Corporation’s Board hereby ratifies, reconfirms, and readopts the Contract attached hereto as Exhibit E.

SECTION 60: Installment Deliveries. The Corporation acknowledges that the Purchasers of the Bonds retain the option to purchase the Bonds on an installment basis with the proceeds of the Bonds to be deposited into the Construction Fund created by this Resolution. Funds delivered in installments will be based upon incurred costs as documented by invoices submitted by the Corporation to the Purchasers.

SECTION 61: Corporation’s Consent to Provide Information and Documentation to the Texas MAC. The Municipal Advisory Council of Texas (the Texas MAC), a non-profit membership corporation organized exclusively for non-profit purposes described in section 501(c)(6) of the Internal Revenue Code and which serves as a comprehensive financial information repository regarding municipal debt issuers in Texas, requires provision of written documentation regarding the issuance of municipal debt by the issuers thereof. In support of the purpose of the Texas MAC and in compliance with applicable law, the Corporation hereby consents to and authorizes any Authorized Official, Bond Counsel to the Corporation, and/or Financial Advisor to the Corporation to provide to the Texas MAC information and documentation requested by the Texas MAC relating to the Bonds; provided, however, that no such information and documentation shall be provided prior to the Closing Date. This consent and authorization relates only to information and documentation that is a part of the public record concerning the issuance of the Bonds.

SECTION 62: Reservation of Rights to Utilize the Texas Water Development Board’s State Participation Account Program. The Cities and the Corporation have agreed in the Contract that the Corporation may file an application with the Water Development Board (also known as the TWDB) to seek financial assistance pursuant to the TWDB’s State Participation Account as authorized pursuant to Article III, Sections 49-d, 49-d-2, and 49-d-8 of the Texas Constitution and Chapter 16, Subchapters E and F, as amended, Texas Water Code, or any other assistance programs from time to time authorized by Texas law and administered by the TWDB (and under the guidelines for which the Corporation is an eligible applicant) (each a TWDB Program). To the extent the Corporation utilizes a TWDB Program to access funds to complete the Project, such TWDB Program’s rules and regulations may require that the TWDB take an undivided ownership interest in up to 50% of the infrastructure improvements comprising the Project. This undivided ownership interest is represented by a master agreement and other documents to be executed between the Corporation and the TWDB to effectuate the Corporation’s financial participation in such a TWDB Program. Under any such TWDB Program, the Corporation will be obligated to make lease or other rental payments to the TWDB to repay its financial assistance which enabled the Corporation to construct the Project in a manner in which excess capacity in the Project was implemented on a regional basis. Accordingly, the Purchasers of the New Series Bonds are provided notice that the Corporation hereby expressly reserves the right to seek financial assistance to complete the Project utilizing such a TWDB Program.
SECTION 63: Approval Certificate. Pursuant to 3.02 of the Contract and each of the resolutions adopted by the Cities, the Cities have authorized the execution of an approval certificate (the “Approval Certificate”), attached hereto as Exhibit F, which evidences the approval of the terms and provisions of the Bonds and the Contract as set forth herein by each of the Cities.

SECTION 64: Effective Date. This Resolution shall be in force and effect from and after its final passage, and it is so resolved.

[The remainder of this page intentionally left blank.]
PASSED AND ADOPTED on the ___ day of _________, 2016.

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION

________________________________________
President, Board of Directors

ATTEST:

____________________________________
Secretary, Board of Directors

(CORPORATION SEAL)
### INDEX TO EXHIBITS

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CONTINUING DISCLOSURE OF INFORMATION

DESCRIPTION OF ANNUAL FINANCIAL INFORMATION

The following information is referred to in Section 54 of this Resolution.

Annual Financial Statements and Operating Data

The financial information and operating data with respect to the Corporation to be provided annually in accordance with such Section are as specified (and included in the Appendix or under the headings of the Private Placement Memorandum referred to) below:

The Corporation’s audited financial statements for the most recently concluded Fiscal Year or to the extent these audited financial statements are not available, the portions of the unaudited financial statements of the Corporation referenced in the Private Placement Memorandum, but for the most recently concluded Fiscal Year.

Accounting Principles

The accounting principles referred to in such Section are generally accepted accounting principles for governmental units as prescribed by the Government Accounting Standards Board from time to time.
EXHIBIT E
REGIONAL WATER SUPPLY CONTRACT
SEE TAB NO. ___
EXHIBIT F
CITIES APPROVAL CERTIFICATE
SEE TAB NO. ___
CERTIFICATE AS TO TAX EXEMPTION

The undersigned, being the duly chosen and qualified Chairman, Board of Directors and General Manager of the Schertz/Seguin Local Government Corporation (the Corporation), and the property authorized officials or officers of the Cities of Seguin and Schertz, Texas (the Cities) hereby certify with respect to the Schertz/Seguin Local Government Corporation Contract Revenue Bonds, Series 2016 (Texas Water Development Board SWIRFT Project Financing) in the aggregate principal amount of $36,000,000.00 (the Bonds) as follows:

A. **General.**

1. For all purposes of this certificate, unless otherwise defined, all defined terms herein shall have the same meaning given to them in the Resolution and the Regulations (each as defined below).

2. Pursuant to state law and the Resolution authorizing the issuance of the Bonds, we, along with other officers of the Corporation, are charged with the responsibility for issuing the Bonds.

3. This certificate is made pursuant to Treasury Regulations Sections 1.148 through 1.150 (the Regulations), and sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended to the date hereof (the Code).

4. This certificate is based on the facts and estimates described herein in existence on the Closing Date, which is the date of delivery of the Bonds to and payment for the Bonds by the initial purchasers thereof, and, on the basis of such facts and estimates, the Corporation expects that the future events described herein will occur. To the best knowledge and belief of the undersigned, there are no other facts, estimates, or circumstances which would materially change the following statements, and the expectations hereinafter set forth are reasonable. The Corporation covenants not to take any intentional acts or actions after the Closing Date of the Bonds to earn a Yield upon the investment of the proceeds materially higher than the Yield on the Bonds, except as provided herein, or take any other action or omit to take any action which would change the expectations of the Corporation set forth herein.

5. Terms used and not defined herein have the same meanings given to them in the Resolution of the Corporation adopted on __________, 2016 (the Resolution) authorizing the issuance of the Bonds or in the Regulations.

6. The Corporation’s employer identification number is 74-2902229.

B. **Purpose and Size.**

1. The Bonds are being issued pursuant to the Resolution to provide funds to finance, acquire, and construct a treatment facility, a water supply pipeline, booster pumps, other appurtenances, and necessary easements and other interests in land concerning the State Water Plan (the Project) and to pay the costs and expenses of issuing the Bonds.
2. The Corporation has entered into a Regional Water Supply Contract, dated as of November 15, 1999, as amended (the *Contract*), with the Cities. Each City is a political subdivision of the State of Texas with significant powers of eminent domain, taxation and/or police. The debt service on the Bonds is payable solely from payments made by the Cities under the Contract, and the Corporation hereby allocates those payments allocated to the Bonds to debt service on the Bonds. The payments under the Contract are based exclusively on the amounts necessary to pay the Priority Bonds (as defined in the Resolution), the Previously Issued New Series Bonds (as defined in the Resolution), and the Bonds, to establish certain reserve and contingency funds, and to maintain and operate the Project.

3. The Corporation and the Cities have and will, at all times prior to the last Stated Maturity of the Bonds,

   (a) **exclusively own, operate, and possess all property acquired, refinanced, constructed, or improved with Gross Proceeds of Bonds and not use or permit the use of any property acquired, refinanced, constructed, or improved with Gross Proceeds of the Bonds in any activity carried on by any person or entity (other than a state or local government), unless such use is merely as a member of the general public, or by governmental entities such as the Cities, or is pursuant to a contract or agreement whose terms comply with Revenue Procedure 97-13, or**

   (b) **not directly or indirectly impose or accept any charge or other payment for use of Gross Proceeds of the Bonds or any property acquired, refinanced, constructed, or improved with Gross Proceeds of the Bonds, other than a charge or other payment merely as a member of the general public or by governmental entities such as the Cities or interest earned on Investments acquired with Gross Proceeds of the Bonds pending application for their intended purposes.**

4. Specifically, the property financed or referenced with the Bonds is not expected to be used (directly or indirectly) in any "private business use" (within the meaning of Section 141 of the Code), *i.e.*, a use of facilities in the trade or business of a person, other than a governmental unit or instrumentality thereof. For this purpose a "use" includes use by such person as an owner, lessee, purchaser of output of facilities under a "take and pay" or "take or pay" contract, or manager or independent contractor under certain management or service contracts. Use of the property financed or refinanced by Bonds by the general public is not considered a "use" by nongovernmental persons in trades or businesses. Use of financed or refinanced property by nongovernmental persons in their trades or businesses is treated as general public use only if the property is intended to be available and in fact is reasonably available for use on the same basis by natural persons not engaged in a trade or business. In general, use under an arrangement that conveys priority rights or other preferential benefits is not use on the same basis as the general public. Arrangements providing for use that is available to the general public at no charge or on the basis of rates that are generally applicable and uniformly applied do not convey priority rights or other preferential benefits. For this purpose, rates may be treated as generally applicable and uniformly applied even if -

   (a) different rates apply to different classes of users, such as volume purchasers, if the differences in rates are customary and reasonable; or
(b) a specially negotiated rate arrangement is entered into, but only if the user is prohibited by federal law from paying the generally applicable rates, and the rates established are as comparable as reasonably possible to the generally applicable rates.

5. We have been advised that use by a nongovernmental person pursuant to an arrangement, other than an arrangement resulting in ownership of financed property by a nongovernmental person, is not private business use if-

   (a) the term of the use under the arrangement, including all renewal options, is not longer than three years for output facilities and 50 days for all other facilities;

   (b) the arrangement is a negotiated, arm’s length arrangement that provides for compensation at fair market value or is based on generally applicable and uniformly applied rates; and

   (c) the property is not financed for a principal purpose of providing that property for use by that nongovernmental person.

6. We have been further advised that use by a nongovernmental person pursuant to an arrangement, other than an arrangement resulting in ownership of financed property by a nongovernmental person, is not private business use if the contract is a contract with a person who will not resell the output and

   (a) the obligations of purchaser to make payments is contingent upon the requirements of a single user; and

   (b) do not obligate the purchaser to make payments that are not contingent on the requirements of the purchaser or obligates the purchaser to have requirements, or require the purchaser not to cease operations.

   Contract provisions that require the purchaser to pay reasonable and customary damages (including liquidated damages) in the event of default or to pay a specified amount to terminate the contract while the purchaser has requirements, in each case, provided the payment is reasonably related to the purchaser’s obligations to buy requirements that is discharged by the payment.

7. We have been advised that a wholesale requirements contract will not result in private business use if

   (a) the term of the contract, including renewal options, does not exceed the lesser of five years or 30% of the term of the Bonds, or

   (b) the amount of output to be purchased under the contract does not exceed five percent of the available output of the facilities financed by the Bonds.

8. We have been further advised that under Revenue Procedure 97-13, as amended by applicable notices, the Internal Revenue Service (the Service) has published guidelines relating to when a favorable ruling will usually be issued with respect to the lack of private trade
or business use where a governmental unit which owns a bond-financed facility enters into a management or service contract with private for-profit persons. Under these guidelines (the Service Contract Guidelines), a ruling will usually be given to the effect that there is no trade or business use in the situations described in such Revenue Procedure. All present and future management or service contracts relating to the facilities financed or refinanced with the Bonds entered into between the Cities or the Corporation and private persons (i.e., persons other than a governmental unit) will comply with the requirements of the Service Contract Guidelines or successor guidelines applicable to the Bonds, unless a written opinion of Fulbright & Jaworski LLP, or other nationally recognized bond counsel is received to the effect that noncompliance of such management contracts with the Service Contract Guidelines will not cause the loss of the exclusion from gross income provided under Section 103(a) of the Code for interest on the Bonds or the treatment of interest on the Bonds as a preference item under Section 57 of the Code.

9. The Cities and the Corporation, as appropriate, will not use Gross Proceeds of the Bonds to make or finance or refinance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, Gross Proceeds are considered to be “loaned” to a person or entity if (1) property acquired, constructed, or improved with Gross Proceeds is sold or leased to such person or entity in a transaction which creates a debt for federal income tax purposes, (2) capacity in or service from such property is committed to such person or entity under a take-or-pay, output, or similar contract or arrangement, or (3) indirect benefits, or burdens and benefits of ownership, of Gross Proceeds or any property acquired, constructed, or improved with Gross Proceeds are otherwise transferred in a transaction which is the economic equivalent of a loan.

10. The Project will be owned, operated, and maintained by the Corporation or another state or local government; and the Corporation has not contracted with any firm, company, or other person or entity other than a state or local government to operate and/or maintain the Project for and on behalf of the Corporation. The Corporation does not expect to enter into any contract for the operation, maintenance or management of the Project unless with another state or local government entity.

11. There is not as of the date hereof and the Corporation does not anticipate entering into any lease, contract, or other understanding or arrangement with any person other than a state or local governmental unit, pursuant to which the Corporation expects that proceeds of the Bonds or the Project will be used in the trade or business of such person (including all activities of such person who are individuals).

12. The amounts received from the sale of the Bonds, when added to available funds on hand and amounts expected to be received from the investment of such proceeds, do not exceed the amounts required to pay (i) the cost of the Project and (ii) the costs of offering and issuing the Bonds.

13. No receipts from the sale of the Bonds or amounts received from the investment thereof will be used to pay the principal of or interest on any currently outstanding issue of bonds or other obligations of the Corporation other than the Bonds.
14. The Corporation has been created pursuant to and in accordance with and is authorized by the provisions of the Texas Transportation Act, Texas Transportation Code §431.000 et. seq. The Corporation and the Bonds have a public purpose of constructing and operating facilities for purposes of furnishing water to the citizens of the Cities. As provided by Section (e) of Article XVII of the Articles of Incorporation, all the assets of the Corporation shall be transferred and delivered to each of the Cities, on an equal basis, after payment of all debts and claims of the Corporation. The Corporation is a political subdivision of the State of Texas with the significant power of eminent domain.

15. The Corporation will not use Gross Proceeds to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, Gross Proceeds are considered to be “loaned” to a person or entity if property acquired, constructed, or improved with Gross Proceeds is sold or leased to such person or entity in a transaction which creates a debt for federal income tax purposes, capacity in or service from such property is committed to such person or entity under a take-or-pay, output, or similar contract or arrangement, or indirect benefits, or burdens and benefits of ownership, of Gross Proceeds or any property acquired, constructed, or improved with Gross Proceeds are otherwise transferred in a transaction which is the economic equivalent of a loan.

C. Original Proceeds.

1. The Bonds are being issued and delivered to the Texas Water Development Board, Austin, Texas (the Purchaser). The Purchaser purchased the Bonds for par, less an origination fee of $_________, and no accrued interest.

2. The Corporation has caused the deposit of the Sale Proceeds of the Bonds this day as follows:

<table>
<thead>
<tr>
<th>Disposition</th>
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<tbody>
<tr>
<td>Deposit to Construction Fund</td>
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</tr>
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<td>Deposit to Bond Fund (Capitalized Interest)</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
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3. Of the Bond proceeds, $_________, representing capitalized interest (the Capitalized Interest), will be deposited to the Bond Fund and used to pay interest on the Bonds. The Capitalized Interest is less than interest on the Bonds through and including August 1, 2018, which is less than three years after the issuance of the Bonds.

4. Of the remaining proceeds of the Bonds received by the Corporation from the Purchaser, approximately $_________ will be used to pay the costs of issuance (including underwriter’s spread, if any) relating to the Obligations, and $_________ will be deposited in a separate checking account of the Corporation (the Construction Account or Fund) and held pursuant to the terms of the Escrow Agreement to pay costs of the Project. The Corporation estimates that it will receive $_________ in income or profit from the investment of the amounts deposited to the Construction Fund pending the disbursement of such amounts for the governmental purposes for which the Bonds are being issued. Such amount will be used to pay
additional costs of the Project or deposited in the “Schertz/Seguin Local Government Corporation Contract Revenue Bonds, Series 2016 Interest and Sinking Fund” (the Bond Fund) to pay principal of or interest on the Bonds within one year from the date of receipt.

D. **Temporary Periods and Time for Expenditures.**

1. The amount disbursed or set aside to pay costs of issuance of the Bonds will be so used within thirty (30) days from the date hereof, and may be invested without restriction as to Yield until expended as described herein.

2. Within six months from the date hereof, the Corporation will have incurred binding obligations or commitments in the amount of at least five percent of the principal amount of the Bonds for the Project by entering into contracts for construction, architectural services, engineering services, land acquisition, site development, construction materials, or the purchase of equipment. The Corporation will account for the allocation of the Bond proceeds to an expenditure not later than 18 months after the later of the date the expenditure is paid or the date the Project is placed in service; but in all events 60 days after the earlier of the fifth anniversary of the date of this certificate or the retirement of the Bonds.

3. After entering into said contracts, work on the construction or acquisition of the Project will proceed with due diligence to completion, which is expected to occur on, and the proceeds from the sale of the Bonds and investment earnings thereon are expected to be expended by ________________, ___.

4. The Purchaser is buying the Bonds with the proceeds of its General Obligation Bonds, Series 2016, issued on ____________, 20__, (the State Bonds). The Yield on the State Bonds is _______ percent. Accordingly, after ____________, 20__, the Corporation may not invest gross proceeds of the Bonds held in the Construction Funds at a Yield which is in excess of the Yield on the State Bonds.

5. Based on the foregoing, the Corporation may invest Gross Proceeds held in the Construction Fund without restriction as to Yield until ______________, 20_. Thereafter, the Corporation will restrict the Yield on investments of Gross Proceeds held in the Construction Fund to the Yield on the Bonds.

E. **Bond Fund.**

1. The Bonds are payable from the deposit of the Bond Payment portion of the Annual Payments as provided in the Resolution and the Contract. All Bond Payment portions of the Annual Payments collected for and on account of the Bonds are to be deposited into the Bond Fund.

2. Except for that portion of the Bond Fund, if any, consisting of deposits made to defease in whole or in part the Bonds, the Bond Fund (i) was created primarily to achieve a proper matching of revenues and debt service with respect to the Bonds within each bond year, beginning on the Closing Date and ending on the anniversary of the Closing Date thereafter until the Bonds are no longer Outstanding and (ii) will be depleted at least once a year except possibly for a carry-over amount not greater than the larger of the preceding bond year’s earnings from
the investment thereof or one-twelfth of the annual debt service paid during the preceding bond year on the Bonds. All amounts deposited to the Bond Fund will be spent within 13 months of deposit, and all amounts received from investment of such fund will be deposited therein and will be expended within twelve months of receipt. Any amounts held in the Bond Fund during such periods are expected to be invested by the Corporation without regard as to restriction of Yield. Any amounts held in the Bond Fund in excess of such periods will be invested at a Yield not to exceed the lesser of the Yield on the Bonds, taking into account any yield reduction payments.

3. All money deposited in the Bond Fund will be used solely to pay the principal of, and interest on, the Bonds as the same becomes due and payable, and there will be no other funds that will be so used or pledged or otherwise restricted so as to be available with reasonable certainty to be so used.

F. Yield, Rebate and Miscellaneous.

1. The Yield on the Bonds is _______ percent, calculated on the basis of the information provided by the Corporation’s financial advisors. The Purchaser has represented it is acquiring the Bonds for its own account for investment and not for resale and not in the capacity of an underwriter, broker, dealer or the like. The Corporation has no basis for believing such representations are not correct.

2. The Corporation has covenanted to account for the Gross Proceeds of the Bonds separately and apart from all other funds of the Corporation from the date hereof.

3. The weighted average maturity of the Bonds is ________ years, which is less than 120% of the reasonably expected economic life of the assets acquired or constructed with the proceeds of the Bonds, calculated pursuant to section 147 of the Code.

4. The Corporation does not expect that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be arbitrage bonds within the meaning of section 148 of the Code.

5. No other obligations payable from the same revenues of the Corporation were issued within 15 days of the sale date of the Bonds.

6. The Corporation reasonably expects that at least 75% of the Available Construction Proceeds (defined herein), including reasonably expected future earnings, of the Bonds will be used for Construction Expenditures. For purposes of this paragraph, “Available Construction Proceeds” means the issue price of the Bonds, increased by earnings on such issue price and earnings on such earnings, reduced by the issuance costs financed by the issue. “Construction Expenditures” means capital expenditures that are allocable to the cost of (i) real property other than acquisitions of interest in land or other existing real property, (ii) certain constructed personal property as defined in Regulation Section 1.148-7(g)(3), or (iii) specially developed computer software as defined in Regulation Section 1.148-7(g)(4), which software is functionally related and subordinate to real property or constructed personal property. The Corporation does not elect to use actual facts under Regulation 1.148-7(f)(2), but based on estimated earnings set forth in Section C.4 hereof.
7. Unless the Corporation has qualified for an exception to rebate pursuant to section 148(f)(4) of the Code, not less frequently than each Computation Date, the Corporation has covenanted in the Resolution to calculate or cause to be calculated by a nationally recognized accounting, financial advisory firm or financial institution, in accordance with rules set forth in section 148(f) of the Code and the Regulations and rulings thereunder, the Rebate Amount. The Corporation has covenanted in the Resolution to maintain such calculations with the official transcript of the proceedings relating to the issuance of the Bonds until six years after the final Computation Date.

8. The Corporation has covenanted in the Resolution to pay to the United States the amount described in the preceding paragraph of this Section, at the times, in the installments, to the place, in the manner, and accompanied by such forms or other information as is or may be required by section 148(f) of the Code and the Regulations and rulings thereunder.

9. The Corporation does not expect that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be arbitrage bonds within the meaning of section 148 of the Code.

G. No Abusive Arbitrage Device.

1. In connection with the issuance of the Bonds, the Corporation has not employed any action which has the effect of overburdening the market for tax-exempt obligations by issuing more bonds, issuing bonds earlier, or allowing bonds to remain outstanding longer than is reasonably necessary to accomplish the governmental purposes of the Bonds.

2. In connection with the issuance of the Bonds, the Corporation has not employed any action which has the effect of enabling the Corporation to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage.

H. Written Procedures. This certificate shall constitute written procedures and processes that require the Corporation to insure that, after the Closing Date, the Corporation is in compliance with the covenants and representations contained herein and the Code and Regulations related to the Bonds and for a period of three (3) years after the Bonds are paid in full will maintain records that show compliance with the covenants and representations contained herein and the Code and Regulations related to the Bonds. The Corporation designates the following officer(s) to have primary responsibility for maintaining post-issuance compliance with the covenants and representations contained herein and the Code and Regulations related to the Bonds:

General Manager

and the following officer(s) shall maintain the records related thereto:

General Manager

Such officers may assign and delegate responsibilities to others as they deem necessary or appropriate.
I. Remedial Action/Voluntary Closing Agreement Program. If the Corporation in complying with the terms and provisions the policies or guidelines set forth herein and the Code and Regulations related to the Bonds determines that the requirements of these policies and guidelines or the Code and Regulations related to the Bonds may have been violated, the Corporation will make final determinations, if necessary with the assistance of its bond and tax counsel and financial advisors, and take appropriate actions related to such noncompliance including, if appropriate, any remedial action described under applicable Regulations or through the Tax Exempt Bonds Voluntary Closing Agreement Program.

[The remainder of this page intentionally left blank.]
EXECUTED AND DELIVERED this _______________________.

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION

By: ____________________________
   Chairman, Board of Directors

By: ____________________________
   General Manager

CITY OF SCHERTZ, TEXAS

By: ____________________________
   Name: John Kessel
   Title: City Manager

CITY OF SEGUIN, TEXAS

By: ____________________________
   Name: Doug Faseler
   Title: City Manager
The undersigned, the authorized representative of financial advisor to the Corporation, certifies as to the accuracy of statements attributable to the financial advisor in Section C.3. hereof.

SAMCO CAPITAL MARKETS, INC.

By: _________________________________

Name: _______________________________

Title: ______________________________

GENERAL CERTIFICATE OF THE CORPORATION

THE STATE OF TEXAS

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION

WE, the undersigned, President and Secretary, respectively, of the Board of Directors of the Schertz/Seguin Local Government Corporation, DO HEREBY CERTIFY as follows:

1. The Schertz/Seguin Local Government Corporation (the Corporation) is a public, non-profit corporation of the State of Texas, created and existing pursuant to the laws of the State of Texas, particularly Subchapter D of Chapter 431, Texas Transportation Code, as amended, and Chapter 552, Texas Local Government Code, as amended (formerly Chapter 402, Texas Local Government Code).

2. The Board of Directors of the Corporation has authorized the issuance of obligations designated as the “Schertz/Seguin Local Government Corporation Contract Revenue Bonds, Series 2016 (Texas Water Development Board SWIRFT Project Financing)”, dated August 1, 2016, in the aggregate principal amount of $36,000,000 (the Bonds), authorized by a resolution passed and adopted on the ______ day of ____________, 2016 (the Bond Resolution).

3. That, upon the issuance of the proposed Bonds, the rents, revenues and income to be derived from the facilities to be constructed or financed by the Corporation with the proceeds of the Bonds have not in any manner been pledged or encumbered to the payment of any debt or obligation of the Corporation other than the Priority Bonds and the Previously Issued Bonds (each as defined in the Bond Resolution) and the Bonds.

4. That, upon the issuance of the Bonds, the “Regional Water Supply Contract”, dated as of November 15, 1999 (the Contract) between the Corporation and the City of Schertz, Texas and the City of Seguin, Texas, respectively, attached to the Bond Resolution, is a true and correct copy of such contract as currently effective between the parties. The Contract has been duly authorized and is in compliance with all applicable statutory requirements. The Contract, as submitted to the Attorney General of Texas, is still in full force and effect and has not been amended or rescinded.

5. That, upon issuance of the Bonds, save and except for the pledge of the portion of the proceeds of the aforesaid Contract defined as the “Bond Payment” portion of the “Annual Payments” in the Bond Resolution to the payment of the principal and interest to become due with respect to the Priority Bonds, the Previously Issued Bonds, and the Bonds, none of the revenues or income to the Corporation from the aforesaid Contract have been encumbered or pledged to the payment of any other debt or obligation whatsoever.

6. That the duly qualified and acting members of the Board of Directors and officers of the Corporation are as follows:
7. Alan Cockrell is the duly appointed, qualified, and acting General Manager of the Corporation.

8. The Corporation is not in default as to any covenant, condition or obligation contained in the aforesaid Contract or the resolutions authorizing the Priority Bonds or the Previously Issued Bonds (including any amendment or supplement thereto) or the Bond Resolution.

9. A debt service schedule for the Priority Bonds, the Previously Issued Bonds, and the Bonds is attached hereto as Exhibit A.

10. Attached hereto as Exhibit B is a true and correct copy of the Articles of Incorporation of the Issuer and all amendments thereto (if any) as in effect on the date hereof. Such Articles of Incorporation have not been amended, no articles of dissolution of the Issuer have been authorized or filed, no certificate of dissolution of the Issuer has been issued, and no proceedings to dissolve the Issuer have been commenced.

11. Attached hereto as Exhibit C is a true and correct copy of the bylaws of the Issuer, together with any and all amendments thereto and as in effect on the date hereof.

12. Attached hereto as Exhibit D is a true and correct copy of the Certificate of Existence of the Issuer as in effect on the date hereof.

13. Attached hereto as Exhibit E is a true and correct copy of the Certificate of Good Standing of the Issuer as in effect on the date hereof.

14. Additional transcript requirements pursuant to the provisions of Section 1202.008, as amended, Texas Government Code are attached hereto as Exhibit F.

15. All officials of the Corporation required to furnish fidelity bonds have done so, and such bonds have been approved, recorded, and filed as provided by law.

16. All officers and directors taking or who have taken any action in connection with the authorization, sale, execution, and delivery of the Bonds are or were duly qualified and acting incumbents officers and directors of the Corporation, and all incumbent officers and directors executing any documents in connection therewith were duly authorized to execute such documents.

17. All of the meetings held by the Board of Directors pursuant to which any proceedings were passed, adopted, and approved in connection with the Bonds were meetings
open to the public for which public notice had been given, all as required by law and particularly Chapter 551, as amended, Texas Government Code.

18. This certificate is made for the benefit of the persons involved in this transaction and the Attorney General of The State of Texas in connection with his examination into and the approval of the Bonds.

19. Prior to the execution of certain contracts related to the issuance of the Bonds, the District received a completed disclosure of interested parties form and certification of filing (collectively a “Form 1295”) from the business entity contracting with the District pursuant to the requirements of Texas Government Code Section 2252.908 and rules promulgated thereunder by the Texas Ethics Commission (the “TEC”). Not later than the 30th day after the date the contract for which a Form 1295 was filed binds all parties to such contract, the District has or will notify the TEC, in an electronic format prescribed by the TEC, of the receipt of such Form 1295.

Authorization of Attorney General to Date Certificate

20. This certificate is submitted pursuant to 1 TAC §53.231. Upon the approval of the Bonds and the Contract by the Attorney General of the State of Texas, he is authorized to date this certificate as of the date of such approval. If any litigation should develop, or if any other event should occur which should make this certificate inaccurate before the Attorney General’s approval of the Bonds and the Contract, we will notify the Attorney General at once by both telephone and facsimile transmission. With this assurance, the Attorney General is entitled to rely on the accuracy of this Certificate at the time of approval of the Bonds and the Contract unless we advise him otherwise.

[The remainder of this page intentionally left blank.]
WITNESS OUR HANDS AND SEAL OF THE SCHERTZ/SEGUIN LOCAL
GOVERNMENT CORPORATION, this _____________________________.

________________________
President, Board of Directors
Schertz/Seguin Local Government Corporation
(Corporation Seal)

________________________
Secretary, Board of Directors
Schertz/Seguin Local Government Corporation
EXHIBIT A
Combined Debt Service Schedule
EXHIBIT B

Articles of Incorporation
EXHIBIT C
Bylaws
EXHIBIT D
Certificate of Existence
EXHIBIT E

Certificate of Good Standing
EXHIBIT F

Additional Transcript Requirements

Schertz/Seguin Local Government Corporation Contract Revenue Bonds, Series 2016 (Texas Water Development Board SWIRFT Project Financing)
**INDEX OF DOCUMENTS**

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Schertz/Seguin Local Government Corporation
Contract Revenue Bonds, Series 2016
(Texas Water Development Board
SWIRFT Project Financing)

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24. Receipt
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IN REGARD to the authorization and issuance of the “Schertz/Seguin Local Government Corporation Contract Revenue Bonds, Series 2016 (Texas Water Development Board SWIRFT Project Financing)” (the “Bonds”), dated August 1, 2016, in the aggregate original principal amount of $36,000,000, we have reviewed the legality and validity of the issuance thereof by the Schertz/Seguin Local Government Corporation (the “Corporation”). The Bonds are issuable in fully registered form only, in denominations of $5,000 or any integral multiple thereof (within a Stated Maturity). The Bonds have Stated Maturities of February 1 in each of the years 2019 through 2051, unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the resolution (the “Resolution”) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the respective meanings ascribed thereto in the Resolution.

WE HAVE SERVED AS BOND COUNSEL for the Corporation solely to pass upon the legality and validity of the issuance of the Bonds under the laws of the State of Texas, and with respect to the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Corporation or the Cities or their respective utility systems. We have not assumed any responsibility with respect to the financial condition or capabilities of the Corporation or the Cities or the disclosure thereof in connection with the sale of the Bonds. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Bonds. Our role in connection with the Corporation’s Application to the Texas Water Development Board prepared for use in connection with the sale of the Bonds has been limited as described therein.

WE HAVE EXAMINED the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the Corporation in connection with the issuance of the Bonds, including the Resolution, the Regional Water Supply Contract, dated as of November 15, 1999, as amended (the “Contract”) between the Corporation, the City of Seguin, Texas (“Seguin”), and the City of Schertz, Texas (“Schertz”, and together with Seguin, the “Cities”) and the escrow agreement (the “Escrow Agreement”) between the Corporation and BOKF, NA, Austin, Texas; (2) customary certifications and opinions of officials of the Corporation and the Cities; (3) certificates executed by officers of the Corporation and the Cities relating to the expected use and investment of proceeds of the Bonds and certain other funds of the Corporation, and to certain other facts solely within the knowledge and control of the Corporation and the Cities; and (4) such other documentation, including an examination of the Bond executed and delivered.
initially by the Corporation, and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized by the Corporation and issued in conformity with the Constitution and laws of the State of Texas now in force, and the Bonds issued in compliance with the provisions of the Resolution are valid, legally binding and enforceable special obligations of the Corporation, payable, together with any Additional New Series Bonds hereafter issued, solely from and equally and ratably secured, together with the currently outstanding Previously Issued New Series Bonds, by a lien on and pledge of the Bond Payment portion of the Annual Payments to be received by the Corporation from the Cities pursuant to the Contract that is junior and inferior to the lien thereon and pledge thereof providing for the payment and security of the currently outstanding Priority Bonds, together with certain other funds on deposit in the accounts established in the Resolution, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors’ rights or the exercise of judicial discretion in accordance with general principles of equity. In the Resolution, the Corporation retains the right to issue Additional New Series Bonds, and Additional Obligations, without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. The Bonds do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any property of the Corporation, except with respect to the Bond Payment portion of the Annual Payments. The holder of the Bonds shall never have the right to demand payment of the Bonds out of any funds raised or to be raised by taxation.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that, assuming continuing compliance after the date hereof by the Corporation and the Cities with the provisions of the Resolution and the Contract and in reliance upon the representations and certifications of the Corporation and the Cities made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Bonds will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the “Code”) of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code, (2) interest on the Bonds will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations, and (3) the Bonds are not “private activity bonds” within the meaning of section 141 of the Code.

WE CALL YOUR ATTENTION TO THE FACT that, with respect to our opinion in clause (2) above, interest on all tax-exempt obligations, such as the Bonds, owned by a corporation will be included in such corporation’s adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporation, other than an S corporation, a mutual fund, a financial asset securitization investment trust, a real estate mortgage investment conduit, or a real estate investment trust. A corporation’s alternative minimum taxable income is
Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, in connection with the authorization and issuance of “SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE BONDS, SERIES 2016 (TEXAS WATER DEVELOPMENT BOARD SWIRFT PROJECT FINANCING)”

the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

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

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

Norton Rose Fulbright US LLP
PAYING AGENT/REGISTRAR AGREEMENT

THIS PAYING AGENT/REGISTRAR AGREEMENT entered into as of ______________, 2016 (this Agreement) is between the Schertz/Seguin Local Government Corporation (the Issuer) and BOKF, NA, Austin, Texas, a national banking association duly organized and existing under the laws of the United States of America and authorized to transact business in the State of Texas (the Bank).

RECITALS OF THE ISSUER

The Issuer has duly authorized and provided for the issuance of its “SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE BONDS, SERIES 2016 (TEXAS WATER DEVELOPMENT BOARD SWIRFT PROJECT FINANCING)” (the Securities), dated August 1, 2016 in the aggregate principal amount of $36,000,000 to be issued as registered securities without coupons;

All things necessary to make the Securities the valid obligations of the Issuer, in accordance with their terms, will be taken upon the issuance and delivery thereof;

The Issuer is desirous that the Bank act as the Paying Agent of the Issuer in paying the principal, premium (if any) and interest on the Securities, in accordance with the terms thereof, and that the Bank act as Registrar for the Securities;

The Issuer has duly authorized the execution and delivery of this Agreement; and all things necessary to make this Agreement the valid agreement of the Issuer, in accordance with its terms, have been done.

NOW, THEREFORE, it is mutually agreed as follows:

ARTICLE ONE
APPOINTMENT OF BANK AS PAYING AGENT AND REGISTRAR

Section 1.01 Appointment.

The Issuer hereby appoints the Bank to act as Paying Agent with respect to the Securities in order to pay, when due, the principal, premium (if any), and interest on all or any of the Securities to the Holders of the Securities, all in accordance with this Agreement and the Resolution (hereinafter defined).

The Issuer hereby appoints the Bank as Registrar with respect to the Securities.

The Bank hereby accepts its appointment, and agrees to act, as the Paying Agent and the Registrar.
Section 1.02  Compensation.

As compensation for the Bank’s services as Paying Agent/Registrar, the Issuer hereby agrees to pay the Bank the fees and amounts set forth in Annex A hereto for the first year of this Agreement and thereafter the fees and amounts set forth in the Bank’s current fee schedule then in effect for services as Paying Agent/Registrar for political subdivisions, which shall be supplied to the Issuer on or before ninety (90) days prior to the close of the Fiscal Year of the Issuer and which shall be effective upon the first day of the following Fiscal Year. The Issuer covenants to provide notice to the Bank upon any change in the Issuer’s Fiscal Year within ten (10) business days of the governing body of the Issuer’s decision to change the Fiscal Year of the Issuer.

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

ARTICLE TWO
DEFINITIONS

Section 2.01  Definitions.

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires, the following terms, whenever the same appears herein without qualifying language, are defined to mean as follows:

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

Bank Office means the corporate trust office of the Bank set forth on the signature page of this agreement. The Bank will notify the Issuer, in writing, of any change in location of the Bank Office.

Fiscal Year means the fiscal year of the Issuer, which currently begins on October 1 and ends on September 30 of each year.

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

Issuer Request and Issuer Order each means a written request or order signed in the name of the Issuer by the Chairman of the Board of Directors of the Issuer and delivered to the Bank.

Legal Holiday means a day on which the Bank is required or authorized to be closed.

Person means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision of a government.
Predecessor Securities of any particular Security means every previous Security evidencing all or a portion of the same obligation as that evidenced by such particular Security (and, for the purpose of this definition, any mutilated, lost, destroyed, or stolen Security for which a replacement Security has been registered and delivered in lieu thereof pursuant to Section 4.06 hereof and the Resolution).

Record Date means the Record Date as defined in the Resolution.

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

Resolution means the resolution, order, or ordinance of the governing body of the Issuer pursuant to which the Securities are issued, certified by the Secretary, Board of Directors of the Issuer, or any other officer of the Issuer, and delivered to the Bank.

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

Securities means the securities defined in the recital paragraphs herein.

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

Stated Maturity means the date specified in the Resolution as the fixed date on which the principal of a Security is scheduled to be due and payable.

Section 2.02 Other Definitions.

The terms “Bank”, “Issuer”, and “Securities” have the meanings assigned to them in the opening paragraph of this Agreement or in the recitals of the Issuer.

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

Section 2.03 Construction of Terms.

If appropriate in the context of this Agreement, words of the singular shall be considered to include the plural, words of the plural shall be considered to include the singular, and words of the masculine, feminine, or neuter gender shall be considered to include the other genders.
ARTICLE THREE
PAYING AGENT

Section 3.01 Duties of Paying Agent.

As Paying Agent, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the Issuer, pay on behalf of the Issuer the interest on each Security when due. The Bank shall compute the amount of interest to be paid each Holder, and shall prepare and send a check in the amount by United States mail (first class postage prepaid) on or prior to each interest payment date, to the Holder of each Security (or Predecessor Securities) whose name appears in the Security Register on the Record Date. Such checks shall be mailed in such manner to such Holder at the address for each such Holder appearing on the Security Register, or shall be transmitted to such Holder on each interest payment date by such other method acceptable to the Bank, requested in writing by, and at the risk and expense of the Holder.

Section 3.02 Payment Dates.

The Issuer hereby instructs the Bank to pay the principal and interest on the Securities at the dates specified in the Resolution. The Issuer agrees to transfer or to cause to be transferred, in immediately available funds, to the Bank to pay principal and/or interest, either or both, by no later than 4:00 p.m. on the business day immediately preceding the payment dates.

As Paying Agent, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the Issuer, pay on behalf of the Issuer the principal of and interest on each Security when due, by computing the amount of interest to be paid each Holder, preparing the checks and mailing the checks on the payment date, to the Holders of the Securities on the Record Date, addressed to their address appearing on the Security Register.

ARTICLE FOUR
REGISTRAR

Section 4.01 Transfer and Exchange.

The Issuer shall keep at the Bank Office a register (the Security Register) in which, subject to such reasonable written regulations as the Issuer may prescribe (which regulations shall be furnished to the Bank herewith or subsequent hereto by Issuer Order), the Issuer shall provide for the registration of the Securities and for transfers of Securities. The Bank is hereby appointed Registrar for the purpose of registering Securities and transfers of Securities as herein provided. The Bank agrees to maintain the Security Register while it is Registrar.

Every Security surrendered for transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer, the signature on which has been guaranteed by an officer of a federal or state bank or a member of the Financial Industry Regulatory Authority, in form satisfactory to the Bank, duly executed by the Holder thereof, or his agent, duly authorized in writing.
As a condition to effecting a re-registration, transfer or exchange of the Securities, the Registrar may request any supporting documentation it feels necessary to effect a re-registration, transfer or exchange of the Securities. To the extent possible and under reasonable circumstances, the Bank agrees that, in relation to an exchange or transfer of Securities, the exchange or transfer by the Holders thereof shall be completed and new Securities delivered to the Holder or the assignee of the Holder in not more than three (3) business days after the receipt of the Securities to be canceled and exchange or transfer and the written instrument of transfer or request for exchange duly executed by the Holder, or his duly authorized agent, in form and manner satisfactory to the Paying Agent/Registrar.

Section 4.02 Certificates.

The Issuer shall provide the Registrar with an adequate inventory of Securities certificates to facilitate transfers. The Bank covenants that it will maintain the Securities certificates in safekeeping and will use reasonable care in maintaining such Securities certificates in safekeeping, which shall not be less than the level of care it maintains for debt securities of other political subdivisions or corporations for which it serves as registrar, or which it maintains for its own securities.

Section 4.03 Form of Security Register.

The Bank as Registrar will maintain the records of the Security Register in accordance with the Bank’s general practices and procedures in effect from time to time. The Bank shall not be obligated to maintain such Register in any form other than those which the Bank has currently available and currently utilizes at the time.

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

Section 4.04 List of Security Holders.

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

The Bank will not release or disclose the content of the Security Register to any person other than to, or at the written request of, an authorized officer or employee of the Issuer, except upon receipt of a subpoena, court order, or as required by law. Upon receipt of a subpoena or court order the Bank will notify the Issuer so that the Issuer may contest the subpoena or court order, provided such subpoena, court order or lawful request does not prevent the Bank from providing such notice.

Section 4.05 Return of Canceled Securities.

The Bank will destroy all canceled Securities pursuant to the Securities Exchange Act of 1934.
Section 4.06  Mutilated, Destroyed, Lost or Stolen Securities Certificates.

The Issuer hereby instructs the Bank to deliver and issue Securities certificates in exchange for or in lieu of mutilated, destroyed, lost or stolen Securities certificates as long as the same does not result in an overissuance.

The Bank will issue and deliver a new Security certificate in exchange for a mutilated Security certificate surrendered to it. The Bank will issue a new Security certificate in lieu of a Security certificate for which it received written representation from the Holder that the certificate representing such Security is destroyed, lost, or stolen, without the surrender or production of the original certificate. The Bank will pay on behalf of the Issuer the unpaid principal and premium, if any, of a Security at the Stated Maturity or on the Redemption Date or Acceleration Date, for which it receives written representation that the certificate representing such Security is destroyed, lost, or stolen without the surrender or production of the original certificate.

The Bank will not issue a replacement Security certificate or pay such replacement Security certificate unless there is delivered to the Bank such security or indemnity as it may require (which may be by the Bank’s Blanket Lost Original Instrument Bond or similar certifications that may be required by the Bank) to save both the Bank and the Issuer harmless.

On satisfaction of the Bank and the Issuer that a Security certificate has been mutilated, destroyed, lost or stolen, the certificate number on the mutilated, destroyed, lost or stolen Security certificate will be canceled with a notation that it has been mutilated, destroyed, lost or stolen and a new Security certificate will be issued of the same series and of like tenor and principal amount bearing a number (according to the Security Register) not contemporaneously outstanding.

The Bank may charge the Holder the Bank’s fees and expenses in connection with issuing a new Security certificate in lieu of or exchange for a mutilated, destroyed, lost, or stolen Security certificate.

The Issuer hereby accepts the Bank’s current Blanket Lost Original Instrument Bond for lost, stolen, or destroyed certificates and any future substitute bond for lost, stolen, or destroyed certificates that the Bank may arrange; and agrees that the coverage under any such bond is acceptable to it and meets the Issuer’s requirements as to security or indemnity. The Bank need not notify the Issuer of any changes in the security or other company giving such bond or the terms of such bond. At any time the Bank is customarily open for business, the Blanket Lost Original Instrument Bond then utilized for the purpose of lost, stolen, or destroyed certificates by the Bank shall be available for inspection by the Issuer on request. The Issuer hereby accepts the Bank’s indemnity to replace the Security certificates destroyed or lost while in the possession or under the control of the Bank.

Section 4.07  Transaction Information to Issuer.

The Bank will, within a reasonable time after receipt of written request from the Issuer, furnish the Issuer information as to the Securities it has paid pursuant to Section 3.01 and
Securities it has delivered upon the transfer or exchange of any Securities pursuant to Section 4.01.

ARTICLE FIVE
THE BANK

Section 5.01 Duties of Bank.

The Bank undertakes to perform the duties set forth herein and in the Resolution and agrees to use reasonable care in the performance thereof.

The Bank is also authorized to transfer funds relating to the closing and initial delivery of the Securities in the manner disclosed in the closing memorandum as prepared by the Issuer’s financial advisor, bond counsel, or other agent. The Bank may act on a facsimile or email transmission of the closing memorandum acknowledged by the financial advisor, bond counsel, or the Issuer as the final closing memorandum. The Bank shall not be liable for any losses, costs or expenses arising directly or indirectly from the Bank’s reliance upon and compliance with such instructions.

Section 5.02 Reliance on Documents, Etc.

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

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

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

(d) The Bank may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. Without limiting the generality of the foregoing statement, the Bank need not examine the ownership of any Securities but is protected in acting upon receipt of Securities containing an endorsement or instruction of transfer or power of transfer which appears on its face to be signed by the Holder or an agent of the Holder. The Bank shall not be bound to make any investigation into the facts or matters stated in a resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security or other paper or document supplied by the Issuer. The Bank may act on any order, request, approval or other authority relating to the Securities which is provided by the Issuer through a facsimile or e-mail transmission without the necessity of obtaining an original or executed copy of any such authority.
(e) The Bank may consult with counsel, and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection with respect to any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

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

Section 5.03 Recitals of Issuer.

The recitals contained herein and in the Securities shall be taken as the statements of the Issuer, and the Bank assumes no responsibility for their correctness.

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

Section 5.04 May Hold Securities.

The Bank, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with the Issuer with the same rights it would have if it were not the Paying Agent/Registrar or any other agent, provided that such dealings do not result in a breach of any duties or agreements imposed by this Agreement.

Section 5.05 Money Held by Bank.

A paying agent account shall at all times be kept and maintained by the Bank for the receipt, safekeeping, and disbursement of money received from the Issuer hereunder for the payment of the Securities, and money deposited to the credit of such account until paid to the Holders of the Securities shall be continuously collateralized by securities or obligations which qualify and are eligible under the laws of the State of Texas to secure and be pledged as collateral for paying agent accounts to the extent such money is not insured by the Federal Deposit Insurance Corporation.

The Bank shall be under no liability for interest on any money received by it hereunder.

Any money deposited with the Bank for the payment of the principal, premium (if any), or interest on any Security and remaining unclaimed for three years after final maturity of the Security has become due and payable will be held by the Bank and disposed of only in accordance with Title 6 of the Texas Property Code (Unclaimed Property).

The Bank will comply with the reporting provisions of Chapter 74 of the Texas Property Code with respect to property that is presumed abandoned under Chapter 72 or Chapter 75 of the Texas Property Code or inactive under Chapter 73 of the Texas Property Code.

Section 5.06 Indemnification.

The Issuer agrees, to the extent it legally may, to indemnify the Bank (including its directors, officers and employees) for, and hold it harmless against, any loss, liability, or expense incurred without negligence or bad faith on its part arising out of or in connection with its
acceptance or administration of its duties hereunder, including the cost and expense (including its
counsel fees) of defending itself against any claim or liability in connection with the exercise or
performance of any of its powers or duties under this Agreement. The foregoing indemnities in
this paragraph shall survive the resignation or substitution of the Bank or the termination of this
Agreement.

Section 5.07 Interpleader.

The Issuer and the Bank agree that the Bank may seek adjudication of any adverse claim,
demands or controversy over its persons as well as funds on deposit, in either a Federal or State
District Court located in the State of Texas and County or Counties where either the Bank (Texas
offices only) or the Issuer is located, waive personal service of any process, and agree that
service of process by certified or registered mail, return receipt requested, to the address set forth
in Section 6.03 of this Agreement shall constitute adequate service. The Issuer and the Bank
further agree that the Bank has the right to file a Bill of Interpleader in any court of competent
jurisdiction in the State of Texas to determine the rights of any Person claiming interest herein.

Section 5.08 Depository Trust Company.

It is hereby represented and warranted that, in the event the Securities are otherwise
qualified and accepted for “Depository Trust Company” services or equivalent depository trust
services by other organizations, the Bank has the capability and, to the extent within its control,
will comply with the “Operational Arrangements”, promulgated from time to time by The
Depository Trust Company, which establishes requirements for securities to be eligible for the
timeliness of payments and funds availability, transfer turnaround time, and notification of
redemptions and calls.

ARTICLE SIX
CLOSING AGENT

Section 6.01 Closing Agent.

As the Paying Agent/Registrar for the Securities, the Bank also agrees to serve as the
Closing Agent for the delivery of the Securities to the initial purchaser, the Texas Water
Development Board (TWDB), and in connection therewith, the Bank understands the Securities
are to be delivered in installments to the TWDB using the book-entry only system provided by
The Depository Trust Company.

Section 6.02 Installment Deliveries.

(a) The Issuer agrees to cause to be delivered to the Bank one (1) Initial Security (one
Initial Security in the principal amount and numbered T-1 and registered to the TWDB)
following the approval by the Attorney General of the State of Texas and the registration by the
Comptroller of Public Accounts. Additionally, the Issuer shall cause to be deposited with the
Bank a sufficient inventory of definitive Securities to be completed and delivered by the Bank to
The Depository Trust Company in exchange for the Initial Security when and as payment for the
Securities occurs by the TWDB.
(b) The Securities shall be delivered, in whole or in part, in numerical order, beginning with Security No. R-1, upon payment by the TWDB of the principal amount of the Securities to be delivered (less any administrative fee of the TWDB), as specified by the TWDB. Such initial installment delivery of Securities shall be accomplished by the delivery to The Depository Trust Company of New York (DTC), for the account of the TWDB, of a definitive Security or Securities in the appropriate principal amount or amounts, registered in the name of Cede & Co., as nominee of DTC. With each installment delivery, the Bank shall complete the “Registration Certificate of the Paying Agent/Registrar” on each definitive Security delivered to DTC by noting thereon the date of its registration and delivery and having an authorized officer execute such Security on behalf of the Bank. Simultaneously with the issuance of definitive Securities to the DTC, the Bank shall cancel Initial Securities of like maturities and principal amounts.

(c) To the extent there is an installment delivery of Securities representing a partial amount of the principal amount due and payable on the Securities in a year, the Bank shall cause multiple definitive Securities to be exchanged for such Initial Security with one such definitive Security to be issued and completed as provided in paragraph (b) above and the other such definitive Securities representing the undelivered principal balance of such Initial Security shall be held in safe keeping pending its delivery to DTC for the account of the TWDB.

(d) With each installment delivery of Securities to the DTC for the account of the TWDB, the Bank as Closing Agent shall complete (i) a Receipt for such delivery, duly executed and dated, identifying the amount paid and the principal amount of definitive securities delivered to DTC, and (ii) a No Litigation Certificate, in substantially the forms attached hereto as Exhibits A and B, respectively, and forward one copy of such Receipt and No Litigation Certificate to the TWDB, and, if applicable, to the insurance company providing insurance on the Securities and three copies of each document to Norton Rose Fulbright US LLP, 300 Convent, Suite 2100, San Antonio, Texas 78205, Attention: W. Jeffrey Kuhn.

(e) The Issuer agrees to notify the Bank and the TWDB of any litigation pending or threatened restraining or enjoining the issuance and delivery of the Securities or in any manner questioning the proceedings or authority for the issuance of the Securities. Upon such notice, the Bank will cease to deliver any Securities unless advised by both the Issuer and the TWDB that deliveries of the Securities may be reinstated.

(f) The Bank shall cause the proceeds of sale received from each installment delivery of the Securities to be immediately transmitted to the Issuer for deposit to the credit of the Issuer’s Construction Fund, established in the Ordinance authorizing the issuance of the Securities in accordance with instructions received by Issuer.

(g) The Bank shall not be liable for any act done or step taken or omitted by it or any mistake of fact or law, except for its negligence or default or failure in the performance of any obligation imposed upon it hereunder as the Closing Agent. The Bank shall not responsible in any manner for any proceedings in connection with the Securities or recital contained therein.
ARTICLE SEVEN
MISCELLANEOUS PROVISIONS

Section 7.01 Amendment.
This Agreement may be amended only by an agreement in writing signed by both of the parties hereof.

Section 7.02 Assignment.
This Agreement may not be assigned by either party without the prior written consent of the other.

Section 7.03 Notices.
Any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted hereby to be given or furnished to the Issuer or the Bank shall be mailed or delivered to the Issuer or the Bank, respectively, at the addresses shown on the signature page of this Agreement.

Section 7.04 Effect of Headings.
The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

Section 7.05 Successors and Assigns; Merger, Conversion, Consolidation or Succession.
All covenants and agreements herein by the Issuer shall bind its successors and assigns, whether so expressed or not.

Any corporation into which the Bank may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion, or consolidation to which the Bank shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Bank shall be the successor of the Bank hereunder without the execution or filing of any paper or any further act on the part of either of the parties hereto. In case any Security shall have been registered, but not delivered, by the Bank then in office, any successor by merger, conversion, or consolidation to such authenticating Bank may adopt such registration and deliver the Security so registered with the same effect as if such successor Bank had itself registered such Security.

Section 7.06 Severability.
In case any provision herein, or application thereof, shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions or applications shall not in any way be affected or impaired thereby.
Section 7.07 Benefits of Agreement.

Nothing herein, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy, or claim hereunder.

Section 7.08 Entire Agreement.

This Agreement and the Resolution constitute the entire agreement between the parties hereto relative to the Bank acting as Paying Agent/Registrar for the Securities, and if any conflict exists between this Agreement and the Resolution, the Resolution shall govern.

Section 7.09 Counterparts.

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

Section 7.10 Termination.

This Agreement will terminate on the date of final payment by the Bank issuing its checks for the final payment of principal of, and premium, if any, and interest on the Securities.

This Agreement may be earlier terminated upon 60 days written notice by either party; provided, however, that this Agreement may not be terminated (i) by the Bank until a successor Paying Agent/Registrar that is a national or state banking institution and a corporation or association organized and existing under the laws of the United States of America or of any state which possesses trust powers and is subject to supervision or examination by a federal or state regulatory agency has been appointed by the Issuer and has accepted such appointment, or (ii) at any time during which such termination might, in the judgment of the Issuer, disrupt, delay, or otherwise adversely affect the payment of the principal, premium, if any, or interest on the Securities. Prior to terminating this Agreement, the Issuer may reasonably require the Bank to show that such termination will not occur during a period described in (ii) above.

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

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

The provisions of Section 1.02 and of Article Five shall survive and remain in full force and effect following the termination of this Agreement.
Section 7.11 Governing Law.

This Agreement shall be construed in accordance with and governed by the laws of the State of Texas and the United States of America.

[The remainder of this page intentionally left blank.]
IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION

By:___________________________
   Chairman, Board of Directors

Address: 108 West Mountain Street
         Seguin, Texas  78155

[SEAL]

Attest:

______________________________
Secretary, Board of Directors
BOKF, NA, as Paying Agent/Registrar

By: _______________________________________
Title: _____________________________________
Address: 100 Congress, Suite 250
        Austin, Texas 78701

[SEAL]

Attest:

Title: _______________________________
Annex A

Fee Schedule
THIS REGIONAL WATER SUPPLY CONTRACT (the "Contract") is dated and entered into as of the 15th day of November, 1999, by and among the Schertz/Seguin Local Government Corporation (the "Corporation"), a non-profit corporation of the State of Texas (the "State"), created and existing under the laws of the State, including the Texas Transportation Corporation Act, as amended, Texas Transportation Code Section 431.001 et. seq. and the City of Schertz, Texas and the City of Seguin, Texas, home-rule municipalities and political subdivisions of the State (collectively, the "Cities").

RECITALS

WHEREAS, Subchapter D of Chapter 431 (Sections 431.101-431.109) of the Texas Transportation Code, as amended (the "Act") authorizes local governments to create local government corporations to aid, assist, and act on behalf of local governments; and

WHEREAS, the City Councils (the "Governing Bodies") of the City of Seguin, Texas and the City of Schertz, Texas have collectively determined to authorize and approve the creation of the Corporation as their constituted authority and instrumentality to accomplish the specific public purpose of acquiring, constructing, improving, enlarging, extending, repairing, maintaining, and operating a water utility system, pursuant to the provisions of Chapter 402 of the Texas Local Government Code, as amended, and other applicable law; and

WHEREAS, the Cities, pursuant to the Act and other applicable law, have authorized the creation of the Corporation for the purposes set forth in the Corporation’s Articles of Incorporation, including the issuance of bonds to finance the costs of the water utility system; and

WHEREAS, the Corporation intends to design, construct, maintain, and operate the water utility system in a manner that will allow the Corporation to deliver its water to the Cities and other potential purchasers on a regional basis; and

WHEREAS, the Cities and the Corporation, exercising their mutual authority and furthering their mutual and urgent interests, wish to enter into this Contract in order to most efficiently and quickly obtain the capability to deliver the water to the Cities; and

WHEREAS, in order to deliver the water to which the Cities are entitled under this Contract, it is necessary that facilities, lines, booster pumps, treatment facilities, and other appurtenances sufficient to deliver the water to which the Cities are entitled under this Contract and additional water which the Cities may acquire (the "Facilities") be constructed and that the easements, rights-of-way, and other interests in land necessary for the production of groundwater and the acquisition, construction, maintenance, and operation of the Facilities (collectively, the "Land Interests") be purchased (the "Land Interests" and the "Facilities", together the "Project"); and
WHEREAS, it is expected by the Corporation and the Cities that as soon as practicable after the execution of this Contract the Corporation will issue its Bonds (as hereinafter defined), payable from and secured solely by payments to be made by the Cities under this Contract for the acquisition and construction of the Project; and

WHEREAS, the Corporation, to the best of its ability, shall in general do or cause to be done all such things as may be required for the proper acquisition, construction and operation of the Project; and

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the sufficiency of which are hereby acknowledged, and upon and subject to the terms and conditions hereinafter set forth, the Cities and the Corporation mutually undertake, promise, and agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATIONS

Section 1.01. Definitions. In addition to the terms defined above, the following terms shall have the meanings assigned to them below wherever they are used in this Contract, unless the context clearly requires otherwise:

“Accountant” means a nationally recognized independent certified public accountant, or an independent firm of certified public accountants, selected by the Corporation.

“Annual Payments” means the amount of money, constituting the Bond Payment, Operation and Maintenance Expenses, and Overhead Expenses, to be paid to the Corporation by each City, on a several and not a joint basis as described in Section 3.01, Section 3.05, and Section 5.02 hereof from the revenues of the Cities’ System as an operating and maintenance expense of the Cities’ System (or any other lawfully available revenues of the Cities), at the times and in the amounts required by Sections 3.05 and 5.02 of this Contract.

“Approval Certificate” means the certificate or certificates, if any, of the President, Board of Directors or Authorized Representative of the Corporation approving certain terms of a series of Bonds.

“Authorized Representative” means any person at the time delegated authority to act on behalf of the Cities or the Corporation, as the case may be, and designated as such in a written certificate, containing a specimen signature of such person, which, for the Cities shall be the City Manager of each of the Cities or such other officers or employees of the Cities authorized to act on behalf of the Cities during the respective City Manager’s absence or incapacity, and for the Corporation shall be the President, Board of Directors of the Corporation or such other officer or
employee of the Corporation authorized to act on behalf of the Corporation during the President's, Board of Directors absence or incapacity, unless a party notifies the other party in writing of a change in its Authorized Representative.

"Bond Payment" means the amount of money to be paid to the Corporation by the Cities, on a several basis, from the revenues of the Cities' System as an operating and maintenance expense of the Cities' System at the times and in the amounts required by Sections 3.05 and 5.02 of this Contract.

"Bond Resolution" means any resolution and/or trust indenture of the Corporation, authorizing the issuance of and securing the Bonds and all amendments and supplements thereto and including the Approval Certificate, if any, authorized by such resolution to establish certain of the terms of the Bonds authorized by such resolution.

"Bonds" means all bonds, notes, or other obligations hereafter issued by the Corporation, whether in one or more series or issues, to pay the cost of the Project (including any bonds or notes issued to complete the Project) or to refund any Bonds or to refund any such refunding Bonds.

"Cities" means collectively the City of Schertz, Texas and City of Seguin, Texas.

"Cities' System" means and includes each of the City's existing combined waterworks and wastewater disposal system and any electric power and/or natural gas system, together with all future extensions, improvements, enlargements, and additions thereto, including, to the extent permitted by law, storm sewer and drainage and/or reclaimed water systems within the waterworks or wastewater disposal system, and all replacements thereof, provided that, notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term Cities' System shall not include any waterworks, wastewater, electric power, or natural gas facilities which are declared by the Cities not to be a part of the Cities' System and which are hereafter acquired or constructed by the Cities with the proceeds from the issuance of "Special Facilities Bonds", which are hereby defined as being special revenue obligations of the Cities which are not secured by or payable from the net revenues of the Cities' System, but which are secured by and are payable solely from special contract revenues, or payments received from the Cities or any other legal entity, or any combination thereof, in connection with such facilities; and such revenues or payments shall not be considered as or constitute gross revenues of the Cities' System, unless and to the extent otherwise provided in the ordinance or ordinances authorizing the issuance of such "Special Facilities Bonds".

"Cities Utility Bonds" means the appropriate City's bonds and notes outstanding from time to time secured by a lien on and pledge of the net revenues of the Cities' System or any part thereof, regardless of lien priority.

"City Engineer of Record" means the City Engineer of Record so designated by the City Council of each City with notice to the Corporation.
“Claim”, as used in Section 8.13 of this Contract, means claims, demands, and expenses, including reasonable attorney's fees.

“Code” means the Internal Revenue Code of 1986, and any amendments thereto, as in force and effect on the date of delivery of any series of Bonds.

“Completion Date” means such term as it is defined in Section 2.09 of this Contract.

“Corporation” means the Schertz/Seguin Local Government Corporation and its lawful successors and assigns.

“Credit Agreement” means any bond insurance policy or other credit agreement, as defined in and authorized by the provisions of Chapter 1371, as amended, Texas Government Code (formerly Texas Revised Civil Statutes Annotated Article 717q, as amended), which the Corporation enters into relating to its obligations with respect to the Bonds.

“Delivery Point” means the place, whether one or more, to which the Corporation will deliver water to each City pursuant to this Contract.

“Engineering Report” means the “Preliminary Engineering Report for Water Supply System to Serve the Cities of Schertz and Seguin, prepared by Clay Roming, P.E., dated September 10, 1999, as such report may be amended, modified and changed and superseded with the approval of the Corporation and Cities, at any time prior to the execution of construction contracts for the Project or as modified and changed by change orders issued after the execution of such construction contracts; provided, however, no such change orders shall adversely affect either of the Cities without the consent of the Cities.

“Fiscal Year” means the Cities' fiscal years, which currently begins on October 1 of each year, as it may be changed from time to time with notice to the Corporation.

“Force Majeure” means such term as it is defined in Section 8.03 of this Contract.

“Facilities” means the facilities, lines, booster pumps, and other appurtenances sufficient to deliver the water to which the Cities are entitled under this Contract and any improvements, additions, or extensions to such Facilities hereafter acquired or constructed to deliver water between such places.

“Land Interests” means the easements, right-of-way, and other interests in real property necessary for the acquisition, construction, and operation of the Facilities and the Water Rights for the Project.

“MSRB” means the Municipal Securities Rulemaking Board and any successor to its duties.
“NRMSIR” means each person whom the SEC or its staff has determined to be a nationally recognized municipal securities information repository within the meaning of the Rule from time to time.

“Operation and Maintenance Expenses” means all direct costs and expenses incurred by the Corporation for its operation and maintenance, including but not limited to, the operation and maintenance of the Project, including (for greater certainty but without limiting the generality of the foregoing) amounts payable under any contract with any person, including, but not limited to any federal, state, or local agency for the right to produce and use groundwater or other source of water, any contribution or payment in lieu of taxes or any fee or charge by any government authority relating to the Corporation’s production of groundwater or sale of treated water hereunder, the costs of utilities, supervision, engineering, accounting, auditing, legal services, insurance premiums, supplies, services, and administration of the Project, Overhead Expenses, and costs of operating, repairing, maintaining, and replacing equipment for proper operation and maintenance of the Project. The term “Operation and Maintenance Expenses” does not include depreciation charges or such portion of the above-described costs to the extent such costs are paid pursuant to an agreement other than this Contract.

“Overhead Expenses” means the Corporation’s reasonable and necessary costs and expenses incurred at any time directly related to the issuance and servicing of the Bonds, the acquisition of Land Interests required for the Project, the design, permitting, financing, acquisition, construction, and ownership of the Project and any other activities required of or involving the Corporation in connection with or attributable to the Project or the Bonds, including, but not limited to:

(a) per diem and reimbursable expenses incurred by the Directors of the Corporation for special meetings of the Corporation’s Board of Directors related to the Project;

(b) services of the professional, technical skilled and unskilled persons and firms engaged by or associated with the Corporation, other than Corporation staff personnel, together with their reimbursable expenses paid or required to be paid by the Corporation;

(c) salaries of the Corporation’s staff attributable to the Project or the Bonds based on time expended, as documented or reasonably estimated by the President, Board of Directors of the Corporation;

(d) the costs of preparing applications for and obtaining all approvals and authorizations required for the Project or the Bonds from the regulatory authorities having jurisdiction;

(e) the cost of property casualty and public liability insurance incurred prior to the Completion Date; including any insurance deductible charged to or required to be paid by the Corporation; provided that if the Corporation is unable to obtain such insurance on an occurrence
basis, then any expense incurred by the Corporation from and after the Completion Date for casualty
and public liability insurance, including any insurance deductible, shall be paid by the Cities;

(f) all costs incurred in litigation involving or relating to the Project; and

(g) any and all other costs and expenses, including out-of-pocket expenses, incurred by
the Corporation attributable to the Project or the Bonds, whether enumerated above or not, and
whether or not included in the definition or as a part of Project Costs.

“Permitted Liens” means:

(a) Minor irregularities, charges, liens, encumbrances, defects, easements, licenses,
rights-of-way, servitudes, restrictions, mineral rights, and clouds on title which, in the opinion of
consent to the Corporation, a copy of which shall be forwarded to each of the Cities, do not
materially impair the use of the Project for the purposes for which it is designed.

(b) Easements for roads (as used in this Contract, the term “roads” shall include, without
limitation, streets, curbs, gutters, drains, ditches, sewers, conduits, canals, mains, aqueducts, aerators,
connections, ramps, docks, viaducts, alleys, driveways, parking areas, walkways, and trackage),
utilities (which for purposes of this Contract shall include, without limitation, water, sewer,
electricity, gas, telephone, pipeline, railroad, and other collection, transportation, light, heat, power,
and communication systems) and similar easements and other easements, rights-of-way, rights of
flowage, flooding, diversion or outfall, licenses, restrictions, and obligations relating to the operation
of the Project which, in the opinion of counsel to the Corporation, a copy of which shall be
forwarded to each of the Cities, do not materially impair the use of the Project for the purposes for
which it is designed.

(c) Rights of the United States or any state or political subdivision thereof, or other public
or governmental authority or agency or any other entity vested with the power of eminent domain
to take or control property or to terminate any right, power, franchise, grant, license, or permit
previously in force.

“Plans and Specifications” means the plans and specifications prepared for the Project by the
Project Engineer, as the same may be revised from time to time in accordance with this Contract.

“Project” means, collectively, the Land Interests and the Facilities as described in the recitals
to this Contract and in the Engineering Report.

“Project Costs” means and includes, without limitation, the following costs incurred for the
Project by or on behalf of the Corporation or the Cities:
(a) the cost of acquisition of the Land Interests, including appraisals, closing costs and title insurance policies;

(b) the cost of acquisition, construction, repair, replacement, or improvement of the Facilities, and any structure, item of equipment, or other item, used for, or in connection with, the Project;

(c) the cost of site preparation of the Land Interests, including demolition or removal of structures and improvements as necessary or incident to accomplishing the Project;

(d) the cost of engineering, legal, architectural or other related services;

(e) the preparation cost of plans, specifications, studies, surveys, cost estimates, and other expenses necessary or incident to planning, providing, or financing the Project;

(f) the cost of machinery, equipment, furnishings, and facilities necessary or incident to placing the Project in operation;

(g) finance charges and interest before, during, and after construction as permitted by the laws of the State;

(h) costs incurred in connection with financing the project, including, without limitation:
   
   (1) financing, legal, accounting, financial advisory, rating agency, and auditing fees, expenses and disbursements;
   
   (2) the cost of printing, engraving, and reproduction services; and
   
   (3) the cost of a trustee's or paying agent's initial or acceptance fee and subsequent fees.

(i) all costs, fees and expenses of litigation of all kinds;

(j) the cost of property casualty and public liability insurance;

(k) the fees and costs of the underwriters as the anticipated purchasers of the Bonds;

(l) reimbursement of the costs previously incurred by the Cities with respect to the Project; and

(m) other costs generally recognized as a part of Project construction costs.
“Project Engineer” means such engineering firm or firms as may be selected by the Corporation.

“Prudent Utility Practice” means any of the practices, methods, and acts, in the exercise of reasonable judgment, in the light of the facts, including but not limited to the practices, methods, and acts engaged in or approved by a significant portion of the public utility industry prior thereto, known at the time the decision was made, that would have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety, and expedition. It is recognized that Prudent Utility Practice is not intended to be limited to the optimum practice, method, or act at the exclusion of all others, but rather is a spectrum of possible practices, methods, or acts which could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety, and expedition. In the case of any facility included in the Cities’ System which is owned in common with one or more other entities, the term “Prudent Utility Practice”, as applied to such facility, shall have the meaning set forth in the agreement governing the operation of such facility.

“Rule” means SEC Rule 15c2-12, as amended from time to time.

“Sale and Offering Documents” means any official notice of sale, official bid form, preliminary official statement, official statement, or other offering document for the Bonds.

“Schertz” means the City of Schertz, Texas, a Texas home rule municipality acting through its City Council or City Manager.

“SEC” means the United States Securities and Exchange Commission and any successor to its duties.

“Seguin” means the City of Seguin, Texas, a Texas home rule municipality acting through its City Council or City Manager.

“SID” means any entity designated by the State or an authorized department, officer, or agency thereof as, and determined by the SEC or its staff to be, a state information depository within the meaning of the Rule from time to time.

“State” means the State of Texas.

“TNRCC” means the Texas Natural Resource Conservation Commission or its successors or assigns.

“Trustee” means any trustee named under a trust indenture or the paying agent/registrar named in a paying agent/registrar agreement entered into by the Corporation securing the payment of the Bonds and authorized by a Bond Resolution.
"TWDB" means the Texas Water Development Board or any successor entity thereto.

"TWDB Program" means TWDB's State Participation Account as authorized pursuant to Article III, Sections 49-d, 49-d-2, and 49-d-8 of the Texas Constitution and Chapter 16, Subchapters E and F, as amended, Texas Water Code.

"Water Rights" means the right to drill and operate wells, produce groundwater, and transport the groundwater from the county where the groundwater is produced into Guadalupe County and the surrounding counties.

Section 1.02. Interpretation. The table of contents and caption headings of this Contract are for reference purposes only and shall not affect its interpretation in any respect. Unless the context otherwise requires, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa. This Contract and all the terms and provisions shall be liberally construed to effectuate the purpose set forth herein and to sustain the validity of this Contract.

ARTICLE II

ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. General. Subject to the remaining terms and provisions of this Contract, the Corporation agrees to issue the Bonds and to acquire and construct the Project as generally described in the Engineering Report. It is estimated that the Project will be placed in operation on or before June 1, 2002, or as soon thereafter as practicable. The Authorized Representative of the Corporation hereby represents that he is not aware of any reason that the Project, as contemplated, cannot be completed on or before June 1, 2002. It is expressly understood and agreed that any obligations on the part of the Corporation to finance, acquire, construct, and complete the Project and to provide the water to the Cities shall be (i) conditioned upon the Corporation's ability to obtain all necessary permits, Land Interests, material, labor, and equipment, and upon the ability of the Corporation to finance the cost of the Project through the actual sale of the Bonds, including any Bonds needed to complete the Project, and (ii) subject to all present and future valid laws, orders, rules, and regulations of the United States of America, the State, and any regulatory body having jurisdiction. The Project shall be acquired and constructed by the Corporation with all reasonable dispatch, and the Corporation will diligently pursue such acquisition and construction in order that it may be completed as soon as practicable, delays incident to events of Force Majeure only excepted; but if for any reason there should be delays in or the entire failure of such acquisition, construction, and improvement, there shall be no diminution in or postponement of the Annual Payments to be made by the Cities hereunder and no resulting liability on the part of the Corporation; provided, however, that the Cities retain the right to pursue any legal remedy to the extent that delays in the Project are the result of negligence or inaction on the part of the Corporation.
Section 2.02. Location of Project; Acquisition of Land Interests. The Facilities will be constructed and located on the Land Interests. The Corporation (or the Cities acting on behalf of the Corporation) shall, as soon as possible after the delivery of this Contract, and subject to the receipt of the Bond proceeds or funds from the Cities, undertake the acquisition of the Land Interests. The Corporation shall be responsible for ensuring that proper filings of each such portion of the Land Interests are made in the deed records of the appropriate counties to ensure that all interested parties have proper notice of the Corporation's interests in the Land Interests. As each deed, easement, or other evidence of an interest in real property comprising a portion of the Land Interests is acquired by the Corporation, a copy of such instrument, together with evidence of its filing in the deed records of the counties in which such portion lies, shall, upon the written request of the Cities, be given to the Cities.

The Corporation shall acquire a title insurance policy or a title opinion showing good and indefeasible title with respect to each Land Interest acquired. A copy of each such title insurance policy or title opinion shall be retained in the Corporation’s official records.

Section 2.03. Construction. The Corporation shall, as soon as possible, undertake to make, execute, deliver, and prosecute all contracts, orders, receipts, writings, and instructions with or to other persons, and in general do or cause to be done all such other things, as may be required for the proper acquisition and construction of the Facilities.

Section 2.04. Selection of Project Engineer; Plans and Specifications. The Corporation shall cause the Project Engineer to complete the Plans and Specifications and the other materials to be used in obtaining bids for construction of the Facilities and to perform such other engineering tasks as shall be necessary for construction of the Facilities. The bid documents shall include appropriate alternatives to assure the most advantageous price consistent with expeditious completion. The specifications for the Project may include as an owner cost any or all insurance coverages either required by law or deemed necessary or advisable by the Corporation.

Section 2.05. Award of Construction Contracts. Upon obtaining the approval of the Board of Directors of the Corporation of the Plans and Specifications and bid documents, the Corporation, through its Project Engineer, will promptly advertise for sealed bids for the Project to the extent and as required by law. The Corporation may break the sealed bids into several contracts or phases as it determines is best for the timely acquisition and construction of the Facilities. After the receipt of bids, the Corporation shall identify the lowest responsible bidder(s) and award the contract(s). If all bids are rejected, bids will again be solicited, following the procedure outlined above in this Section, until such time as bids satisfactory to the Corporation have been received. The Corporation shall not be obligated to award a construction contract unless the proceeds from the Bonds are available to pay the contract(s).
Section 2.06. Liens. Neither the Cities nor the Corporation will create or permit or suffer to exist any lien, encumbrance, or charge upon the Project or any interest therein at any time, except Permitted Liens.

Section 2.07. Revisions of Plans. The Plans and Specifications may be revised prior to the Completion Date.

Section 2.08. Approvals. Unless otherwise required by law, each consent, approval, or other official action required of the Cities or the Corporation by any provision of this Contract shall be deemed in compliance with this Contract when written evidence of such action, signed by the respective Authorized Representative, is delivered to the party who is to receive evidence of such action. All contracts to be entered into shall be authorized by the Corporation's Board of Directors. The Cities will cooperate with the Corporation in the design, financing, acquisition, and construction of the Project and, following the adoption of the Bond Resolution by the Corporation's Board of Directors, will not take any action or fail to take any action (including, without limitation, any exercise or denial of its consent or approval of any action proposed to be taken by the Corporation or any of its agents hereunder), if taking or failing to take such action, respectively, would unreasonably delay or obstruct the completion of the Project by the Corporation.

Section 2.09. Completion. (a) Except as otherwise provided in subsection (b) of this Section, when the Facilities have been completed, the Corporation shall deliver to the Cities a certificate of the Corporation and the Project Engineer stating that, as of a specified date, the Project has been substantially completed and are ready to be placed in service (the date specified in such certificate being herein called the “Completion Date”).

(b) The Cities and the Corporation acknowledge that the proceeds of the initial series of Bonds will be insufficient to complete the acquisition and construction of the Project, and accordingly agree to use their best efforts to issue Additional Bonds, or to secure financing pursuant to the TWDB Program, in an amount sufficient to complete the Project.

Section 2.10. Title to Water. Title to the water shall be in the Corporation until it passes through the meter or meters installed pursuant to this Contract at or near the Delivery Point, following which it shall be in the respective Cities. Each of the parties hereto hereby agrees to save and hold each other party hereto harmless from all claims, demands and causes of action which may be asserted by anyone on account of the transportation and delivery of said water while title remains in such party.

Section 2.11. Access to Cities. Should any facilities, pipelines, or appurtenances owned by the Corporation be installed in any street, alley, or public way within the boundaries of the Cities, as same are now constituted or as may hereafter be extended, the Cities hereby grant, upon complying with each of the Cities' franchise ordinances or other provisions, to the Corporation the
right, privilege and franchise of using such streets, alleys and public ways for the purposes of maintaining, operating, laying, repairing, or removing such facilities, pipelines, and appurtenances.

Section 2.12. Easements. The Cities hereby agree to grant to the Corporation such easements as may be reasonably necessary for the purposes of placing, constructing, operating, repairing, maintaining, rebuilding, replacing, relocated, and removing water facilities upon, over, across and through the Cities’ property and giving to the Corporation, and its successors and assigns, all of the rights and benefits necessary or appropriate for the full enjoyment and use of the easement, including but without limiting the same to, the free right of ingress and egress to and from the Cities’ property.

Section 2.13. Cross-Utilization of Lines.

A. Each City acknowledges that it may be necessary for certain of its transmission lines to be utilized in order for the Corporation to transmit treated water to another City or other entity and such City hereby agrees to permit the Corporation to so utilize its transmission lines in accordance with Section 2.11 and Section 2.12. In such case, the City involved agree to inform the Corporation of any special requirements with respect to pressure or other matters relating to the transmitting City’s lines.

B. The Corporation will furnish, install, operate, and maintain meters at the point of exit from the City’s lines to maintain accurate measurements of the quantity of water being delivered by the Corporation to a City or other entity through the lines of the other City or other entity. Such meters shall be subject to inspection and examination by both the City and the Corporation in accordance with the provisions of Section 4.02.

C. In the event that repairs are required to be made to any lines of a City which are utilized for the transmission of treated water to another City or other entity, the receiving City shall participate in the cost of such repairs as may be agreed from time to time.

Section 2.14. Points of Delivery. The Project will include the Facilities and Land Interests required to deliver water to the Point of Delivery for each City at the location depicted in the Engineering Report. After completion of the Project, each City shall have the sole responsibility, at its own cost and expense, for providing additional pipelines and other facilities required for transporting its share of the water from the Project to new or additional Points of Delivery, but additional or alternative points of delivery will be allowed only with the consent of the Cities.

Section 2.15. Quantity. The Cities’ proportionate share of the treated groundwater produced by the Project is as follows:

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<thead>
<tr>
<th>City</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Schertz</td>
<td>50%</td>
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<td>Seguin</td>
<td>50%</td>
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</table>
Section 2.16. Other Contracts. The Corporation shall not enter into contracts with other persons for the supply of water without the prior consent of Cities and either City may withhold its consent. The Cities may not resell water to third party wholesalers (except to such customers that exist on November 1, 1999 and not for resale by these customers) that they purchase from the Corporation without obtaining the written consent of the Corporation and the other City.

Section 2.17. Quality. The water to be delivered by the Corporation and received by the Cities shall be groundwater produced from wells constructed as part of the Project and treated using the Facilities and equipment described in the Engineering Report. Each of the Cities has satisfied itself that such water is suitable for its needs. The Corporation and each of the Cities shall cooperate, each within its legal powers, in preventing possible pollution and contamination of the formation from which the water is obtained.

Section 2.18. Operation. The Corporation covenants to operate the Project in accordance with Prudent Utility Practices and in accordance with applicable regulatory requirements.

ARTICLE III

FINANCING OF THE PROJECT

Section 3.01. Issuance of Bonds. (a) The Corporation’s acquisition and construction of the Project and improvements to the Project will be financed by the Corporation through the issuance of one or more series or issues of its Bonds payable from and secured, in part, by an assignment of the Annual Payments made under this Contract. In consideration of the covenants and agreements set forth in this Contract, and to enable the Corporation to issue the Bonds to carry out the intents and purposes hereof, this Contract is executed to assure the issuance of the Bonds and to provide for and guarantee the due and punctual payment by the Cities to the Corporation, or to the Trustee under the trust indenture (or paying agent/registrar agreement) securing the Bonds, of amounts not less than the Annual Payments. Each of the Cities hereby agrees to make, or cause to be made, its proportionate share of each Annual Payment, as and when due, for the benefit of the owners of the Bonds, as provided in the Bonds and the Bond Resolution. The proportionate share of each Annual Payment shall be determined on a several and not a joint basis, as follows:

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<tr>
<th>City</th>
<th>%</th>
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<tbody>
<tr>
<td>Schertz</td>
<td>50%</td>
</tr>
<tr>
<td>Seguin</td>
<td>50%</td>
</tr>
</tbody>
</table>

(b) The proceeds from the sale of the Bonds will be used for the payment of the Project Costs. The Bonds will be issued by the Corporation in the amount anticipated to be required to acquire and construct the Project, including payment of all Project Costs advanced by the Cities and incurred by the Corporation prior to the date of issuance of the Bonds, and to fund, to the extent deemed advisable by the Corporation, a debt service reserve fund and interest on the Bonds during construction and for up to one year after the Completion Date.
(c) Each Bond Resolution of the Corporation shall specify the maximum principal amount of the Bonds to be issued thereunder. The Bonds shall mature not more than forty (40) years from the date of such Bonds and shall bear interest at not to exceed the maximum legal rate then permitted by law, and the Bond Resolution may create and provide for the maintenance of a revenue fund, an interest and sinking fund, a debt service reserve fund, and any other funds deemed prudent by the Corporation, all in the manner and amounts as provided in such Bond Resolution.

(2) Prior to the final adoption of a Bond Resolution or any amendment of a Bond Resolution by the Corporation's Board of Directors or the execution of an Approval Certificate by the Corporation, a substantially final copy of the proposed Bond Resolution, the Approval Certificate, if any, and the Sale and Offering Documents shall be presented to the Cities for review and approval.

(3) Upon approval by each of the Cities of (i) each Bond Resolution hereafter adopted by the Corporation, (ii) any amendments to any Bond Resolution, (iii) an Approval Certificate authorized by a Bond Resolution, and (iv) the Sale and Offering Documents and the delivery to the Corporation of a certification signed by the Authorized Representative of each of the Cities to the effect that the Bond Resolution, including any Approval Certificate, and the Sale and Offering Documents comply with this Contract, then upon the adoption and approval of the Bond Resolution and the Approval Certificate, if any, in such final form by the Corporation's Board of Directors or Authorized Representative, as the case may be, and the issuance and delivery of the Bonds to the purchaser thereof, the Bond Resolution shall for all purposes be considered approved by the Cities and deemed to be in compliance with this Contract in all respects, and the Bonds issued thereunder will constitute Bonds as defined in this Contract for all purposes. Any owner of Bonds is entitled to rely fully and unconditionally on any such approval.

(4) All covenants and provisions in the Bond Resolution affecting, or purporting to bind, the Cities, shall, upon the delivery of the Bonds, become absolute, unconditional, valid, and binding covenants and obligations of the Cities so long as the Bonds and interest thereon are outstanding and unpaid, and may be enforced as provided in this Contract and the Bond Resolution. Particularly, the obligation of each of the Cities to make, promptly when due, all Annual Payments specified in this Contract shall be absolute and unconditional, and said obligation may be enforced as provided in this Contract. In addition, subject to the approval of the Cities, the Corporation may enter into Credit Agreements for the purpose of achieving the lowest financing costs for the Project.

Section 3.02. Proceeds of Bonds. Subject to the terms and provisions of this Contract, the proceeds of the Bonds shall be used by the Corporation for the purpose of financing and funding the
Corporation's acquisition and construction of the Project as provided in Section 3.01 and improvements to the Project. The Corporation shall use its best efforts to issue its Bonds, in one or more series, in amounts which will be sufficient to accomplish such purpose. The proceeds of the Bonds shall be deposited in a construction fund established pursuant to the terms of the Bond Resolution. A trust indenture may be entered into between the Corporation and a corporate trustee for the purpose of securing the payment of the Bonds. The trust indenture or the Bond Resolution, as appropriate, will establish procedures for the payment of Project Costs out of the construction fund. It is anticipated that the Bonds will be issued pursuant to the Bond Resolution and that a paying agent/registrar agreement will be executed between the Corporation and the Trustee concerning the payment procedures with respect to the Bonds.

Section 3.03. Refunding of Bonds. The Corporation reserves the right to issue refunding bonds in accordance with the laws of the State.

Section 3.04. Redemption of Bonds. The Corporation, in its sole discretion or upon the written request of the Cities (and provided that the affected Bonds are subject to redemption or prepayment prior to maturity at the option of the Corporation, and provided that such request is received in sufficient time prior to the date upon which such redemption or prepayment is proposed), forthwith shall take or cause to be taken all action that may be necessary under the applicable redemption provisions of the Bonds to redeem the Bonds or any part thereof, to the full extent of funds that are either made available for such purpose by the Cities or already on deposit under the Bond Resolution and available for such purpose. The redemption of any outstanding Bonds prior to maturity at any time shall not relieve the Cities of their absolute and unconditional obligation to pay each remaining Annual Payment with respect to any outstanding Bonds, as specified in the Bond Resolution.

Section 3.05. Debt Service on Bonds and Other Bond Funding Requirements. It is acknowledged and agreed that payments to be made under this Contract will be the primary source available to the Corporation to provide the money necessary for the Corporation to meet its obligations with respect to the Bonds and any Credit Agreements. Each City therefore agrees to pay its proportionate share of all Bond Payment, as outlined in subsections (a) through (c) below, in full when due as provided in this Contract. Bond Payment shall be due by the close of business on the business day prior to each date on which any of the following payments or deposits shall be due and shall be in an amount equal to all such payments and deposits due on such date:

(a) debt service on the Bonds and related payments and deposits, as follows:

(1) principal of, redemption premium, if any, and interest on, the Bonds, less interest to be paid out of Bond proceeds or from other sources if permitted by any Bond Resolution, and the redemption price of any Bonds to be redeemed prior to maturity when and as provided in any Bond Resolution plus the fees, expenses, and, to the extent permitted by law, indemnities of the Trustee, if any, for the Bonds, and those
of the paying agent/registrar for paying the principal of and interest on the Bonds and for authenticating, registering, and transferring Bonds on the registration books; and

(2) deposits required to be made to any special, contingency, or reserve fund by the provisions of any Bond Resolution; and

(3) any deposit in addition thereto required to restore any deficiency in any of such funds by the provisions of any Bond Resolution,

(b) amounts payable by the Corporation under a Credit Agreement; and

(c) the fees, expenses, and indemnities (to the extent permitted by law) of the remarketing agent, rate setting agent, authentication agent, arbitrage rebate compliance firm, and tender agent, if any, for the Bonds.

Section 3.06. Billing. The Corporation will render bills to the Cities not more than once each month, commencing April 5, 2000, for the current payments required by this Contract. The Corporation shall, until further notice, render such bills on or before the 5th day of each month and such bills shall be due and payable on the 15th day of each month or ten (10) days after such bill is deposited into the United States mail, properly stamped and addressed to the Cities whichever is later and thereafter, to the extent permitted by law, interest shall accrue thereon at the rate of ten per cent (10%) per annum until paid in full. The Corporation may, however, from time to time by sixty (60) days’ written notice change the date by which it shall render bills, and all bills shall thereafter be due and payable ten (10) days after such dates as herein provided. The Cities shall make all payments in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts and shall make payment to the Corporation as its office in Guadalupe County, Texas or at such other place as the Corporation may from time to time designate by sixty (60) days’ written notice.

Section 3.07. Delinquency in Payment. If either of the Cities fails to pay any bills when due and payable, the Corporation may give written notice of such delinquency to the City and if all bills due and unpaid, including interest thereon, are not paid within forty-five (45) days after delivery of such notice, then the City agrees that the Corporation shall be authorized, as its option, to institute suit for collection thereof and to collect any amounts due and unpaid, together with interest thereon and reasonable attorneys’ fees, and the City further agrees that the Corporation may, as its option discontinue providing water to the City until all amounts due and unpaid are paid in full with interest as herein specified. Any such discontinuation of service shall not, however, relieve the City of its unconditional obligations to make the payments required by this Contract. It is also hereby expressly recognized that the nondefaulting City shall have no obligation to make any payments for the benefit of the defaulting City.
Section 3.08. Corporation’s Rights Assigned to Trustee. The Cities are advised and recognize that as security for the payment of the Bonds, the Corporation may assign to the Trustee, pursuant to one or more trust indentures (or paying agent/registrar agreements) to be authorized by the Bond Resolution, the Corporation’s rights under this Contract, including the right to receive the Annual Payments hereunder (but not the right to receive payments, if any, under Section 8.13 hereof). The Cities herewith assent to such assignment and will make the Annual Payments directly to the Trustee without defense or set-off by reason of any dispute between one or both of the Cities and the Corporation or the Trustee. All rights against the Cities arising under this Contract or the Bond Resolution and assigned to the Trustee may be enforced by the Trustee, or the owners of the Bonds, to the extent provided in the Bond Resolution, and the Trustee, or the owners of the Bonds, shall be entitled to bring any suit, action, or proceeding against the Cities, to the extent provided in the Bond Resolution, for the enforcement of this Contract, and it shall not be necessary in any such suit, action, or proceeding to make the Corporation a party thereto.

Section 3.09. Tax-Exempt Bonds. The parties hereto understand and agree that the Corporation will use its best efforts to provide for, but will not be liable for a failure to produce, the lowest overall debt service cost for the Bonds to be issued for the Project. In connection therewith, the parties intend that the Corporation will issue Bonds the interest on which is excludable from the gross income of the owners thereof for federal income tax purposes. The parties hereto acknowledge their understanding that the federal income tax laws impose certain restrictions on the use and investment of proceeds of such tax-exempt bonds and on the use of the property financed therewith and the output produced therefrom. Accordingly, the parties agree and covenant that if the Bonds are offered to investors with the understanding that the interest will be exempt from federal income taxation, then the parties, their assigns and agents, will take such action to assure, and refrain from such action which will adversely affect the treatment of such Bonds as obligations described in section 103 of the Code. Should any party fail to comply with such covenant, the effect of which being that the Bonds no longer qualify as obligations described in the Code, such defaulting party shall be liable for all costs resulting from the loss of the tax-exempt status of the Bonds. The parties hereby agree and covenant to comply with all of the representations and covenants relating to such exemption which are set out in any Bond Resolution. The parties further agree and covenant that in the event the Bonds issued are to be tax-exempt, they will modify such agreements, make such filings, restrict the yield on investments, and take such other action necessary to fulfill the applicable provisions of the Code. For these purposes, the parties may rely on the respective opinion of any firm of nationally-recognized bond attorneys selected by them. In the event that a conflict arises in the opinions of the respective firms of each of the parties, the parties will identify a different firm, that is mutually acceptable to all parties, in order to resolve the conflict of opinion.

Section 3.10. Payment to Rebate Fund. In the event that tax-exempt Bonds are issued as provided in Section 3.09, the Corporation hereby covenants and agrees to make the determinations and to pay any deficiency into a rebate fund, at the times and as described in the Bond Resolution to comply with the provisions of section 148(f)(2) of the Code. In any event, if the amount of cash held in the rebate fund shall be insufficient to permit the Trustee to make payment to the United
States of America of any amount due on any date under section 148(f)(2) of the Code, each of the Cities forthwith shall pay the amount of such insufficiency on such date to the Trustee in immediately available funds for such purpose. The obligations of the Cities under this Section 3.10 are direct obligations of each City, acting under the authorization of, and on behalf of, the Corporation and the Corporation shall have no further obligation or duty with respect to the rebate fund.

Section 3.11. Cities' Obligations. In the event the Project is not completed for any of the reasons contemplated herein or otherwise, or any proceeds from issuance of the Bonds are not used for completion of the Project for any reason, any Bond proceeds and earnings thereon not used for completion of the Project shall be utilized to satisfy amounts due and owing on the Bonds as described in the Bond Resolution, and herein, so as to reduce the Annual Payments which would otherwise be due hereunder, or be applied for the benefit of the Cities as provided in the Bond Resolution. The Cities have covenanted absolutely and unconditionally, in accordance with all other terms of this Contract, to make the Annual Payments, as provided herein, in consideration for such application of the money as well as the other covenants and obligations of the Corporation and others set forth or contemplated herein.

Section 3.12. Interest on Money. All legally available money respecting the Bonds shall be invested in the manner set forth in the Bond Resolution. Any interest earnings on the Bond proceeds may be used to pay principal of and interest on the Bonds or for the payment of any Project Costs or other costs related to the Project approved by the Cities, subject to Section 3.09.

Section 3.13. Sale and Offering Documents. At the request of the Corporation, each of the Cities shall provide to the Corporation current and historical information concerning the Cities' System, the financial conditions results, and prospects of the City, and such other information concerning the City as the Corporation shall deem advisable for inclusion in the Sale and Offering Documents for the Bonds of each series and shall certify to the Corporation and the underwriters of any offering of Bonds to be made by means of such Sale and Offering Documents when and if the City deems such Sale and Offering Documents to be complete and final for purposes of the Rule. Each of the Cities represents and warrants that all statements concerning it (including, without limitation, its financial condition, results, and prospects, its portion of the Cities' System, and any demographic and economic information concerning the area served by its portion of the Cities' System) that are contained in any Sale and Offering Document approved by the Cities pursuant to Section 3.01 hereof shall be true in all material respects and shall not omit to state any material fact necessary to make the statements made in such Sale and Offering Document, in the light of the circumstances in which they are made, not misleading.

Section 3.14. Right of Cities to Prepay. The Cities shall have the right at any time to prepay all or any portion of the Annual Payments. Subject to the provisions of Section 3.09, such prepaid Annual Payments shall be used and invested by the Corporation as directed by the City which paid (i) as a credit against future Annual Payment obligations of such City, (ii) to redeem Bonds pursuant
to the provisions of Section 3.04, or (iii) to provide for the defeasance of the Bonds pursuant to the provisions of the Bond Resolution. Any such prepayment will not cause a termination of this Contract until all other amounts owed or to be incurred by the Corporation or any other person under the provisions of the Bond Resolution (including the charge for water pursuant to Section 8.05 hereof) have been paid in full or waived by such person.

ARTICLE IV

METERING AND MEASUREMENT

Section 4.01. Unit of Measurement. The unit of measurement for water delivered hereunder shall be 1,000 gallons of water, U. S. Standard Liquid Measure.

Section 4.02. Measuring Equipment. The Corporation shall furnish, install, operate and maintain at its own expense for each Delivery Point the necessary electronic or other equipment and devices of standard type for measuring properly the quantity of water delivered under this Contract. Such meter or meters and other equipment so installed shall remain the property of the Corporation. The Cities shall have access to such metering equipment at all reasonable times, but the reading, calibration, and adjustment thereof shall be done only by the employees or agents of the Corporation. For the purpose of this Contract the original record or reading of the meter or meters shall be the journal or other record book of Corporation in its office in which the records of the employees or agents of the Corporation who take readings are or may be transcribed. Upon written request of Cities, the Corporation will give the Cities a copy of such journal or record book, or permit the Cities to have access to the same in the office of the Corporation during reasonable business hours.

The Corporation shall calibrate its meters periodically, but at least every three (3) years, if requested in writing by Cities to do so, in the presence of a representative of the Cities, and the parties shall jointly observe any adjustments which are made to the meters in case any adjustments shall be necessary, and if the check meters hereinafter provided for have been installed, the same shall also be calibrated by the Cities in the presence of a representative of Corporation and the parties shall jointly observe any adjustment in case any adjustment is necessary. If the Cities shall in writing request Corporation to calibrate its meters and Corporation shall give the Cities notice of the time when any such calibration is to be made and a representative of the Cities is not present at the time set, the Corporation may proceed with calibration and adjustment in the absence of any representative of the Cities.

If either party at any time observes a variation between the delivery meter or meters and the check meter or meters, if any such check meter or meters shall be installed, such party will promptly notify the other party, and the parties hereto shall then cooperate to procure an immediate calibration test and joint observation of any adjustment and the said meter or meters shall then be adjusted to accuracy. Each party shall give the other parties forty-eight (48) hours’ notice of the time of all tests of meters so that the other parties may conveniently have a representative present.
If upon any test, the percentage of inaccuracy of any metering equipment is found to be in excess of two percent (2%), registration thereof shall be corrected for a period extending back to the time when such inaccuracy began, if such time is ascertainable, and if such time is not ascertainable, then for a period extending back one-half (½) of the time elapsed since the last date of calibration, but in no event further back than a period of six (6) months. If for any reason any meters are out of service or out of repair so that the amount of water delivered cannot be ascertained or computed from the reading thereof, the water delivered during the period such meters are out of service or out of repair shall be estimated and agreed upon by the parties hereto upon the basis of the best data available. For such purpose, the best data available shall be deemed to be the registration of any check meter or meters if the same have been installed and are accurately registering. Otherwise the amount of water delivered during such period may be estimated (i) by correcting the error if the percentage of the error is ascertainable by calibration tests or mathematical calculation, or (ii) by estimating the quantity of delivery by deliveries during the preceding periods under similar conditions when the meter or meters were registering accurately.

The Cities may, at their option and their own expense, install and operate a check meter to check each meter installed by Corporation, but the measurement of water for the purpose of this Contract shall be solely by the Corporation’s meters, except in the cases hereinabove specifically provided to the contrary. All such check meters shall be of standard make and shall be subject at all reasonable times to inspection and examination by any employee or agent of the Corporation, but the reading, calibration and adjustment thereof shall be made only by the Cities, except during any period when a check meter may be used under the provisions hereof for measuring the amount of water delivered, in which case the reading, calibration and adjustment thereof shall be made by Corporation with like effect as if such check meter or meters had been furnished or installed by Corporation.

ARTICLE V

ANNUAL PAYMENTS, CITY COVENANTS

Section 5.01. Annual Estimate of Annual Payments. Not less than ninety (90) days prior to each Fiscal Year, the Corporation shall furnish to the Cities an estimate and schedule of the Annual Payments required to be paid by the Cities in such Fiscal Year.

Section 5.02. Annual Payments by the Cities. (a) Each of the Cities hereby agrees that it will make payments of its proportionate share of the Annual Payments to the Corporation, or to the Trustee on behalf of the Corporation, as provided in the Bond Resolution in accordance with the procedures established in Section 3.06 hereof. If a City at any time disputes the amount to be paid by it to the Corporation, such City shall nevertheless promptly make such payment or payments, but if it is subsequently determined by agreement or court decision that such disputed payments made by the such City should have been less, or more, the Corporation shall promptly revise the charges for such City in such manner that a City will recover its overpayment or the Corporation will recover
the amount due it. The Corporation shall pursue all legal remedies against the Cities to enforce and protect the rights of the Corporation and the owners of the Bonds, and the Cities shall not be relieved of the liability to the Corporation for the payment of all amounts which are due by them hereunder.

(b) Except to the extent otherwise provided by the Bond Resolution, all amounts due under this Contract shall be paid and are due in Guadalupe County, Texas, which is the County in which the principal administrative offices of the Corporation are located.

(c) The Corporation shall redetermine the estimate and schedule of Annual Payments due in any Fiscal Year at any time during such Fiscal Year, as and to the extent deemed necessary or advisable by the Corporation to accurately forecast the amount and date of Annual Payments to be made by the Cities, if (i) the Corporation issues Bonds to complete the Project or to refund any Bonds or enters into, amends, or terminates a Credit Agreement, (ii) actual interest rates on any variable interest rate Bonds differ from those projected by the Corporation, or (iii) any other event occurs which results in an increase or decrease in the Annual Payments required to be made by the Cities in such Fiscal Year.

(d) If, during any Fiscal Year, the Annual Payment is redetermined in any manner as provided or required in this Section, the Corporation will promptly furnish the Cities with an updated schedule of payments reflecting such redetermination.

(e) Notwithstanding anything herein to the contrary, no failure of the Corporation to estimate, and no mistake by the Corporation in any estimate of, the amount of or schedule for Annual Payments due from the Cities in any Fiscal Year shall relieve the Cities from (or defer) their absolute and unconditional obligation to make all Annual Payments in full when due.

Section 5.03. Source of Payment. (a) Each of the Cities represents and covenants that all payments to be made by them under this Contract shall constitute reasonable and necessary “operating expenses”, as defined in Chapter 1502, as amended, Texas Government Code (formerly Texas Revised Civil Statutes Annotated Article 1113, as amended) of the Cities’ System, but only to the extent of the Annual Payment, and the Cities shall not be obligated to make the payments under this Contract from any source other than the gross revenues of the Cities’ System. Each of the Cities further represents that the Governing Bodies of the Cities have determined that the services to be provided by the Project are absolutely necessary and essential to provide the water to the Cities.

(b) Each of the Cities agrees throughout the term of this Contract to fix and collect such rates and charges for services to be supplied by the Cities’ System as will produce gross revenues at all times during the term of this Contract in an amount at least equal to (i) all of the expenses of operation and maintenance of the Cities’ System, including specifically its payments under this Contract and (ii) all other amounts as required by law and the provisions of the ordinances or resolutions authorizing the Cities Utility Bonds or other obligations now or hereafter outstanding.
payable, in whole or in part, from the net revenues of the Cities' System, including the amounts required to pay all principal of and interest on such Cities Utility Bonds and other obligations.

(c) No ad valorem tax revenues of either of the Cities shall be pledged to the payment of any amounts to be paid by the Cities to the Corporation under this Contract, nor shall the Corporation have the right to demand payment of any amounts to be paid by the Cities under this Contract be paid from funds raised or to be raised from ad valorem taxation from the Cities and the obligations under this Contract shall never be construed to be a debt or pecuniary obligation of the Cities of such kind as to require the Cities to levy and collect an ad valorem tax to discharge their obligations.

Section 5.04. Corporation's Operation and Maintenance Expenses and Overhead Expenses. To the extent not paid out of the proceeds of the Bonds, or otherwise, the Cities shall pay and reimburse the Corporation for all of its proportionate share of Operation and Maintenance Expenses and Overhead Expenses incurred by it throughout the term of this Contract within thirty (30) days of receipt of documentation therefor from the Corporation. The Cities also agree, with the consent of the Corporation, to enter into an interlocal agreement to provide for, among other matters, an annual adjustment of the Operation and Maintenance Expenses and Overhead Expenses paid by each City based upon certain formulas and taking into account the quantity of water actually utilized by each City.

Section 5.05. Annual Budgeting by the Cities. The Cities shall make provision in each of their annual budgets and shall appropriate an amount sufficient, at a minimum, for the payment of all amounts required to be paid by the Cities under this Contract.

Section 5.06. Revenue Sources Pledged. Each of the Cities hereby pledges the gross revenues of the Cities' System to the payment of their obligations under this Contract and recognize that the Corporation will, and authorize the Corporation to, pledge the Annual Payments owing to it by the Cities under this Contract to the payment of the Bonds and Credit Agreements. The Corporation agrees to make the payments for the Bonds and Credit Agreements when and as required by the Bond Resolution, the Credit Agreements, and this Contract, from and to the extent of proceeds of the Bonds not expended for the Project and Annual Payments made by the Cities.

Section 5.07. General Covenants. Each City further each represents, covenants and agrees that in accordance with and to the extent permitted by law:

(a) Performance. It will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in each ordinance or resolution authorizing the issuance of its Cities Utility Bonds; and it will, at the time and in the manner prescribed, deposit or cause to be deposited the amounts required to be deposited into the fund and accounts created by said ordinances, but only from and to the extent of the sources of funds and after satisfaction of all prior obligations described therein.
(b) **Cities' Legal Corporation.** It is a duly created and existing home rule city of the State and is duly authorized under the laws of the State to enter into this Contract that all action on its part for the execution and delivery of this Contract has been duly and effectively taken; and that this Contract is a valid and enforceable special obligation of the Cities in accordance with its terms.

(c) **Acquisition and Construction; Operation and Maintenance.** (1) It shall use its best efforts in accordance with Prudent Utility Practice to acquire and construct, or cause to be acquired and constructed, any capital improvements to the Cities' System, which shall mean and include any capital extensions, improvements, and betterments, in accordance with the plans and specifications therefor, as modified from time to time with due diligence and in a sound and economical manner; and (2) it shall at all times use its best efforts to operate or cause to be operated the Cities' System properly and in an efficient manner, consistent with Prudent Utility Practice, and shall use its best efforts to maintain, preserve, reconstruct and keep the same or cause the same to be so maintained, preserved, reconstructed and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make, or use its best efforts to cause to be made, all necessary and proper repairs, replacement, and renewals so that at all times the operation of the Cities' System may be properly and advantageously conducted.

(d) **Title.** It has or will obtain lawful title, whether such title is in fee or lesser interest, to the lands, buildings, structures, and facilities constituting its portion of the Cities' System; it will defend the title to all the aforesaid lands, buildings, structures, and facilities, and every part thereof, for the benefit of the Corporation and the owners of the Bonds, against the claims and demands of all persons whomsoever; and it is lawfully qualified to pledge the gross revenues of its portion of the Cities' System to the payment of the payments required by this Contract in the manner prescribed herein, and has lawfully exercised such rights.

(e) **Liens.** It will from time to time and before the same become delinquent pay and discharge all taxes, assessments, and governmental charges, if any, which shall be lawfully imposed upon its portion of the Cities' System; it will pay all lawful claims for rents, royalties, labor, materials, and supplies which if unpaid might by law become a lien or charge thereon, the lien of which would be prior to or interfere with the liens hereof, so that the priority of the lien granted hereunder shall be fully preserved in the manner provided herein; and it will not create or suffer to be created any mechanic's, laborer's, materialman's, or other lien or charge which might or could be prior to the liens hereof, or do or suffer any matter or thing whereby the lien hereof might or could be impaired; provided however, that no such tax, assessment, or charge, and that no such claims which might be used as the basis of a mechanic's, laborer's, materialman's, or other lien or charge, shall be required to be paid so long as the validity of the same shall be contested in good faith by the Cities.

(f) **Books, Records, and Accounts.** It shall keep proper books, records, and accounts separate and apart from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to its portion of the Cities' System, the Bonds, and the Cities, and
shall cause said books and accounts to be audited annually as of the close of each Fiscal Year by the Accountant. At the request of the Corporation, the Cities shall allow the Corporation to audit such books, records, and accounts at any reasonable time and from time to time.

(g) **Insurance.** (1) Except as otherwise permitted in clause (2) below, it shall cause to be insured such parts of its portion of the Cities' System as would usually be insured by corporations operating like properties, with a responsible insurance company or companies, against risks, accidents, or casualties against which and to the extent insurance is usually carried by corporations operating like properties, including, to the extent reasonably obtainable, fire and extended coverage insurance, insurance against damage by floods, and use and occupancy insurance. Public liability and property damage insurance shall also be carried unless the City Attorney gives a written opinion to the effect that the City is not liable for claims which would be protected by such insurance. At any time while any contractor engaged in construction work shall be fully responsible therefor, the Cities shall not be required to carry insurance on the work being constructed if the contractor is required to carry appropriate insurance. All such policies shall be open to the inspection of the Corporation at all reasonable times.

(2) In lieu of obtaining policies for insurance as provided above, the Cities may self-insure against risks, accidents, claims, or casualties described in clause (1) above.

(3) The annual audit hereinafter required shall contain a section commenting on whether or not the City has complied with the requirements of this Section with respect to the maintenance of insurance, and listing the areas of insurance for which the City is self-insuring, all policies carried, and whether or not all insurance premiums upon the insurance policies to which reference is hereinbefore made have been paid.

(h) **Audits.** After the close of each Fiscal Year while this Contract is in effect, an audit will be made by each City of the books and accounts relating to its portion of the Cities' System and its portion of the revenues of the Cities' System by the Accountant. As soon as practicable after the close of each such Fiscal Year, and when said audit has been completed and made available to the Cities, a copy of such audit for the preceding Fiscal Year shall be mailed to the Corporation. Such annual audit reports shall be open to the inspection of the Corporation, its agents and representatives, the Trustee, and the owners of the Bonds at all reasonable times at the Corporation's office.

(i) **Governmental Agencies.** It will comply with all of the terms and conditions of any and all franchises, permits, and authorizations applicable to or necessary with respect to the Cities' System, and which have been obtained from any governmental agency; and the Cities have or will obtain and keep in full force and effect all franchises, permits, authorizations, and other requirements applicable to or necessary with respect to the acquisition, construction, equipment, operation, and maintenance of the Cities' System.
(j) No Competition. To the extent it legally may, it will not grant any franchise or permit
for the acquisition, construction, or operation of any competing facilities which might be used as a
substitute for the Cities’ System’s facilities, and, to the extent that it legally may, each City will
prohibit any such competing facilities.

(k) Rights of Inspection. The Corporation, the Trustee, and the owners of 10% or more
in principal amount of the Bonds of any series shall have the right at all reasonable times to inspect
the Cities’ System and all records, accounts, and data of the Cities relating thereto, and upon request
the Cities shall furnish to the Corporation, the Trustee, and such owners of Bonds such financial
statements, reports, and other information relating to the Cities and the Cities’ System as any such
person may from time to time reasonably request.

(l) Sale, Lease, or Disposal of Property by the Cities. No part of the Cities’ System shall
be sold, leased, mortgaged, demolished, removed, or otherwise disposed of, except as follows:

(1) To the extent permitted by law, a City may sell or exchange at any time and
from time to time any property or facilities constituting its part of the Cities’ System only if (i) it shall
determine such property or facilities are not useful in the operation of the Cities’ System, or (ii) the
proceeds of such sale are $250,000 or less, or it shall have received a certificate executed by the City
Engineer of Record and the City Manager stating, in their opinion, that the fair market value of the
property or facilities exchanged is $250,000 or less, or (iii) if such proceeds or fair market value
exceeds $250,000 it shall have received a certificate executed by the City Engineer of Record and
the City Manager stating (A) that system within the Cities’ System of which the property or facilities
comprises a part thereof and (B) in their opinion, that the sale or exchange of such property or
facilities will not impair the ability of the Cities to comply during the current or any future year with
the provisions of Section 5.03(b) of this Contract. The proceeds of any such sale or exchange not
used to acquire other property necessary or desirable for the safe or efficient operation of the Cities’
System shall forthwith, at the option of the Cities be used as provided in the ordinances of the Cities
authorizing its Cities Utility Bonds.

(2) To the extent permitted by law, a City may lease or make contracts or grant
licenses for the operation of, or make arrangements for the use of, or grant easements or other rights
with respect to, any part of its portion of the Cities’ System, provided that any such lease, contract,
license, arrangement, easement or right (i) does not impede the operation by the Cities of the Cities’
System and (ii) does not in any manner impair or adversely affect the rights or security of the
Corporation under this Contract; and provided, further, that if the depreciated cost of the property
to be covered by any such lease, contract, license, arrangement, easement, or other right is in excess
of $500,000, the Cities shall have received a certificate executed by the City Engineer of Record and
the City Manager that the action of the Cities with respect thereto does not result in a breach of the
conditions under this subsection (2). Any payments received by the Cities under or in connection
with any such lease, contract, license, arrangement, easement or right in respect of the Cities’ System
or any part thereof shall constitute gross revenues of the Cities’ System.
ARTICLE VI
CONTINUING DISCLOSURE

Section 6.01. Annual Reports. Following the issuance of Bonds of any series, the offer or sale of which is not exempt from the Rule and, until the Cities are no longer obligated, contingently or otherwise, to make Annual Payments in respect of the Bonds of such series, the Cities undertake to and shall provide annually to each NRMSIR and any SID, within six months after the end of each Fiscal Year, (1) financial information and operating data of the general type included in the Sale and Offering Documents for the Bonds of such series, as specified in the Cities’ approval of such Sale and Offering Documents pursuant to Section 3.01 hereof and (2) audited general purpose financial statements of the Cities, if then available. Any financial statements so to be provided shall be (1) prepared in accordance with generally accepted accounting principles for governmental agencies or such other accounting principles as the Cities may be required to employ from time to time pursuant to state law or regulation, and (2) audited, if the Cities commission an audit of such statements and the audit is completed within the period during which it must be provided. If the audit of such financial statements is not complete within such period, then the Cities shall provide unaudited financial statements within the required period, and shall provide audited financial statements for the applicable Fiscal Year to each NRMSIR and any SID, when and if the audit report on such statements become available.

If the Cities change their Fiscal Year, they will notify the Trustee, each NRMSIR, and any SID in writing of the change (and of the date of the new Fiscal Year end) prior to the next date by which the Cities otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be incorporated by specific reference to any document or specific part thereof (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to each NRMSIR and any SID or filed with the SEC. Copies of such information and operating data shall be furnished to the Corporation at the same time the information and data are furnished to any NRMSIR or SID.

Section 6.02. Material Event Notices. (a) The following are the events with respect to the Bonds which the Corporation must agree to disclose in a timely manner pursuant to the Rule, if “material” under applicable federal securities laws and regulations promulgated thereunder.

(1) Principal and interest payment delinquencies;

(2) Non-payment related defaults;

(3) Unscheduled draws on debt service reserves reflecting financial difficulties;
(4) Unscheduled draws on credit enhancements reflecting financial difficulties;

(5) Substitution of credit or liquidity providers, or their failure to perform;

(6) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;

(7) Modifications to rights of holders of the Bonds;

(8) Bond calls;

(9) Defeasances;

(10) Release, substitution, or sale of property securing repayment of the Bonds; and

(11) Rating changes.

(b) The Cities shall, promptly after obtaining actual knowledge of the occurrence of any of the events enumerated in (a) above, notify the Corporation of such event and provide all information in the format required to satisfy the requirements of the Rule. Further, the Cities shall provide, in a timely manner, notice of any failure by the Cities to provide audited financial statements, financial information, and operating data in accordance with Section 6.01 hereof to each NRMSIR and each SID.

Section 6.03. Limitations, Disclaimers, and Amendments. The Cities shall be obligated to observe and perform the covenants specified in this Article in respect of the Bonds of any series for so long as, but only for so long as, the Cities remains an “obligated person” with respect to the Bonds of such series within the meaning of the Rule, except that the Cities in any event will give notice of any deposit made in accordance with the Bond Resolution that causes Bonds of such series no longer to be outstanding.

The provisions of this Article are for the sole benefit of (and may be enforced by) the owners and beneficial owners of the Bonds, and nothing in this Article, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Cities undertake to provide only the financial information, operating data, financial statements, and notices which they have expressly agreed to provide pursuant to this Article and do not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Cities’ financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Article or otherwise, except as expressly provided herein. The Cities makes no representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.
UNDER NO CIRCUMSTANCES SHALL THE CITIES BE LIABLE TO THE OWNER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE CITIES WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OR ANY COVENANT SPECIFIED IN THIS ARTICLE, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the Cities in observing or performing its obligations under this Article shall comprise a breach of or default under this Contract for purposes of any other provision of this Contract.

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

The provisions of this Article may be amended by the Corporation and the Cities from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Corporation or the Cities, but only if (1) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell Bonds of the applicable series in the primary offering of the Bonds of such series in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances, and (2) either (a) the owners of a majority in aggregate principal amount (or any greater amount required by any other provision of this Contract that authorizes such an amendment) of the outstanding Bonds of each such series affected consent to such amendment or (b) an entity that is unaffiliated with the Corporation or the Cities (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the owners and beneficial owners of the Bonds of such series and is permitted by the terms of the Article. If the Corporation and the Cities so amend the provisions of this Article in connection with the financial or operating data which the Cities are required to disclose under Section 6.01 hereof, the Cities shall provide a notice of such amendment to be filed in accordance with Section 6.02(b) hereof, together with an explanation, in narrative form, of the reason for the amendment and the impact of any change in the type of financial information or operating data to be so provided. The Corporation and the Cities may also amend or repeal the provisions of this Article if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.
ARTICLE VII

COMPLIANCE WITH FEDERAL, STATE AND LOCAL LAWS

Section 7.01. Compliance with Federal, State and Local Laws. In addition to the provisions of Section 8.08 hereof, this Contract is subject to all applicable federal and State laws and any applicable permits, ordinances, rules, orders and regulations of any local, state or federal government authority having or asserting jurisdiction. The Contract is specifically subject to the rules of the TNRCC and the Corporation shall have the right to terminate this Contract upon the Cities' non-compliance with the rules promulgated by the TNRCC. Pursuant to those rules the parties will comply with the following requirements:

Section 7.02. Recordkeeping and Reporting. The Cities and the Corporation shall maintain records on site for a period of five (5) years.

1. Records to be maintained by the Corporation include:

   A. copies of notifications made to the TNRCC concerning water projects;

   B. as applicable, copies of contracts made with each water user.

   C. records of volume of water delivered to each water user per delivery.

   D. water quality analyses.

2. The Corporation shall report to the TNRCC on a monthly basis the following information on forms furnished by the Executive Director of the TNRCC.

   A. volume of water delivered to the Cities.

   B. quality of water delivered to the Cities reported as a monthly average for each quality criteria except those listed as “not to exceed” which shall be reported as individual analyses.

   Such reports are due to the TNRCC by the 20th day of the month following the reporting period.

   The foregoing requirements of this Article VII shall be amended as necessary to comply with the rules of the TNRCC.

   All costs of compliance with the rules of the TNRCC shall be paid by the Corporation, but such costs shall be considered an Operation and Maintenance Expense.
ARTICLE VIII

GENERAL PROVISIONS

Section 8.01. Participation by the Parties. The Corporation and each of the Cities each represents to the others that it is empowered by law to participate in the acquisition, construction, and financing of the Project, and to execute this Contract and other agreements and documents as are or may hereafter be required to accomplish the same; and that its participation in the Project and execution of this Contract have been duly authorized by action of its governing body at a meeting conducted in accordance with the Texas Open Meetings Act, as amended, Chapter 551, Texas Government Code. The Corporation and each of the Cities agree to furnish to the other such documentation or evidence of its authority to so participate and execute the contracts and other agreements as the other party may reasonably request, and to take and perform such other and further actions and execute such other agreements and documents as may be reasonably required to carry out the provisions of this Contract.

Section 8.02. Insurance. (a) The Corporation agrees to carry public liability insurance on the Project for purposes and in amounts which ordinarily would be carried by a privately owned utility company owning and operating such facilities, except that the Corporation shall not be required to carry liability insurance except to insure itself against risk of loss due to claims for which it can, in the opinion of the Corporation's legal counsel, be potentially liable considering relevant governmental immunities of the Cities and the Corporation. The Corporation shall also carry property casualty insurance in the amount of the replacement value of all improvements and personal property connected with the Project (less a deductible comparable to the deductible on the Cities' property insurance for Cities property generally).

All premiums for such insurance shall constitute an expense of the Project but may be paid out of the proceeds of the Bonds to the extent that such proceeds are available. In the event the Corporation is required to pay a deductible with respect to a claim under any such policy, the amount of such deductible shall constitute an expense and shall be paid by the Cities.

(b) The Corporation shall require the contractor or contractors employed for construction of the Project to carry insurance coverages throughout the construction period in at least the following amounts: (1) workers' compensation: State law limits; (2) general liability (including contractual liability) and automobile liability: one hundred thousand dollars ($100,000) per person and per occurrence for bodily injury and one hundred thousand dollars ($100,000) for property damage; (3) builder's risk: full replacement value of improvements; (4) performance and payment bond: full value of contract; (5) cost overrun insurance; and (6) timely completion insurance. The Cities shall be furnished with a certified copy of such effective policy of insurance prior to commencement of construction. Such insurance policies shall name the Corporation and the Cities as additional insureds, and the Corporation shall be provided with a certificate of insurance showing
the required coverages and providing that the policies may not be canceled, changed, or not renewed until the Corporation has been given thirty (30) days prior written notice of such event.

(c) The insurance required by this section may be modified by written agreement of the Cities and the Corporation, in accordance with good business practice. Any questions about the scope of coverage required hereunder shall be resolved by written agreement between the Cities and the Corporation. The parties can agree to substitute an owner controlled insurance program for any of the above specified insurance requirements.

Section 8.03. Force Majeure. If by reason of Force Majeure any party hereto shall be rendered unable wholly or in part to carry out its obligations under this Contract, other than the obligation of the Cities to make the payments required under Sections 3.05, and 5.02 of this Contract, then if such party shall give notice and full particulars of such Force Majeure in writing to the other party within a reasonable time after the occurrence of the event or cause relied on, the obligation of the party giving such notice, so far as it is affected by such Force Majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period, and any such party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "Force Majeure" as employed herein shall mean acts of God, strikes, lockouts or other industrial disturbances, acts of public enemy, orders of any kind of the Government of the United States or the State of Texas, or any civil or military authority, insurrection, riots, epidemics, landslides, lightning, earthquake, fires, hurricanes, blue norther, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipelines or canals, partial or entire failure of water supply, inability on the part of the Corporation to deliver water for any reason, or on account of any other causes not reasonably within the control of the party claiming such inability.

Section 8.04. Unconditional Obligation to Make Payment. Recognizing the fact that the Cities urgently require the facilities and services of the Project, and that such facilities and services are essential and necessary for actual use and for standby purposes, and recognizing the fact that the Annual Payments to be received from each of the Cities will be the primary source of funds available to the Corporation and the Trustee to pay the Bonds, and recognizing the fact that purchasers of Bonds will rely on the obligation of the Cities to make Annual Payments in accordance with the provisions of this Contract, each of the Cities hereby waives all rights of set-off, recoupment, counterclaim, suspension, deferment, reduction, and amendment, with respect to making the Annual Payments against the Corporation, the Trustee, and any other direct or indirect recipients of Annual Payments, and the Cities agree that, if the Bonds are issued, they shall be unconditionally obligated to pay the Annual Payments as provided and determined by this Contract, regardless of whether or not the Corporation actually acquires, constructs, or completes the Project or breaches any obligation on its part hereunder, and whether or not the Cities actually uses the Project, whether due to Force Majeure or any other reason whatsoever, regardless of any other provisions of this Contract, any other contract or agreement between any of the parties hereto. This
covenant by each of the Cities shall be for the benefit of and enforceable by the owners of the Bonds and/or by the Corporation.

By entering into this Contract and performing its obligations under any Section of this Contract, the Cities do not release any persons from or waive any claims against such persons that the Cities may have resulting from actions by such persons contrary to that person’s legal obligations.

Section 8.05. Term of Contract. This Contract shall be effective from and after its date, and this Contract shall continue in force and effect until the principal of and interest on all Bonds shall have been paid or provision for the payment of all of the Bonds has been made in accordance with the terms of the Bond Resolution and thereafter continue in force and effect during the entire useful life of the Project. When the principal of and interest on all Bonds shall have been paid or provision for the payment of all of the Bonds has been made in accordance with the terms of the Bond Resolution and all amounts owed to the Corporation, the Trustee, or any other person hereunder have been paid, all money held by the Trustee or the Corporation pursuant to the terms of the Bond Resolution shall be paid to the Corporation. Upon the termination of this Contract, the Corporation will charge each of the Cities a per gallonage charge (or other published rate) for water delivered to the Cities in accordance with the Corporation’s then existing rate schedule.

Section 8.06. Modification. No change, amendment, or modification of this Contract shall be made or be effective which will affect adversely the prompt payment when due of all money required to be paid by the Cities under the terms of this Contract and no such change, amendment, or modification shall be made or be effective which would cause a violation of any provisions of any Bond Resolution.

Section 8.07. Addresses and Notice. Unless otherwise provided herein, any notice, communication, request, reply, or advice (herein severally and collectively, for convenience, called “Notice”) herein provided or permitted to be given, made, or accepted by any party to the other parties must be in writing and may be given or be served by depositing the same in the United States mail postpaid and registered or certified and addressed to the party to be notified, with return receipt requested, or by delivering the same to an officer of such party, or by prepaid telegram when appropriate, addressed to the party to be notified. Notice deposited in the mail in the manner hereinafter described shall be conclusively deemed to be effective, unless otherwise stated herein, from and after the expiration of three days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the party to be notified. For the purposes of notice, the addresses of the parties shall, until changed as hereinafter provided, be as follows:
If to the Corporation:

President, Board of Directors
Schertz/Seguin Local Government Corporation
c/o City Manager
City of Schertz, Texas
1400 Schertz Parkway
Schertz, Texas 78154

If to the Cities:

City Manager
City of Schertz, Texas
1400 Schertz Parkway
Schertz, Texas 78154

City Manager
City of Seguin, Texas
210 East Gonzales
Seguin, Texas 78155

The Corporation and the Cities hereto shall have the right from time to time and at any time to change their respective addresses and each shall have the right to specify as its address any other address by at least fifteen (15) days' written notice to the other parties.

Section 8.08. State or Federal Laws, Rules, Orders, or Regulations. This Contract is subject to all applicable federal and State laws and any applicable permits, ordinances, rules, orders, and regulations of any local, state, or federal governmental authority having or asserting jurisdiction but nothing contained herein shall be construed as a waiver of any right to question or contest any such law, ordinance, order, rule, or regulation in any forum having jurisdiction and the Cities and the Corporation represent that, to the best of their knowledge, no provisions of any applicable federal or State law, including the City Charters of the Cities, nor any permit, ordinance, rule, order, or regulation of either party will limit or restrict the ability of either party to carry out their respective obligations under or contemplated by this Contract.

Section 8.09. Severability. The parties hereto specifically agree that in case any one or more of the sections, subsections, provisions, clauses, or words of this Contract or the application of such sections, subsections, provisions, clauses, or words to any situation or circumstance should be, or should be held to be, for any reason, invalid or unconstitutional, under the laws or constitutions of the State or the United States of America, or in contravention of any such laws or constitutions, such invalidity, unconstitutionality, or contravention shall not affect any other sections, subsections, provisions, clauses, or words of this Contract or the application of such actions, subsections,
provisions, clauses, or words to any other situation or circumstance, and it is intended that this Contract shall be severable and shall be construed and applied as if any such invalid or unconstitutional section, subsection, provision, clause, or word had not been included herein, and the rights and obligations of the parties hereto shall be construed and remain in force accordingly.

Section 8.10. Remedies Upon Default. It is not intended hereby to specify (and this Contract shall not be considered as specifying) an exclusive remedy for any default, but all such other remedies (other than termination) existing at law or in equity may be availed of by either party hereto and shall be cumulative. Recognizing that failure in the performance of the Cities’ obligations hereunder could not be adequately compensated in money damages alone, each of the Cities agrees in the event of any default on its part that the Corporation and the owners of the Bonds as third-party beneficiaries shall have available to them the remedies of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available to them. Notwithstanding anything to the contrary contained in this Contract, any right or remedy or any default hereunder, except the right of the Corporation to receive the Annual Payments and the provision of Section 3.09 hereof, which shall never be determined to be waived, shall be deemed to be conclusively waived unless asserted by a proper proceeding at law or in equity within two (2) years plus one (1) day after the occurrence of such default. No waiver or waivers of any breach or default (or any breaches or defaults) by any party hereto or of the performance by any other party of any duty or obligation hereunder shall be deemed a waiver thereof in the future, nor shall any such waiver or waivers be deemed or construed to be a waiver of subsequent breaches or defaults of any kind, character or description, under any circumstances.

Section 8.11. Venue. All amounts due under this Contract, including, but not limited to, payments due under this Contract or damages for the breach of this Contract, shall be paid and be due in Guadalupe County, Texas, which is the County in which the principal administrative offices of the Corporation are located. It is specifically agreed among the parties to this Contract that Guadalupe County, Texas, is the place of performance of this Contract; and in the event that any legal proceeding is brought to enforce this Contract or any provision hereof, the same shall be brought in Guadalupe County, Texas.

Section 8.12. Statutory Authority. In entering into this Contract and performing all duties and obligations hereunder, the Cities and the Corporation exercise their authority under and in accordance with the State Constitution and laws including, but not limited to, the Act, Chapter 402, as amended, Texas Local Government Code; Chapter 1502, as amended, Texas Government Code (formerly Texas Revised Civil Statutes Annotated Articles 1111 through 1118), the Cities’ Home Rule Charter; Chapter 1371, as amended, Texas Government Code (formerly Texas Revised Civil Statutes Annotated Article 717q,) and all other laws which may authorize this Contract, all of which provisions and laws, cited or not cited herein, shall cumulatively provide the authority for this Contract.
Section 8.13. Indemnification. For so long as the bonds are outstanding and unpaid, and also with respect to any claim that may arise out of the offer and sale of the bonds of any series or the alleged misstatement or omission of a material fact in or from any sale and offering document relating to either of the cities used in connection therewith, to the extent permitted by law, each of the cities agrees to indemnify and save and hold harmless the corporation, and the other city, its officers, directors, agents, financial advisors, attorneys, and employees, and the underwriters of any such offering and their directors, officers, employees, and agents, and all persons who control the same within the meaning of the federal securities laws, from and against all claims that may arise as a result of any undertaking, act, or omission, whether negligent or not, which is done or omitted to be done by the cities or any of their officers, councilmen, agents, attorneys, and employees, relating to the project or providing information for inclusion in the sale and offering documents. If any such claim is brought against any such indemnified person, the cities shall pay all costs incurred by such person in defending and (subject to applicable rules of attorney conduct) may control the defense of such claim.

Section 8.14. Contract not for Benefit of Third Parties. This Contract is made for the exclusive benefit of the Cities, the Corporation, the Trustee, the owners of the Bonds, the parties to any Credit Agreements, the underwriters of any offering of and remarketing agent and tender agent, if any, for any Bonds, and their respective successors and assigns herein permitted, and not for any third party or parties other than the Corporation (including its officers, directors, employees, agents, and attorneys), the Trustee, the owners of the Bonds, the Cities, and the parties to any Credit Agreements, the underwriters of any offering of and remarketing agent and tender agent, if any, for any Bonds, the other persons indemnified by Section 8.13 hereof, and their respective successors and assigns herein permitted, any rights or remedies under or by reason of this Contract.

Section 8.15. Succession and Assignment. This Contract is binding on and inures to the benefit of the parties hereto and their respective successors, representatives, and assigns. This Contract may not be assigned by either party hereto without (i) complying with any provisions relating to the right of the parties to assign this Contract contained in the Bond Resolution and (ii) prior written notice to and approval by the other party, which consent may be withheld without cause. The provisions of this Section do not affect the assignment of the Corporation's rights under this Contract to the Trustee pursuant to Section 3.08.
Section 8.16. Incorporation of Preamble Recitals. The recitals contained in the preamble hereof are hereby found to be true, and such recitals are hereby made a part of this Contract for all purposes and are adopted as a part of the judgment and findings of the Corporation and the Cities.

Section 8.17. Independent Contractor. As among the parties, the Corporation shall be solely responsible for the operation of the Project to produce and treat groundwater and to transport water to the Cities pursuant to this Contract (except to the extent the Corporation and the Cities enter into agreements for the Cities to operate parts of the Project); and the Corporation shall be an independent contractor in the operation of the Project.

Section 8.18. Financing Statement. Each of the Cities agrees at the request of the Corporation they shall execute a financing statement in a form satisfactory to the Corporation and meeting the requirements of the Texas Uniform Commercial Code to perfect any security interest created hereby. The Cities further agree to execute such continuation statements or other documents as may be necessary to maintain any such security interest.

Section 8.19. Entire Agreement.

This Contract constitutes the entire agreement among the parties with respect to the matters described herein.

Section 8.20. Applicable Law.

This Contract shall be governed by and construed in accordance with the laws of the State, and the obligations, rights, and remedies of the parties hereunder shall be determined in accordance with such laws without reference to the laws of any other state or jurisdiction, except for applicable federal laws, rules, and regulations.

Section 8.21. Counterparts.

This Contract may be executed in counterparts, each of which shall be an original and all of which together shall constitute but one and the same instrument.

Section 8.22. Reservation of Rights to Utilize the Texas Water Development Board's State Participation Account Program. The Cities and the Corporation hereby agree that the Corporation may file an application with the Texas Water Development Board (the "TWDB") to seek financial assistance pursuant to the TWDB's State Participation Account (the "TWDB Program") as authorized pursuant to Article III, Sections 49-d, 49-d-2, and 49-d-8 of the Texas Constitution and Chapter 16, Subchapters E and F, as amended, Texas Water Code. To the extent the Corporation utilizes the TWDB Program to access funds to complete the Project, the TWDB Program's rules and regulations require that the TWDB take an undivided ownership interest in up to 50% of the infrastructure improvements comprising the Project. This undivided ownership interest is
represented by a master agreement and other documents to be executed between the Corporation and the TWDB to effectuate the Corporation's financial participation in the TWDB Program. Under the TWDB Program, the Corporation will be obligated (and the Cities will be obligated to make Annual Payments to reflect this financial obligation) to make lease or other rental payments to the TWDB to repay its financial assistance which enabled the Corporation to construct the Project in a manner in which excess capacity in the Project was implemented on a regional basis.

[The remainder of this page intentionally left blank.]
IN WITNESS WHEREOF, the parties hereto acting under authority of their respective governing bodies have caused this Contract to be duly executed as of the day and year first above written.

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION

By: ____________________________
   President, Board of Directors

Attest:

______________________________
Secretary, Board of Directors

CITY OF SCHERTZ, TEXAS

By: ____________________________
   Mayor

Attest:

______________________________
City Secretary

CITY OF SEGUIN, TEXAS

By: ____________________________
   Mayor

Attest:

______________________________
City Secretary
IN WITNESS WHEREOF, the parties hereto acting under authority of their respective governing bodies have caused this Contract to be duly executed as of the day and year first above written.

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION

Attest: ________________________________

By: ________________________________

President, Board of Directors

Secretary, Board of Directors

CITY OF SCHERTZ, TEXAS

By: ________________________________

Mayor

Attest: ________________________________

Norma Althouse

City Secretary

CITY OF SEGUIN, TEXAS

By: ________________________________

Mayor

Attest: ________________________________

City Secretary
IN WITNESS WHEREOF, the parties hereto acting under authority of their respective governing bodies have caused this Contract to be duly executed as of the day and year first above written.

SCHERTZ/SEGUIS LOCAL GOVERNMENT CORPORATION

Attest: 

By: __________________________
    President, Board of Directors

Secretary, Board of Directors

CITY OF SCHERTZ, TEXAS

By: __________________________
    Mayor

Attest:

City Secretary

CITY OF SEGUIS, TEXAS

By: __________________________
    Mayor

Attest:

City Secretary

594033.4  -38-
GENERAL CERTIFICATE OF THE CITY OF SCHERTZ, TEXAS

THE STATE OF TEXAS

COUNTIES OF BEXAR, COMAL, AND GUADALUPE

CITY OF SCHERTZ

THE UNDERSIGNED MAYOR AND CITY MANAGER HEREBY CERTIFY that:

1. The City of Schertz, Texas (the City) is a duly incorporated home rule city, having more than 5,000 inhabitants, operating and existing under the laws of the State of Texas and the City’s duly adopted home rule charter.

2. The outstanding indebtedness payable from the net revenues of the City’s combined utility system (the Utility System) and the debt service requirements in connection therewith are shown on Exhibit A. The City is not in default as to any covenant, condition or obligation contained in the ordinances authorizing the issuance of the outstanding bonds of the City shown on Exhibit A; and there is on hand in the special funds created for the payment and security of the aforesaid obligations the amounts now required to be on deposit therein.

3. The rates now being charged by the City for utility services provided by the Utility System are as shown on Exhibit B.

4. The duly qualified and acting officials of the City are as follows:

   Michael Carpenter          Mayor
   John Kessel               City Manager

5. A schedule of the gross receipts, operating expenses and net revenues of the City’s Utility System for the last five fiscal years is shown on Exhibit C.

6. The average annual debt service requirement for the City’s obligations with respect to the Bonds (as defined in the Contract) is shown on Exhibit D. The City has covenanted in the Contract to establish, assess, and collect rates sufficient to make the Annual Payments (as defined in the Contract), including an amount sufficient to pay the bond principal and interest payments on the Bonds.

7. The Regional Water Supply Contract, dated as of November 15, 1999 (the Contract) between the Schertz/Seguin Local Government Corporation, the City of Seguin, Texas and the City has been duly authorized and is in compliance with any applicable statutory requirements. The Contract, as submitted to the Attorney General of Texas, is still in full force and effect and has not been amended or rescinded. No litigation is pending or threatened concerning the title or authority of the officers or concerning the Contract.

8. Appearing below are the true and correct signatures of the persons holding the offices of Mayor and City Manager. By his signature hereon, the Mayor certifies that the
signature of the City Manager appearing hereon is her genuine signature and by her signature hereon, the City Manager certifies that the signature of the Mayor appearing hereon is his genuine signature.

9. Capitalized terms not defined in this certificate shall have the meanings ascribed to them in the Resolution passed and adopted by the Schertz/Seguin Local Government Corporation on the ________ day of ______________, 2016 (the Resolution).

10. As Authorized Representatives (authorized to act in the City Manager’s absence) pursuant to the terms of the Contract, the Resolution and the Sale and Offering Documents (as defined in the Contract) comply with the Contract.

11. This certificate is made for the benefit of the persons involved in this transaction and the Attorney General of The State of Texas in connection with his examination into and the approval of the Bonds.

12. Prior to the execution of certain contracts related to the issuance of the Bonds, the District received a completed disclosure of interested parties form and certification of filing (collectively a “Form 1295”) from the business entity contracting with the District pursuant to the requirements of Texas Government Code Section 2252.908 and rules promulgated thereunder by the Texas Ethics Commission (the “TEC”). Not later than the 30th day after the date the contract for which a Form 1295 was filed binds all parties to such contract, the District has or will notify the TEC, in an electronic format prescribed by the TEC, of the receipt of such Form 1295.

Authorization of Attorney General to Date Certificate

13. This Certificate is submitted pursuant to 1 TAC §53.231. Upon the approval of the Bonds and the Contract by the Attorney General of the State of Texas, he is authorized to date this Certificate as of the date of such approval. If any litigation should develop, or if any other event should occur which should make this Certificate inaccurate before the Attorney General’s approval of the Bonds and the Contract, we will notify the Attorney General at once by both telephone and facsimile transmission. With this assurance, the Attorney General is entitled to rely on the accuracy of this Certificate at the time of approval of the Bonds and the Contract unless we advise him otherwise.

[The remainder of this page intentionally left blank.]
WITNESS OUR HANDS AND THE SEAL OF THE CITY OF SCHERTZ, TEXAS, this
______________________________.

CITY OF SCHERTZ, TEXAS

______________________________
Mayor

______________________________
City Manager

(CITY SEAL)
### EXHIBIT A

CURRENTLY OUTSTANDING INDEBTEDNESS
PAYABLE FROM UTILITY SYSTEM REVENUES

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>NONE</td>
<td></td>
</tr>
</tbody>
</table>

However, the City has covenanted in the Contract to establish, assess, and collect rates sufficient to make the Annual Payments (as defined in the Contract), including an amount sufficient to pay the principal and interest payments on the Bonds and the Previously Issued Bonds designated as (i) Schertz/Seguin Local Government Corporation Contract Revenue Bonds, Series 2001”, dated February 1, 2001, issued in the aggregate original principal amount of $41,040,000, (ii) Schertz/Seguin Local Government Corporation Contract Revenue Refunding Bonds, Series 2005”, dated May 1, 2005, issued in the aggregate original principal amount of $8,500,000, (iii) Schertz/Seguin Local Government Corporation Contract Revenue Refunding Bonds, Series 2007”, dated November 15, 2006, issued in the aggregate original principal amount of $38,425,000, and (iv) $22,140,000 Schertz/Seguin Local Government Corporation Contract Revenue Refunding Bonds, Series 2010”; dated June 1, 2010.
EXHIBIT B

UTILITY RATES
EXHIBIT C
OPERATING SCHEDULE
EXHIBIT D
AVERAGE ANNUAL DEBT SERVICE REQUIREMENTS
RESOLUTION NO.

APPROVING A BOND RESOLUTION ADOPTED BY THE BOARD OF DIRECTORS OF THE SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION AUTHORIZING THE ISSUANCE OF OBLIGATIONS DESIGNATED AS “SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE BONDS, SERIES 2016 (TEXAS WATER DEVELOPMENT BOARD SWIRFT PROJECT FINANCING)”; PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THESE OBLIGATIONS AS PROVIDED HEREIN, ON PARITY WITH CERTAIN CURRENTLY OUTSTANDING OBLIGATIONS; PROVIDING THE TERMS AND CONDITIONS OF SUCH OBLIGATIONS; AND RESOLVING OTHER MATTERS INCIDENT AND RELATING TO THE ISSUANCE, PAYMENT, SECURITY, SALE, AND DELIVERY OF SUCH OBLIGATIONS, INCLUDING THE APPROVAL OF AN APPLICATION TO THE TEXAS WATER DEVELOPMENT BOARD AND A PRIVATE PLACEMENT MEMORANDUM PERTAINING TO THE OBLIGATIONS; AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT AND AN ESCROW AGREEMENT; COMPLYING WITH THE REQUIREMENTS OF THE DEPOSITORY TRUST COMPANY’S LETTER OF REPRESENTATIONS; COMPLYING WITH THE REGULATIONS PROMULGATED BY THE TEXAS WATER DEVELOPMENT BOARD; RATIFYING, RECONFIRMING, AND READOPTING THE PROVISIONS OF A REGIONAL WATER SUPPLY CONTRACT EXECUTED BETWEEN THE CITY OF SCHERTZ, TEXAS, THE CITY OF SEGUIN, TEXAS, AND THE SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION; AUTHORIZING THE MAYOR, CITY SECRETARY, AND THE CITY MANAGER OF THE CITY OF SCHERTZ, TEXAS TO EXECUTE ON BEHALF OF THE CITY OF SCHERTZ, TEXAS ALL DOCUMENTS IN CONNECTION WITH THIS TRANSACTION; AND OTHER MATTERS IN CONNECTION THEREWITH; AND PROVIDING AN EFFECTIVE DATE

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SCHERTZ, TEXAS THAT:

The City Council of the City of Schertz, Texas (the “City”) has reviewed and hereby approves (i) the Bond Resolution as to form and content, including the factual findings contained therein and all documents referenced therein, adopted by the Board of Directors of the Schertz/Seguin Local Government Corporation relating to the issuance of obligations designated as “Schertz/Seguin Local Government Corporation Contract Revenue Bonds, Series 2016 (Texas Water Development Board SWIRFT Project Financing)” (the “Bonds”), (ii) the Bonds that were sold to the Texas Water Development Board, Austin, Texas, (iii) the Regional Water Supply Contract, including the factual findings contained therein, previously approved and executed among the City of Schertz, Texas, the City of Seguin, Texas (collectively, the “Cities”), and the Schertz/Seguin Local Government Corporation (the “Contract”) which provides certain security for the payment of these obligations, (iv) the Sale and Offering Documents (as defined in the
Contract), including, but not limited to, the City’s annual continuing disclosure requirements in accordance with the Rule (as defined in the Contract), and (v) the City’s obligations under the Contract and acknowledges that the payment of principal of and interest on such Bonds is payable, in whole or in part, from the Bond Payment portion of the Annual Payments to be made by the Cities to the Corporation under and pursuant to the Contract. The Mayor and the City Manager of the City of Schertz, Texas are hereby authorized to execute on behalf of the City and any and all documents in connection with this transaction. This resolution may be relied upon by the appropriate representatives of the parties to this transaction and the Texas Attorney General in his review and approval of this transaction.
APPROVED THIS THE ___________ DAY OF _______________, 2016.

ATTEST:

__________________________________  ____________________________________
City Secretary  Mayor
RESOLUTION

APPROVING A BOND RESOLUTION ADOPTED BY THE BOARD OF DIRECTORS OF THE SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION AUTHORIZING THE ISSUANCE OF OBLIGATIONS DESIGNATED AS “SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE BONDS, SERIES 2016 (TEXAS WATER DEVELOPMENT BOARD SWIRFT PROJECT FINANCING)”; PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THESE OBLIGATIONS AS PROVIDED HEREIN, ON PARITY WITH CERTAIN CURRENTLY OUTSTANDING OBLIGATIONS; PROVIDING THE TERMS AND CONDITIONS OF SUCH OBLIGATIONS; AND RESOLVING OTHER MATTERS INCIDENT AND RELATING TO THE ISSUANCE, PAYMENT, SECURITY, SALE, AND DELIVERY OF SUCH OBLIGATIONS, INCLUDING THE APPROVAL OF AN APPLICATION TO THE TEXAS WATER DEVELOPMENT BOARD AND A PRIVATE PLACEMENT MEMORANDUM PERTAINING TO THE OBLIGATIONS; AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT AND AN ESCROW AGREEMENT; COMPLYING WITH THE REQUIREMENTS OF THE DEPOSITORY TRUST COMPANY’S LETTER OF REPRESENTATIONS; COMPLYING WITH THE REGULATIONS PROMULGATED BY THE TEXAS WATER DEVELOPMENT BOARD; RATIFYING, RECONFIRMING, AND READOPTING THE PROVISIONS OF A REGIONAL WATER SUPPLY CONTRACT EXECUTED BETWEEN THE CITY OF SCHERTZ, TEXAS, THE CITY OF SEGUIN, TEXAS, AND THE SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION; AUTHORIZING THE MAYOR, CITY SECRETARY, AND THE CITY MANAGER OF THE CITY OF SEGUIN, TEXAS TO EXECUTE ON BEHALF OF THE CITY OF SEGUIN, TEXAS ALL DOCUMENTS IN CONNECTION WITH THIS TRANSACTION; AND OTHER MATTERS IN CONNECTION THEREWITH; AND PROVIDING AN EFFECTIVE DATE.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEGUIN, TEXAS THAT:

The City Council of the City of Seguin, Texas has reviewed and hereby approves (i) the Bond Resolution as to form and content, including the factual findings contained therein and all documents referenced therein, adopted by the Board of Directors of the Schertz/Seguin Local Government Corporation relating to the issuance of obligations designated as “Schertz/Seguin Local Government Corporation Contract Revenue Bonds, Series 2016 (Texas Water Development Board SWIRFT Project Financing)” (the “Bonds”), (ii) the Bonds that were sold to the Texas Water Development Board, Austin, Texas, (iii) the Regional Water Supply Contract, including the factual findings contained therein, previously approved and executed among the City of Schertz, Texas, the City of Seguin, Texas (collectively, the “Cities”), and the Schertz/Seguin Local Government Corporation (the “Contract”) which provides certain security for the payment of these obligations, (iv) the Sale and Offering Documents (as defined in the Contract), including,
but not limited to, the City’s annual continuing disclosure requirements in accordance with the Rule (as defined in the Contract), and (v) the City’s obligations under the Contract and acknowledges that the payment of principal of and interest on such Bonds is payable, in whole or in part, from the Bond Payment portion of the Annual Payments to be made by the Cities to the Corporation under and pursuant to the Contract. The Mayor, City Secretary, and the City Manager of the City of Seguin, Texas are hereby authorized to execute on behalf of the City and any and all documents in connection with this transaction. This resolution may be relied upon by the appropriate representatives of the parties to this transaction and the Texas Attorney General in his review and approval of this transaction.
APPROVED THIS THE __________ DAY OF _______________, 2016.

ATTEST:

________________________________________  ________________________________________
City Secretary                          Mayor
SIGNATURE AND NO-LITIGATION CERTIFICATE

THE STATE OF TEXAS §

SCHERTZ/SEGUIN LOCAL §
GOVERNMENT CORPORATION §

THE UNDERSIGNED HEREBY CERTIFY that:

1. This certificate is executed and delivered with reference to the “SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE BONDS, SERIES 2016 (TEXAS WATER DEVELOPMENT BOARD SWIRFT PROJECT FINANCING)”, dated August 1, 2016 (the Bond Date), in the aggregate original principal amount of $36,000,000 (the Bonds).

2. The Bonds have been duly and officially executed by the undersigned Chairman and Secretary of the Board Directors of the Schertz/Seguin Local Government Corporation (the Corporation) with their manual or facsimile signatures in the manner appearing hereon, and the undersigned Chairman and Secretary of the Board hereby adopt and ratify their respective signatures in the manner appearing on each of the Bonds in manual or facsimile form, as the case may be, as their true, genuine, and official signatures.

3. On the Bond Date and on the date hereof, the undersigned were and are the duly chosen, qualified, and acting officers indicated therein and were and are authorized to execute the same.

4. The legally adopted, proper, and official corporate seal of the Corporation is impressed, imprinted, or lithographed on all of the Bonds and is impressed on this certificate.

5. No litigation of any nature is now pending before any federal or state court, or administrative body, or to our knowledge threatened, to which the Corporation is a party that seeks to restrain or enjoin the issuance or delivery of the Bonds or questioning the issuance or sale of the Bonds, or the authority or action of the governing body of the Corporation relating to the issuance or sale of the Bonds, the execution and performance of the Regional Water Supply Contract, the collection of certain of the revenues derived from the operation of the Corporation’s utility system (the System), or the imposition of rates and charges with regard to the System, pledged to pay the principal of and interest on the Bonds, or that would otherwise adversely affect in a material manner the financial condition of the Corporation to pay the principal of and interest on the Bonds; and neither the corporate existence or boundaries of the Corporation nor the right to hold office of any member of the governing body of the Corporation or any other elected or appointed official of the Corporation is being contested or otherwise questioned.

6. No authority or proceeding for the issuance, sale, or delivery of the Bonds, passed and adopted by the governing body of the Corporation, has been amended, repealed, revoked, rescinded, or otherwise modified since the date of passage thereof, and all such proceedings and authority relating to the issuance and sale of the Bonds remain in full force and effect as of the date of this certificate.
Authorization of Attorney General to Date Certificate

7. This certificate is submitted pursuant to Title 1, Chapter 53, Texas Administrative Code. Upon the approval of the Bonds by the Attorney General of the State of Texas, he is authorized to date this certificate as of the date of such approval. If any litigation should develop, or if any other event should occur which should make this certificate inaccurate before the Attorney General’s approval of the Bonds, we will notify the Attorney General at once by both telephone and facsimile transmission. With this assurance, the Attorney General is entitled to rely on the accuracy of this certificate at the time of approval of the Bonds unless we advise him otherwise.

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EXECUTED AND DELIVERED this __________________________ .

SIGNATURE

________________________________________

OFFICIAL TITLE

Chairman, Board of Directors
Schertz/Seguin Local Government Corporation

________________________________________

Secretary, Board of Directors
Schertz/Seguin Local Government Corporation

(SEAL OF CORPORATION)

Before me, on this day personally appeared the foregoing individuals, known to me to be the persons whose names are subscribed to the foregoing instrument and who executed this document in my presence.

Given under my hand and seal of office this _____ day of ________________, 2016.

________________________________________
Notary Public, State of Texas

(NOTARY SEAL)
May 10, 2016

Via E-Mail
Via Federal Express

Ms. Alexis Lorick
Texas Water Development Board
1700 N. Congress Avenue
Austin, Texas 78701

(Texas Water Development Board SWIRFT Project Financing)

Dear Alexis:

I enclose initial draft copies of each of the following documents pertaining to the captioned financing:

1. Bond Resolution;
2. Paying Agent/Registrar Agreement;
3. Regional Water Supply Contract;
4. Signature and No-Litigation Certificate;
5. Certificate as to Tax Exemption;
6. Bond Counsel’s Legal Opinion;
7. General Certificate for the Corporation;
8. Resolutions for each of the Cities;
9. General Certificates for each of the Cities; and
10. Index of Documents.

Please provide me with any suggested comments or revisions to the enclosed documents at your earliest convenience, but not later than May 25, 2016. If you would like to review any other documents identified on the Index of Documents, please do not hesitate to contact me.

We will utilize the Texas Water Development Board’s form of the Escrow Agreement. Thank you for distributing the draft agreement at your earliest convenience.

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

Norton Rose Fulbright US LLP, Norton Rose Fulbright LLP, Norton Rose Fulbright Australia, Norton Rose Fulbright Canada LLP and Norton Rose Fulbright South Africa Inc are separate legal entities and all of them are members of Norton Rose Fulbright Verein, a Swiss Verein. Norton Rose Fulbright Verein helps coordinate the activities of the members but does not itself provide legal services to clients. Details of each entity, with certain regulatory information, are available at nortonrosefulbright.com.
Thank you, in advance, for your prompt attention to this matter. If I can provide any additional assistance concerning this matter, please do not hesitate to contact me.

Very truly yours,

W. Jeffrey Kuhn

WJK/cq
Enclosures

cc: Mr. Clay Schultz (Texas Water Development Board)
Mr. Alan Cockerell (Schertz/Seguin Local Government Corporation)
Ms. Amber Briggs (Schertz/Seguin Local Government Corporation)
Ms. Regina Franke (Schertz/Seguin Local Government Corporation)
Mr. Pat Lindner (Davidson, Troilo, Ream & Garza P.C.)
Mr. Douglas G. Faseler (City of Seguin, Texas)
Ms. Susan Caddell (City of Seguin, Texas)
Mr. Andrew Quittner (City of Seguin, Texas)
Mr. Duane Westerman (SAMCO Capital Markets, Inc.)
Mr. Allen Westerman (SAMCO Capital Markets, Inc.)
Mr. Nicholas Westerman (SAMCO Capital Markets, Inc.)
Mr. John Kessel (City of Schertz, Texas)
Mr. Juan Santoya (City of Schertz, Texas)
Mr. Charles Zech (Denton, Navarro, Rocha, Bernal, Hyde & Zech, P.C.)
Mr. Mark McLiney (SAMCO Capital Markets, Inc.)
Mr. Andrew Friedman (SAMCO Capital Markets, Inc.)
Mr. Thomas Saint John (SAMCO Capital Markets, Inc.)
Mr. George Scofield (Firm)
Mr. Clay Binford (Firm)
Ms. Stephanie V. Leibe (Firm)
Mr. Arnold Cantu III (Firm)
Ms. Lauren N. Ferrero (Firm)
Mr. Matthew A. Lee (Firm)
MEMORANDUM OF LEASE

This Memorandum of Lease is made effective the 23rd day of October, 2008, by and between Malford & Rosemarie Ackermann (Lessor) and SCHERTZ-SEGUN LOCAL GOVERNMENT CORPORATION, a Texas local government corporation (Lessee).

WITNESSETH:

1. Lessor and Lessee have, effective the date set out above, entered into a Lease of Ground Water (the "Lease"), of the right to withdraw and beneficially use the Carrizo Aquifer water pertaining to the real property described on Exhibit "A" attached hereto (the "Water Rights"), and all real and personal property rights, appurtenances, permits, authorities, licenses, consents and contracts, if any, pertaining to all such Water Rights, as more fully described in the Lease which sets out the rights and obligations of Lessor and Lessee thereunder.

2. The Lease sets forth the names of Lessor and Lessee and addresses of the parties thereto.

3. Under the terms of the Lease, Lessor has agreed to lease the Water Rights to Lessee and Lessee has agreed to lease the Water Rights from Lessor upon and in accordance with the terms of the Lease.

4. This Memorandum of Lease is intended to act only as notice of the existence of the Lease and its general terms. To the extent the terms of this Memorandum of Lease conflict with the terms of the Lease, the terms of the Lease shall control.

5. Lessee agrees that upon termination of this Lease, Lessor may file in Guadalupe County a notice in the form of a Memorandum of Termination of Lease and that such notice shall be conclusive and may be relied upon by any subsequent purchaser of the Property or any interest therein including without limitation, any interest in groundwater in or under the Property.

LESSOR:
Malford Ackermann
By: ____________________________
   Printed Name
Rosemarie Ackermann
By: ____________________________
   Printed Name
STATE OF TEXAS
COUNTY OF GUADALUPE

This instrument was acknowledged before me on the 23rd day of October 2008, by Malford Ackermann.

Krisen Portar
Notary Public, State of Texas

STATE OF TEXAS
COUNTY OF GUADALUPE

This instrument was acknowledged before me on the 23rd day of October 2008, by Rosemarie Ackermann.

Krisen Portar
Notary Public, State of Texas

LESSEE:
SCHERTZ—SEGUIN LOCAL GOVERNMENT CORPORATION, a Texas local government corporation

By: Alan Cockrell
Name: Alan Cockrell
Title: General Manager

STATE OF TEXAS
COUNTY OF GUADALUPE

This instrument was acknowledged before me on the 23rd day of October 2008, by Alan Cockrell, general manager of SCHERTZ—SEGUIN LOCAL GOVERNMENT CORPORATION, a Texas local government corporation, on behalf of said corporation.

Krisen Portar
Notary Public, State of Texas

AFTER RECORDING, RETURN TO:
Schertz-Seguin Local Government Corporation
P. O. Box 633
Seguin, Texas 78156
Attention: General Manager
EXHIBIT "A" TO MEMORANDUM OF LEASE

PROPERTY DESCRIPTION

Property Description:

Water Lease between Malford & Rosemarie Ackermann
and Schertz-Seguin Local Government Corporation

Property Description: Being all of that certain tract or parcel of land in Guadalupe
Texas, containing 649.203 acres, more or less, which 649.203 acres is out of that
650.203 acres in Guadalupe County, Texas, which 650.203 acres is out of that 658.03
acres more fully described as follows:

BEING all that certain tract of parcel containing 658.03 acres of land comprised of
650.203 acres in Guadalupe County, Texas and 7.827 acres in Wilson County, Texas.
Said 658.03 acre tract being a part of the H.H. Weinert 9940.335 acre estate known as
Sand Hill Ranch, and being the South portion of Tract No. 8, 1053.680 acre tract,
(Parent Tract) described in Partition Deed dated June 14, 1964 executed by Jane W.
Blumberg, et al, recorded in Volume 709, Page 222-254, Deed Records of Guadalupe
County, Texas, consisting of 73.70 acres out of the Thomas J. Smith, Abstract 301,
86.69 acres out of the R. Hobbs Survey, Abstract 426, 159.83 acres out of the Martha
A. Dickens Survey, Abstract 121, 141.31 acres out of the J.F. Wofford Survey, Abstract
391, 36.63 acres out of the C. H. Smith Survey, Abstract 310, and 160.87 acres out of
the G.E. Tilley Survey, Abstract 321. Said 658.03 acre tract being more particularly
described by metes and bounds as follows:

BEGINNING: at a 1" iron pipe found on the West line of County Road No. 421 or
Nockenut Road at the Northwest corner R. Ericell 19.80 acre tract, same being the
Southeast corner of said Parent Tract and same being the Southeast corner of said H.
H. Weinert 9940.335 acre estate (Sand Hill Ranch) and also occupying the Southeast
corner of the Thomas J. Smith Survey, Abstract 301, for the Southeast corner of this
herein described tract;

THENCE along with fence line on the South boundary line of said H. H. Weinert
9940.335 acre estate (Sand Hill Ranch), same being the South boundary line of said
Parent Tract and also being the South boundary line of this herein described tract the
following courses and distances:

North 60 deg. 44' 56" West, 2632.41 feet to a found 1" iron pipe;

South 29 deg. 42' 12" West, 650.57 feet to a found concrete monument;

South 29 deg. 47' 59" West, 325.73 feet to a found 1" iron pipe;

South 29 deg. 48' 03" West, 324.85 feet to a found 1" iron pipe;
South 31 deg. 33' 23" West, 45.58 feet to a found 1" iron pipe;
North 61 deg. 00' 00" West, 883.39 feet to a found 1" iron pipe;
North 60 deg. 45' 10" West, 623.71 feet to a found 1" iron pipe;
North 30 deg. 01' 50" East, 315.70 feet to a found 1" iron pipe;
North 61 deg. 01' 00" West, 1663.19 feet to a found 1" iron pipe;
South 29 deg. 51' 31" West, 817.22 feet to a found 1" iron pipe;
South 29 deg. 02' 25" West, 780.95 feet to a found 1" iron pipe;
South 29 deg. 54' 04" West, 328.17 feet to a found 1" iron pipe;
North 60 deg. 48' 53" West, 2076.94 feet to a found 1" iron pipe;

North 60 deg. 46' 14" West, 136.74 feet to a found ½" iron pin on the West boundary line of said Martha A. Dickens Survey, Abstract 121, same being the East boundary line of the N. Davis Survey, Abstract 119 at an easterly corner of Gerald A. Adcock 103.76 acre tract and same being the most South-Southwesterly corner of said Parent Tract, for the Southwest corner of this herein described tract;

THENCE: along the fence line on the West boundary line of said Parent Tract and same being the West boundary line of this herein described tract the following courses and distances:

North 24 deg. 13' 46" East, 185.34 feet to a found 1" iron pipe;

North 29 deg. 32' 12" East, 545.45 feet to a found ¼" iron pin at the most Southerly corner of Jane W. Blumberg 732.77 acre tract (also called 739.858 acre tract) recorded in Volume 235, page 436-438, Deed Records of Guadalupe County, Texas; and continuing with fence line on the East line of said Blumberg 732.77 acre (also called 739.858 acre tract) and the West Boundary line of said Parent Tract;

North 29 deg. 14' 40" East, 2409.17 feet to a found ½" iron pin at the Northwest corner of Martha A. Dickens Survey, Abstract 121 and same being the most West-Southwesterly corner of said Parent Tract located on the South boundary line of a 734.50 acre tract surveyed by me, Victor M. Seguin, Registered Professional Land Surveyor No. 1776, on February 10, 1985, for the Northwest corner of this herein described tract;

THENCE: along with fence line on the North boundary line said Parent Tract, same being the South boundary line of said Jane Blumberg 732.77 acre tract (also called
739.658 acre tract), the South boundary line of said 734.50 acre tract and also being the North boundary line of this herein described tract the following courses and distances:

South 61 deg. 30' 04" East, 894.76 feet to a found ½" iron pin;
South 59 deg. 54' 29" East, 965.44 feet to a found ½" iron pin;
South 23 deg. 11' 00" East, 236.91 feet to a found ½" iron pin;
South 49 deg. 38' 24" East, 199.78 feet to a found ½" iron pin;
North 34 deg. 32' 48" East, 196.45 feet to a found ½" iron pin;
North 67 deg. 02' 03" East, 346.51 feet to a found ½" iron pin;

North 72 deg. 54' 47" East, 2559.52 feet to a found ½" iron pin at the Southeast corner of said Jane W. Blumberg 732.77 acre tract (also called 739.658 acre tract) and same being the occupied Southeast corner of T. J. Southern Survey, Abstract 303, and continuing with fence line across Parent Tract with new established North boundary line of this herein described tract the following courses and distances:

North 49 deg. 26' 16" East, 1720.03 feet to a found ½" iron pin;
North 20 deg. 00' 00" East, 1130.56 feet to a found ½" iron pin;

South 68 deg. 07' 10" East, 563.69 feet to a found ½" iron pin on the West line of said County Road No. 421 or Nockenut Road at the Southeast corner of said 734.50 acre tract and continuing with the North boundary line of said Parent Tract and same being the South of said County Road No. 421 or Nockenut Road the following courses and distances:

South 68 deg. 07' 10" East, 942.68 feet to a set ½" iron pin;
South 70 deg. 25' 11" East, 343.43 feet to a set ½" iron pin;
South 66 deg. 27' 04" East, 179.86 feet to a set ½" iron pin;
South 61 deg. 41' 27" East, 159.68 feet to a set ½" iron pin;

South 16 deg. 55' 03" East, 23.83 feet to a set ½" iron pin on the West line of said Nockenut Road at a Northeasterly corner of said Parent Tract and same being the Northeast corner of said G. E. Tilley Survey, Abstract 321, for the Northeast corner of this herein described tract;

THENCE: along with the West boundary line of Nockenut Road (Based Recorded Deed Boundary line), same being the East boundary line of said Parent Tract and also being
the East boundary line of this herein described tract the following courses and distances:

South 13 deg. 23' 00" West, 333.60 feet to a found ½" iron pin;
South 18 deg. 50' 54" West, 332.24 feet to a found ½" iron pin;
South 19 deg. 48' 42" West, 1288.60 feet to a found ½" iron pin;
South 19 deg. 25' 28" West, 1138.72 feet to a found ½" iron pin;
South 10 deg. 13' 33" West, 1100.29 feet to a found ½" iron pin;
South 08 deg. 17' 17" East, 436.58 feet to a found ½" iron pin;
South 21 deg. 57' 30" West, 147.13 feet to a found ½" iron pin;
South 29 deg. 07' 01" West, 231.17 feet to a found ½" iron pin;
South 28 deg. 31' 39" West, 484.49 feet to the POINT OF BEGINNING.

The Property is subject to any and all covenants, easements restrictions, prior oil, gas, and mineral severances and leases, leases of the surface, discrepancies, conflicts, and shortages in area or overlapping of improvements, to the extent same are in force and effect and apply against the Property.
MEMORANDUM OF LEASE

This Memorandum of Lease is made effective the 8th of July 2008, by and between ROGER BAENZIGER ("Lessor") and SCHERTZ-SEGUIT LOCAL GOVERNMENT CORPORATION, a Texas local government corporation ("Lessee").

WITNESSETH:

1. Lessor and Lessee have, effective the date set out above, entered into a Lease of Ground Water (the "Lease"), of the right to withdraw and beneficially use the Carrizo/Wilcox Aquifer water pertaining to the real property described on Exhibit "A" attached hereto (the "Water Rights"), and all real and personal property rights, appurtenances, permits, authorities, licenses, consents and contracts, if any, pertaining to all such Water Rights, as more fully described in the Lease which sets out the rights and obligations of Lessor and Lessee thereunder.

2. The Lease sets forth the names of Lessor and Lessee and addresses of the parties thereto.

3. Under the terms of the Lease, Lessor has agreed to lease the Water Rights to Lessee and Lessee has agreed to lease the Water Rights from Lessor upon and in accordance with the terms of the Lease.

4. This Memorandum of Lease is intended to act only as notice of the existence of the Lease and its general terms. To the extent the terms of this Memorandum of Lease conflict with the terms of the Lease, the terms of the Lease shall control.

5. Lessee agrees that upon termination of this Lease, Lessor may file in Guadalupe County a notice in the form of a Memorandum of Termination of Lease and that such notice shall be conclusive and may be relied upon by any subsequent purchaser of the Property or any interest therein including without limitation, any interest in groundwater in or under the Property.

EXHIBIT "B"
LESSOR:

ROGER BAENZIGER

BY: [Signature]

Printed Name: Roger Baenziger

STATE OF TEXAS $

COUNTY OF GUADALUPE $

This instrument was acknowledged before me on the 8th day of July, 2008, by ROGER BAENZIGER.

[SEAL]

GEORGIA L. HANKS
Notary Public, State of Texas

3842/1; 178650

Page 24 of 26
LESSEE:

SCHERTZ-SEQUIN LOCAL GOVERNMENT CORPORATION, a Texas local government corporation

By:  

Name: Alan Cockerell  
Title: General Manager

STATE OF TEXAS $  
COUNTY OF GUADALUPE $  

This instrument was acknowledged before me on the 8th day of July 2008, by Alan Cockerell, general manager of SCHERTZ-SEQUIN LOCAL GOVERNMENT CORPORATION, a Texas local government corporation, on behalf of said corporation.

[SEAL]

GEORGIA L. HANKS  
Notary Public, State of Texas

AFTER RECORDING, RETURN TO:

Schartz-Sequin Local Government Corporation  
P. O. Box 833  
Seguin, Texas 78156  
Attention: General Manager
EXHIBIT "A" TO MEMORANDUM OF LEASE

PROPERTY DESCRIPTION

Property Description
Water Lease between Roger Baenziger
and Schertz-Seguin Local Government Corporation

Property Description: Being all of that certain tracts or parcels of land in Guadalupe County, Texas, containing 12.996 acres, more or less, being out of the C. W. Parrot Survey. The 12.996 acres, more or less, is the same property described as in various deeds dated September 28, 1998 and July 30, 2004, and recorded in the Guadalupe County Deed Records in Volume 862, Pages 0753 and Volume 2044, Pages 0468.

The Property is subject to any and all covenants, easements restrictions, prior oil, gas, and mineral severances and leases, leases of the surface, discrepancies, conflicts, and shortages in area or overlapping of improvements, to the extent same are in force and effect and apply against the Property.
THE STATE OF TEXAS
COUNTY OF GUADALUPE

Know all men by these presents that I, Rubin S. Baenziger, Trustee of the Harold and Ethel Baenziger Trust Number One (1), of Comal County, State of Texas, pursuant to the powers granted to me as Trustee of the Harold and Ethel Baenziger Trust Number One (1), have GRANTED, DISTRIBUTED AND CONVEYED, and by these presents do GRANT, DISTRIBUT, AND CONVEY unto Roger K. Baenziger, Joan Baenziger Dyal, Ruth Baenziger Bates, and David L. Baenziger, with mailing address of 624 E. Bismark, Seguin, Guadalupe County, Texas 78155, as their separate property and estate, all of the oil, gas, coal, lignite, iron, uranium, and all other minerals in and under and that may be produced from the following described real property in Wilson and Guadalupe Counties, Texas, to wit:

All that certain 120.03 acres, being the same real estate referred to in Volume 441, Pages 289-294, Naudra Alice Smith to Jack W. Holzgau, of the Deed Records of Wilson County, Texas, of which 0.482 of an acre lies in Guadalupe County, Texas, out of the C. W. Parrott Survey No. 148, Abstract No. 498 and 119.548 acres lying in Wilson County, Texas, out of the C. W. Parrott Survey No. 148, Abstract No. 247.

BEGINNING at an iron pin for Southwesterly corner, being the Northwesterly John Paul Smith 120.03 acre corner, on the Easterly line of the County Road, on the Northwesterly of the C. W. Parrott Survey No. 148, of which the Northwesterly corner of the C. W. Parrott Survey, bears N. 29 deg. E. 1168.2 feet;

THENCE N. 29 deg. E. with the Easterly line of the county road at 272.7 feet crossing the Wilson and Guadalupe County line continuing on in all a total distance of 312.4 feet to an iron pin for corner, being a corner for the Elton Hurt 10.067 acre tract;

THENCE S. 51 deg. E. with Elton Hurt 10.067 acre tract line at 81.1 feet crossing the Wilson and Guadalupe County line, continuing on in all a total distance of 1044.4 feet to an iron pin set for corner;

THENCE N. 29 deg. E. with the Elton Hurt 10.067 acre tract, and the C. R. Smith 10.067 acre tract, at 685.6 feet crossing the Wilson County and Guadalupe County line, continuing on in all a total distance of 852.8 feet to an iron pin set for corner, on the original Northerly line of the C. W. Parrott
Survey No. 148;

TENENCE S. 51 deg. 8' with the original Northerly line of the C. W. Farrott Survey No. 148, at 239.8 feet crossing the Wilson and Guadalupe County line, continuing on in all a total distance of 5103.5 feet to an iron pin set for corner, being the Northwesterly C. W. Farrott Survey No. 148 corner;

TENENCE S. 30 deg. W. 801.6 feet with the C. W. Farrott and Click Survey line to an iron pin for corner;

TENENCE N. 57 deg. 45' W. 3416.9 feet with the John Paul Smith 120.03 acres to an iron pin for corner;

TENENCE N. 29 deg. 18' E. 358.4 feet with the John Paul Smith 120.03 acres to an iron pin for corner;

TENENCE N. 57 deg. 45' W. 2640.2 feet with the John Paul Smith 120.03 acres to the place of beginning and containing 120.03 acres.

Being the same property described in Deed from Phillip F. Cardwell, single man, to Sterling Dowery, dated December 13, 1973, recorded in Volume 492, Page 614, Deed Records of Wilson County, Texas.

TO HAVE AND TO HOLD the above described premises, together with all and singular the rights and appurtenances thereto in anywise belonging, unto the said grantees, their heirs and assigns forever as their sole and separate property and estate; and I do hereby bind myself, my heirs, executors and administrators to WARRANT AND FOREVER DEFEND all and singular the said premises unto the said Grantees, their heirs and assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof, by, through, or under me, as trustee, but not otherwise.
There is also hereby conveyed unto Grantee, their heirs and assigns forever the right of ingress and egress at all times for the purpose of mining, drilling, exploring, operating, and developing said lands for oil, gas, and other minerals and removing the same therefrom.

EXECUTED this 28th day of September, 1988.

RUBIN S. BAENZIGER, Trustee

ACKNOWLEDGMENT

THE STATE OF TEXAS

COUNTY OF GUADALUPE

This instrument was acknowledged before me on the 28th day of September, 1988, by Rubin S. Baenziger, Trustee of the Harold and Ethel Baenziger Trust Number One (1).

Notary Public, State of Texas

My Commission Expires: 11-18-88
Printed Name of Notary:

Grantee's Address: 624 E. Bismark, Seguin, Guadalupe County, Texas 78135

[Recording information]
NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OF THE FOLLOWING INFORMATION FROM THIS DOCUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER’S LICENSE NUMBER.

GRANTOR: Veterans Land Board of the State of Texas, 1700 North Congress Avenue, Austin, Texas, pursuant to the Texas Veterans Land Act, as amended.

GRANTEES: Roger Kent Baenziger & Marion Sue Baenziger 146 Lone Oak Street, Seguin, TX 78155-7930

CONSIDERATION: TWENTY FIVE THOUSAND AND 00/100 DOLLARS*********** $25,000.00

PROPERTY: All that certain 20.29 acres, more or less, in the C. W. Fartun Survey, A-603, Guadalupe County, Texas, and A-247 in Wilson County, Texas, more fully described in the Warranty Deed to the Veterans Land Board dated September 23, 1963, recorded in Volume 684, Page 389, Official Records of GUADALUPE County, Texas, and further described in that Contract of Sale and Purchase dated September 24, 1963, recorded in Volume 694, Page 965, Official Records of GUADALUPE County, Texas.

Together with and subject to any and all easements and appurtenances as set forth or pertaining to the referenced deed and contract of sale.

GRANTOR, for the stated consideration, does hereby release and convey unto ROGER KENT BAENZIGER & MARION SUE BAENZIGER that certain tract of land more fully described in the above referenced Warranty Deed and Contract of Sale and Purchase.

This conveyance is made subject to any and all reservations, exceptions and conditions contained in the deed conveying the property to the Veterans Land Board, the above referenced Contract of Sale and Purchase and any subsequent assignments and/or assignments thereof. It is further subject to all easements, rights-of-way, and prescriptive rights, whether of record or not, and all restrictions, reservations, covenants, conditions, oil and gas leases, subsurface easements, and other recorded instruments that affect the property.

It is agreed and understood that in the event that a patented survey, of which the above described tract of land is a part, contains excess acreage, or that unworked school land is contained within the boundaries of the above described tract of land, said Board by the execution of this deed does not purport to convey any right, title, or interest in and to such excess acreage or unworked school land.


[Signature]

Approved as to Contents: DP

NOTE: This instrument does not bear the customary acknowledgment by a notary public. Under Sec. 12.006 of the Texas Government Code, such an acknowledgment is not required to record a grant from the state that is exercised and authorized under the law in effect at the time the grant is made. The above instrument was executed and acknowledged in the manner provided for in Sec. 161.229 of the Texas Natural Resources Code, Vtr Op. Tex, Att'y. Gen. No. WW-903(1960).
NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER’S LICENSE NUMBER.

EASEMENT AND RIGHT OF WAY FOR ACCESS, WATER PIPELINES, AND ELECTRIC LINES

THE STATE OF TEXAS

COUNTY OF GUADALUPE

GRANTOR: Edward A. Blumberg

GRANTOR’S MAILING ADDRESS: 200 N. River St., Ste. 200
Seguin, Texas 78155


GRANTEE’S MAILING ADDRESS: Schertz- Seguin Local Government Corporation
P. O. Box 833
Seguin, Texas 78156-0833

CONSIDERATION: TEN DOLLARS and no/100 ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and for which no lien or encumbrance, express or implied, is retained.

EASEMENT TRACT: That certain tract consisting of 13.62 acres, more or less, as more particularly described in EXHIBIT A attached hereto ("Easement Tract").

GRANT OF EASEMENTS AND RIGHTS-OF-WAY FOR ACCESS, WATER PIPELINES, AND ELECTRIC LINES: For the Consideration, Grantor does GRANT, SELL, and CONVEY to Grantee easements and rights-of-way on, over, under, and across the Easement Tract for (i) the construction, operation, maintenance, inspection, repair, upgrade, replacement, and removal of access roads, water pipelines, and electric lines and all other structures, equipment, fixtures, facilities, and appurtenances necessary or incidental to the construction, operation, maintenance, repair, upgrade, replacement, decommissioning, and removal of the improvements required to connect several water supply wells to a proposed water treatment plant and to construct, operate, maintain, and repair the water supply wells and the water treatment plant (the "Construction Easement"); (ii) for the construction, operation, maintenance, inspection, repair, upgrade, and replacement of a pipeline for the filter backwash water (the "Pipeline Easement"); and (iii) for the right of ingress and egress for pedestrians,
equipment and vehicles over Grantors’ adjacent lands to and from said right-of-way for the purpose of constructing, improving, reconstructing, repairing, inspecting, patrolling, installing new wire on, operating, maintaining, providing adequate clearances and removing said lines and appurtenances; conducting archeological, historical, environmental or other studies; the right to relocate and rebuild said lines and appurtenances; the right to remove, trim, cut down or chemically treat with herbicides, trees or shrubbery or parts thereof or any other obstructions which may endanger, interfere or impair the efficiency, safety or convenient operation of said line and its appurtenances; the right to place temporary guys, poles and supporting structures for use in erecting, repairing or removing such lines; and the right to remove, cut down, chemically treat with herbicides, and prevent the growth of any trees or shrubs within the Easement or twenty feet of said line (the “Utility Easement”) (the Construction Easement, the Pipeline Easement, and the Utility Easement collectively referred to herein as the “Easements”), for the purposes described above and for no other purposes, subject to the conditions set forth below.

**TEMPORARY EASEMENT:** In accordance with the terms and conditions stated in the earnest money contract between Grantor and Grantee, in the event that Grantee finds it necessary to locate any of the wells, pipelines, electric lines, and roadways at locations outside the Easement Tract described herein, Grantor grants to Grantee a temporary blanket easement across and on Grantor’s property as described in Exhibit B attached hereto for the purpose of conducting tests and studies to determine suitability of the location for any proposed well, pipeline, electric line, or roadway, and access for the design and construction of the well, pipeline, electric line, or roadway even though located outside of the Easement Tract. In the event Grantee determines the location of the Easement Tract is not suitable for the location for any proposed well, pipeline, electric line, or roadway, or access for the design, construction, operation, or maintenance of the well, pipeline, electric line, or roadway, Grantee shall notify Grantor in writing. Grantor and Grantee shall consult and agree upon suitable location(s), provided, however Grantee may, without the consent of the Grantor, locate the facility within 250 yards of the Easement Tract (measured between the closest point of the Easement Tract and the actual location of the facility. If Grantee chooses to locate a facility more than 250 yards from the Easement Tract, Grantee must obtain Grantor’s consent to such alternative location, but Grantor shall not unreasonably withhold or delay consent to a revision of an unsuitable location for the Facilities. Within one hundred eighty (180) days after substantial completion of the construction of the pipelines, electric lines, and roadways, Grantee will survey the location of the facilities as actually constructed and Grantor and Grantee will sign and execute a permanent easement, with a width of fifty feet (50’), in a form substantially the same as the form of this agreement and deliver same to the Grantee. Upon execution of the final easement, Grantee shall release from this agreement all portions of the Easement Tract not used for the purposes identified herein.

**TERM OF EASEMENTS:** The Construction Easement shall remain in effect so long as the title to the surface of the Property described on Exhibit B attached hereto is vested with Grantee; provided, however, the Pipeline Easement shall remain in effect for so
long as Grantee continues to use such pipeline. Third parties may assume that the Easements are in effect unless and until Grantor files an affidavit in the real property records of Guadalupe County that the Easements have been terminated.

CONDITIONS TO EASEMENTS: Grantor and Grantee agree that the Easements will be subject to the following conditions and limitations:

1. Grantor reserves the right to use the surface of the Easement Tract and to place road crossings, at a ninety-degree angle to Grantee-constructed pipes upon the Easement Tract, so long as the activities of Grantor on the Easement Tract do not materially impair or interfere with Grantee's use of the Easement Tract for the easement purposes described above; provided, however:

   A. Grantee's use of the roadways constructed by Grantee within the Easement Tract shall, except for Grantor, individually, be for the exclusive use and benefit of the Grantee, except Grantor shall not be excluded and shall have use and access to the Easement Tract in common with Grantee. Access to, and use of such roadways by Grantor and Grantee shall not be restricted or hindered by one another;

   B. No permanent structure, improvement or other obstruction of any kind or character may be constructed by Grantor on the Easement Tract and no drilling, mining, exploration for or development of oil, gas and other minerals may be conducted on the Easement Tract by the Grantor in such a way as to interfere with the use thereof;

   C. Under no circumstances shall Grantor, or its heirs and assigns, permit hunting or the shooting of guns or bows within the Easement Tract or across the Easement Tract or permit such other acts or activities within the Easement Tract that may endanger Grantee's employees and contractors;

   D. Should Grantor's use of any roadways constructed by Grantee cause any material and substantial damage to such roadway, Grantor shall repair the damage or reimburse Grantee for the reasonable cost of repairing the damage to the roadway.

   E. Grantee shall not be responsible for any damages or losses that Grantor may suffer as a result of the Grantor's use of the Easement Tract so long as such damages or losses are not the result of the negligence, recklessness, or intentional acts of Grantee or Grantee's assigns, employees, contractors, agents, invitees, or licensees.
2. If the location of the Easement Tract conflicts with Grantor's future development plans for Grantor's surrounding property, Grantee shall make all reasonable efforts to work with Grantor to relocate the Easement Tract; provided, however, that Grantee shall bear no obligation to contribute to the costs of relocating the Easement Tract or any structures, facilities, or improvements constructed by or paid for by Grantee within the Easement Tract, absent a further written agreement between Grantor and Grantee.

3. Grantor reserves the right to grant utility easements to third parties on, over, under, and across the Easement Tract with the prior written consent of the Grantee, which shall not be unreasonably withheld or delayed; provided, however, that any such utility easement proposed by Grantor shall not materially impair or interfere with the Grantee's use of the Easement Tract for the easement purposes described above, or create a risk to Grantee's Facilities as determined in the reasonable judgment of Grantee's engineer. All pipeline crossings shall be at a right angle and all minimum spacing requirements shall be maintained.

4. Grantee shall conduct all of its activities on the Easement Tract in accordance with all applicable federal, state, and local laws and regulations.

5. Grantee shall maintain the Easement Tract, including the facilities to be constructed thereon, using the same standard of care, or greater, employed by Grantee in the operation and maintenance of Grantee's other facilities. Following the initial construction of the Facilities, Grantee shall suffer no waste or nuisance on the Easement Tract; provided, however, that the normal construction, operation, maintenance, inspection, repair, upgrade, replacement, decommissioning, and removal of the Facilities on the Easement Tract is specifically deemed not to constitute waste or a nuisance. Grantee shall be responsible for ensuring that any hazardous substances employed by Grantee in connection with the construction, operation, and maintenance of the Facilities are transported, stored, used, and disposed of at a location other than Grantor's real property, in accordance with all applicable laws and regulations regarding the same. Grantor shall remain responsible for the proper cleanup and disposal of any hazardous substances or environmental contaminants deposited on the Easement Tract by Grantor, whether before or after the date of this agreement.

6. Grantee shall ensure that all contractors and subcontractors engaged to perform the construction of the Facilities provide insurance with coverages and liability limits no less stringent than those required for other major public works projects of similar types of infrastructure, and shall include Grantor as additional insured with respect to all such coverages, except as to builder's risk and worker's compensation.
7. The respective activities of Grantor and Grantee on the Easement Tract shall not be construed as a joint enterprise under or in connection with the application of the Texas Tort Claims Act, as amended.

8. Grantee and any successors and assigns, are hereby expressly given and granted the right to assign this easement, or any part thereof or interest therein, and/or rights granted hereunder, so that each assignee or owner shall have the full rights and privileges herein granted to be owned and enjoyed in common or severally; provided, however, Grantee shall notify Grantor of each and every assignment and provided further Grantee shall not assign the right to use the easement to install additional pipelines, conduits, or other conveyances save and except pipelines that Grantee may install to connect Grantee’s wells to Grantee’s water treatment plant, pipelines to connect Grantee’s water treatment plant to its treated water pipeline, and should Grantee choose to do so, pipeline for filter backwash water.

9. Grantee, in constructing any water pipeline within the Easement Tract, will bury the pipeline so that the top of same is at least three (3) feet below the surface of the earth, except that Grantee shall have the right to construct and maintain pipeline drain valve assemblies and/or air releases and vacuum valve assemblies and cut off valves in their protective casements and barriers as well as testing devices and corrosion prevention appliances and structures and other appurtenances on the pipeline below the surface of the earth. At certain locations, Grantee may install the pipeline at less than the three-foot minimum cover if Grantee encases the pipeline with concrete.

10. During the construction, repairing, or removing of pipelines, Grantee will make reasonable efforts to remove the topsoil from the trench to a depth of six inches (6") and set the topsoil aside, and after the construction, repair or removal is complete, Grantee shall replace the topsoil on the uppermost part of the trench so that at least six inches (6") of topsoil remains after the operation. Grantee shall ensure that appropriate grass vegetation is reestablished on any disturbed areas replaced with topsoil.

11. Any brush cut by Grantee in its operations within the Easement Tract must be chipped and distributed within the Easement Tract, or otherwise disposed of at an authorized location other than Grantor’s real property. Grantee will allow no trash, debris, or refuse from its operations to exist on the surface of the Easement Tract.

12. After construction of any pipeline or electric line, Grantee will restore the ground surface elevation as nearly as practicable to its original condition, so as not to affect normal drainage; provided, however, this requirement
will not relate to roadways or pipelines in, or adjacent to, roadways within the Easement Tract constructed by Grantee.

13. In the event that conditions of reversion are triggered in any Deed of Fee Simple Determinable Title to Surface with Reversion to Grantor for any portion of the Easement Tract that is reverted to Grantor or his successors or assigns, all rights to Facilities associated with any reverted portion of the Easement Tract shall be considered abandoned, and Grantee shall have no further rights in said Easement Tract, or portion thereof, except the right and privilege to remove the associated Facilities. Should Grantee, its successors or assigns, remove its Facilities, Grantee agrees to restore the surface of the land to as near its original condition as practicable.

14. Grantee, or any successors and assigns, shall have the right to install gates in Grantor’s fences which cross the Easement Tract or which border the Easement Tract, and to maintain locks on said gates, provided Grantor is given keys to said locks. Grantor may construct other fences across the Easement Tract, however, if said fences are built, Grantee shall have the right to construct gates in said fences consistent with requirements of Grantee, its successors and assigns, with respect to access, and Grantee may maintain locks on said gates. Grantee shall provide Grantor with a key to said lock, or a separate lock, so that either Grantor and Grantee may open the locked gate.

15. During the period of construction of the said pipeline, Grantee may construct such temporary fences as are required by its contractor or engineers and if such fences are constructed, Grantee will at all times permit access, ingress, and egress to Grantor.

16. Should Grantee so choose, Grantee may assign its rights in the Utility Easement to GVEC for the construction and operation of electric power lines within the Easement Tract.

17. Grantor shall not construct any structure or improvement, nor impound any water, nor place any temporary or permanent erection of any mast-type equipment or appurtenances within the Easement Tract or nearer to said line in any manner as to conflict with the National Electrical Safety Code or any applicable law, as either of the same now exists or may be amended in the future, and that this shall be a covenant running with the land. Such construction shall include, but not be limited to, new construction or major modification to a preexisting habitable structure, as well as stock tanks, swimming pools, spas, water wells or oil wells including construction both above and below existing grade.
18. In the event that one party reasonably believes the other party has materially breached the terms and conditions of this Easement, the non-defaulting party will make written demand and notice to cure (the “Cure Notice”) and give the defaulting party up to sixty (60) days to cure such material breach or, if the curative action cannot reasonably be completed within sixty (60) days of the receipt of such Cure Notice, then the defaulting party will commence the curative action within sixty (60) days and thereafter diligently pursue the curative action to completion. Upon the expiration of sixty (60) days after the non-defaulting party provides the Cure Notice to the defaulting party, the non-defaulting party may initiate any remedies available to the non-defaulting party so long as the defaulting party has not completed curative action or commenced the curative action according to the terms hereof.

(a) The non-defaulting party shall mitigate direct or consequential damages, if any, arising from any breach or default to the extent reasonably possible under the circumstances.

(b) The parties agree that they will use their best efforts to resolve any disputes in an amicable manner and may engage in non-binding arbitration or other alternative dispute resolution methods as recommended by the laws of the State of Texas before initiating any lawsuit to enforce their rights under this Agreement. Nothing in this Agreement shall be construed to limit either party’s right to recover damages or to seek other appropriate curative remedies in the event that an action for breach of contract is filed.

Except as otherwise provided above, any notice provided under this Easement shall be delivered to:

Edward A. Blumberg
200 N. River St.
Suite 200
Seguin, TX 78155

Schertz-Seguin Local Government Corporation
P.O. Box 833/600 River Drive West
Seguin, Texas 78156
Attention: Manager

19. The consideration recited herein shall constitute payment in full for all ordinary damages sustained by Grantor by reason of the initial construction and installation of the Facilities within the Easement Tract.
20. Grantee shall have the right to cut, trim and/or remove any trees, brush or shrubbery within the Easement Tract which, in the reasonable opinion of Grantee, may be a hazard to the poles, cables, wires or other utilities installed pursuant to the Easements. Upon completion of installation of Facilities and improvements within the Easement Tract, Grantee shall remove and dispose of all debris, trash, and litter resulting from construction, shall restore the surface of the Easement Tract to as near the original condition that existed prior to installation as practicable, and shall re-seed or re-sprig the grass after the soil settlement period. In the event Grantee must cut any of Grantor’s fences, Grantee will double H-brace such fences, and reconstruct fences in a reasonable and prudent manner with materials and quality acceptable to Grantor.

21. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, GRANTEE AGREES TO INDEMNIFY, PROTECT, DEFEND AND HOLD HARMLESS GRANTOR AND THEIR RESPECTIVE DIRECTORS, SHAREHOLDERS, TRUSTEES, OFFICERS, TENANTS, SUBTENANTS, EMPLOYEES, INVITEES, AND CONTRACTORS ("INDEMNIFIED PERSONS") FOR, FROM AND AGAINST ALL LIABILITIES, CLAIMS, DAMAGES, LOSSES, LIENS, FINES, PENALTIES, COSTS, CAUSES OF ACTION, SUITS, JUDGMENTS AND EXPENSES (INCLUDING COURT COSTS, ATTORNEYS’ FEES, AND COSTS OF INVESTIGATION), OF ANY NATURE, KIND OR DESCRIPTION OF ANY PERSON OR ENTITY (INCLUDING DEATHS OF OR INJURIES TO EMPLOYEES OF GRANTEE), DIRECTLY OR INDIRECTLY ARISING OUT OF, CAUSED BY, OR RESULTING FROM (IN WHOLE OR IN PART) (A) THE CONDITION OF THE EASEMENT TRACT, AS USED FOR ACTIVITIES DESCRIBED HEREIN; (B) INJURIES OR DEATHS OF PERSONS OR DAMAGES TO PROPERTY RESULTING FROM ACTIVITIES DESCRIBED HEREIN, AND ANY ACTIVITIES OF GRANTEE WHICH ARE NOT PERMITTED UNDER THIS AGREEMENT; OR (C) ANY ACT, OMISSION, NEGLIGENCE OR STRICT LIABILITY OF GRANTEE (COLLECTIVELY, "INDEMNIFIED LIABILITIES"). THE ONLY LIABILITIES WITH RESPECT TO WHICH THE GRANTEE’S OBLIGATION TO INDEMNIFY THE INDEMNIFIED PERSONS DOES NOT APPLY ARE WITH RESPECT TO LIABILITIES RESULTING FROM THE SOLE WILLFUL MISCONDUCT, GROSS NEGLIGENCE OR STRICT LIABILITY OF AN INDEMNIFIED PERSON. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE GRANTEE, AT THE GRANTEE’S SOLE EXPENSE, SHALL ASSUME ON BEHALF OF THE INDEMNIFIED PERSONS, AND CONDUCT WITH DUE DILIGENCE AND IN GOOD FAITH, THE DEFENSE THEREOF WITH COUNSEL SATISFACTORY TO GRANTOR. THIS INDEMNIFICATION SHALL NOT BE LIMITED TO DAMAGES, COMPENSATION OR BENEFITS PAYABLE UNDER INSURANCE POLICIES, WORKERS’ COMPENSATION ACTS, DISABILITY BENEFIT ACTS OR OTHER
EMPLOYEES' BENEFIT ACTS. THIS PROVISION SHALL SURVIVE TERMINATION OR EXPIRATION OF THIS AGREEMENT.

22. The grants, rights, obligations, benefits, and burdens of the parties hereto shall be covenants running with the land and shall apply to, be binding upon, and inure to the benefit of Grantor, Grantee, and any respective heirs, legal representatives, successors and assigns.

23. This agreement may be amended or modified only by an instrument in writing executed by representatives of Grantor and Grantee, or any successors and assigns.

24. This agreement is granted subject to all conditions, easements, restrictions, encumbrances, liens and other matters of record (collectively "Exceptions to Title") in the Real Property Records of Guadalupe County, Texas. Grantor represents and warrants that, subject to the Exceptions to Title, there are no liens, encumbrances or other restrictions which would interfere with or otherwise prohibit the granting of the Easements herein.

25. No carrying or discharging of firearms shall be allowed on the Easement Tract, except for guns carried by licensed security guards employed or hired by Grantee, and no recreational rights are granted in this agreement.

TO HAVE AND TO HOLD the same unto the Grantee and its successors and assigns subject to the conditions stated above until the Easements terminate and/or expire and Grantor covenants and agrees, and binds itself and its heirs, successors, assigns, and representatives, to WARRANT AND FOREVER DEFEND title to the Easement and the rights herein granted unto the Grantee, and its successors and assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof.

IN WITNESS WHEREOF, Grantor has caused this instrument to be executed on this 4th day of February, 2009.

(Signature Page Follows)
(Signature Page to Easement for Access, Right-of-Way, Water Pipelines, and Electric Lines)

Grantor:

Edward Blumberg

ACKNOWLEDGEMENT

THE STATE OF TEXAS

COUNTY OF GUADALUPE

THIS INSTRUMENT was acknowledged before me on this 9th day of February, 2009, by Edward Blumberg.

(SEAL)

Barbara A. Warncke
Notary Public - State of Texas

BARBARA A. WARNCKE
Notary Public
State of Texas
Comm. Exp. 12-29-09

#181031v4
Page 10 of 14
(Consent Page to Easement for Access, Right-of-Way, Water Pipelines, and Electric Lines)

CONSENT TO EASEMENT AGREEMENT

Grantee, Schertz/Seguin Local Government Corporation

By: ___________________________

Date: February 9, 2009

CONSENT TO EASEMENT AGREEMENT

Carrizo Water Company, LLC.

By: ___________________________

Date: 2-9-09

AFTER RECORDING,
RETURN TO:
Schertz-Seguin Local Government Corporation
P. O. Box 833
Seguin, Texas 78155-0833
EXHIBIT A
EASEMENT TRACT

Field notes describing a 136.62 acre tract of land situated in the George W. Martin Survey, Abstract 223, the George W. Martin Survey Abstract 425, Wilson County, Texas and the A.P. Browning Survey Abstract 66, Guadalupe County, Texas, being a portion of a tract of land called 1269.71 acres and 160 acres, conveyed to Edward Austin Blumberg, by deed recorded in Volume 1905, Page 757, Official Records Guadalupe County, Texas and being more particularly described as follows. Note: All set pins are 1/2" diameter rebar with an orange plastic cap stamped "Tri-County".

Beginning at an iron pin set for the northernmost northeast corner of the herein described tract. Said pin bears S 00° 00' 00" W, 1910.48 feet, S 00° 00' 00" W, 440.00 feet and S 90° 00' 00" W, 385.00 feet from an 8" diameter fence corner post found at the intersection of the south right-of-way line Covey Road (County Road 432) and the west right-of-way line Dewberry Road (County Road 432 A).

Thence, S 00° 00' 00" E, 1040.71 feet crossing a portion of the 1269.71 acre tract, to a point for an interior corner of the herein described tract.

Thence, N 00° 00' 00" E, 634.85 feet crossing a portion of the 1269.71 acre tract to a point in the west line of a 2.50 acre tract of land this day surveyed around Well GU-1, for the easternmost northeast corner of the herein described tract. Said point bears S 00° 00' 00" W, 140.00 feet from an iron pin set for the northwest corner of the GU-1 well tract.

Thence, S 00° 00' 00" E, 50.00 feet crossing a portion of the 1269.71 acre tract with the west line of the GU-1 well tract to a point for the easternmost southeast corner of the herein described tract.

Thence, N 90° 00' 00" W, 634.85 feet crossing a portion of the 1269.71 acre tract, to a point for an interior corner of the herein described tract.

Thence, S 00° 00' 00" E, 2490.76 feet crossing a portion of the 1269.71 acre tract, to a point for an interior corner of the herein described tract.

Thence, N 90° 00' 00" E, 121.56 feet crossing a portion of the 1269.71 acre tract to a point in the west line of a 2.50 acre tract of land this day surveyed around Well GU-2, for a northeast corner of the herein described tract. Said point bears S 00° 00' 00" W, 140.00 feet from an iron pin set for the northwest corner of the GU-2 well tract.

Thence, S 00° 00' 00" E, 50.00 feet crossing a portion of the 1269.71 acre tract with the west line of the GU-2 well tract to a point for a southeast corner of the herein described tract.

Thence, N 90° 00' 00" W, 121.56 feet crossing a portion of the 1269.71 acre tract, to a point for an interior corner of the herein described tract.

Thence, S 00° 00' 00" W, 295.80 feet crossing a portion of the 1269.71 acre tract, to an iron pin set for the southernmost southeast corner of the herein described tract.
Then, N 00° 00' 00" W, 6717.10 feet crossing a portion of the 1269.71 acre tract and the 100 acre tract, to an iron pin set for the westernmost southwest corner of the herein described tract.

Then, N 00° 00' 00" E, 302.50 feet crossing a portion of the 160 acre tract, to a point in the south line of a 2.50 acre tract of land this day surveyed around Well GU-4 for the westernmost northwest corner of the herein described tract. Said point beare S 80° 00' 00" E, 140.00 feet from an iron pin set for the southwest corner of the GU-4 well tract.

Then, N 90° 00' 00" E, 50.00 feet crossing a portion of the 160 acre tract, with the south line of the GU-4 well tract, to a point for the westernmost northeast corner of the herein described tract.

Then, S 00° 00' 00" E, 252.50 feet crossing a portion of the 160 acre tract, to an iron pin set for an interior corner of the herein described tract.

Then, S 90° 00' 00" E, 2630.63 feet crossing a portion of the 160 acre tract and the 1269.71 acre tract, to a point for an interior corner of the herein described tract.

Then, N 00° 00' 00" E, 265.24 feet crossing a portion of the 1269.71 acre tract, to a point in the south line of 2.50 acre tract of land this day surveyed around Well GU-3, for a northwest corner of the herein described tract. Said point beare N 90° 00' 00" E, 140.00 feet from an iron pin set for the southwest the GU-3 well tract.

Then, N 90° 00' 00" E, 50.00 feet crossing a portion of the 1269.71 acre tract, with the south line of the GU-3 well tract, to a point for a northeast corner of the herein described tract.

Then, S 00° 00' 00" E, 265.24 feet crossing a portion of the 1269.71 acre tract to a point for an interior corner of the herein described tract.

Then, S 90° 00' 00" E, 2936.48 feet crossing a portion of the 1269.71 acre tract, to an iron pin set for an interior corner of the herein described tract.

Then, N 00° 00' 00" E, 387.72 feet crossing a portion of the 1269.71 acre tract, to an iron pin set in the south line of the 10.00 acre tract for the northernmost northwest corner of the herein described tract.

Then, N 90° 00' 00" E, 50.00 feet crossing a portion of the 1269.71 acre tract with the south line of the 10.00 acre tract to the Place of Beginning and containing 13.02 acre of land according to a survey made on the ground on October 30, 2008, by Tri-County Land Surveying Inc.

Corresponding plat prepared.
Project No. 0810101E

Aubrey C. Holland
Registered Professional
Land Surveyor No. 4493
EXHIBIT “B”

MEMORANDUM OF LEASE

This Memorandum of Lease is made effective the 11th day of December 2008, by and between BLUMBERG FAMILY INVESTMENT PARTNERSHIP ("Lessor") and SCHERTZ-SEGUIN LOCAL GOVERNMENT CORPORATION, a Texas local government corporation ("Lessee").

WITNESSETH:

1. Lessor and Lessee have, effective the date set out above, entered into a Lease of Ground Water (the "Lease"), of the right to withdraw and beneficially use the Carrizo/Wilcox Aquifer water pertaining to the real property described on Exhibit "A" attached hereto (the “Water Rights”), and all real and personal property rights, appurtenances, permits, authorities, licenses, consents and contracts, if any, pertaining to all such Water Rights, as more fully described in the Lease which sets out the rights and obligations of Lessor and Lessee thereunder.

2. The Lease sets forth the names of Lessor and Lessee and addresses of the parties thereto.

3. Under the terms of the Lease, Lessor has agreed to lease the Water Rights to Lessee and Lessee has agreed to lease the Water Rights from Lessor upon and in accordance with the terms of the Lease.

4. This Memorandum of Lease is intended to act only as notice of the existence of the Lease and its general terms. To the extent the terms of this Memorandum of Lease conflict with the terms of the Lease, the terms of the Lease shall control.

RECEIVED
JUN 12 2009
LESGOR:

BLUMBERG FAMILY INVESTMENT
PARTNERSHIP

By:
Printed Name: James S. Frost
Title: Attorney

STATE OF TEXAS $
COUNTY OF GUADALUPE $

This instrument was acknowledged before me on the 3rd day of December, 2008, by James S. Frost on behalf of Blumberg Family Investment Partnership.

[SEAL]

DEBBIE BACOT
Notary Public, State of Texas
My Commission Expires September 05, 2012
LESSEE:

SCHERTZ-SEGUIN LOCAL GOVERNMENT CORPORATION, a Texas local government corporation

By:  
Name:  R Alan Cockerell  
Title:  General Manager

STATE OF TEXAS  §  
COUNTY OF GUADALUPE  §

This instrument was acknowledged before me on the 11th day of December, 2008, by Alan Cockerell, Manager of SCHERTZ-SEGUIN LOCAL GOVERNMENT CORPORATION, a Texas local government corporation, on behalf of said corporation.

DEBBIE BAJO
Notary Public, State of Texas

AFTER RECORDING, RETURN TO:

Schertz-Seguin Local Government Corporation  
P. O. Box 833  
Seguin, Texas 78156  
Attention: Manager
**EXHIBIT "A" TO MEMORANDUM OF LEASE**

**PROPERTY DESCRIPTION**

Blumberg Family Inv.Pp., LP to Schertz-Seguin Local Govt.Corp.

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**FILED FOR RECORD**

2009 JUN - 9 PM 2: 34

TERESA KIEL
COUNTY CLERK GUADALUPE COUNTY

STATE OF TEXAS
COUNTY OF GUADALUPE
I hereby file this instrument with FILED on the date and at the time stamped thereon and was duly recorded in the Official Public Records of Guadalupe County, Texas.

TERESA KIEL
Guadalupe County Clerk

D&T pcd#180378v4 Page 23 of 23
MEMORANDUM OF LEASE

This Memorandum of Lease is made effective the **December 17, 2015**, by and between JOHN F. AND JUDY L. BOECKER and SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION, a Texas local government corporation ("Lessee").

WITNESSETH:

1. Lessor and Lessee have, effective the date set out above, entered into a Lease of Ground Water (the "Lease"), of the right to withdraw and beneficially use the Carrizo/Wilcox Aquifer water pertaining to the real property described on Exhibit "A" attached hereto (the "Water Rights"), and all real and personal property rights, appurtenances, permits, authorities, licenses, consents and contracts, if any, pertaining to all such Water Rights, as more fully described in the Lease which sets out the rights and obligations of Lessor and Lessee thereunder.

2. The Lease sets forth the names of Lessor and Lessee and addresses of the parties thereto.

3. Under the terms of the Lease, Lessor has agreed to lease the Water Rights to Lessee and Lessee has agreed to lease the Water Rights from Lessor upon and in accordance with the terms of the Lease.

4. This Memorandum of Lease is intended to act only as notice of the existence of the Lease and its general terms. To the extent the terms of this Memorandum of Lease conflict with the terms of the Lease, the terms of the Lease shall control.

5. Lessee agrees that upon termination of this Lease, Lessor may file in Guadalupe County a notice in the form of a Memorandum of Termination of Lease and that such notice shall be conclusive and may be relied upon by any subsequent purchaser of the Property or any interest therein including without limitation, any interest in groundwater in or under the Property.
LESSOR:

John F. Boecker

STATE OF TEXAS $ §

COUNTY OF BEXAR $ §

This instrument was acknowledged before me on the ______ day of ____________ 2015, by John F. Boecker.

[Notary Seal]

Notary Public, State of Texas

Judy L. Boecker

STATE OF TEXAS $ §

COUNTY OF BEXAR $ §

This instrument was acknowledged before me on the ______ day of ____________ 2015, by Judy L. Boecker.

[Notary Seal]

Monique Muniz Silva
Notary Public, State of Texas
July 02, 2016
LESSEE:

Schertz/Seguin Local Government Corporation, a Texas local government corporation

By: 
Name: R. Alan Cockerell  
Title: General Manager

STATE OF TEXAS  
COUNTY OF GUADALUPE

This instrument was acknowledged before me on the 17th day of DECEMBER, 2015, by R. Alan Cockerell, General Manager of SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION, a Texas local government corporation, on behalf of said corporation.

REGINA C. FRANKE  
Notary Public, State of Texas

AFTER RECORDING, RETURN TO:

Schertz/Seguin Local Government Corporation  
P. O. Box 833  
Seguin, Texas 78156  
Attention: General Manager
EXHIBIT "A" TO MEMORANDUM OF LEASE

PROPERTY DESCRIPTION

DEED: Warranty Deed (with Vendor's Lien) Vol: 1706 Pg: 0514 - 0517

The Property is subject to any and all covenants, easements restrictions, prior oil, gas, and mineral severances and leases, leases of the surface, discrepancies, conflicts, and shortages in area or overlapping of improvements, to the extent same are in force and effect and apply against the Property.
WARRANTY DEED WITH VENDOR'S LIEN

Date: May 2, 2002

Grantor: MICHAEL V. STEWART

Grantor's Mailing Address (including county):

MICHAEL V. STEWART
3112 South State Highway 46
New Braunfels, Comal County, Texas 78130

Grantee: JOHN F. BOECKER and wife, JUDY L. BOECKER

Grantee's Mailing Address (including county):

JOHN F. BOECKER and wife, JUDY L. BOECKER
12912 Vidorra Vista
San Antonio, Bexar County, Texas 78216

Consideration: TEN AND NO/100 DOLLARS and other good and valuable consideration and the further consideration of a note of even date that is in the principal amount of ONE HUNDRED THIRTY THREE THOUSAND FOUR HUNDRED AND NO/100 DOLLARS ($133,400.00) and is executed by Grantee, payable to the order of SOUTHWEST TEXAS FEDERAL LAND BANK ASSOCIATION, FLCA. The note is secured by a vendor's lien retained in favor of SOUTHWEST TEXAS FEDERAL LAND BANK ASSOCIATION, FLCA, in this deed and by a deed of trust of even date, from Grantee to ERIC C. RUTHE, Trustee.

SOUTHWEST TEXAS FEDERAL LAND BANK ASSOCIATION, FLCA, at Grantee's request, having paid in cash to Grantor that portion of the purchase price of the property that is evidenced by the note described, the vendor's lien and superior title to the property are retained for the benefit of SOUTHWEST TEXAS FEDERAL LAND BANK ASSOCIATION, FLCA, and are transferred to SOUTHWEST TEXAS FEDERAL LAND BANK ASSOCIATION, FLCA, without recourse on Grantor.

The further consideration of the execution and delivery by Grantee of that certain Second Lien Promissory Note of even date in the principal sum of $13,500.00, payable to the order of MICHAEL V. STEWART, bearing interest as therein specified. Said note is secured by a second and inferior vendor's lien and superior title herein expressly retained in favor of the payee of the second lien note, and additionally secured by a second lien deed of trust of even date to the trustee named therein.
Property (including any improvements):

Tract No. 1
Being all that 128.104 acre tract of land lying and being situated in Guadalupe County, Texas, more fully described by metes and bounds on Exhibit "A" attached.

Tract No. 2 (Easement Tract)
Being a strip or parcel of land 60 feet in width lying and being situated in Guadalupe County, Texas, more particularly described by metes and bounds on Exhibit "B". Said tract being an easement for ingress and egress to the property conveyed herein.

Easements, rights-of-way, and prescriptive rights, whether of record or not; all presently recorded instruments, other than liens and conveyances, that affect the property; taxes for the current year, the payment of which Grantee assumes.

Grantor, for the consideration, receipt of which is acknowledged, and subject to the reservations from and exceptions to conveyance and warranty, grants, sells and conveys to Grantee the property, together with all and singular the rights and appurtenances thereto in any wise belonging, to have and hold it to Grantee, Grantee's heirs, executors, administrators, successors or assigns forever. Grantor binds Grantor and Grantor's heirs, executors, administrators and successors to warrant and forever defend all and singular the property to Grantee and Grantee's heirs, executors, administrators, successors and assigns against every person whomsoever lawfully claiming or to claim the same or any part thereof, except as to the reservations from and exceptions to conveyance and warranty.

The vendor's lien against and superior title to the property are retained until each note described is fully paid according to its terms, at which time this deed shall become absolute.

When the context requires, singular nouns and pronouns include the plural.

[Signature]
MICHAEL V. STEWART

ACKNOWLEDGMENT

STATE OF TEXAS
COUNTY OF GUADALUPE

This instrument was acknowledged before me on the 3 day of May, 2002, by MICHAEL V. STEWART.

[Signature]
KAREN SCHAKER
Notary Public
State of Texas
Commission Exp. 10-05-2004

[Signature]
Notary Public, State of Texas
March 1, 2002

LEGAL DESCRIPTION: BEING 129.184 ACRES OF LAND LYING IN AND BEING SITUATED OUT OF THE BERNHARDT BISENTRAGGER SURVEY, ABSTRACT 159 IN GUADALUPE COUNTY, TEXAS AND BEING A PORTION OF THAT CERTAIN, CALLED 1565.97 ACRE TRACT OF LAND CONVEYED TO EL TRES EXPLORATION, INC BY DEED RECORDED IN VOLUME 1533, PAGE 661 OF THE DEED RECORDS OF GUADALUPE COUNTY, TEXAS; SAID 129.184 ACRE TRACT BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS AND AS SURVEYED UNDER THE SUPERVISION OF JAMES E. GARON & ASSOCIATES IN JANUARY, 2000:

BEGINNING at an iron rod set for the southwest corner of that certain 20.492 acre tract of land described as Tract Seven by partition deed recorded in Volume 726, Page 223 of said deed;

THENCE North 0°37'36" West a distance of 75.70 feet to an iron rod found for the northwest corner of said 20.492 acre tract;

THENCE North 0°22'28" West a distance of 504.17 feet to a fence post found for the approximate southwest corner of the W.K. Estill Survey, A-128;

THENCE along the southerly line of said W.K. Estill Survey, common with that certain 2442.851 acre tract of land, described as Tract 11, conveyed to the Heimer Daniel Blumburg Trust by deed recorded in Volume 709, Page 222 of said deed records:
1. South 68°37'50" East a distance of 656.21 feet to an iron rod found for corner;
2. South 17°20'32" West a distance of 124.48 feet to an iron rod found for corner;
3. South 70°13'39" East a distance of 3061.24 feet to a fence post found for angle point hereof and corner of that certain 734.50 acre tract of land conveyed to Henry E. West by deed recorded in Volumes 1239, Page 650 of said deed records;

THENCE South 52°47'22" East a distance of 86.50 feet to an iron rod found for corner and South 17°21'25" East a distance of 933.28 feet to an iron rod found for corner and the approximate northeast corner of the Arminda Rowan Survey, A-265;

THENCE South 74°32'27" West a distance of 3960.91 feet to an iron rod found for the northwesterly corner of said Rowan Survey;

THENCE North 20°07'18" West a distance of 2321.37 feet to the POINT OF BEGINNING and containing 129.184 acres of land, more or less, and as shown on map of survey prepared herewith.

Exhibit "A"
LEGAL DESCRIPTION: BEING A STRIP OR PARCEL OF LAND, SIXTY (60') FEET IN WIDTH, LYING IN AND BEING SITUATED OUT OF THE CHARLES SPAULDING SURVEY, ABSTRACT 46; THE LUCAS PORTER SURVEY, ABSTRACT 287; AND THE BERNHARDT EISENREED SURVEY, ABSTRACT 125, ALL IN GUADALUPE COUNTY, TEXAS AND BEING A PORTION OF THAT CERTAIN CALLED 1565.97 ACRE, TRACT OF LAND CONVEYED TO 61 TREX EXPLORATION, INC, BY DEED RECORDED IN VOLUME 1322, PAGE 601 OF THE DEED RECORDS OF GUADALUPE COUNTY, TEXAS, SAID STRIP OR PARCEL OF LAND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS AND AS SURVEYED UNDER THE SUPERVISION OF JAMES E. GAROn & ASSOCIATES IN JANUARY, 2002.

BEGINNING at an iron rod set on the westerly r-o-w line of State Highway 123 for the northwesterly corner hereof, the northwesterly corner of that certain tract of land described as Tract One by deed conveyed to the University of Texas by deed recorded in Volume 1151, Page 255 of said deed records and the southwest corner of that certain 20,462 acre tract of land described as Tract Seven by partition deed recorded in Volume 709, Page 223 of said deed.

THENCE along the southerly line of said 20,462 acre tract:

1. South 89°50'22" East a distance of 8444.12 feet to an iron rod set for angle point;
2. North 89°19'42" East a distance of 1126.51 feet to an iron rod set for angle point;
3. North 89°16'19" East a distance of 2333.10 feet to an iron rod set for the southeast corner of said 20,462 acre tract.

THENCE South 20°37'16" East a distance of 83.56 feet to a point for the southeast corner hereof.

THENCE South 89°10'13" West, passing a distance of 1096.01 feet an iron rod set and continuing a total distance of 2344.26 feet to an iron rod set for angle point.

THENCE South 89°18'42" West a distance of 1127.12 feet to an iron rod set for angle point.

THENCE North 89°50'22" West a distance of 8449.91 feet to an iron rod set for corner on the east r-o-w line of said State Highway 123.

THENCE North 5°15'21" East a distance of 60.24 feet along said r-o-w line to the POINT OF BEGINNING and containing 15.401 acres of land, more or less, and as shown on map of survey prepared herewith.

Exhibit "B-1"
Notice of confidentiality rights: If you are a natural person, you may remove or strike any or all of the following information from any instrument that transfers an interest in real property before it is filed for record in the public records: your Social Security number or your driver’s license number.

SPECIAL WARRANTY DEED WITH VENDOR'S LIEN

Effective Date: October 31, 2014

Grantor: Ronald H. Rhemann, as Trustee of the Sarah Booth Family Trust dated December 3, 2010 and as Trustee of the Mason Booth Family Trust dated December 2, 2010

Grantor’s Mailing Address: P.O. Box 1068
Richmond, Fort Bend County, Texas 77406

Grantee: Schertz-Seguin Local Government Corporation

Grantee’s Mailing Address: P.O. Box 833
Seguin, Guadalupe County, Texas 78156-0833
Attn: General Manager

Consideration: TEN AND NO/100 --------- ($10.00) --------- DOLLARS and other good and valuable consideration, the receipt of which is hereby acknowledged and confessed;

AND THE FURTHER CONSIDERATION AND DELIVERY of a Promissory Note dated October 31, 2014, in the principal amount of $6,150,000.00 (the “Note”), executed by Grantee, payable to the order of Grantor. The Note is secured by a Vendor’s Lien which is retained herein by Grantor and by a Deed of Trust of even date herewith from Grantee to Jack H. Moore, Trustee.

Property (including any improvements): A tract of land containing 1,469.04 acres of land situated in the following surveys: G. W. Miller, Abstract No. 249, W. B. Batey Survey, Abstract No. 79; W. B. Miller Survey, Abstract No. 248, H. & T. C. R. R. Survey, Abstract No. 177; Patrick Lynch Survey, Abstract No. 212; Dolphin Floyd Survey, Abstract No. 135 and James Shelton Survey, Abstract No. 302, all in Guadalupe County, Texas, said land described is comprised of six tracts of land conveyed by C. H. Schmidt to J. C. Davis, et al. by deed dated July 9, 1974, and recorded in Volume 225, Page 326, Deed Records, Guadalupe County, Texas, said six tracts purportedly totally 1,318.87 acres plus a tract called 200 acres in conveyance from Robert G. Caddell to J. C. Davis dated March 15, 1962 and recorded in Volume 346, Page 279, Deed Records, Guadalupe County, Texas, and as more particularly described in EXHIBIT A, attached hereto and incorporated herein by reference; SAVE AND EXCEPT the 6.72 acre tract conveyed to the County of Guadalupe, Texas by deed recorded in Volume 503, Page 310 Deed Records, Guadalupe County, Texas, and as more particularly described in EXHIBIT A-1,
attached hereto and incorporated herein by reference; and SAVE AND EXCEPT the 0.271 acre tract conveyed to the County of Guadalupe, Texas by deed recorded in Volume 507, Page 764, Deed Records, Guadalupe County, Texas, and as more particularly described in EXHIBIT A-2, attached hereto and incorporated herein by reference; and further SAVE AND EXCEPT the two 2.50 acre tracts conveyed to Schertz/Seguin Local Government Corporation by deed recorded in Volume 2712, Page 587, Official Records, Guadalupe County, Texas, and as more particularly described in EXHIBIT A-3, attached hereto and incorporated herein by reference; said composite tract containing 1,457.05 acres, more or less.

Reservations from Conveyance: Grantor reserves from the conveyance 75% of that portion of the mineral estate which is presently owned by Grantor and the executive rights associated with all of that portion of the mineral estate which is presently owned by Grantor. Grantor further reserves (i) the right of vehicular and pedestrian access to, from and across the Property as reasonably necessary for the exercise of its reserved mineral and executive rights, (ii) the right to install and maintain utility lines and related appurtenances in, over and across the Property as reasonably necessary for the exercise of its reserved mineral and executive rights, and (iii) the right to install and maintain gathering lines and related appurtenances in, over and across the Property as reasonably necessary for the transport of minerals from the production sites on the Property. Provided however, that Grantor recognizes and acknowledges Grantee’s intended use of the Property to produce water from the Carrizo Aquifer and Wilcox Aquifer and Grantor’s aforementioned reserved access and all future mineral exploration and production shall be subject to the rights, terms, covenants, conditions, restrictions and agreements set forth in the “Mineral Rights Covenants” attached hereto as EXHIBIT B and incorporated herein by reference.

Exceptions to Conveyance and Warranty: All those shown on APPENDIX 1 which is attached hereto and incorporated herein by reference.

Grantor, for the Consideration and subject to the Reservations from Conveyance and the Exceptions to Conveyance and Warranty, grants, sells, and conveys to Grantee the Property, together with all and singular the rights and appurtenances thereto in any way belonging, to have and to hold it to Grantee and Grantee’s successors, and assigns forever. Grantor binds Grantor and Grantor’s heirs and successors to warrant and forever defend all and singular the Property to Grantee and Grantee’s successors, and assigns against every person whomsoever lawfully claiming or to claim the same or any part thereof, when the claim is by, through or under Grantor but not otherwise, except as to the Reservations from Conveyance and the Exceptions to Conveyance and Warranty.

The Vendor’s Lien and Superior Title to the Property are retained until the Note described is fully paid according to its terms, at which time this deed shall become absolute.

GRANTOR HEREBY DISCLAIMS, AND GRANTEE HEREBY WAIVES, ANY AND ALL WARRANTIES OF ANY NATURE REGARDING THE PROPERTY. FURTHER, GRANTOR HAS NOT MADE AND DOES NOT MAKE ANY REPRESENTATIONS, WARRANTIES OR COVENANTS OF ANY KIND OR CHARACTER WHATSOEVER, WHETHER EXPRESS OR IMPLIED, WITH RESPECT TO THE SQUARE FOOTAGE OF THE PROPERTY; THE
QUALITY OR CONDITION OF THE PROPERTY BEING CONVEYED TO GRANTEE; THE SUITABILITY OR SAFETY OF THE PROPERTY FOR ANY AND ALL ACTIVITIES AND USES WHICH GRANTEE MAY CONDUCT THEREON; COMPLIANCE BY GRANTOR AND/OR THE PROPERTY WITH ANY LAWS, RULES, ORDINANCES, OR REGULATIONS OF ANY APPLICABLE GOVERNMENTAL AUTHORITY; OR THE HABITABILITY, MERCHANTABILITY, OR FITNESS OF THE PROPERTY FOR A PARTICULAR PURPOSE. GRANTOR HAS NOT, DOES NOT AND WILL NOT MAKE ANY REPRESENTATIONS OR WARRANTIES WITH REGARD TO COMPLIANCE WITH ANY ENVIRONMENTAL PROTECTION, POLLUTION, ZONING, BUILDING OR LAND USE LAWS, RULES, REGULATIONS, ORDERS OR REQUIREMENTS, INCLUDING BUT NOT LIMITED TO, THOSE PERTAINING TO WETLANDS, ENDANGERED SPECIES, THE USE, HANDLING, GENERATING, TREATING, STORING OR DISPOSING OF ANY HAZARDOUS WASTE, HAZARDOUS SUBSTANCES, PETROLEUM PRODUCT STORAGE TANKS, ASBESTOS OR LEAD BASED PAINT. GRANTEE ACCEPTS THE PROPERTY “AS IS,” “WHERE IS,” AND WITH ALL FAULTS. GRANTEE HAS MADE ITS OWN INDEPENDENT INSPECTION OF ALL ASPECTS OF THE PROPERTY. GRANTEE IS RELYING SOLELY ON ITS OWN INVESTIGATION AND NOT ON ANY REPRESENTATION OR STATEMENT OF GRANTOR OR ANY INFORMATION PROVIDED BY GRANTOR. GRANTEE SHALL HAVE NO RECOURSE WHATSOEVER AGAINST GRANTOR IN THE EVENT OF DISCOVERY OF ANY DEFECTS OF ANY KIND, LATENT OR PATENT. HOWEVER, THIS WARRANTY DISCLAIMER SHALL NOT DIMINISH ANY WARRANTIES OF TITLE MADE BY GRANTOR IN THIS DEED.

When the context requires, singular nouns and pronouns include the plural.

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GRANTOR AND GRANTEE SIGNATURE PAGES AND RESPECTIVE NOTARY ACKNOWLEDGEMENTS FOLLOW

Page 3 of 5
GRANTOR:

Ronald H. Rhemann, as Trustee of the Sarah Booth Family Trust dated December 3, 2010 and as Trustee of the Mason Booth Family Trust dated December 2, 2010

ACKNOWLEDGEMENT

STATE OF TEXAS $

COUNTY OF Fort Bend $

This instrument was acknowledged before me on the 31st day of October, 2014, by Ronald H. Rhemann, in his capacity as Trustee of the Sarah Booth Family Trust dated December 3, 2010 and as Trustee of the Mason Booth Family Trust dated December 2, 2010, the Grantor herein.

(SEAL)

Notary Public, State of Texas

SHERYL LYNN PASQUA
Notary Name Printed
Notary commission expires: 4-7-2017
GRANTEE:

Schertz-Seguin Local Government Corporation,
a Texas local government corporation

By: __________________________
Name: Alan Cockerell
Title: General Manager

ACKNOWLEDGEMENT

STATE OF TEXAS $
COUNTY OF Guadalupe $

This instrument was acknowledged before me on the 31 day of October, 2014, by Alan Cockerell, in his capacity as General Manager of the Schertz-Seguin Local Government Corporation, a Texas local government corporation, the Grantee herein, on behalf of said local government corporation.

M'CHEYL COX
Notary Public, State of Texas

OCTOBER 26, 2016

Notary Name Printed
Notary commission expires: ____________

WHEN RECORDED MAIL TO:
Schertz-Seguin Local Government Corporation
P.O. Box 833
110 W. Mountain Street
Seguin, Texas 78156-0833
Attn: General Manager

DM #232495 v5
3842/2
Exhibit "A"

Being 1,469.06 acres of land situated in various surveys in Guadalupe County, Texas. The land herein described is comprised of six tracts of land conveyed by C. W. Miller to J. C. Davis, et al. by deed dated July 20th, 1947, and recorded in Volume 328, at page 336 of the Dead Records of said county, said six tracts purportedly totaling 1,318.37 acres, plus a tract valued 150 acres in conveyance from Robert G. Caldwell to J. C. Davis dated March 15th, 1942, and recorded in Volume 336, at page 379 of said dead records. The composite tract containing 1,469.06 acres is hereinafter described by metes and bounds as follows:

BEGGINING at the northwest corner of the land herein described, said corner being a post that lies approximately 15" in diameter, from which a stone oak tree 15' in diameter stands marked "C" bears N 17° 24' E 21.5' feet. Said place of beginning is further described as being the northwest corner of the C. W. Miller Survey, Abstract 200 and the northwest corner of THIRD TRACT of said conveyance recorded in Volume 326 at page 346;

THIRD TRACT with fence along the north line of said C. W. Miller Survey, S 80° 31' W 3,349.5 feet to a fence corner from which a 15' diameter oak tree stands marked "B" bears N 17° 46' E 21.5' feet. Said corner is further described as being the southeast corner of said Miller Survey and the northeast corner of said THIRD TRACT;

THIRD TRACT with fence along the east line of said Miller Survey, S 16° 53' W 817.4 feet to a fence corner from which a 16' diameter oak tree bears N 17° 3.6' W 21.5' feet. Said corner is further described as being the northeast corner of the W. B. Batesy Survey, Abstract 79 and the northwest corner of FOURTH TRACT of said conveyance recorded in Volume 326 at page 356;

FOURTH TRACT with fence along the north line of said Batesy Survey, S 99° 31' W 1,451.5 feet to a fence corner marking the northeast corner of said FOURTH TRACT and said Batesy Survey and from which corner a 15' diameter oak tree bears N 17° 15' W 21.5' feet;

THIRD TRACT with fence along the east line of said Batesy Survey, S 89° 45' W 1,516.7 feet to a buried steel rod marking the north corner of FIRST TRACT of said conveyance recorded in Volume 326 at page 376;
THERE is with the fence along a common line of said survey and the H. S. T.C.R. Co. Survey, Abst. 137, a 3' 3" W 663.1 feet to a fence corner.

THERE is with fence 361' 3" N 63.4 feet to a fence corner in the east line of said section and the west line of a tract called "21 acres in conveyance to Delphine Martin recorded in Volume 260 at page 270.

THERE is with the fence along a common line of said Martin tract and said section tract as follows:

6' 10" W 3,743.7 feet

then 6' 10" W 3,679.6 feet to a fence corner from which a 14' post oak stood marked "A" bears 6' 10" N 33.2 feet.

said corner is further described as being a common corner of said Martin tract and said Martin tract in a common line of the H. S. T.C.R. Co. Survey, Abst. 137 and the Delphine Floyd Survey, Abst. 137.

THERE is with said common line, same being the north line of FIRST TRACT of said conveyance recorded in Volume 265 at page 326, 6 89' 55" N 3,517.7 feet to a fence corner from which a 30' post oak stood marked "X" bears 12' 41' W 33.8 feet. said corner is further described as being the northeast corner of the Delphine Floyd Survey in the west line of the Patrick Lynch Survey, Abst. 137.

THERE is with a common line of said Lynch Survey and the H. S. T.C.R. Co. Survey, Abst. 137, same being the west line of SECOND TRACT of said conveyance recorded in Volume 225, at page 316, N 13' 3" E 1,070.1 feet to a fence corner marking the northwest corner of SECOND TRACT of said conveyance recorded in Volume 215 at page 316. From said corner a 15' black oak bears 10' 39' E 37.1 feet.

THERE is with fence along the north line of said second tract, 3 69' 13' W 643.3 feet to a fence corner from which a 16' 4 feet oak stood marked "Y" bears 3 69' 32' W 39.1 feet and an 18' 4 feet oak bears 3 8' 30' E 44.1 feet.
THENCE with the fenced east boundary of said SECOND TRACT:

as follows:

W 41° 52' W 418.1 feet;

thence S 3° 31' W 211.4 feet;

thence S 3° 18' E 329.1 feet;

thence S 17° 20' W 887.3 feet;

thence S 1° 0' W 1,286.4 feet;

thence S 2° 25' W 1,578.1 feet to an iron stake set for the

southeast corner of said SECOND TRACT.

THENCE with fence along the south line of said SECOND TRACT

W 89° 45' W 210.3 feet to a fence corner in a corner limited

the

Pawnee Survey and Delphine Floyd Surveys;

THENCE with the fence along said common line, same being the

east line of FIRST TRACT of said conveyance included in Volume 326

at page 166 as follows:

S 2° 25' W 1,138.3 feet;

thence S 11° 43' E 90.4 feet;

thence N 1° 45' W 479.0 feet to the southeast corner of the

Delphine Floyd Survey, from which corner a 16' foot Oak stake at

2° 25' W 671.6 feet;

THENCE with the fence along a common line of the Delphine Floyd

and George W. Martin Surveys, as follows:

N 29° 11' W 2,624.7 feet;

thence N 69° 18' W 3,360.3 feet to a fence corner at the east

end of a county road, said corner being the southwest corner of

FIRST TRACT of said conveyance recorded in Volume 215 at page 116;

THENCE with fence along a common line of the James Hinkle

and Delphine Floyd Surveys, N 4° 21' E 1,633.1 feet to an iron

stake found marking the southwest corner of 120 acres conveyed

herein by conveyance from Robert B. Cadwall to J. C. Davis dated

March 15th, 1912, and recorded in Volume 346 at page 279 of said

deed records;

THENCE with the fenced north boundary of said 120 acre tract,

same being the north boundary of a 11 acre tract conveyed to

Ella M. Bailey, et vir. by deed recorded in Volume 215 at page 129, as follows:

N 89° 45' W 1,100.7 feet;

thence N 0° 25' W 1,221.3 feet;

thence W 77° 15' W 266.4 feet to a 16' foot Oak tree for a

fence corner;

THENCE with the fence along the west line of said 120 acre

tract, same being a corner limited the J. Hinkle Survey, on J.
Galveston Survey and the E. F. Muyllin Survey, N 69° 57' E 2,749.7
feet to a fence corner marking the northwest corner of said 100
acre tract and a common corner of the J. Melton and P. McEachern
Surveys.

THENCE with the fence along a common line of said Melton
and Melton surveys, same being the north line of said 100 acre
tract, as follows:

S 89° 28' E 371.5 feet;

thence N 87° 45' E 1,684.5 feet to the west line of the

Dolphin Floyd Survey;

THENCE with fence along the west line of the Dolphin Floyd
Survey, as follows:

N 2° 33' E 1,799.1 feet;

thence N 2° 31' E 1,941.7 feet to an iron stake found marking
a re-erected corner of the C. Hawke Survey, Abst. 311, and
the northwest corner of the Dolphin Floyd Survey. From said
corner a 14" black jack fence S 30° W 14.1 feet;

THENCE with the fence along a common line of said Hawke and
Floyd surveys, S 81° 28' E 1,150.1 feet to an iron stake found
marking the southeast corner of the E., T.C.R.R. Co. Survey Co.
Survey, Abst. 177;

THENCE with the fence along a common line of said Railroad
Company Survey and said Hawke Survey, W 1° 05' E 1,022.0 feet
to an iron stake found in the west line of the J. W. Batey Survey.

Abst. 78;

THENCE with the fence along the north line of said Batey Survey
S 78° 27' E 1,155.0 feet to a fence corner from which a 14" black jack
fence N 84° 58' W 31.1 feet, said corner being the southeast corner
of said Batey Survey and a re-erected corner of RESUME TRACT of said
conveyance recorded in Volume 225 at page 326;

THENCE with fence along a common line of said Railroad Company
Survey and said Batey Survey, N 10° 31' E 2,360.1 feet to a fence

corner from which a 12" Post Oak fence S 29° 55' W 10.6 feet;

THENCE with fence along the north line of said J. W. Batey
Survey and a short segment of the west boundary of the J. W.
Hawke Survey, Abst. 489, as follows;

W 78° 59' W 2,357.2 feet;

thence N 78° 55' W 2,171.7 feet to an iron stake found
marking a re-erected corner of said Hawke Survey, the southeast
corner of the W. H. Auller Survey, Abst. 519, and the southwest
corner of FIFTH TRACT of said conveyance recorded in Volume 225
at page 326.
THEREWITH the fence along a common line of the S. E. Mason Survey, the S. E. Massen Survey and the W. N. Miller Survey, N 11° 15' E 2,448.8 feet to an iron stake found marking the northwest corner of said Miller Survey;

THEREWITH from along the south line of the S. N. Miller Survey, E 99° 01' W 541.8 feet to an iron stake found marking the southwest corner of the S. N. Miller Survey;

THEREWITH from along a common line of the S. E. Mason and S. W. Miller Surveys, same being the west line of THIRD TRACT of said conveyance recorded in Volume 215 at page 104 as follows:

N 11° 06' E 2,341.6 feet;
thence W 9° 46' N 513.6 feet to the place of beginning and
containing 1,449.26 acres distributed among original surveys approximately as follows:

<table>
<thead>
<tr>
<th>Surveyor</th>
<th>Acres</th>
</tr>
</thead>
<tbody>
<tr>
<td>S. E. Miller</td>
<td>343 acres</td>
</tr>
<tr>
<td>W. N. Miller</td>
<td>350 acres</td>
</tr>
<tr>
<td>W. E. Massen</td>
<td>160 acres</td>
</tr>
<tr>
<td>H. &amp; T. C. B. Co.</td>
<td>117 acres</td>
</tr>
<tr>
<td>J. Dalton</td>
<td>114 acres</td>
</tr>
<tr>
<td>Delmaid Floyd</td>
<td>631 acres</td>
</tr>
<tr>
<td>Dorrithn Young</td>
<td>45 acres</td>
</tr>
</tbody>
</table>
EXHIBIT A-1
SAVE AND EXCEPT PORTIONS
CONVEYED TO THE COUNTY OF GUADALUPE

6.72 acre tract (by deed recorded in Volume 503, Page 310):

6.72 acres, being a part of the 1,469.04 acre referred to in the deed records of Guadalupe County, Texas, in Volume 496 Pages 694-702, Thomas W. Osmun, Trustee to T. W. Booth, out of the Dolphin Floyd Survey Abst. No. 135 and the Patrick Lynch Survey Abst. No. 212, Guadalupe County, Texas.

BEGINNING at the Southwest corner of the Dolphin Floyd Survey Abst. No. 135 and the Southeast corner of the James Shelton Survey Abst. No. 302;

    THENCE N 4 degrees 21 minutes E 40.1 feet to a stake;
    THENCE S 89 degrees 16 minutes E 2946.8 feet to a stake;
    THENCE S 89 degrees 13 minutes E 2585.4 feet to a stake;
    THENCE N 1 degree 49 minutes E 434.6 feet to a stake;
    THENCE N 11 degrees 43 minutes W 59.3 feet to a stake;
    THENCE N 2 degrees 25 minutes E 1129.7 feet to a stake;
    THENCE N 46 degrees 20 minutes E 32.0 feet to a stake;
    THENCE S 89 degrees 46 minutes E 409.1 feet to a stake;
    THENCE S 0 degrees 25 minutes W 10.0 feet to a pipe for original corner on the North line of the 30 foot County Road;
    THENCE N 89 degrees 46 minutes W 391.7 feet to a post at the end of the 30 foot County Road, on the division line of the Dolphin Floyd and Patrick Lynch Surveys;
    THENCE S 2 degrees 25 minutes W 1138.3 feet to a stake;
    THENCE S 11 degrees 43 minutes E 59.4 feet to a stake;
    THENCE S 1 degree 49 minutes W 478.6 feet to the Southeast corner of the Dolphin Floyd Survey;
    THENCE N 89 degrees 13 minutes W 2624.7 feet to a stake;
    THENCE N 89 degrees 16 minutes W 2949.3 feet to the place of beginning containing 6.72 acres of New Road Right-of-Way.
EXHIBIT A-2
SAVE AND EXCEPT PORTIONS
CONVEYED TO THE COUNTY OF GUADALUPE

0.271 acre tract (by deed recorded in Volume 507, Page 764):

0.271 of an acre, being a part of the 1469.04 acres, referred to in the deed records of Guadalupe County, Texas, Volume 496, Page 614-702, Thomas W. Osmun, Trustee to T.W. Booth, out of the Dolphin Floyd Survey, Abst. No. 135 and the Patrick Lynch Survey, Abst. No. 212, Guadalupe County, Texas.

BEGINNING at an iron pin being the most Northeasterly corner for a 6.72 acre strip of land conveyed to Guadalupe County by T. W. Booth, referred to in Volume 503, Page 310;

THENCE N 89 degrees 46 minutes W 409.1 feet;

THENCE N 46 degrees 20 minutes E 43.3 feet;

THENCE S 89 degrees 46 minutes E 378.0 feet;

THENCE S 0 degrees 25 minutes W 30.0 feet to the place of beginning containing 0.271 of an acre of new Road right-of-way.
EXHIBIT A-3

SAVE AND EXCEPT PORTIONS
CONVEYED TO SCHERT-SEGUN LOCAL GOVERNMENT CORPORATION

2,50 acre tracts (by deed recorded in Volume 2712, Page 587)

Field notes describing a 2,50 acre tract of land situated in the Delphin Floyd Survey, Abstract 135, Guadalupe County, Texas, being a portion of a tract of land called 1498.04 acres, conveyed to The Mason Bank &
Savings Trust, by deed recorded in Volume 1940, Page 911, Official Records, Guadalupe County, Texas, and being more particularly described as follows: Note: All set pins are 3/8" diameter rebar with an orange plastic cap stamped "TC-County".

Beginning at an iron pin set in the west right-of-way line of Lakey Road (County Road 424) and the southernmost southeast line of the 1498.04 acre tract for the northwest corner of the herein described tract:

(a) 01° 30' 03" W, 330.00 feet with the west right-of-way line of Lakey Road and the southernmost east line of the 1498.04 acre tract to an iron pin set for the southeast corner of the herein described tract.

(b) N 88° 24' 01" W, 330.00 feet crossing a portion of the 1498.04 acre tract to an iron pin set for the southwest corner of the herein described tract.

(c) N 01° 36' 03" E, 330.00 feet crossing a portion of the 1498.04 acre tract, to an iron pin set for the northwest corner of the herein described tract.

(d) 08° 24' 01" E, 330.00 feet crossing a portion of the 1498.04 acre tract to Place of Beginning and containing 2,50 acres of land according to a survey made on the ground on December 18, 2003, by TC-County Land Surveying Inc.

Corresponding plat prepared:
Project No. 0811014 GU-6
Revised: February 16, 2006

Aubrey D. Holland
Registered Professional Land Surveyor No. 1468

Ends of Texas
COUNTY OF GUADALUPE
County in which survey was made on the site and in the same manner as the survey described above and with the same precision as the plat prepared by the Surveyor above.

[Signature]
County Clerk of Guadalupe County
Field notes describing a 2.50 acre tract of land situated in the Dolphine Floyd Survey, Abstract 135, Guadalupe County, Texas, being a portion of a tract of land called 1469.04 acres, conveyed to the Mason Booth Non-Exempt Trust, by deed recorded in Volume 1880, Page 911, Official Records Guadalupe County, Texas, and being more particularly described as follows: Note: All set pins are ¼" diameter nails with an orange plastic cap stamped "Trico-County".

Beginning at a ¾" diameter iron pin found in the north right-of-way line Cowey Road (County Road 432) for the southeast corner of a tract of land called 4,289 acres, described in Volume 1482, Page 301 Official Records Guadalupe County, Texas, the southernmost southwest corner of the 1,469.04 acre tract and the southwest corner of the herein described tract.

Thence, N 05° 11' 50" E, 330.00 feet with the east line of the 4,289 acre tract and the southernmost west line of the 1469.04 acre tract, to an iron pin set for the northwest corner of the herein described tract.

Thence, N 89° 46' 15" E, 331.47 feet crossing a portion of the 1,469.04 acre tract to an iron pin set for the northeast corner of the herein described tract.

Thence, S 05° 11' 50" W, 330.00 feet crossing a portion of the 1,469.04 acre tract, to an iron pin set in the north right-of-way line Cowey Road and the southernmost south line of the 1469.04 acre tract, for the southeast corner of the herein described tract.

Thence, S 89° 46' 15" W, 331.47 feet with the north right-of-way line Cowey Road and the southernmost south line of the 1,469.04 acre tract, to the Place of Beginning and containing 2.50 acre of land according to a survey made on the ground on December 18, 2008, by Tri-County Land Surveying Inc.

Corresponding plat prepared. Project No. 0911104 GU-6

Aubrey B. Holland
Registered Professional
Land Surveyor No. 4493
EXHIBIT B

MINERAL RIGHTS COVENANTS

For good and valuable consideration, the receipt and sufficiency of which are acknowledged and confessed, the Grantor and the Grantee under the foregoing Special Warranty Deed With Vendor’s Lien (the “Deed”) hereby declare and agree that the mineral rights and executive rights reserved by the Grantor in the “Reservations from Conveyance” section of the Deed shall be subject to the rights, terms, covenants, conditions, restrictions and agreements set forth in these Mineral Rights Covenants (“these Covenants”), which shall run with the land and shall be binding on and inure to the benefit of the Grantor, the Grantee, and their respective heirs, successors, and assigns. These Covenants are as follows:

1. Grantor recognizes and acknowledges Grantee’s intended use of the Property to produce water from the Carrizo Aquifer and Wilcox Aquifer. Accordingly, to protect Grantee’s intended use while providing for Grantor’s reasonable use of the mineral estate, Grantor’s mineral exploration and production activities pursuant to its reserved mineral rights and executive rights shall be restricted and conducted only within the five (5) sites described and identified in Attachment 1, attached hereto and incorporated herein by reference to these Covenants (the “Mineral Production Sites”). It is agreed that the Mineral Production Sites are ten (10) acres each and that each of the Mineral Production Sites may be used to accommodate multiple wells and fracking ability. Grantor acknowledges and accepts that the Mineral Production Sites are identified and described by GPS coordinates in Attachment 1.

2. No mineral exploration and production activities shall be conducted outside of the Mineral Production Sites by Grantor, its heirs, successors or assigns. Provided, however Grantor has reserved rights to access, utilities or gathering lines as more fully described in the “Reservations from Conveyance” section of the Deed; provided further, nothing in these Covenants shall be deemed to prohibit or restrict Grantor from conducting mineral exploration and production activities with respect to its reserved mineral rights from locations outside the boundaries of the Property by directional drilling as long as the restrictions contained in Paragraph 3, below, are not violated, or from pooling or unitizing said reserved mineral rights with other adjacent or nearby lands to conduct mineral exploration and production activities.

3. Notwithstanding the rights granted to or reserved by Grantor within the Mineral Production Sites, those rights are still subject to the following restrictions:

a. There must be a minimum distance of three hundred (300) feet between any public water supply well and any oil or gas well and related facilities such as open pits used during drilling and production; and

b. No injection wells will be permitted on the Property, including the Mineral Production Sites, that inject into the Carrizo Aquifer formation or the Wilcox Aquifer formation. However, to the extent permitted by applicable State law and regulation, drilling and properly encasing injection wells through the Carrizo
Aquifer formation and the Wilcox Aquifer formation and injection below an impermeable layer will be permitted on the Mineral Production Sites.

c. It is agreed that water drawn from the aquifers by Grantor and used in connection with any mineral exploration and production will be used for on-site operations only. While nothing herein is intended to or shall be construed to prohibit participation in pooling arrangements, water drawn from any aquifers under the Property may not be used off-site in connection with any such pooling arrangements. Each well on the Property may use (i) up to 25 acre feet of water for the initial drilling and completion, and (ii) additionally, up to an 25 acre feet for any recompletion.

5. If any part of these Covenants is declared invalid, by judgment or court order, the same shall in no way affect any of the other provisions of these Covenants, and such remaining portions shall remain in full effect.

6. If any person or entity shall knowingly or unknowingly violate or attempt to violate these Covenants, it shall be lawful for the Grantor or Grantee, or their respective heirs, successors or assigns, to prosecute proceedings at law or in equity against such person or entity violating or attempting to violate such agreement or covenant, to prevent the person or entity from such actions, and to collect damages and penalties for such actions.

7. If at any time the Grantor or Grantee fails to enforce any of these Covenants, whether or not any violations are known, such failure shall not constitute a waiver or estoppel of the right to do so.

8. These Covenants may be modified, amended, or terminated only by joint action of both (a) the Grantee or its successors or assigns, and (b) the Grantor or its heirs, successors or assigns, by a writing which is signed by such required parties and recorded in the Official Public Records of Guadalupe County, Texas.
## Attachment 1
*(To Mineral Rights Covenants)*

### Booth Property: Mineral Production Site 1 Corners

<table>
<thead>
<tr>
<th>Corner</th>
<th>Latitude</th>
<th>Longitude</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>29° 25' 42.43&quot; North</td>
<td>97° 51' 46.57&quot; West</td>
</tr>
<tr>
<td>2</td>
<td>29° 25' 42.43&quot; North</td>
<td>97° 51' 39.37&quot; West</td>
</tr>
<tr>
<td>3</td>
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</tr>
<tr>
<td>4</td>
<td>29° 25' 36.31&quot; North</td>
<td>97° 51' 46.57&quot; West</td>
</tr>
</tbody>
</table>

### Booth Property: Mineral Production Site 2 Corners

<table>
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<th>Longitude</th>
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</thead>
<tbody>
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<td>29° 25' 42.43&quot; North</td>
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<tr>
<td>2</td>
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<tr>
<td>3</td>
<td>29° 25' 36.31&quot; North</td>
<td>97° 51' 39.37&quot; West</td>
</tr>
<tr>
<td>4</td>
<td>29° 25' 36.31&quot; North</td>
<td>97° 51' 46.57&quot; West</td>
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</tbody>
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### Booth Property: Mineral Production Site 3 Corners

<table>
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<td>2</td>
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<tr>
<td>3</td>
<td>29° 25' 36.31&quot; North</td>
<td>97° 51' 39.37&quot; West</td>
</tr>
<tr>
<td>4</td>
<td>29° 25' 36.31&quot; North</td>
<td>97° 51' 46.57&quot; West</td>
</tr>
</tbody>
</table>
### Booth Property

#### Mineral Production Site 4 Corners

<table>
<thead>
<tr>
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<th>Longitude</th>
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<tr>
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<td>29° 23' 56.97&quot; North</td>
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<tr>
<td>2</td>
<td>29° 23' 56.97&quot; North</td>
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<tr>
<td>3</td>
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<tr>
<td>4</td>
<td>29° 23' 50.85&quot; North</td>
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</table>

### Booth Property

#### Mineral Production Site 5 Corners

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<td>97° 51' 41.07&quot; West</td>
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<td>2</td>
<td>29° 23' 33.38&quot; North</td>
<td>97° 51' 33.87&quot; West</td>
</tr>
<tr>
<td>3</td>
<td>29° 23' 27.26&quot; North</td>
<td>97° 51' 33.87&quot; West</td>
</tr>
<tr>
<td>4</td>
<td>29° 23' 27.26&quot; North</td>
<td>97° 51' 41.07&quot; West</td>
</tr>
</tbody>
</table>

Coordinates represent the four (4) corners of five (5) sites on the Property identifying the Mineral Development Sites. Each of the Mineral Development Sites is approximately 10 acres in area and is square. Approximate location of each site is shown on the attached drawing of the Booth property.

Coordinates used for these locations are based on World Geodetic System of 1984 (WGS 84) which is the current referencing system used by Global Positioning Systems (GPS) and represented as latitude and longitude. Therefore, each corner can be located in the field either using GPS based system or through conversion to most other commonly used datum to an accuracy of about 2 meters (6 feet).
APPENDIX I


3. Right of Way Agreement by and between Anne Verea Booth and Daniel Russell Booth acting solely in their capacities as Co-Trustees of the Booth Non-Exempt Marital Trust (Grantees) and Teco Pipeline Company a Delaware Corporation (Grantees) recorded October 17, 1995 in Volume 1170, Page 912, Official Records, Guadalupe County, Texas.

4. Waterline easement granted to the City of Seguin, Texas by instrument recorded February 26, 2001 in Volume 1577, Page 954, Official Records, Guadalupe County, Texas.


7. Interest in and to all coal, lignite, oil, gas and other minerals, and all rights incident thereto, contained in instrument dated March 3, 1930, recorded March 22, 1930 at Volume 122, Page 545 of the Deed Records of GUADALUPE County, Texas.

8. Interest in and to all coal, lignite, oil, gas and other minerals, and all rights incident thereto, contained in instrument dated December 31, 1930, recorded January 24, 1931 at Volume 134, Page 337 of the Deed Records of GUADALUPE County, Texas.

9. Interest in and to all coal, lignite, oil, gas and other minerals, and all rights incident thereto, contained in instrument dated March 12, 1953, recorded March 21, 1953 at Volume 264, Page 124 of the Deed Records of GUADALUPE County, Texas.

10. Interest in and to all coal, lignite, oil, gas and other minerals, and all rights incident thereto, contained in instrument dated March 3, 1959, recorded March 27, 1959 at Volume 322, Page 402 of the Deed Records of GUADALUPE County, Texas.

11. Interest in and to all coal, lignite, oil, gas and other minerals, and all rights incident thereto, contained in instrument dated April 12, 1966, recorded April 28, 1966 at Volume 386, Page 637 of the Deed Records of GUADALUPE County, Texas.
12. Interest in and to all coal, lignite, oil, gas and other minerals, and all rights incident thereto, contained in instrument dated April 12, 1966, recorded April 25, 1966 at Volume 387, Page 1 of the Deed Records of GUADALUPE County, Texas.


14. Lease for coal, lignite, oil, gas or other minerals, together with rights incident thereto, dated January 1, 2006, by and between Ronald H. Rhemann, Trustee of the Mason Booth Non-exempt Trust and the Sarah Booth Non-Exempt Trust, as Lessor, and RR Ventures, LP, as Lessee, recorded April 5, 2006 at Volume 2294, Page 577 of the Official Public Records of GUADALUPE County, Texas. Said Lease affected by Modification and Extension of Oil and Gas Lease Agreement recorded in Volume 2943, Page 724, Official Records, Guadalupe County, Texas.

15. All leases, grants, exceptions or reservations of coal, lignite, oil, gas and other minerals, together with all rights, privileges, and immunities relating thereto, appearing in the Public Records whether listed above or not. There may be leases, grants, exceptions or reservation of mineral interest that are not listed.

16. Visible and apparent easements over and across the subject Property.

17. The following leases affecting the Property:

a. Grazing Lease Agreement dated March 16, 2007, by and between Mason Booth Non-Exempt Trust and Sarah Booth Non-Exempt Trust (Lessor) and Trey Manning Benson, Jason Ray Schooley and Roy Stephen Schooley (Lessees).

b. Hunting Lease dated January 11, 2014, by Mason Booth Family Trust and Sarah Booth Family Trust and Ronald H. Rhemann, Trustee (Lessor) and Justin Thorne, Brett Smith, Burce Allen and Jason Haines (Lessees).

c. Lease by and between Sarah Booth Non-Exempt Trust and Mason Booth Non-Exempt Trust (Lessor) and Schertz-Seguin Local Government Corporation (Lessee) dated October 27, 2008, a memorandum of which is recorded in Volume 2682, Page 362 of the Real Property Records, Guadalupe County, Texas.
THE STATE OF TEXAS

COUNTY OF GUADALUPE

Grantor/Seller: Mason Booth Non-Exempt Trust, created under the Will of Thomas Walter Booth dated October 14, 1991 and admitted to probate in Cause No. 12,263, County Court at Law 1, Fort Bend County, Texas

Sarah Booth Non-Exempt Trust, created under the Will of Thomas Walter Booth dated October 14, 1991 and admitted to probate in Cause No. 12,263, County Court at Law 1, Fort Bend County, Texas

Mason Booth, Individually and as the beneficiary of the Mason Booth Non-Exempt Trust under the Will of Thomas Walter Booth dated October 14, 1991

Sarah Booth, Individually and as the beneficiary of the Sarah Booth Non-Exempt Trust under the Will of Thomas Walter Booth dated October 14, 1991

Grantor's Mailing Address: Ron Rhemann, Trustee
P. O. Box 1088
Richmond, Texas 77406

Grantee/Buyer: Schertz/Seguin Local Government Corporation

Grantee's Mailing Address: Schertz-Seguin Local Government Corporation
P. O. Box 833
Seguin, Texas 78156-0833

Consideration: Ten dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which is acknowledged and for which no lien or security interest against the following described "Property" of any kind, express or implied, is reserved by Grantor.
Property (including any improvements): Two (2) tracts of land containing 2.5 acres each, more or less, situated in GUADALUPE County, Texas, described in EXHIBIT A attached hereto and made a part hereof for all purposes (collectively referred to as "the Property").

Reservations from and Exceptions to Conveyance and Warranty:

1. All oil, gas, and other minerals in and under the Property are reserved by Grantor, but Grantor waives for itself the right to use the surface estate of the Property, unless or until the estate herein granted is forfeited or reverts to Grantor, for purposes of producing oil, gas, and minerals; Grantor does not waive its rights to directionally drill or mine the subsurface estate beneath the Property herein conveyed.


Grantee agrees that the Property shall be used solely by it for the purpose of constructing and installing a groundwater well, including associated appurtenances, to produce groundwater from the Carrizo Formation from the surface of the Property. Such well must be drilled on or before ten years, failing which the estate herein granted shall automatically end and terminate on such date, whereupon title to the Property shall automatically revert and be forfeited and be terminated to Grantor, his heirs and assigns, forever. If such well has been drilled by Grantee on or before ten (10) years, the estate herein granted shall continue to be vested in Grantee until the earlier of (1) the date that Grantee has ceased to produce groundwater from such well for a
period of 1,000 consecutive days, or (2) the date that Grantee provides notice to
Grantor that it desires to cease its operations on the Property and to terminate its rights.
Upon the occurrence of any of such two (2) events, the estate herein granted shall
automatically end and be terminated on such date, whereupon title to the Property shall
automatically revert and be forfeited to Grantor, his heirs and assigns forever, and
Grantor shall be entitled to re-enter the Property.

Conveyance: Grantor, for the consideration herein stated and subject to the
Reservations from and Exceptions to Conveyance, GRANTS, BARGAINS, SELLS,
ASSIGNS AND CONVEYS to Grantee the Property, together with all and singular the
rights and appurtenances thereto in any way belonging, to have and to hold it to
Grantee and Grantee's heirs, successors, and assigns, for as long as the estate herein
granted has not automatically been forfeited and reverted to Granter as provided below.

IN WITNESS WHEREOF, Grantor has caused this instrument to be executed on this
the 10th day of February, 2009.

[Signature Pages To Follow]
GRANTORS:

Mason Booth Non-Exempt Trust under
The Will of Thomas Walter Booth
By: Ron Rhemann, Trustee

Sarah Booth Non-Exempt Trust under
The Will of Thomas Walter Booth
By: Ron Rhemann, Trustee

Mason Booth,
Individually and as Beneficiary
of the Mason Booth
Non-Exempt Trust under the
Will of Thomas Walter Booth

Sarah Booth,
Individually and as Beneficiary
of the Sarah Booth
Non-Exempt Trust under the
Will of Thomas Walter Booth

ACCEPTED AND AGREED by GRANTEE:

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION

By: Name: Alan Cockerell
    Title: Manager

D&T Pcd #182126v2
ACKNOWLEDGEMENTS

STATE OF TEXAS

COUNTY OF Fort Bend

This instrument was acknowledged before me on the 17th day of February 2009, by Ron Rhemann, Trustee of the Mason Booth Non-Exempt Trust created under the Will of Thomas Walter Booth, on behalf of said trust.

SHERYL LYNN PASQUA
NOTARY PUBLIC, STATE OF TEXAS
MY COMMISSION EXPIRES
APRIL 7, 2009

STATE OF TEXAS

COUNTY OF Fort Bend

This instrument was acknowledged before me on the 17th day of February 2009, by Ron Rhemann, Trustee of the Sarah Booth Non-Exempt Trust created under the Will of Thomas Walter Booth, on behalf of said trust.

SHERYL LYNN PASQUA
NOTARY PUBLIC, STATE OF TEXAS
MY COMMISSION EXPIRES
APRIL 7, 2009

STATE OF TEXAS

COUNTY OF Fort Bend

This instrument was acknowledged before me on the 17th day of February 2009, by Mason Booth, individually and as the beneficiary of the Mason Booth Non-Exempt Trust created under the Will of Thomas Walter Booth.

SHERYL LYNN PASQUA
NOTARY PUBLIC, STATE OF TEXAS
MY COMMISSION EXPIRES
APRIL 7, 2009

D&T Pcd #182126v2
STATE OF TEXAS

COUNTY OF GUADALUPE

This instrument was acknowledged before me on the 17th day of February 2009, by Sarah Booth, individually and as the beneficiary of the Sarah Booth Non-Exempt Trust created under the Will of Thomas Walter Booth.

[Signature]
Notary Public, State of Texas

STATE OF TEXAS

COUNTY OF GUADALUPE

This instrument was acknowledged before me on the 20th day of February 2009, by Alan Cockerell, General Manager of the Schertz/Seguin Local Government Corporation, a Texas public non-profit, on behalf of that corporation.

[Signature]
Notary Public, State of Texas

AFTER RECORDING RETURN TO:
Schertz-Seguin Local Government Corporation
P. O. Box 833
Seguin, Texas 78156-0833

[Signature]
Notary Public, State of Texas

D&T Pcd #182126v2
Field notes describing a 2.50 acre tract of land situated in the Dolphin Floyd Survey, Abstract 135, Guadalupe County, Texas, being a portion of a tract of land called 1469.04 acres, conveyed to the Mason Booth Non-Exempt Trust, by deed recorded in Volume 1980, Page 911, Official Records Guadalupe County, Texas, and being more particularly described as follows: Note: All set pins are 1/4" diameter rebar with an orange plastic cap stamped "Tri-County".

**Beginning** at a 1/4" diameter iron pin found in the north right-of-way line Cowey Road (County Road 432) for the southeast corner of a tract of land called 4.289 acres, described in Volume 1482, Page 301 Official Records Guadalupe County, Texas, the southernmost southwest corner of the 1469.04 acre tract and the southwest corner of the herein described tract.

**Thence**, N 05° 11' 50" E, 330.00 feet with the east line of the 4.289 acre tract and the southernmost west line of the 1469.04 acre tract, to an iron pin set for the northwest corner of the herein described tract.

**Thence**, N 89° 48' 15" E, 331.47 feet crossing a portion of the 1469.04 acre tract to an iron pin set for the northeast corner of the herein described tract.

**Thence**, S 05° 11' 50" W, 330.00 feet crossing a portion of the 1469.04 acre tract, to an iron pin set in the north right-of-way line Cowey Road and the southernmost south line of the 1469.04 acre tract, for the southeast corner of the herein described tract.

**Thence**, S 89° 48' 15" W, 331.47 feet with the north right-of-way line Cowey Road and the southernmost south line of the 1469.04 acre tract, to the **Place of Beginning** and containing 2.50 acre of land according to a survey made on the ground on December 18, 2008, by Tri-County Land Surveying Inc.

Corresponding plat prepared.
Project No. 0811104 GU-5

Exhibit "A"
Page 1 of 2
Field notes describing a 2.50 acre tract of land situated in the Dolphin Floyd Survey, Abstract 135, Guadalupe County, Texas, being a portion of a tract of land called 1469.04 acres, conveyed to The Mason Booth Non-Exempt Trust, by deed recorded in Volume 1980, Page 911, Official Records Guadalupe County, Texas, and being more particularly described as follows: Note: All set pins are 1/2" diameter rebar with an orange plastic cap stamped "Tri-County".

Beginning at an iron pin set in the west right-of-way line of Lakey Road (County Road 424) and the southernmost southeast line of the 1469.04 acre tract for the northeast corner of the herein described tract. Said pin bears S 01° 36' 03" W, 799.39 feet from a 12" diameter fence post found for an interior corner of the 1469.04 acre tract.

Thence, S 01° 36' 03" W, 330.00 feet with the west right-of-way line of Lakey Road and the southernmost east line of the 1469.04 acre tract to an iron pin set for the southeast corner of the herein described tract.

Thence, N 88° 24' 01" W, 330.00 feet crossing a portion of the 1469.04 acre tract to an iron pin set for the southwest corner of the herein described tract.

Thence, N 01° 36' 03" E, 330.00 feet crossing a portion of the 1469.04 acre tract, to an iron pin set for the northwest corner of the herein described tract.

Thence, S 88° 24' 01" E, 330.00 feet crossing a portion of the 1469.04 acre tract to Place of Beginning and containing 2.50 acre of land according to a survey made on the ground on December 18, 2008, by Tri-County Land Surveying Inc.

Corresponding plat prepared.
Project No. 0811104 GU-6
Revised: February 18, 2009

Aubrey C. Holland
Registered Professional
Land Surveyor No. 4493

Exhibit "A"
Page 2 of 2
MEMORANDUM OF LEASE

This Memorandum of Lease is made effective the 26th of October 2007, by and between CARLOS D. BRAWNER and HELEN F. BRAWNER, TRUSTEES UNDER THE WAYNE, SANDRA AND DONNA LIVING TRUST DATED OCTOBER 21, 1992 ("Lessor") and SCHERTZ-SEGUIN LOCAL GOVERNMENT CORPORATION, a Texas local government corporation ("Lessee").

WITNESSETH:

1. Lessor and Lessee have, effective the date set out above, entered into a Lease of Ground Water (the "Lease"), of the right to withdraw and beneficially use the Carrizo/Wilcox Aquifer water pertaining to the real property described on Exhibit "A" attached hereto (the "Water Rights"), and all real and personal property rights, appurtenances, permits, authorities, licenses, consents and contracts, if any, pertaining to all such Water Rights, as more fully described in the Lease which sets out the rights and obligations of Lessor and Lessee thereunder.

2. The Lease sets forth the names of Lessor and Lessee and addresses of the parties thereto.

3. Under the terms of the Lease, Lessor has agreed to lease the Water Rights to Lessee and Lessee has agreed to lease the Water Rights from Lessor upon and in accordance with the terms of the Lease.

4. This Memorandum of Lease is intended to act only as notice of the existence of the Lease and its general terms. To the extent the terms of this Memorandum of Lease conflict with the terms of the Lease, the terms of the Lease shall control.

5. Lessee agrees that upon termination of this Lease, Lessor may file in Guadalupe County a notice in the form of a Memorandum of Termination of Lease and that such notice shall be conclusive and may be relied upon by any subsequent purchaser of the Property or any interest therein including without limitation, any interest in groundwater in or under the Property.
LESSOR:

CARLOS D. BRAWNER AND HELEN F. BRAWNER, TRUSTEES UNDER THE WAYNE, SANDRA AND DONNA LIVING TRUST DATED OCTOBER 21, 1992

BY: Carlos D. Brawner
Printed Name Carlos D. Brawner, Trustee

BY: Helen F. Brawner
Printed Name Helen F. Brawner, Trustee

STATE OF TEXAS §

COUNTY OF GUADALUPE §

This instrument was acknowledged before me on the 26th day of October, 2007, by CARLOS D. BRAWNER and HELEN F. BRAWNER, TRUSTEES UNDER THE WAYNE, SANDRA AND DONNA LIVING TRUST DATED OCTOBER 21, 1992.

[SEAL]

DONNA J. RAETZSCH
Notary Public
State of Texas
My Comm. Exp. 07-07-2009

Notary Public, State of Texas
LESSEE:

SCHERTZ-SEGUIN LOCAL GOVERNMENT CORPORATION, a Texas local government corporation

By:  

Name: Alan Cockerell  
Title: General Manager

STATE OF TEXAS §

COUNTY OF GUADALUPE §

This instrument was acknowledged before me on the 26th day of October 2007, by Alan Cockerell, general manager of SCHERTZ-SEGUIN LOCAL GOVERNMENT CORPORATION, a Texas local government corporation, on behalf of said corporation.

[SEAL]

DONNA J. RAETZSCH  
Notary Public, State of Texas

AFTER RECORDING, RETURN TO:

Schertz-Seguin Local Government Corporation  
P. O. Box 833  
Seguin, Texas 78156  
Attention: General Manager
EXHIBIT "A"

98.67 acres of land situated in the Patrick Lynch Survey, A-112, Guadalupe County, Texas. Said 98.67 acre tract is that tract called Tract 1 (98.83 acres) in conveyance from Frank B. Burns, et ux, to Cecil Shafter recorded in Volume 591 at page 628 of the Deed Records of said county, and is being described by metes and bounds, as follows:
BEGINNING at an iron stake found at a fence corner marking the northwest corner of the tract herein described and lying in the southwest line of FM Highway No. 1117;
THENCE with said southwest line, as follows:
S. 29° 06' E. 301.4 feet to a concrete monument found;
thence S. 28° 54' E. 1,302.9 feet to a point;
thence S. 28° 01' W. 986.7 feet to a concrete monument found marking the northeast corner of the tract herein described;
THENCE with the west line of an old and apparently abandoned county road, as follows:
S. 37° 03' W. 9.7 feet to a fence post;
thence S. 0° 21' E. at 1,028.8 feet a fence corner and at 1,041.6 feet an iron stake set marking the southeast corner of the tract herein described and lying in the north line of a 30 foot access road;
THENCE with said north line, S. 09° 56' W. 1,695.6 feet to an iron stake set marking the southwest corner of the tract herein described. Said iron stake bears N. 1° 45' W. 30.0 feet from an iron stake found;
THENCE with a fence along the west line of the tract herein described, as follows:
N. 1° 45' W. 1,675.4 feet;
thence W. 1° 48' W. 1,370.5 feet to an iron stake found at a fence corner marking the northwest corner of the tract herein described;
THENCE W. 61° 00' E. 599.6 feet to the PLACE OF BEGINNING and containing 98.67 acres of land.

LESS AND EXCEPT:
50.00 acres of land situated in the Patrick Lynch Survey, A-112, Guadalupe County, Texas. Said 50.00 acre tract is part of a tract called "Tract One" 98.83 acres in conveyance from Frank B. Burns et ux to Cecil Shafter, recorded in Volume 591 at page 628 of the Deed Records of said county, and being described by metes and bounds, as follows:
BEGINNING at an iron stake found at a fence corner marking the north corner of said 98.83 acre tract and lying in the southwest line of FM Highway No. 1117;
THENCE with said southwest line, as follows:
S. 29° 08' E. 301.4 feet to a concrete monument found;
thence S. 28° 54' E. 1,302.5 feet to a fence post;
thence S. 28° 01' W. 986.3 feet to an iron stake set marking the east corner of the tract herein described;
THENCE across said 98.83 acre tract, S. 40° 38' W. at 643.1 feet an iron stake set and at 1,011.8 feet to an iron stake set marking the south corner of the tract herein described and lying in the west line of said 98.83 acre tract;
THENCE with a fence along the west line, as follows:
N. 2° 45' W. 1,228.8 feet to a point;
thence W. 1° 46' W. 1,370.5 feet to an iron stake found at a fence corner marking the northwest corner of the tract herein described, same being the northwest corner of said 98.83 acre tract;
THENCE with a fence along the northwest line, N. 61° 00' E. 599.6 feet to the PLACE OF BEGINNING and containing 50.00 acres of land.

The property is subject to any and all covenants, easements, restrictions, prior oil, gas and mineral severances, and leases, leases of the surface, discrepancies, conflicts and shortages in area or overlapping of improvements, to the extent same are in force and apply against the property.
This page has been added by the Guadalupe County Clerk's office to comply with the statutory requirement that the clerk shall stamp the recording information at the foot of the last page of the document.

This page becomes a part of the document identified by Document Number 08-003463 affixed on the first page of this document.
MEMORANDUM OF LEASE

This Memorandum of Lease is made effective the 22 day of February, 2008 by and between CARRIZO WATER CO., LLC ("Lessor") and SCHERTZ-SEGUIN LOCAL GOVERNMENT CORPORATION, a Texas local government corporation ("Lessee").

WITNESSETH:

1. Lessor and Lessee have, effective the date set out above, entered into a Lease of Ground Water (the "Lease"), of the right to withdraw and beneficially use the Carrizo/Wilcox Aquifer water pertaining to the real property described on Exhibit "A" attached hereto (the "Water Rights"), and all real and personal property rights, appurtenances, permits, authorities, licenses, consents and contracts, if any, pertaining to all such Water Rights, as more fully described in the Lease which sets out the rights and obligations of Lessor and Lessee thereunder.

2. The Lease sets forth the names of Lessor and Lessee and addresses of the parties thereto.

3. Under the terms of the Lease, Lessor has agreed to lease the Water Rights to Lessee and Lessee has agreed to lease the Water Rights from Lessor upon and in accordance with the terms of the Lease.

4. This Memorandum of Lease is intended to act only as notice of the existence of the Lease and its general terms. To the extent the terms of this Memorandum of Lease conflict with the terms of the Lease, the terms of the Lease shall control.

Page 1 of 3
LESSOR:
Carrizo Water Co., LLC

By:  Hilmar Blumberg
Printed Name:  Hilmar Blumberg
Title:  President

STATE OF TEXAS §
COUNTY OF GUADALUPE §

This instrument was acknowledged before me on the 22 day of February 2008 by Hilmar Blumberg on behalf of Carrizo Water Co., LLC.

[SEAL]

CHRISTINE LUNA
Notary Public, State of Texas
My Commission Expires July 26, 2008

Cristine Luna
Notary Public, State of Texas
LESSEE:
SCHERTZ-SEGUIN LOCAL GOVERNMENT CORPORATION, a Texas local government corporation

By: [signature]
Name: Rex Alan Cockrell
Title: General Manager

STATE OF TEXAS §
COUNTY OF GUADALUPE §

This instrument was acknowledged before me on the 22 day of February, 2008 by Rex Alan Cockrell, an authorized officer of SCHERTZ-SEGUIN LOCAL GOVERNMENT CORPORATION, a Texas local government corporation, on behalf of said corporation.

[Seal]

Christine Luna
Notary Public, State of Texas

AFTER RECORDING, RETURN TO:

Schertz-Seguin Local Government Corporation
P. O. Box 833
Seguin, Texas 78156
Attention: General Manager
EXHIBIT A
Water Lease between Carrizo Water Company, LLC
and Schertz-Seguin Local Government Corporation

Tract No. Three: 1,429.70 acres, more or less, Guadalupe and Wilson Counties, Texas, limited to depths 10 feet below the ground’s surface and deeper. The Surface area of the property being more specifically described as follows:

SUBTRACT A: All that certain 1,269.7 acre tract, more or less, being all of the G. W. Martin Survey, situated partly in Guadalupe County and partly in Wilson County, Texas and being part of the same property conveyed by deed dated October 23, 1931, executed by F. C. Weinert to H. H. Weinert and Arthur Weinert and being recorded in Volume 139, Page 391 of the Deed Records of Guadalupe County, Texas, and containing approximately 1,280 acres.

LESS AND EXCEPT that certain 10.3 acre tract, more or less, located in the Southwest corner of the G. W. Martin Survey and being described by metes and bounds as follows:

BEGINNING at the Southwest corner of the G. W. Martin Survey;
THENCE north along the West line of the G. W. Martin Survey a distance of 900 feet to a point;
THENCE Southeast a distance of 1400 feet to a point in the South line of the G. W. Martin Survey;
THENCE West a distance of 1000 feet to the point of beginning.

SUBTRACT B: All certain 160 acres of land located in the A.P. Browning Pre-emption, Guadalupe County, Texas, and being more particularly described by metes and bounds as follows:

BEGINNING on the west line of the G. W. Martin Survey 640 vrs. from the Northwest corner of said survey, a stake from which a BJ 10” in diameter brs. North 50 East 3 vrs., another 4’ in diameter brs. South 51 West 5 vrs.;
THENCE South 950 vrs. a stake from which a PO 8” in diameter brs. North 60 East 5 vrs., another 10” in diameter brs. South 35 East 9 vrs;
THENCE West 950 vrs. a stake, from which a BJ 8” in diameter brs. North 9 East 66 vrs.;
THENCE North 950 vrs. a stake from which a PO 15” in diameter brs. S 60 East 9 vrs. another 16” in diameter brs. North 78 West 5 vrs.;
THENCE East 90 vrs. to the place of beginning, containing 160 acres of land.

and being the same tract of land conveyed by deed dated March 16, 1939, executed by W. G. Bundick et al to H. H. Weinert and being recorded in Volume 184, Page 291 of the Deed Records of Guadalupe County, Texas.

LESS AND EXCEPT, HOWEVER, all of the above-described 1,429.70 acres of land that is located in Wilson County, Texas.
QUITCLAIM, BILL OF SALE AND ASSIGNMENT

THE STATE OF TEXAS
COUNTY OF GUADALUPE

KNOW ALL MEN BY THESE PRESENTS:

That CARRIZO WATER CO., LLC, ("Grantor"), for and in consideration of the sum of TEN AND NO/100 DOLLARS ($10.00) DOLLARS paid to Grantor by the SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION, a Texas public, non-profit corporation, ("Grantee") and other good and valuable consideration, the receipt and sufficiency of all of which being hereby acknowledged and confessed by Grantor, has granted, bargained, sold, conveyed and assigned, and by these presents does grant, bargain, sell, convey and assign unto Grantee, its successors and assigns, all right and title, if any, owned by Seller, to the following:

A. The completed well and casing (referred to as GU-1), together with all equipment and piping relating to the well, located on the following described property:

A 2.50 acre tract of land situated in the George W. Martin Survey, Abstract 223, Guadalupe County, Texas, being a portion of a tract of land called 1289.71 acres, conveyed to Edward Austin Blumberg, by deed recorded in Volume 1305, Page 757, Official Records Guadalupe County, Texas, and being more particularly described by metes and bounds on the attached Exhibit 1.

B. Any and all governmental permits held by Grantor necessary to drill and operate the above-described well.

C. Plans and specifications, well logs, results of water pumping tests, and any and all reports and plans relating to the drilling, completing, and testing of the above-described well.

All and singular the Grantor's interest, if any, to the land, properties, rights, privileges, hereditaments, appurtenances, benefits, estates and interests above described.

This quitclaim, bill of sale, and transfer is expressly made subject to current taxes, restrictions, reservations, easements, royalty reservations and dedications of record.

TO HAVE AND TO HOLD the Grantor's interest, if any, to the above-described property unto the said Grantee, its successors and assigns forever. Neither Grantor nor Grantor's heirs, executors, administrators, successors, or assigns shall have, claim, or demand any right or title to the property or any part of it.
EXECUTED to be effective the 9th day of February, 2009.

CARRIZO WATER CO., LLC
By: [Signature]
Printed Name: [Name]
Its: [Title]

STATE OF TEXAS §
COUNTY OF GUADALUPE §

This instrument was acknowledged before me on the 9th day of February, 2009, by [Signature] on behalf of Carrizo Water Co., LLC.

Notary Public
State of Texas
Comm. Exp. 12-29-09

Barbara A. Warncke
Notary Public, State of Texas

ACCEPTED this 9th day of February, 2009.

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION
By: [Signature]
Printed Name: Alan Cockerell
Its: Manager

STATE OF TEXAS §
COUNTY OF GUADALUPE §

This instrument was acknowledged before me on the 9th day of February, 2009, by Alan Cockerell, Manager, Schertz/Seguin Local Government Corporation, on behalf of said corporation.

[SEAL]
Barbara A. Warncke
Notary Public, State of Texas

AFTER RECORDING, RETURN TO:
Schertz/Seguin Local Government Corporation
P.O. Box 833
Seguin, Texas 78156

Page 2 of 2

PORTIONS OF THIS DOCUMENT MAY NOT BE LEGIBLE/REPRODUCIBLE WHEN RECEIVED FOR RECORDING
Field notes describing a 2.50 acre tract of land situated in the George W. Martin Survey, Abstract 223, Guadalupe County, Texas, being a portion of a tract of land called 1269.71 acres, conveyed to Edward Austin Blumberg, by deed recorded in Volume 1305, Page 757, Official Records Guadalupe County, Texas, and being more particularly described as follows: Note: All set pins are ½” diameter rebar with an orange plastic cap stamped "Tri-County".

**Beginning** at an iron pin set for the northeast corner of the herein described tract. Said pin bears S 44° 47' 01" W, 1888.96 feet from an 8" diameter fence corner post found at the intersection of the south right-of-way line Cowey Road (County Road 432) and the west right-of-way line Dewberry Road (County Road 432 A).

**Thence**, S 00° 00' 00" E, 330.00 feet crossing a portion of the 1269.71 acre tract, to an iron pin set for the southeast corner of the herein described tract.

**Thence**, N 90° 00' 00" W, 330.00 feet crossing a portion of the 1269.71 acre tract, to an iron pin set for the southwest corner of the herein described tract.

**Thence**, N 00° 00' 00" E, 330.00 feet crossing a portion of the 1269.71 acre tract, to an iron pin set for the northwest corner of the herein described tract.

**Thence**, N 90° 00' 00" E, 330.00 feet crossing a portion of the 1269.71 acre tract, to the Place of Beginning and containing 2.50 acres of land according to a survey made on the ground on October 30, 2008, by Tri-County Land Surveying Inc.

Corresponding plat prepared.

Project No. 0610101 GU-1

[Signature]

Audrey C. Holland
Registered Professional Land Surveyor No. 4493

FILED FOR RECORD
2009 FEB 10 AM 11:25

TERESA KIEL
County Clerk Guadalupe County

STATE OF TEXAS
COUNTY OF GUADALUPE
I certify this instrument was filed on the date and at the time stamped therein and was duly recorded in the Official Public Records of Guadalupe County, Texas.

[Signature]

TERESA KIEL
Guadalupe County Clerk

PORTIONS OF THIS DOCUMENT MAY NOT BE LEGIBLY/REPRODUCIBLE WHEN REPRODUCED FOR RECORDING
Filed for Record in:
Wilson County
by Eva S. Martinez
County Clerk
On: Feb 17, 2009 at 03:59P
As a Recording
Document Number: 00041378
Total Fees: $28.00
Receipt Number - 86965
By: Judy Fleeing,
F: BJK

Any provision herein which restricts the sale, rental, or use
of the described real property because of color or race is
invalid and unenforceable under federal law.

THE STATE OF TEXAS
COUNTY OF WILSON
I hereby certify that this instrument was FILED in
File Number Sequence on the date and at the time stamped
hereon by me and was duly RECEIVED in Official Public
Records the Volume: 1994 and Page: 392 of the named
records of Wilson County
as stamped hereon by me.

Feb 17, 2009

[Signature]
COUNTY CLERK
WILSON COUNTY, TEXAS
## SSLGC LEASED WATER RIGHTS

<table>
<thead>
<tr>
<th>OWNER</th>
<th>Surface Acres</th>
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<tr>
<td>ACKERMANN</td>
<td>649.203000</td>
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<td>13.000000</td>
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<tr>
<td>BRAWNER</td>
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<td>H.BLUMBERG</td>
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<td>BLUMB. FAM INV</td>
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<td>CARRIZO H2O</td>
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<td>QSTS</td>
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<td>GUADALUPE CO</td>
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<td>BOECKER</td>
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### SSLGC OWNED PROPERTY

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<th>PROPERTY</th>
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<td>BOOTH</td>
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<tr>
<td>WELLS GU5 &amp; GU6 (BOOTH)</td>
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<tr>
<td>WELL GU1 (CARRIZO WATER)</td>
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<tr>
<td>TREATMENT PLANT SITE (E. BLUMBERG)</td>
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<tr>
<td>WELL SITES (GU1, GU2, GU3 &amp; GU4 E.BLUMBERG)</td>
<td>10.000</td>
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<td>KOEPP</td>
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<tr>
<td>WELL SITE GU8 (MARTIN)</td>
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<td>WELL SITE GU9 (MARTIN)</td>
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<tr>
<td>PROPERTY</td>
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<td>13.620</td>
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<tr>
<td>S. MARTIN</td>
<td>2.860</td>
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<td>TOTAL</td>
<td>16.480</td>
</tr>
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</table>

5/19/2016 9:49 AM  rf
NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER’S LICENSE NUMBER.

SPECIAL WARRANTY DEED

THE STATE OF TEXAS §
COUNTY OF GUADALUPE §
Grantor/Seller: Edward A. Blumberg

Grantor’s Mailing Address: 200 N. River St., Suite 200
Seguin, Guadalupe County, Texas 78155

Grantee/Buyer: Schertz/Seguin Local Government Corporation

Grantee’s Mailing Address: Schertz-Seguin Local Government Corporation
P. O. Box 833
Seguin, Guadalupe County, Texas 78156-0833

Consideration: Ten dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which is acknowledged and for which no lien or security interest against the following described Property of any kind, express or implied, is reserved by Grantor.

Property (including any improvements): That certain tract of land containing ten (10) acres of land, more or less situated in Guadalupe County, Texas, described in EXHIBIT A attached hereto and made a part hereof for all purposes (the “Property”).

Reservations from and Exceptions to Warranty and Conveyance:

1. Hunting Lease between Edward Blumberg as Lessor and Hill County Rifles, Inc., Matt Bettersworth and Dave Fuqua, collectively as Lessee, dated August 22, 2007 for that certain property in Guadalupe and Wilson Counties Texas, known as Dewville Ranch.

2. Hunting Lease between Edward Blumberg as Lessor and US S.T.A.R.S. Specialized Transportation and Rigging Service, Inc., Bill Sammis, Jr., and James
Seabolt, collectively as Lessee, dated August 22, 2007 for that certain property in Guadalupe and Wilson Counties, Texas, known as Dewville Ranch.


5. All oil, gas, and other minerals in and under the Property, but Grantor waives for itself the right to use the surface estate of the Property for purposes of producing oil, gas, and minerals; Grantor does not waive its rights to directional drill or mine the subsurface estate beneath the Property herein conveyed.


Conveyance: Grantor, for the consideration herein stated and subject to the Reservations from and Exceptions to Warranty and Conveyance, GRANTS, BARGAINS, SELLS, ASSIGNS AND CONVEYS to Grantee the Property, together with all and singular the rights and appurtenances thereto in any way belonging, to have and to hold it to Grantee and Grantee's heirs, successors, and assigns forever. Grantor binds himself, his heirs and assigns to warrant and defend the Property to Grantee, its successors and assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereto, by, through or under Grantor, but not otherwise.

Representations by Grantee: Grantee acknowledges that neither Grantor nor his representatives have made any representations or warranties, express, implied, or statutory, relating to the physical condition, operating history, valuation, governmental approvals, governmental regulations, or environmental or physical condition of the Property, or any other matter, upon which Grantee has relied, and that Grantee takes the Property in "as-is" "where-is" condition.

Representation by Grantor: Grantor warrants and represents to Grantee that: (1) to the best of its knowledge, its interest is free and clear of all mechanic's liens, liens, mortgages, and no work has been performed or begun by Grantor, and no materials have been furnished which might give rise to mechanic's, materialman's, or other liens against the Property, or the Grantee's title therein, or any portion thereof; and (2) that it
has neither assigned, pledged, or otherwise in any manner whatsoever sold or agreed to sell or transfer by an instrument in writing or otherwise the Property to any other person or entity.

IN WITNESS WHEREOF, Grantor has caused this instrument to be executed on this the ___________ day of February, 2009.

(Signature Pages Follow)
(Signature Page of Grantor to Special Warranty Deed)

GRANTOR:

Edward A. Blumberg
EDWARD A. BLUMBERG

STATE OF TEXAS
COUNTY OF GUADALUPE

This instrument was acknowledged before me on the 9th day of February 2009, by Edward A. Blumberg, an individual, on his own behalf.

Barbara A. Warncke
Notary Public, State of Texas

BARBARA A. WARNCKE
Notary Public
State of Texas
Comm. Exp. 12-29-09

Page 4 of 6
(Signature Page of Grantee to Special Warranty Deed)

ACCEPTED AND AGREED by GRANTEE:

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION

By: ________________________________
Name: Alan Cockerell
Title: Manager

STATE OF TEXAS

COUNTY OF GUADALUPE

This instrument was acknowledged before me on the 9th day of February 2009, by Alan Cockerell, Manager of the Schertz/Seguin Local Government Corporation, a Texas public non-profit, on behalf of that corporation.

[Signature]
Barbara A. Warncke
Notary Public, State of Texas

AFTER RECORDING RETURN TO:
Schertz-Seguin Local Government Corporation
P. O. Box 833
Seguin, Texas 78156-0833
EXHIBIT A
Property Description

Field notes describing a 10.00 acre tract of land situated in the George W. Martin Survey, Abstract 223, Guadalupe County, Texas, being a portion of a tract of land called 1269.71 acres, conveyed to Edward Austin Blumberg, by deed recorded in Volume 1305, Page 757, Official Records Guadalupe County, Texas, and being more particularly described as follows: Note: All set pins are ¾" diameter rebar with an orange plastic cap stamped "Tri-County".

Beginning at an iron pin set in the south right-of-way line of Cowey Road (County Road 432) for the northeast corner of the herein described tract. Said pin bears S 80° 00' 00" W, 1910.48 feet from an 8" diameter fence corner post found at the intersection of the west right-of-way line Dewberry Road (County Road 432A) and the south right-of-way line Cowey Road.

Thence, S 00° 00' 00" W, 440.00 feet crossing a portion of the 1269.71 acre tract, to an iron pin set for the southeast corner of the herein described tract.

Thence, N 80° 00' 00" W, 990.00 feet, crossing a portion of the 1269.71 acre tract, to an iron pin set for the southwest corner of the herein described tract.

Thence, N 00° 00' 00" E, 440.00 feet crossing a portion of the 1269.71 acre tract to an iron pin set in the south right-of-way line of Cowey Road for the northwest corner of the herein described tract.

Thence, N 90° 00' 00" E, 990.00 feet with the south right-of-way line of Cowey Road to the Place of Beginning and containing 10.00 acre of land according to a survey made on the ground on October 10, 2008, by Tri-County Land Surveying Inc.

Corresponding plat prepared.
Project No. 0810101 10Ac.

[Signature]
Aubrey C. Holland
Registered Professional
Land Surveyor No. 4493

FILED FOR RECORD
2009 FEB 10 AM 11:23
TERESA KIEL
COUNTY CLERK GUADALUPE COUNTY
BY ____________________________

STATE OF TEXAS
COUNTY OF GUADALUPE.
I certify this instrument was FILED on the date and at the time stamped thereon and was duly recorded in the Official Public Records of Guadalupe County, Texas.

[Signature]
TERESA KIEL
Guadalupe County Clerk
Scherty / Seguin Local Mart.
P.O. Box 833
Seguin, TX 78155-0833

RE: 94053261

Dear Purchasers,

In connection with the above referenced transaction, please find enclosed your original, recorded Deed.

Please keep this Deed with you other important documents.

Thank you for allowing us to assist you with this transaction. Should you have any other questions or require additional information, please do not hesitate to call our office.

Yours truly,
Alamo Title Company

[Signature]
Laurie Coleman
Escrow Officer

Enc.
EXTENSION OF TIME OF PERFORMANCE PRIOR TO REVERSION

Notice of confidentiality rights: If you are a natural person, you may remove or strike any or all of the following information from this instrument before it is filed for record in the public records: your Social Security number or your driver’s license number.

THE STATE OF TEXAS §
COUNTY OF GUADALUPE §

KNOW ALL BY THESE PRESENTS:

That by Sedley H. Martin, Jr., Trustee of the Sedley H. Martin, Jr. Trust, created under the will of Sedley H. Martin, Sr., admitted to probate in Cause No. 8807, County Court of Gonzalez County, Texas previously conveyed to the Schertz-Seguin Local Government Corporation by special warranty deeds dated June 15, 2009, two tracts of land containing two and one-half acres each out the Patrick Lynch Survey, Abstract 212, Guadalupe County, Texas, as more particularly described in the deeds filed in the Public Records of Guadalupe County, Texas at volume 2757, page 0710, and volume 2757, page 0715.

That the conveyance of each tract was subject to a right of reversion in the event a well was not drilled on the tract within five years after the date of the conveyance.

Now, therefore, in consideration of Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, Sedley H. Martin, Jr., Trustee of the Sedley H. Martin, Jr. Trust, agrees to extend the time for the drilling of a well on each tract of land to ten years after the date of the conveyance.

IN WITNESS WHEREOF, Grantor has caused this instrument to be executed on this the 21st day of MAY, 2013.

SEDLEY H. MARTIN, JR. TRUST

By:
Name: Sedley H. Martin, Jr., trustee

ACKNOWLEDGEMENT

STATE OF TEXAS §
COUNTY OF GUADALUPE §

This instrument was acknowledged before me on the 21st day of MAY, 2013, by Sedley H. Martin, Jr., Trustee of the Sedley H. Martin, Jr. Trust, created under the will of Sedley H. Martin, Sr., admitted to probate in Cause No. 8807, County Court of Gonzalez County, Texas.

REGINA C. FRANKE
Notary Public, State of Texas
P. O. Box 833, Seguin, Texas 78156-0833

Page 1 of 1
This page has been added by the Guadalupe County Clerk's office to comply with the statutory requirement that the clerk shall stamp the recording information at the foot of the last page of the document.

This page becomes a part of the document identified by Document Number __13-24004__ affixed on the first page of this document.

→ City of Seguin
January 9, 2014

Mr. Sedley Martin, Jr.
P.O. Box 92
Leesville, Texas 78122

Dear Mr. Martin,

Please find enclosed a copy of the filed EXTENSION OF TIME PERFORMANCE PRIOR TO REERSION. This is yours to keep for your records.

If you have any questions or concerns please do not hesitate to contact our office (830) 401-2409.

Kindest regards,

[Signature]

Regina C. Franke
Administrative Assistant
rfranke@seгуintexas.gov

Enclosure(s): 1 document

cc: File
NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

DEED OF Fee SIMPLE DETERMINABLE TITLE TO SURFACE WITH REVERSION TO GRANTOR

THE STATE OF TEXAS

COUNTY OF GUADALUPE

Grantor/Seller: Edward A. Blumberg

Grantor's Mailing Address: 200 N. River St., Suite 200
Seguin, TX 78155

Grantee/Buyer: Schertz-Seguin Local Government Corporation

Grantee's Mailing Address: Schertz-Seguin Local Government Corporation
P. O. Box 633
Seguin, Texas 78156-0633

Consideration: Ten dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which is acknowledged and for which no lien or security interest against the following described “Property” of any kind, express or implied, is reserved by Grantor.

Property (including any improvements): Four tracts of land containing 2.5 acres each, more or less, situated in Guadalupe County, Texas, described in EXHIBIT A, EXHIBIT B, EXHIBIT C, and EXHIBIT D, respectively, attached hereto and made a part hereof for all purposes (collectively referred to as the “Property”).

Reservations from and Exceptions to Conveyance and Warranty:

1. Hunting Lease between Edward Blumberg as Lessor and Hill County Rifles, Inc., Matt Bettensworth and Dave Fosque, collectively as Lessee, dated August 22, 2007 for that certain property in Guadalupe and Wilson Counties, Texas, known as Dewville Ranch.


4. All oil, gas, and other minerals in and under the Property, but Grantor waives for itself the right to use the surface estate of the Property, unless or until the estate herein granted is forfeited or reverts to Grantor, for purposes of producing oil, gas, and minerals; Grantor does not waive its rights to directional drill or mine the subsurface estate beneath the Property herein conveyed.


Grantee agrees that the Property shall be used solely by it for the purpose of constructing and installing groundwater wells, including associated appurtenances, to produce groundwater from the Carrizo Formation from the surface of the Property. Such well must be drilled on or before ten (10) years from the date hereof, failing which the estate herein granted shall automatically end and terminate on such date, whereupon title to the Property shall automatically revert and be forfeited to Grantor, his heirs and assigns, forever. If such well has been drilled by Grantee on or before ten (10) years, the estate herein granted shall continue to be vested in Grantor until the earlier of (i) the date that Grantee has ceased to produce groundwater from such well for a period of one thousand (1,000) consecutive days, or (ii) the date that Grantee provides notice to Grantor that it desires to cease its operations on the Property and to terminate its rights. Upon the occurrence of either of the foregoing events, the estate herein granted shall automatically end and be terminated on such date, whereupon title to the Property shall automatically revert and be forfeited to Grantor, his heirs and assigns forever, subject however, to the Groundwater Lease referenced herein, dated December 30, 1997, as extended, if the same is still in effect, and Grantor shall be entitled to re-enter the Property according to the terms thereof.

Conveyance: Grantor, for the consideration herein stated and subject to the Reservations from and Exceptions to Warranty and Conveyance, GRANTS, BARGAINS, SELLS, ASSIGNS AND CONVEYS to Grantee the surface of the Property
to the Property, together with all and singular the rights and appurtenances thereunto in any way belonging, to have and to hold it to Grantee and Grantor's heirs, successors, and assigns, for as long as the estate herein granted has not automatically been forfeited and reverted to Grantor as provided herein. Grantor binds himself, his heirs and assigns to warrant and defend the Property to Grantee, its successors and assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof, by, through or under Grantor, but not otherwise.

Representations by Grantee: Grantee acknowledges that neither Grantor nor his representatives have made any representations or warranties, express, implied, or statutory, relating to the physical condition, operating history, valuation, governmental approvals, governmental regulations, or environmental or physical condition of the Property, or any other matter, upon which Grantee has relied, and that Grantee takes the Property in "as-is", "where-is" condition.

Representation by Grantor: Grantor warrants and represents to Grantee that: (1) to the best of its knowledge, its interest is free and clear of all mechanic's liens, liens, mortgage, and no work has been performed or begun by Grantor, and no materials have been furnished which might give rise to mechanic's, materialman's, or other liens against the Property, or the Grantor's title therein, or any portion thereof; and (2) that it has neither assigned, pledged, or otherwise in any manner whatsoever sold or agreed to sell or transfer by an instrument in writing or otherwise the Property to any other person or entity.

IN WITNESS WHEREOF, Grantor has caused this instrument to be executed on this the 14th day of February, 2009.
(Signature Page of Grantor to Deed of Fee Simple Determinable Title to Surface Rights with Reversion Rights to Grantor)

GRANTOR:

[Signature]
EDWARD A. BLUMBERG

STATE OF TEXAS
COUNTY OF GUADALUPE

This instrument was acknowledged before me on the 9th day of February 2009, by Edward A. Blumberg, an individual, on his own behalf.

[Signature]
Barbara A. Warneke
Notary Public, State of Texas
(Signature Page of Grantor to Deed of Fee Simple Determinable Title to Surface Rights with Reversion Rights to Grantor)

ACCEPTED AND AGREED by GRANTEE:

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION

By: ____________________________

Name: Allen Cockerell
Title: Manager

STATE OF TEXAS
COUNTY OF GUADALUPE

This Instrument was acknowledged before me on the 9th day of February 2009, by Alan Cockerell, Manager of the Schertz/Seguin Local Government Corporation, a Texas public non-profit, on behalf of that corporation.

BARBARA A. WARDINCE
Notary Public
State of Texas
Comm. Exp. 12-28-09

AFTER RECORDING RETURN TO:
Scheritz-Seguin Local Government Corporation
P. O. Box 633
Seguin, Texas 78155-0633
EXHIBIT A

PROPERTY DESCRIPTION OF TRACT 1

West

Plat notes describing a 3.58 acre tract of land situated in the George W. Almar Survey, Abstract 232, Guadalupe County, Texas, being a portion of a tract of land called 1288.71 acres, conveyed to Edward Austin Bringhurst, by deed recorded in Volume 1306, Page 787, Official Records Guadalupe County, Texas, and being more particularly described as follows: Note: All set-screws are 1/2" diameter with an orange plastic cap stamped "Tri-County".

Beginning at an iron pin set for the northeast corner of the herein described tract. Said pin bears S 44° 45' 00" E, 1958.00 feet from the southeast corner of the herein described tract, at the intersection of the south right-of-way line Cowley Road (County Road 432) and the west right-of-way line Dewberry Road (County Road 433). To the northeast corner of the herein described tract.

Thence, N 00° 00' 00" E, 320.00 feet, along a portion of the 1288.71 acre tract, to an iron pin set for the southeast corner of the herein described tract.

Thence, N 00° 00' 00" W, 320.00 feet, along a portion of the herein described tract, to an iron pin set for the southwest corner of the herein described tract.

Thence, N 00° 00' 00" E, 320.00 feet, along a portion of the 1288.71 acre tract, to an iron pin set for the northwest corner of the herein described tract.

Thence, N 00° 00' 00" E, 320.00 feet, along a portion of the 1288.71 acre tract, to the Place of Beginning and containing 3.58 acres of land according to a survey made on the ground on October 24, 2006, by Tri-County Land Surveying Inc.

Aubrey & Holland
Registered Professional
Land Surveyor No. 4463

Corresponding plat prepared.

Project No. 061001 GL-1
EXHIBIT B
PROPERTY DESCRIPTION OF TRACT 2

WELD
SU-2

Field notes describing a 2.90 acre tract of land situated in the George W. Marth Survey, Abstract 228, Guadalupe County, Texas, being a portion of a tract of land called 1289.71 acres, surveyed by Howard Joseph Downing, by deed recorded in Volume 1398, Page 769, Official Records Guadalupe County, Texas, and having more particularly described as follows: the south line is a 12" diameter iron pipe with an iron plaque stamped "TH-Craney." Beginning at an iron pin set for the northeast corner of the herein described tract, said pin bears 5° 28' 20" W and 28° 28' 38" N, 428.80 feet from the southwest corner and found at the intersection of the south right-of-way line and the County Road (County Road 455) and the west right-of-way line County Road 520.

Thereon, S 90° 00' 00" W, 250.00 feet crossing a portion of the 1289.71 acre tract, to an iron pin set for the southwest corner of the herein described tract.

Thereon, N 00° 00' 00" E, 300.00 feet crossing a portion of the 1289.71 acre tract, to an iron pin set for the southeast corner of the herein described tract.

Thereon, N 90° 00' 00" W, 300.00 feet crossing a portion of the 1289.71 acre tract, to an iron pin set for the southwest corner of the herein described tract.

Thereon, N 90° 00' 00" W, 300.00 feet crossing a portion of the 1289.71 acre tract, to the Phase of Realigning and extending 2.90 acres of land extending to a survey made on the ground on October 30, 2008, by Tri-County Land Surveying Inc.

Property description as prepared.

[Signature]

Attorneys, Notaries
Registered Professional
Land Surveyor No. 4829

Page 7 of 9
EXHIBIT C
PROPERTY DESCRIPTION OF TRACT 3

Field notes describing a 2.59-acre tract of land situated in the County, Texas, being a portion of a tract of land called 128th Street, owned by Plaintiff Austin-Lumber, by deed recorded in Volume 1308, Page 797, Official Records of Guadalupe County, Texas, and being more particularly described as follows: Note: All set pins are 10" diameter zinc plated with an orange plastic cap marked "TNC County."

Beginning at an iron pin set for the northwesterly corner of the herein described tract, said pin bears S 32° 41' 00" W, 447.08 feet from a 10" diameter iron pin found in the north right-of-way line of Osborne Road (County Road 402) at the northeast corner of the 128th Street tract.

Thence, N 60° 00' 00" E, 300.00 feet crossing a portion of the 128th Street tract, to an iron pin set for the northwesterly corner of the herein described tract.

Thence, S 00° 00' 01" E, 300.00 feet crossing a portion of the 128th Street tract, to an iron pin set for the southeasterly corner of the herein described tract.

Thence, N 60° 00' 00" W, 300.00 feet crossing a portion of the 128th Street tract, to an iron pin set for the southeasterly corner of the herein described tract.

Thence, N 60° 00' 00" E, 300.00 feet crossing a portion of the 128th Street tract, by the Place of Beginnings and containing 2.59 acres of land according to a survey made on the ground on October 30, 2009, by TNC County Land Surveying, Inc.

Corresponding plot prepared.
Project No. 081091 13

[Signature]

Austin P.P.LS.
Registered Professional
Land Surveyor No. 4483
EXHIBIT D
PROPERTY DESCRIPTION OF TRACT 4

WAG
Quad 4

Field notes describing a 2.89 acre tract of land located in the A.P. Browning Survey, Abstract 81, Guadalupe
County, Texas, being a portion of a 150 acre tract conveyed to Edward Austin Browning, by deed recorded in Volume 1936, Page 767, Official Records Guadalupe County, Texas, and being more
particularly described as follows: Note: All set pins are .6" diameter red with an orange plastic tag stamped
'GHC County'.

Beginning at an iron pin set for the northwest corner of the herein described tract, laid pin being R 02º 30' 45"
W, 370.60 feet and N 66º 05' 32" W, 579.46 feet from a 14" diameter iron pin found in the south right-of-way
line County Road (County Road 432) for the northwest corner of the 13365.77 acre tract.

Thence, S 00º 90' 00" E, 380.00 feet easterly following a portion of the 150 acre tract, to an iron pin set for the
southeast corner of the herein described tract.

Thence, W 00º 00' 00" N, 380.00 feet northerly following a portion of the 150 acre tract, to the northwest corner
of the herein described tract.

Thence, N 00º 90' 00" E, 380.00 feet easterly following a portion of the 150 acre tract, to an iron pin set for the
southeast corner of the herein described tract.

Thence, S 00º 90' 00" W, 380.00 feet following a portion of the 150 acre tract, to the Place of Beginning and
containing 2.89 acres of land according to a survey made on the ground on October 30, 2004, by GHC County
Land Surveying Inc.

Corresponding plat prepared.
Plat No. 0093913 004-4

FILED FOR RECORD
2009 FEB 10 AM 11:24

TERESA KIEL
COUNTY CLERK GUADALUPE COUNTY

F. S. V. D.

Page 8 of 9

Auto
2017-05-15
STATE OF TEXAS

COUNTY OF GUADALUPE

GROUND WATER
AFFIDAVIT

Before me, the undersigned notary, on this day personally appeared R. Alan Cockerell, a person whose identity is known to me. After I administered an oath to him/her, upon his/her oath he/she said:

1.  I am over 18 years of age, of sound mind, and capable of making this affidavit. The facts stated in this affidavit are within my personal knowledge and are true and correct.

2.  I am an authorized representative of Schertz/Seguin Local Government Corporation, an entity that has filed an application for financial assistance with the Texas Water Development Board for a project that proposes the development of a new groundwater supply source.

3.  Does the applicant own the proposed well site(s)?

   Yes ☐  No ☐

   (a)  Attach a copy of the property deed(s), contracts or other legal instrument documenting the ownership of the Project site(s).

   Item attached: Yes ☐  No ☐

   (b)  Were the groundwater water rights conveyed or otherwise transferred by a predecessor in title prior to the applicant's acquisition of the Project site(s)?

   Yes ☐  No ☐

4.  Does the applicant intend to acquire title to the proposed well site(s)?

   Yes ☐  No ☐

   Attach a copy of a notice of intent to acquire property, a draft purchase agreement, an option to purchase property or other document showing that the applicant is in the process of acquiring the property on which the well Site(s) is to be located.

   Item attached: Yes ☐  No ☐

5.  Does the applicant lease the proposed well site(s)?

   Yes ☐  No ☐

   Attach a copy of the executed lease agreement(s) or other contractual arrangement documenting that the applicant has the right to drill for and produce groundwater at the Project site(s).

   Item attached: Yes ☐  No ☐
6. Does the applicant intend to lease the proposed well site(s)?
   Yes ☐ No ☐
   Attach a copy of the draft lease agreement(s) or other contractual arrangement documenting that the applicant is in the process of acquiring the contractual right to drill for and produce groundwater at the Project site(s).
   Item attached: Yes ☐ No ☐

7. Is the project located within the boundaries of a groundwater conservation district?
   Yes ☐ No ☐
   (a) Attach all groundwater district permits issued by the District authorizing groundwater production from the proposed groundwater well(s).
   Item attached: Yes ☐ No ☐
   (b) Attach copies of all applications filed with a groundwater conservation district for any permit(s) required for the proposed groundwater well(s).
   Item attached: Yes ☐ No ☐

Signed the 20th day of May, 2016.

Name
General Manager

Sworn to and subscribed before me by R. Alan Cockrell on May 20, 2016.

Regina C. Franke
Notary Public in and for the State of Texas
My Commission expires: 05-29-2019
MEMORANDUM OF LEASE

This Memorandum of Lease is made effective the 21st of October 2008, by and between COUNTY OF GUADALUPE, TEXAS ("Lessor") and SCHERTZ-SEGUIN LOCAL GOVERNMENT CORPORATION, a Texas local government corporation ("Lessees").

WITNESSETH:

1. Lessor and Lessee have, effective the date set out above, entered into a Lease of Ground Water (the "Lease"), of the right to withdraw and beneficially use the Carrizo/Wilcox Aquifer water pertaining to the real property described on Exhibit "A" attached hereto (the "Water Rights"), and all real and personal property rights, appurtenances, permits, authorities, licenses, consents and contracts, if any, pertaining to all such Water Rights, as more fully described in the Lease which sets out the rights and obligations of Lessor and Lessee thereunder.

2. The Lease sets forth the names of Lessor and Lessee and addresses of the parties thereto.

3. Under the terms of the Lease, Lessor has agreed to lease the Water Rights to Lessee and Lessee has agreed to lease the Water Rights from Lessor upon and in accordance with the terms of the Lease.

4. This Memorandum of Lease is intended to act only as notice of the existence of the Lease and its general terms. To the extent the terms of this Memorandum of Lease conflict with the terms of the Lease, the terms of the Lease shall control.

5. Lessee agrees that upon termination of this Lease, Lessor may file in Guadalupe County a notice in the form of a Memorandum of Termination of Lease and that such notice shall be conclusive and may be relied upon by any subsequent purchaser of the Property or any interest therein including without limitation, any interest in groundwater in or under the Property.

RECEIVED
FEB 10 2009
LESSOR:
COUNTY OF GUADALUPE, TEXAS

By: Mike Wiggins, County Judge

STATE OF TEXAS §
COUNTY OF GUADALUPE §

This instrument was acknowledged before me on the 15th day of
October, 2008, by Mike Wiggins, County Judge of COUNTY OF
GUADALUPE, TEXAS, a Texas local government entity, on behalf of said entity.

LESSEE:
SCHERTZ-SEGUIN LOCAL GOVERNMENT CORPORATION,
a Texas local government corporation

By: Alan Cockerell
General Manager

STATE OF TEXAS §
COUNTY OF GUADALUPE §

This instrument was acknowledged before me on the 20th day of
November, 2008, by Alan Cockerell, General Manager of SCHERTZ-
SEGUIN LOCAL GOVERNMENT CORPORATION, a Texas local government
corporation, on behalf of said corporation.

[SEAL]

GEORGIA L. HANKS
Notary Public
State of Texas
Comm. Exp. 08-03-2011

Notary Public, State of Texas
AFTER RECORDING, RETURN TO:

Schertz-Seguin Local Government Corporation
P. O. Box 833
Seguin, Texas 78156
Attention: General Manager
EXHIBIT "A" TO MEMORANDUM OF LEASE

PROPERTY DESCRIPTION

Property Description
Water Lease between County of Guadalupe, Texas
and Schertz-Seguin Local Government Corporation

Property Description: Being all of that certain Guadalupe County Roads in Guadalupe
County, Texas, containing 265.018284 acres, more or less, as further described in the
attachments A-1, A-2 and A-3 which are incorporated herein by reference.
EXHIBIT A

Property Description

Water Lease between County of Guadalupe, Texas
and Schertz-Seguin Local Government Corporation

Property Description: Being all of that certain Guadalupe County Roads in Guadalupe County, Texas, containing 265.018284 acres, more or less, as further described in the attachments A-1, A-2 and A-3 which are incorporated herein by reference.
### Total Guadalupe County ROW Over the Carrizo Guadalupe Saturated Area

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**FILED FOR RECORD**

2009 FEB -6 AM 10:40

TERESA KIEL
COUNTY CLERK GUADALUPE COUNTY

STATE OF TEXAS
COUNTY OF GUADALUPE
I certify this instrument was FILED on the
date and at the time stamped herein and
was duly recorded in the Official Public
Records of Guadalupe County, Texas.

TERESA KIEL
Guadalupe County Clerk

⇒ Guadalupe County Clerk
MEMORANDUM OF LEASE

This Memorandum of Lease is made effective the 14th day of March 2008, by and between Hilmar D. & Kaaren Blumberg, trustees of the Jordan T. Blumberg 1994 Trust and the Roland B. Blumberg 1994 Trust ("Lessor") and Schertz/Seguin Local Government Corporation, a Texas local government corporation ("Lessee").

WITNESSETH:

1. Lessor and Lessee have, effective the date set out above, entered into a Lease of Ground Water (the "Lease"), of the right to withdraw and beneficially use the Carrizo/Wilcox Aquifer water pertaining to the real property described on Exhibit "A" attached hereto (the "Water Rights"), and all real and personal property rights, appurtenances, permits, authorities, licenses, consents and contracts, if any, pertaining to all such Water Rights, as more fully described in the Lease which sets out the rights and obligations of Lessor and Lessee thereunder.

2. The Lease sets forth the names of Lessor and Lessee and addresses of the parties thereto.

3. Under the terms of the Lease, Lessor has agreed to lease the Water Rights to Lessee and Lessee has agreed to lease the Water Rights from Lessor upon and in accordance with the terms of the Lease.

4. This Memorandum of Lease is intended to act only as notice of the existence of the Lease and its general terms. To the extent the terms of this Memorandum of Lease conflict with the terms of the Lease, the terms of the Lease shall control.
LESSOR:

Jordan T. Blumberg 1994 Trust and Roland T. Blumberg 1994 Trust

By: Hilmar D. Blumberg, trustee

By: Kaaren Blumberg, trustee

STATE OF TEXAS §

COUNTY OF GUADALUPE §

This instrument was acknowledged before me on the 14th day of March, 2008, by Hilmar D. Blumberg and Kaaren Blumberg, trustees of the Jordan T. Blumberg 1994 Trust and the Roland B. Blumberg 1994 Trust on behalf of the trusts.

[SEAL]

CHRISTINE LUNA
Notary Public, State of Texas
My Commission Expires
July 26, 2008

#180841 2
LESSEE:

SCHERTZ-SEGUIN LOCAL GOVERNMENT CORPORATION, a Texas local government corporation

By:  
Name:  R. Allen Cockrell  
Title: General Manager

STATE OF TEXAS  $  
COUNTY OF GUADALUPE  $  

This instrument was acknowledged before me on the 11th day of March, 2008, by Alan Cockrell, Manager of SCHERTZ-SEGUIN LOCAL GOVERNMENT CORPORATION, a Texas local government corporation, on behalf of said corporation.

[SEAL]

CHRISTINE LUNA  
Notary Public, State of Texas  
My Commission Expires July 26, 2008

AFTER RECORDING, RETURN TO:  

Schertz-Seguin Local Government Corporation  
P. O. Box 833  
Seguin, Texas 78156  
Attention: Manager
EXHIBIT "A" TO MEMORANDUM OF LEASE
PROPERTY DESCRIPTION

Roland B. Blumberg 1994 Trust & Jordan T. Blumberg 1994 Trust to SSLGC

<table>
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MEMORANDUM OF LEASE

This Memorandum of Lease is made effective the 20th day of March 2008, by and between HILMAR D. BLUMBERG ("Lessor") and SCHERTZ-SEGÚIN LOCAL GOVERNMENT CORPORATION, a Texas local government corporation ("Lessee").

WITNESSETH:

1. Lessor and Lessee have, effective the date set out above, entered into a Lease of Ground Water (the "Lease"), of the right to withdraw and beneficially use the Carrizo/Wilcox Aquifer water pertaining to the real property described on Exhibit "A" attached hereto (the "Water Rights"), and all real and personal property rights, appurtenances, permits, authorities, licenses, consents and contracts, if any, pertaining to all such Water Rights, as more fully described in the Lease which sets out the rights and obligations of Lessor and Lessee thereunder.

2. The Lease sets forth the names of Lessor and Lessee and addresses of the parties thereto.

3. Under the terms of the Lease, Lessor has agreed to lease the Water Rights to Lessee and Lessee has agreed to lease the Water Rights from Lessor upon and in accordance with the terms of the Lease.

4. This Memorandum of Lease is intended to act only as notice of the existence of the Lease and its general terms. To the extent the terms of this Memorandum of Lease conflict with the terms of the Lease, the terms of the Lease shall control.
LESSOR:

HILMAR D. BLUMBERG

STATE OF TEXAS $  
COUNTY OF GUADALUPE $ 

This instrument was acknowledged before me on the 20 day of March, 2008, by Hilmar D. Blumberg. 

[SEAL]

MARVIN SMITH  
Notary Public, State of Texas  
My Commission Expires  
July 17, 2009

#180544  2
LESSEE:

SCHERTZ-SEGUIN LOCAL GOVERNMENT CORPORATION, a Texas local government corporation

By:  [Signature]
Name:  R. Alan Cockerell
Title:  General Manager

STATE OF TEXAS

COUNTY OF GUADALUPE

This instrument was acknowledged before me on the 26th day of March 2008, by Alan Cockerell, Manager of SCHERTZ-SEGUIN LOCAL GOVERNMENT CORPORATION, a Texas local government corporation, on behalf of said corporation.

[SEAL]

MARVIN SMITH
Notary Public, State of Texas
My Commission Expires July 17, 2009

AFTER RECORDING, RETURN TO:

Schertz-Seguin Local Government Corporation
P. O. Box 833
Seguin, Texas 78156
Attention: Manager
EXHIBIT "A" TO MEMORANDUM OF LEASE
PROPERTY DESCRIPTION

3,067.72 acres of land, more or less, located in Guadalupe County, Texas, and being more particularly described as follows:

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<th>Guad.Appraisal Dist</th>
<th>Guad.Co.GCD</th>
<th>Survey &amp; Abstract</th>
<th>Surface Acres</th>
<th>Acre Feet</th>
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This page has been added by the Guadalupe County Clerk's office to comply with the statutory requirement that the clerk shall stamp the recording information at the foot of the last page of the document.

This page becomes a part of the document identified by Document Number 08-12014 affixed on the first page of this document.

STATE OF TEXAS
COUNTY OF GUADALUPE
I certify this instrument was FILED on the date and at the time stamped herein and was duly recorded in the Official Public Records of Guadalupe County, Texas.

TERESA KIEL
Guadalupe County Clerk

BY: 

FILED FOR RECORD
2008 JUN 24 AM 9:47
SPECIAL WARRANTY DEED

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

DATE: December 29, 2011

GRANTOR: WALTER E. KOEPP, a single man

GRANTOR'S MAILING ADDRESS: 754 N. Cherry Street, Seguin, Texas 78155

GRANTEE: SCHERTZ-SEGUIN LOCAL GOVERNMENT CORPORATION

GRANTEE'S MAILING ADDRESS: P. O. Box 833, Seguin, Texas 78156-0833

CONSIDERATION: TEN AND NO/100 DOLLARS and other valuable consideration.

PROPERTY (including any improvements):

A 2.437-acre tract of land located in the George W. Davis Survey, Abstract 115, in Guadalupe County, Texas, and being out of a called 459.98-acre tract described in a deed of trust to John G. Stumpf, Trustee, of Bexar County, Texas recorded in Volume 1551, Page 207 of the Official Public Records of Guadalupe County, Texas. Said 2.437-acre tract being more particularly shown on the attached survey drawing and further described by metes and bounds on Exhibit “A” attached hereto and incorporated herein by reference for all purposes.

RESERVATIONS FROM AND EXCEPTIONS TO CONVEYANCE AND WARRANTY:

1. For Grantor and Grantor’s heirs, successors, and assigns forever, a reservation of (a) all oil, gas, and other minerals in and under and that may be produced from the Property. If the mineral estate is subject to existing production or an existing lease, this reservation includes the production, the lease, and all benefits from it; and (b) any subsurface water rights in and to the property together with any and all appurtenant water rights, without, however, any right whatsoever remaining in Grantor of ingress or egress to or from the surface of said property, for the purpose of exploring, developing, drilling or production of same.
2. Interest in all minerals, and rights related thereto, express or implied, reserved in Deed dated December 29, 1969, by Walter A. Koepp and Annie Koepp to Walter E. Koepp, recorded in Volume 426, page 125, Deed Records, Guadalupe County, Texas, reference to which instrument is here made for all purposes.

3. Interest in all minerals, and rights related thereto, express or implied, reserved in Deed dated October 2, 1943, by W.M. Mosheim et al, to Walter A. Koepp, recorded in Volume 202, page 60, Deed Records, Guadalupe County, Texas, reference to which instrument is here made for all purposes.


6. Sand roads across the property as shown on survey plat prepared by Walker Partners, dated November 10, 2010, and rights, title, interest, and/or claims, if any, of others thereto and/or to use thereof.

7. Overhead electric line, utility pole, and guy wire as shown on survey plat prepared by Walker Partners, dated November 10, 2010.

8. Taxes for 2011, the payment of which Grantee assumes.

Grantor, for the consideration and subject to the reservations from and exceptions to conveyance and warranty, grants, sells, and conveys to Grantee the property, together with all and singular the rights and appurtenances thereto in any wise belonging, to have and hold it to Grantee, Grantee's heirs, executors, administrators, successors, or assigns forever. Grantor binds Grantor and Grantor's heirs, executors, administrators, and successors to warrant and forever defend all and singular the property to Grantee and Grantee's heirs, executors, administrators, successors, and assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof, except as to the reservations from and exceptions to conveyance and warranty when the claim is by, through or under Grantor but not otherwise.

When the context requires, singular nouns and pronouns include the plural.

WALTER E. KOEPP
THE STATE OF TEXAS
COUNTY OF GUADALUPE

BEFORE ME, the undersigned authority, on this day personally appeared WALTER E. KOEPP, known to me to be the person whose name is subscribed to the foregoing document and acknowledged to me that he executed the same for the purposes and consideration expressed therein.

Given under my hand and seal of office this 20th day of December, 2011.

Cheryl Chambers
Notary Public, State of Texas
2.437 ACRE TRACT OF LAND
LOCATED IN THE GEORGE W. DAVIS SURVEY, ABSTRACT 115
IN GUADALUPE COUNTY, TEXAS

FIELD NOTES FOR A 2.437 ACRE TRACT OF LAND LOCATED IN THE GEORGE W. DAVIS SURVEY, ABSTRACT 115, IN GUADALUPE COUNTY, TEXAS, AND BEING OUT OF A CALLED 459.98 ACRE TRACT DESCRIBED IN A DEED TO JOHN G. STUMPF, TRUSTEE, OF BEXAR COUNTY, TEXAS, RECORDED IN VOLUME 1551, PAGE 207 OF THE OFFICIAL PUBLIC RECORDS OF GUADALUPE COUNTY, TEXAS, SAID 2.437 ACRE TRACT BEING MORE PARTICULARLY SHOWN ON THE ATTACHED SURVEY DRAWING AND FURTHER DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

COMMENCING AT A 1/2” IRON ROD FOUND FOR THE SOUTHEAST CORNER OF SAID 459.98 ACRE TRACT, SAME BEING AN INTERIOR CORNER OF A CALLED 175.05 ACRE TRACT DESCRIBED IN A DEED TO EDWARD E. MATTSON AND WIFE, DOROTHY L. MATTSON RECORDED IN VOLUME 845, PAGE 61 OF THE DEED RECORDS OF GUADALUPE COUNTY, TEXAS;

THENCE WITH THE COMMON LINE BETWEEN SAID 459.98 ACRE TRACT AND SAID 175.05 ACRE TRACT GENERALLY ALONG THE TRACE OF AN OLD BARBED WIRE FENCE THE FOLLOWING THREE CALLS:

1) S 88°50’27” W – 1274.00’ TO A 1/2” IRON ROD FOUND;

2) S 88°46’42” W – 1031.88’ TO A 1/2” IRON ROD FOUND;


THENCE S 88°36’13” W – 682.93’ CONTINUING ALONG THE COMMON LINE BETWEEN SAID 459.98 ACRE TRACT AND SAID 175.05 ACRE TRACT GENERALLY ALONG THE TRACE OF AN OLD BARBED WIRE FENCE TO A 1/2” IRON ROD FOUND AT A THREE WAY FENCE CORNER ON THE NORTHEAST MARGIN OF NOCKENUT ROAD NO FORMAL DEDICATION FOUND AT THE NORTHWEST CORNER OF SAID 175.05 ACRE TRACT FOR A SOUTH CORNER OF SAID 459.98 ACRE TRACT AND OF THE HEREIN DESCRIBED TRACT;

THENCE N 30°59’04” W – 20.14’ WITH THE COMMON LINE BETWEEN SAID 459.98 ACRE TRACT AND SAID NOCKENUT ROAD GENERALLY ALONG A BARBED WIRE FENCE TO A 1/2” IRON ROD FOUND AT A TWO WAY FENCE CORNER ON THE NORTH MARGIN OF SAID NOCKENUT ROAD FOR AN INTERIOR CORNER OF SAID 459.98 ACRE TRACT AND OF THE HEREIN DESCRIBED TRACT FROM WHICH A 1/2” IRON ROD FOUND ON THE NORTH MARGIN OF SAID NOCKENUT ROAD FOR THE SOUTHWEST CORNER OF SAID 459.98 ACRE TRACT BEARS S 88°58’16” W – 1145.79’ (DIRECTIONAL CONTROL LINE);

THENCE S 88°58’16” W – 60.00’ WITH THE COMMON LINE BETWEEN SAID 459.98 ACRE TRACT AND SAID NOCKENUT ROAD GENERALLY ALONG A BARBED WIRE FENCE TO A 1/2” IRON ROD WITH A CAP STAMPED “WALKER PARTNERS” SET FOR THE SOUTHWEST CORNER OF THE HEREIN DESCRIBED TRACT;

THENCE ACROSS THE INTERIOR OF SAID 459.98 ACRE TRACT THE FOLLOWING FIVE CALLS:

EXHIBIT "A"
1) N 01°01'44" W – 70.00' TO A 1/2' IRON ROD WITH A CAP STAMPED "WALKER PARTNERS" SET FOR THE MOST WESTERLY NORTHWEST CORNER OF THE HERIN DESCRIBED TRACT;

2) N 88°36'13" E – 452.42' TO A 1/2' IRON ROD WITH A CAP STAMPED "WALKER PARTNERS" SET FOR AN INTERIOR CORNER OF THE HERIN DESCRIBED TRACT;

3) N 01°23'47" W – 137.11' TO A 1/2' IRON ROD WITH A CAP STAMPED "WALKER PARTNERS" SET FOR THE MOST NORTHERLY NORTHWEST CORNER OF THE HERIN DESCRIBED TRACT;

4) N 88°36'13" E – 300.00' TO A 1/2' IRON ROD WITH A CAP STAMPED "WALKER PARTNERS" SET FOR THE NORTHEAST CORNER OF THE HERIN DESCRIBED TRACT;

5) S 01°23'47" E – 225.00' TO THE POINT OF BEGINNING.
EASEMENT AND RIGHT OF WAY FOR ACCESS, WATER PIPELINES, AND ELECTRIC LINES

Notice of confidentiality rights: If you are a natural person, you may remove or strike any or all of the following information from this instrument before it is filed for record in the public records: your Social Security number or your driver's license number.

THE STATE OF TEXAS

COUNTY OF GUADALUPE

KNOW ALL BY THESE PRESENTS:


GRANTOR: Sedley H. Martin, Jr., Trustee of the Sedley H. Martin, Jr. Trust, created under the will of Sedley H. Martin, Sr., admitted to probate in Cause No. 8807, County Court of Gonzalez County, Texas.

GRANTOR'S MAILING ADDRESS: P. O. Box 92
Leesville, Texas 78122


GRANTEE'S MAILING ADDRESS: Schertz/Seguin Local Government Corporation
P. O. Box 833
Seguin, Texas 78156-0833

CONSIDERATION: TEN DOLLARS and no/100 ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and for which no lien or encumbrance, express or implied, is retained.

EASEMENT TRACT: That certain tract consisting of 2.86 acres, more or less, more particularly described on EXHIBIT A.
GRANT OF EASEMENT AND RIGHT OF WAY FOR ACCESS, WATER PIPELINES,
AND ELECTRIC LINES: For the consideration, Grantor does GRANT, SELL, and
CONVEY to Grantee an easement and right of way (the “Easement”) on, over, under, and
across the Easement Tract for the construction, operation, maintenance, inspection, repair,
upgrade, replacement, and removal of access roads, water pipelines, and electric lines and all
other structures, equipment, fixtures, facilities, (other than water treatment plant), and
appurtenances necessary or incidental to the construction, operation, maintenance, repair,
upgrade, replacement, decommissioning, and removal of the improvements required to connect
several water supply wells to a proposed water treatment plant and to construct, operate,
maintain, and repair the water supply wells and the water treatment plant of or for Grantee,
(collectively, the “Facilities”), for the purposes described above and for no other purposes
subject to the conditions set forth below.

EASEMENT CONDITIONS: Grantor and Grantee agree that the Easement will be subject to
the following conditions and limitations:

1. Grantor reserves the right to use the surface of the Easement Tract and to place
roads crossing, at a ninety degree angle, the Easement Tract, so long as the
activities of Grantor on the Easement Tract do not materially impair or interfere
with Grantee’s use of the Easement Tract for the easement purposes described
above; provided, however:

   A. Grantee’s use of the roadways constructed by Grantee within the
Easement Tract shall, except for Grantor, Grantor’s agents and assigns, be
for the exclusive use and benefit of the Grantee, except Grantor shall not
be excluded and shall have use and access to the Easement Tract in
common with Grantee, and access to and use of such roadways by Grantor
and Grantee shall not be unreasonably restricted or hindered; and

   B. No permanent structure, improvement or other obstruction of any kind or
character may be constructed by Grantor on the Easement and no drilling,
mining, exploration for or development of oil, gas and other minerals may
be conducted on the Easement by the Grantor, or in such a way as to
unreasonably interfere with the use thereof.

   C. Under no circumstances will Grantor, its heirs and assigns, allow hunting
or the shooting of guns or bows within the Easement, or across the
Easement or perform such other acts or activities within the Easement that
may endanger Grantee’s employees and contractors.

   D. If Grantor, or Grantor’s agents or assigns, chooses to use the roadway, but
causes any substantial damage to the roadway, Grantor shall repair the
damage or reimburse Grantee for the cost of repairing the damage to the
roadway.
E. If Grantor chooses to use the Easement Tract, Grantee shall not be responsible for any damages or losses that Grantor may suffer as a result of the Grantor's use of the Easement in accordance with its terms.

2. If the Easement Tract conflicts with Grantor's future development plans for Grantor's surrounding property, Grantee shall make reasonable efforts to work with Grantor in relocating the Easement Tract; provided, however, that Grantee shall bear no obligation to contribute to the costs of relocating the Easement Tract or any structures, facilities, or improvements constructed by or paid for by Grantee within the Easement Tract, absent a further written agreement between Grantor and Grantee.

3. Grantor reserves the right to grant utility easements to third parties on, over, under, and across the Easement Tract and roadway easement across the portion of the Easement Tract running along the boundary line of the property of which the Easement Tract is a part with the prior written consent of the Grantee, which shall not be unreasonably withheld or delayed; provided, however, that any such utility easement proposed by Grantor shall not materially impair or interfere with the Grantee's use of the Easement Tract for the easement purposes described above.

4. Grantee shall conduct all of its activities on the Easement Tract in accordance with all applicable federal, state, and local laws and regulations.

5. Grantee shall take good care of the Easement Tract, including the facilities to be constructed thereon, using the same standard of care, or greater, employed by Grantee in the operation and maintenance of Grantee's other facilities. Following the initial construction of the facilities, Grantee shall suffer no waste or nuisance on the Easement Tract; provided, however, that the normal construction, operation, maintenance, inspection, repair, upgrade, replacement, decommissioning, and removal of the facilities on the Easement Tract is specifically deemed not to constitute waste or a nuisance. Grantee shall be responsible for ensuring that hazardous substances employed by Grantee in connection with the construction, operation, and maintenance of the Well Facilities are transported, stored, used, and disposed of in accordance with all applicable laws and regulations regarding the same. Grantor shall remain responsible for the proper cleanup and disposal of any hazardous substances or environmental contaminants deposited on the Easement Tract by Grantor, whether before or after the date of this Easement.

6. Grantee shall ensure that all contractors and subcontractors engaged to perform the construction of the Facilities provide insurance with coverages and liability limits no less stringent than those required for other major public works projects of similar types of infrastructure, and shall include Grantor as additional insureds with respect to all such coverages except builder's risk and worker's compensation.
7. Grantor and Grantee shall be solely responsible for injuries to persons or property caused by their respective employees or contractors performing activities on the Easement Tract and the employees or contractors of one must not be deemed to be employees, agents, or borrowed servants of the other for any reason, nor shall the respective activities of Grantor and Grantee on the Easement Tract be construed as a joint enterprise under or in connection with the application of the Texas Tort Claims Act, as amended.

8. Grantee and its successors and assigns, are hereby expressly given and granted the right to assign this easement, or any part thereof or interest therein, and/or rights granted hereunder, so that each assignee or owner shall have the full rights and privileges herein granted to be owned and enjoyed in common or severally provided, however, Grantee shall notify Grantor of each and every assignment and provided further Grantee shall not assign the right to use the easement to install additional water pipelines in addition to the pipeline or pipelines that Grantee may install to connect Grantee’s wells to Grantee’s water treatment plant.

9. Grantee, in constructing any water pipeline within the Easement, will bury the pipeline so that the top of same is at least three (3) feet below the surface of the earth, except that Grantee shall have the right to construct and maintain pipeline drain valve assemblies and/or air releases and vacuum valve assemblies and cut off valves in their protective casements and barriers as well as testing devices and corrosion prevention appliances and structures and other appurtenances on the pipeline below the surface of the earth.

10. During the construction, repairing, or removing of pipelines, Grantee will remove the topsoil from the trench to a depth of six inches and set the topsoil aside, and after the construction, repair or removal is complete, Grantee will replace the topsoil on the uppermost part of the trench so that at least six inches of topsoil will be in place at the surface after the operation.

11. Any brush cut by Grantee in its operations within the Easement must be chipped and distributed along the Easement, or otherwise disposed. Grantee will allow no trash, debris, or refuse from its operations to exist on the ground.

12. After construction of any pipeline or electric line, Grantee will restore the surface as nearly as practicable to its original condition, so as not to affect normal drainage; provided, however, this requirement will not relate to roadways or pipelines in or adjacent to roadways within the Easement constructed by Grantee.

13. After the initial construction of the Facilities, in the event of non-use of the Facilities by Grantee, its successors and assigns, for a period of 24 consecutive months, Grantor, its successors and assigns, shall have the right to serve written notice of non-use to Grantee. If the Facilities are not used within 90 days following written notice of non-use, this easement shall be considered abandoned, and Grantee shall have no further rights in said land, except the right and privilege
to remove the Facilities. Should Grantee, its successors or assigns, remove its Facilities, Grantee agrees to restore the surface of the land to as near its original condition as practical.

14. Grantee, its successors and assigns, shall have the right to install gates in Grantor’s fences which cross the Easement, and to maintain locks on said gates, provided Grantor is given keys to said locks. Grantor may construct other fences across the easement, however, if said fences are built, Grantee shall have the right to construct gates in said fences consistent with requirements of Grantee, its successors and assigns, with respect to access, and Grantee may maintain locks on said gates.

15. During the period of construction of the said pipeline, Grantee may construct such temporary fences as are required by its contractor or engineers and if such fences are constructed, Grantee will allow access, and ingress and egress to Grantor.

16. Should Grantee assign a portion of its rights under this easement to GVEC for the construction and operation of electric power lines within the Easement, GVEC shall have all rights and benefits necessary or convenient for the full enjoyment and use of the rights herein granted, including, but not limited to, the right of ingress and egress for pedestrians, equipment and vehicles over Grantors’ adjacent lands to and from said right-of-way for the purpose of constructing, improving, reconstructing, repairing, inspecting, patrolling, installing new wire on, operating, maintaining, providing adequate clearances and removing said lines and appurtenances; conducting archeological, historical, environmental or other studies; the right to relocate and rebuild said lines and appurtenances; the right to remove, trim, cut down or chemically treat with herbicides, trees or shrubbery or parts thereof or any other obstructions which may endanger, interfere or impair the efficiency, safety or convenient operation of said line and its appurtenances; the right to place temporary guys, poles and supporting structures for use in erecting, repairing or removing such lines; and the right to remove, cut down, chemically treat with herbicides, and prevent the growth of any trees or shrubs within the Easement or twenty feet of said line. Grantor shall not construct any structure or improvement, nor impound any water, nor place any temporary or permanent erection of any mast-type equipment or appurtenances within the Easement or nearer to said line in any manner as to conflict with the National Electrical Safety Code or any applicable law, as either of the same now exists or may be amended in the future, and that this shall be a covenant running with the land. Such construction shall include, but not be limited to, new construction or major modification to a preexisting habitable structure, as well as, stock tanks, swimming pools, spas, water wells or oil wells including construction both above and below existing grade.
17. In the event that one party believes the other party has materially breached the terms and conditions of this Easement, the nondefaulting party will make written demand and notice to cure and give the defaulting party up to thirty (30) days to cure such material breach or, if the curative action cannot reasonably be completed within thirty (30) days of its receipt of such written demand and notice, then the defaulting party will commence the curative action within thirty (30) days and thereafter diligently pursue the curative action to completion. This period must pass before the nondefaulting party may initiate any remedies available to the nondefaulting party due to such breach.

(a) The nondefaulting party shall mitigate direct or consequential damages, if any, arising from any breach or default to the extent reasonably possible under the circumstances.

(b) The parties agree that they will use their best efforts to resolve any disputes in an amicable manner and may engage in nonbinding arbitration or other alternative dispute resolution methods as recommended by the laws of the State of Texas before initiating any lawsuit to enforce their rights under this Agreement. Nothing in this Agreement shall be construed to limit either party’s right to recover damages or to seek other appropriate curative remedies in the event that an action for breach of contract is filed.

18. Deleted.

19. Grantee shall have all rights of ingress and egress over and along the Easement to do any and all acts reasonably necessary in accordance with the rights granted herein.

20. The consideration recited herein shall constitute payment in full for all ordinary damages sustained by Grantor by reason of the initial construction and installation of facilities and improvements within the Easement.

21. Grantee shall have the right to cut, trim and/or remove any trees, brush or shrubbery within the Easement which, in the opinion of Grantee, may be a hazard to the poles, cables, wires or other utilities, to the extent necessary to keep the Easement clear along and within the Easement. Upon completion of installation of facilities and improvements within the Easement, Grantee shall remove and dispose of all debris, trash, and litter resulting from construction, shall restore the surface of the Easement areas to as near the original condition that existed prior to installation as practicable, and shall re-seed or re-sprig the grass after the soil settlement period. In the event Grantee must cut any of Grantor’s fences, Grantee will double H-brace such fences, and reconstruct fences in a reasonable and prudent manner with materials and quality acceptable to Grantor.
22. GRANTEE SHALL DEFEND, INDEMNIFY, AND HOLD HARMLESS GRANTOR FROM AND AGAINST ANY LIABILITY, LOSS, COST, AND EXPENSE CLAIMED BY ANY PERSON (INCLUDING REASONABLE ATTORNEY'S FEES AND COSTS OF DEFENSE) RESULTING FROM GRANTEE'S PERFORMANCE UNDER THIS EASEMENT TO THE EXTENT THAT SUCH LIABILITY IS FOR:

(1) BODILY INJURY, SICKNESS, DISEASE OR DEATH, AND/OR

(2) LOSS OR DESTRUCTION OF PROPERTY,

WHICH ARISES OUT OF AND IS ATTRIBUTED TO THE SOLE OR CONCURRENT ERRORS OR OMISSIONS, NEGLIGENCE OR STRICT LIABILITY OF GRANTEE, ITS SUBCONTRACTORS, OR THEIR RESPECTIVE EMPLOYEES. WHERE LIABILITY IS ATTRIBUTABLE TO THE JOINT NEGLIGENCE OR FAULT OF GRANTEE AND ANY OTHER PERSON (INCLUDING GRANTOR), GRANTEE'S INDEMNIFICATION SHALL BE LIMITED TO GRANTEE'S ALLOCABLE SHARE OF SUCH JOINT NEGLIGENCE OR FAULT OR TO THE GRANTOR'S REAL PROPERTY LOCATED WITHIN THE EASEMENT RESULTING FROM GRANTEE'S USE OTHER THAN THE INITIAL EASEMENT CONSTRUCTION.

THIS INDEMNITY SHALL BE BROADLY CONSTRUED TO APPLY TO ALL LIABILITY ATTRIBUTED TO THE CONCURRENT AND SOLE NEGLIGENCE OF GRANTEE AND SHALL SURVIVE TERMINATION OF THIS EASEMENT.

23. The grants, rights, obligations, benefits, and burdens of the parties hereto shall be covenants running with the land and shall apply to, be binding upon, and inure to the benefit of Grantor, Grantee, and their respective heirs, legal representatives, successors and assigns.

24. This Easement may be amended or modified only by an instrument in writing executed by representatives of Grantor and Grantee, or their successors and assigns.

25. This Easement is granted subject to all conditions, easements, restrictions, encumbrances, liens, oil and gas leases, and other matters of record (collectively “Exceptions to Title”) in the Real Property Records of Guadalupe County, Texas. Grantor represents and warrants that, subject to the Exceptions to Title, there are no liens, encumbrances or other restrictions which would interfere with or otherwise prohibit the granting of the Easement herein. Notwithstanding the preceding, Grantor and Grantee acknowledge the existence of a potential unrecorded lien in favor of the Internal Revenue Service, relating to a Qualified Family Owned Business Interest election claimed by Grantor relating to certain

#185140v4
real property including the Easement Tract. In the event such lien exists, Grantor agrees to have the lien immediately released. If Grantor fails to have said lien released, Grantee may withhold from royalty payments due to Grantor under the Water Lease dated May 4, 2009, such amounts as may be necessary to have the lien released, including but not limited to payment of taxes, penalty, interest, and reasonable and necessary attorney’s fees.

26. No carrying or discharging of firearms shall be allowed on the Easement, except for guns carried by certified security guards employed or hired by Grantee, and no recreational rights are included.

27. In the event that conditions of reversion are triggered in any Deed from Grantor to Grantee for a well site, then the portion of this Easement directly related to such well site shall also revert to Grantor and for any portion of the Easement Tract that is reverted to Grantor or his successors or assigns, all rights to Facilities associated with any reverted portion of the Easement Tract shall be considered abandoned. Grantee shall have no further rights in said Easement Tract, or portion thereof, except the right and privilege or requirement, at Grantor’s option to remove the associated Facilities. Should Grantee, its successors or assigns, remove its Facilities, Grantee agrees to restore the surface of the land to as near its original condition as practicable. On the revision of the last well site in any Deed from Grantor to Grantee, Grantee shall have no further rights to any Easement Tract except for the right, privilege or requirement set forth in the preceding sentence.

TO HAVE AND TO HOLD the same unto the Grantee and its successors and assigns subject to the conditions stated above until the Easement terminates and expires and Grantor covenants and agrees, and binds itself and its heirs, successors, assigns, and representatives, to WARRANT AND FOREVER DEFEND title to the Easement and the rights herein granted unto the Grantee, and its successors and assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof when the claim is by, through, or under Grantor but not otherwise.

IN WITNESS WHEREOF, Grantor has caused this instrument to be executed on this 15th day of June, 2009.

Grantor:

SEDLEY H. MARTIN, JR. TRUST

By: SEDLEY H. MARTIN, JR.
Sedley H. Martin, Jr. Trustee
ACKNOWLEDGEMENT

THE STATE OF TEXAS
COUNTY OF GUADALUPE

THIS INSTRUMENT was acknowledged before me on this 15th day of June, 2009, by Sedley H. Martin, Jr., Trustee of the Sedley H. Martin, Jr. Trust created under the will of Sedley H. Martin, Sr., admitted to admitted to probate in Cause No. 8807, County Court of Gonzales County, Texas, on behalf of said trust.

(Seal)

Barbara A. Warncke
Notary Public - State of Texas

CONSENT TO EASEMENT AGREEMENT

Grantee:
Schertz/Seguin Local Government Corporation

By: _____________________________
Title: Alan Cockrell, General Manager
Date: 6/15/2009

AFTER RECORDING,
RETURN TO:
Schertz-Seguin Local Government Corporation
P. O. Box 833
Seguin, Texas 78156-0833
VARIABLE WIDTH
UTILITY EASEMENT

Field notes describing a variably width Utility Easement situated in the Patrick Lynch Survey, Abstract 212, Guadalupe County, Texas, being over a 119 acre tract and a 54.75 acre tract, conveyed to Sedley H. Martin, by deed recorded in Volume 267, Page 545, Deed Records Guadalupe County, Texas, and being more particularly described as follows: Note: All set pins are ½" diameter rebar with an orange plastic cap stamped "Tri-County".

Beginning at a 6" diameter cedar fence post found in the north right-of-way line Lakey Road for the southwest corner of the 119 acre tract and the herein described easement.

Thence, N 00° 22' 52" W, 1245.34 feet with the west line of the 119 acre tract to a point for the northwest corner of the herein described easement.

Thence, N 89° 37' 08" E, 41.19 feet crossing a portion of the 119 acre tract, to a point in the west line of Well Site GU-8, a 2.50 acre tract of land this day surveyed, for the northernmost northeast corner of the herein described easement.

Thence, S 00° 22' 52" E, 152.35 feet crossing a portion of the 119 acre tract, with the west line of Well Site GU-8, to an iron pin set for the southwest corner of the Well Site GU-8 and being an interior of the herein described easement.

Thence, N 89° 37' 08" E, 8.81 feet crossing a portion of the 119 acre tract with the south line of Well Site GU-8 to a point for a northeast corner of the herein described easement.

Thence, S 00° 22' 52" E, 1073.46 feet crossing a portion of the 119 acre tract to a point for an interior corner of the herein described easement.

Thence, in an easterly direction crossing a portion of the 119 acre tract and the 54.75 acre tract, 20.00 feet north of and parallel to the north right-of-way line Lakey Road and the south line of the 119 acre tract and the 54.75 acre tract as follows:

S 89° 50' 11" E, 1143.85 feet to a point for an angle point.
S 89° 34' 05" E, 775.20 feet to a point for an angle point.
S 89° 32' 46" E, 809.00 feet to a point for an angle point.
S 88° 26' 48" E, 463.89 feet to a point in the east line of the 54.75 acre tract, for the easternmost northeast corner of the herein described easement.

Thence, S 01° 26' 49" W, 20.00 feet crossing a portion of the 54.75 acre tract with the east line of the 54.75 acre tract, to a ¾" diameter iron pin found in the north right-of-way line Lakey Road for the southeast corner of the 54.75 acre tract and the herein described easement.

Exhibit A
Thence, in a westerly direction with the north right-of-way line Lakey Road, the south line of the 54.75 acre tract and the 119 acre tract as follows:

N 88° 23' 43" W, 430.92 feet to an iron pin set for the southeast corner of Well Site GU-9 a 2.50 acre tract of land this day surveyed.

N 89° 07' 32" W, 32.62 feet to an iron pin set for an angle point.

N 89° 32' 56" W, 297.38 feet to an iron pin set southwest corner of Well Site Gu-9.

N 89° 32' 40" W, 511.43 feet to a point for an angle point.

N 89° 34' 09" W, 775.17 feet to a point for an angle point.

N 89° 50' 11" W, 1193.62 feet to the Place of Beginning and covering 2.86 acres of land according to a survey made on the ground on March 5, 2009, by Tri-County Surveying Inc.

Corresponding plat prepared.
Project No. 0902114-E1

Aubrey C. Holland
Registered Professional
Land Surveyor No. 4493

FILED FOR RECORD
2009 JUN 22 PM 3:56

TERESA KIEL
COUNTY CLERK GUADALUPE COUNTY

STATE OF TEXAS
COUNTY OF GUADALUPE

I certify this instrument was FILED on the date and at the time stamped thereon and was duly recorded in the Official Public Records of Guadalupe County, Texas.

Teresa Kiel
Guadalupe County Clerk
Notice of confidentiality rights: If you are a natural person, you may remove or strike any or all of the following information from this instrument before it is filed for record in the public records: your Social Security number or your driver's license number.

THE STATE OF TEXAS §

COUNTY OF GUADALUPE §

Grantor/Seller: Sedley H. Martin, Jr., Trustee of the Sedley H. Martin, Jr. Trust, created under the will of Sedley H. Martin, Sr., admitted to probate in Cause No. 8807, County Court of Gonzales County, Texas

Grantor's Mailing Address: P. O. Box 92
Leesville, Texas 78122

Grantee/Buyer: Schertz/Seguin Local Government Corporation

Grantee's Mailing Address: Schertz-Seguin Local Government Corporation
P. O. Box 833
Seguin, Texas 78156-0833

Consideration: Ten dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which is acknowledged and for which no lien or security interest against the following described “Property” of any kind, express or implied, is reserved by Grantor.

Property (including any improvements): A tract of land situated in GUADALUPE County, Texas, containing approximately two and one-half (2.5) acres, out the Patrick Lynch Survey, Abstract 212, Guadalupe County, Texas, and being more particularly described on EXHIBIT “A” (GU-8) attached hereto and made a part hereof for all purposes (the “Property”).

Conveyance: Grantor, for the consideration herein stated and subject to any reservations from and exceptions to conveyance, GRANTS, BARGAINS, SELLS, ASSIGNS AND CONVEYS to Grantee the Property, together with all and singular the rights and appurtenances thereto in any way belonging, to have and to hold it to Grantee and Grantee's heirs, successors, and assigns forever, but subject to reverter as described below.
Reservations from Conveyance: All of the oil, gas and other minerals that are in and under and that may be saved and produced from Property, but with no right of ingress and egress for drilling, exploring, operating, producing, and developing the Property for oil, gas and other minerals and removing the same there from.

Reverter: Grantee agrees that the Property shall be used solely by it for the purpose of constructing and installing groundwater wells, including associated appurtenances, to produce groundwater from the surface of the Property. Such well must be drilled on or before five years, failing which the estate herein granted shall automatically end and terminate on such date, whereupon title to the Property shall automatically revert and be forfeited and be terminated to Grantor, his heirs and assigns, forever. If such well has been drilled by Grantee on or before five years, the estate herein granted shall continue to be vested in Grantee until the earliest of (1) the date that Grantee has ceased to produce groundwater from such well for a period of 1,000 consecutive days, (2) the date that Grantee provides notice to Grantor that it desires to cease its operations on the Property and to terminate its rights, or (3) the date that is the later of (i) the Water Lease between Grantor and Grantee and Martin Ranch, Ltd. dated May 4, 2009 [covering 1,241.116 acres] terminates or (ii) if Grantee elects to delay the date of the reversion to Grantor and pays Grantor the amounts which would be due to Grantor as the Lessor under such Water Lease as if such Water Lease had continued and as if water is produced, then the date Grantee discontinues making such payments. Upon the occurrence of any of such events, the estate herein granted shall automatically end and be terminated on such date, whereupon title to the Property shall automatically revert and be forfeited to Grantor, his heirs and assigns forever, and Grantor shall be entitled to re-enter the Property.

Exceptions to Conveyance and Warranty: This conveyance is also made and accepted subject to any and all restrictions, covenants, conditions, oil and gas leases, reservations, setback lines, easements, and other instruments, if any, now outstanding and of record in Guadalupe County, Texas.

Warranty: Grantor binds Grantor and Grantor’s heirs and successors to warrant and forever defend all and singular the property to Grantee and Grantee’s heirs, successors, and assigns against every person whomsoever lawfully claiming or to claim the same or any part thereof when the claim is by, through, or under Grantor but not otherwise, for as long as the estate herein granted has not automatically been forfeited and reverted to Grantor as provided above. Grantor and Grantee acknowledge the existence of a potential unrecorded lien in favor of the Internal Revenue Service, relating to a Qualified Family Owned Business Interest election claimed by Grantor relating to certain real property including the Property. In the event such lien exists, Grantor agrees to have the lien immediately released. If Grantor fails to have said lien released, Grantee may withhold from royalty payments due to Grantor under the Water Lease dated May 4, 2009, such amounts as may be necessary to have the lien released, including but not limited to payment of taxes, penalty, interest, and reasonable and necessary attorney’s fees.
Representations by Grantee: Grantee acknowledges that neither Grantor nor its representatives have made any representations or warranties, express, implied, or statutory, relating to the physical condition, operating history, valuation, governmental approvals, governmental regulations, or environmental or physical condition of the Property, upon which Grantee has relied.

IN WITNESS WHEREOF, Grantor has caused this instrument to be executed on this the 15th day of June, 2009.

GRANTOR:

SEDLEY H. MARTIN, JR. TRUST

By: ________________________________

Name: Sedley H. Martin, Jr.
Title: Trustee

ACCEPTED by GRANTEE:

SCHERTZ/SEGUN LOCAL GOVERNMENT CORPORATION

By: ________________________________

Name: Alan Cockerell
Title: Manager
ACKNOWLEDGEMENT

STATE OF TEXAS $  
COUNTY OF GUADALUPE $  

This instrument was acknowledged before me on the 15th day of June, 2009, by Sedley H. Martin, Jr., Trustee of the Sedley H. Martin, Jr. Trust, created under the will of Sedley H. Martin, Sr., admitted to probate in Cause No. 8807, County Court of Gonzales County, Texas.

BARBARA A. WARNICK  Notary Public, State of Texas

ACKNOWLEDGEMENT

STATE OF TEXAS $  
COUNTY OF GUADALUPE $  

This instrument was acknowledged before me on the 15th day of June, 2009, by Alan Cockerell, Manager of the Schertz/Seguin Local Government Corporation, a Texas public non-profit, on behalf of that corporation.

BARBARA A. WARNICK  Notary Public, State of Texas

AFTER RECORDING RETURN TO:  
Schertz-Seguin Local Government Corporation  
P. O. Box 833  
Seguin, Texas  78156-0833

PCD#185139v4
Field notes describing a 2.50 acre tract of land situated in the Patrick Lynch Survey, Abstract 212, Guadalupe County, Texas, being a portion of a tract of land called 119 acres, conveyed to Sedley H. Martin by deed recorded in Volume 267, Page 545, Deed Records Guadalupe County, Texas, and being more particularly described as follows: Note: All set pins are %" diameter rebar with an orange plastic cap stamped "Tri-County".

Beginning at an iron pin set for the southwest corner of the herein described tract. Said pin bears N 00° 22' 52" W, 1092.98 feet and N 89° 37' 08" E, 41.19 feet from a 6" diameter cedar fence corner post found in the north right-of-way line of Lakey Road (County Road 424) for the southwest corner of the 119 acre tract.

Thence, N 00° 22' 52" W, 330.00 feet crossing a portion of the 119 acre tract to an iron pin set for the northwest corner of the herein described tract.

Thence, N 89° 37' 08" E, 330.00 feet crossing a portion of the 119 acre tract to an iron pin set for the northeast corner of the herein described tract.

Thence, S 00° 22' 52" E, 330.00 feet crossing a portion of the 119 acre tract to an iron pin set for the southeast corner of the herein described tract.

Thence, S 89° 37' 08" W, 330.00 feet crossing a portion of the 119 acre tract, to the Place of Beginning and containing 2.50 acres of land according to a survey made on the ground on March 5, 2009, by Tri-County Surveying Inc.

Corresponding plat prepared.
Project No. 0902114-GU8
Revised June 15, 2009

Aubrey C. Holland
Registered Professional
Land Surveyor No. 4493
SPECIAL WARRANTY DEED WITH RIGHT OF REVERSION

Notice of confidentiality rights: If you are a natural person, you may remove or strike any or all of the following information from this instrument before it is filed for record in the public records: your Social Security number or your driver’s license number.

THE STATE OF TEXAS $ § KNOW ALL BY THESE PRESENTS: $

COUNTY OF GUADALUPE $ §

Grantor/Seller: Sedley H. Martin, Jr., Trustee of the Sedley H. Martin, Jr. Trust, created under the will of Sedley H. Martin, Sr., admitted to probate in Cause No. 8807, County Court of Gonzales County, Texas

Grantor’s Mailing Address: P. O. Box 92 Leesville, Texas 78122

Grantee/Buyer: Schertz/Seguin Local Government Corporation

Grantee’s Mailing Address: Schertz-Seguin Local Government Corporation P. O. Box 833 Seguin, Texas 78156-0833

Consideration: Ten dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which is acknowledged and for which no lien or security interest against the following described “Property” of any kind, express or implied, is reserved by Grantor.

Property (including any improvements): A tract of land situated in GUADALUPE County, Texas, containing approximately two and one-half (2.5) acres, out the Patrick Lynch Survey, Abstract 212, Guadalupe County, Texas, and being more particularly described on EXHIBIT “A” (GU-9) attached hereto and made a part hereof for all purposes (the “Property”).

Conveyance: Grantor, for the consideration herein stated and subject to any reservations from and exceptions to conveyance, GRANTS, BARGAINS, SELLS, ASSIGNS AND CONVEYS to Grantee the Property, together with all and singular the rights and appurtenances thereto in any way belonging, to have and to hold it to Grantee and Grantee’s heirs, successors, and assigns forever, but subject to reverter as described below.
Reservations from Conveyance: All of the oil, gas and other minerals that are in and under
and that may be saved and produced from Property, but with no right of ingress and egress for
drilling, exploring, operating, producing, and developing the Property for oil, gas and other
minerals and removing the same there from.

Reverter: Grantee agrees that the Property shall be used solely by it for the purpose of
constructing and installing groundwater wells, including associated appurtenances, to produce
groundwater from the surface of the Property. Such well must be drilled on or before five years,
failings which the estate herein granted shall automatically end and terminate on such date,
whereupon title to the Property shall automatically revert and be forfeited and be terminated to
Grantor, his heirs and assigns, forever. If such well has been drilled by Grantee on or before five
years, the estate herein granted shall continue to be vested in Grantee until the earliest of (1) the
date that Grantee has ceased to produce groundwater from such well for a period of 1,000
consecutive days, (2) the date that Grantee provides notice to Grantor that it desires to cease its
operations on the Property and to terminate its rights, or (3) the date that is the later of (i) the
Water Lease between Grantor and Grantee and Martin Ranch, Ltd. dated May 4, 2009 [covering
1,241.116 acres] terminates or (ii) if Grantee elects to delay the date of the reversion to Grantor
and pays Grantor the amounts which would be due to Grantor as the Lessor under such Water
Lease as if such Water Lease had continued and as if water is produced, then the date Grantee
discontinues making such payments. Upon the occurrence of any of such events, the estate herein
granted shall automatically end and be terminated on such date, whereupon title to the Property
shall automatically revert and be forfeited to Grantor, his heirs and assigns forever, and Grantor
shall be entitled to re-enter the Property.

Exceptions to Conveyance and Warranty: This conveyance is also made and accepted subject
to any and all restrictions, covenants, conditions, oil and gas leases, reservations, setback lines,
easements, and other instruments, if any, now outstanding and of record in Guadalupe County,
Texas.

Warranty: Grantor binds Grantor and Grantor’s heirs and successors to warrant and forever
defend all and singular the property to Grantee and Grantee’s heirs, successors, and assigns
against every person whomsoever lawfully claiming or to claim the same or any part thereof
when the claim is by, through, or under Grantor but not otherwise, for as long as the estate herein
granted has not automatically been forfeited and reverted to Grantor as provided above. Grantor
and Grantee acknowledge the existence of a potential unrecorded lien in favor of the Internal
Revenue Service, relating to a Qualified Family Owned Business Interest election claimed by
Grantor relating to certain real property including the Property. In the event such lien exists,
Grantor agrees to have the lien immediately released. If Grantor fails to have said lien released,
Grantee may withhold from royalty payments due to Grantor under the Water Lease dated May
4, 2009, such amounts as may be necessary to have the lien released, including but not limited to
payment of taxes, penalty, interest, and reasonable and necessary attorney’s fees.
Representations by Grantee: Grantee acknowledges that neither Grantor nor its representatives have made any representations or warranties, express, implied, or statutory, relating to the physical condition, operating history, valuation, governmental approvals, governmental regulations, or environmental or physical condition of the Property, upon which Grantee has relied.

IN WITNESS WHEREOF, Grantor has caused this instrument to be executed on this the 15\textsuperscript{th} day of June, 2009.

GRANTOR:

SEDLEY H. MARTIN, JR. TRUST

By: \textit{Signature}
Name: Sedley H. Martin, Jr.
Title: Trustee

ACCEPTED by GRANTEE:

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION

By: \textit{Signature}
Name: Alan Cockerell
Title: Manager
ACKNOWLEDGEMENT

STATE OF TEXAS

COUNTY OF GUADALUPE

This instrument was acknowledged before me on the 15th day of June, 2009, by Sedley H. Martin, Jr., Trustee of the Sedley H. Martin, Jr. Trust, created under the will of Sedley H. Martin, Sr., admitted to probate in Cause No. 8807, County Court of Gonzales County, Texas.

[Signature]
Notary Public, State of Texas

ACKNOWLEDGEMENT

STATE OF TEXAS

COUNTY OF GUADALUPE

This instrument was acknowledged before me on the 15th day of June, 2009, by Alan Cockerell, Manager of the Schertz/Seguin Local Government Corporation, a Texas public non-profit, on behalf of that corporation.

[Signature]
Notary Public, State of Texas

AFTER RECORDING RETURN TO:
Schertz-Seguin Local Government Corporation
P. O. Box 833
Seguin, Texas 78156-0833

Page 4 of 4
Field notes describing a 2.50 acre tract of land situated in the Patrick Lynch Survey, Abstract 212, Guadalupe County, Texas, being a portion of a tract of land called 54.75 acres, conveyed to Sedley H. Martin by deed recorded in Volume 287, Page 545, Deed Records Guadalupe County, Texas, and being more particularly described as follows: Note: All set pins are ½" diameter rebar with an orange plastic cap stamped "Tri-County".

Beginning at an iron pin set in the north right-of-way line of Lakey Road (County Road 424) and the south line of the 54.75 acre for the southwest corner of the herein described tract. Said pin bears S 89° 50' 11" E, 1193.62 feet, S 89° 34' 05" E, 775.15 feet and S 89° 32' 40" E, 511.43 feet from a 6" diameter cedar fence post found for the southwest corner of a tract of land called 119 acres, conveyed to Sedley H. Martin, by deed recorded in Volume 287, Page 545, Deed Records Guadalupe County, Texas.

Thence, N 00° 29' 36" E, 330.00 feet crossing a portion of the 54.75 acre tract, to an iron pin set for the northwest corner of the herein described tract.

Thence, S 89° 30' 24" E, 330.00 feet crossing a portion of the 54.75 acre tract, to an iron pin set for the northeast corner of the herein described tract.

Thence, S 00° 29' 36" W, 330.00 feet crossing a portion of the 54.75 acre tract, to an iron pin set in the north right-of-way line Lakey Road and the south line of the 54.75 acre tract, for the southeast corner of the herein described tract.

Thence, N 89° 07' 32" W, 32.62 feet and N 89° 32' 56" W, 297.38 feet with the north right-of-way line Lakey Road and the south line of the 54.75 acre tract, to the Place of Beginning and containing 2.50 acre of land according to a survey made on the ground on March 5, 2009, by Tri-County Surveying Inc.

Corresponding plat prepared.
Project No. 0902114-GU9
Revised June 15, 2009

Aubrey C. Holland
Registered Professional
Land Surveyor No. 4493

Exhibit A
This page has been added by the Guadalupe County Clerk's office to comply with the statutory requirement that the clerk shall stamp the recording information at the foot of the last page of the document.

This page becomes a part of the document identified by Document Number 09-10748 affixed on the first page of this document.
MEMORANDUM OF LEASE

This Memorandum of Lease is made effective the 4th of May 2009, by and between MARTIN RANCH, LTD. and SEDLEY H. MARTIN, JR., Trustee of the SEDLEY H. MARTIN, JR. TRUST created under the last will of SEDLEY H. MARTIN, SR. admitted to probate in Cause No. 8807, County Court, Gonzales County, Texas ("Lessor") and SCHERTZ-SEGUIN LOCAL GOVERNMENT CORPORATION, a Texas local government corporation ("Lessee").

WITNESSETH:

1. Lessor and Lessee have, effective the date set out above, entered into a Lease of Ground Water (the "Lease"), of the right to withdraw and beneficially use the Carrizo/Wilcox Aquifer water pertaining to the real property described on Exhibit "A" attached hereto (the "Water Rights"), and all real and personal property rights, appurtenances, permits, authorities, licenses, consents and contracts, if any, pertaining to all such Water Rights, as more fully described in the Lease which sets out the rights and obligations of Lessor and Lessee thereunder.

2. The Lease sets forth the names of Lessor and Lessee and addresses of the parties thereto.

3. Under the terms of the Lease, Lessor has agreed to lease the Water Rights to Lessee and Lessee has agreed to lease the Water Rights from Lessor upon and in accordance with the terms of the Lease.

4. This Memorandum of Lease is intended to act only as notice of the existence of the Lease and its general terms. To the extent the terms of this Memorandum of Lease conflict with the terms of the Lease, the terms of the Lease shall control.

5. Lessee agrees that upon termination of this Lease, Lessor may file in Guadalupe County a notice in the form of a Memorandum of Termination of Lease and that such notice shall be conclusive and may be relied upon by any subsequent purchaser of the Property or any interest therein including without limitation, any interest in groundwater in or under the Property.

RECEIVED

JUN 12 2009
LESSOR:
MARTIN RANCH, LTD.

BY: GP MR, LLC, its
    General Partner

by: ___________________________________________________________________
    Sedley H. Martin, Jr., Manager of
    General Partner

SEDLEY H. MARTIN, JR. TRUST

by: ___________________________________________________________________
    Sedley H. Martin, Jr., Trustee

THE STATE OF TEXAS §

COUNTY OF GONZALES §

THIS INSTRUMENT was acknowledged before me on this 12 day of January, 2009, by
SEDLEY H. MARTIN, JR., Manager of GP MR, LLC, general partner on behalf of Martin
Ranch, Ltd., a Texas limited partnership on behalf of said partnership and as Trustee of the
SEDLEY H. MARTIN, JR. TRUST, on behalf of said trust.

(SEAL)

SUE C ORTMAN
NOTARY PUBLIC
STATE OF TEXAS
My Commission Expires 05-27-2010

Notary Public - State of Texas
LESSEE:

SCHERTZ-SEGUIN LOCAL GOVERNMENT CORPORATION, a Texas local government corporation

By: ____________________________
    Name: Alan Cockerell
    Title: General Manager

STATE OF TEXAS  $  
COUNTY OF GUADALUPE  $  

This instrument was acknowledged before me on the 46th day of May 2009, by Alan Cockerell, general manager of SCHERTZ-SEGUIN LOCAL GOVERNMENT CORPORATION, a Texas local government corporation, on behalf of said corporation.

[SEAL]

GEORGIA L. HANKS  
Notary Public  
State of Texas  
Comm. Exp. 08-03-2011

Notary Public, State of Texas

AFTER RECORDING, RETURN TO:

Schertz-Seguin Local Government Corporation  
P. O. Box 833  
Seguin, Texas 78156  
Attention: General Manager
EXHIBIT A
Property Description

Water Lease between MARTIN RANCH, LTD. and SEDLEY H. MARTIN, JR., Trustee of the
SEDLEY H. MARTIN, JR. TRUST
and Schertz-Seguin Local Government Corporation

Property Description: Being all of that certain tract or parcel of land in Guadalupe County,
Texas, containing 1,241.116 acres, more or less;

Tract 1: 752.966 acres of land, more or less, (owned by MARTIN RANCH, LTD.) located in
Guadalupe County, Texas, being 857.3 acres of land, more or less, out of the H. & T.C. Railway
Company Survey No. 13, Patent No. 549, Volume No. 18, the Patrick Lynch League, Abstract
No. 313 and the Thomas G. Weeks 1920 Acre Survey, Patent No. 70, described in Deed from
M. W. Martin, et ux to Sedley H. Martin, dated April 14, 1958, recorded in Volume 427, Page
352, of the Deed Records of Guadalupe County, Texas; described in Deed from Elleece Martin
Hays, et vir to Sedley H. Martin, dated February 10, 1965, recorded in Volume 373, Page 531,
of the Deed Records of Guadalupe County, Texas and described in Deed from Martin W.
Martin, et al to Sedley H. Martin, dated October 7, 1953, recorded in Volume 268, Page 145, of
the Deed Records of Guadalupe County, Texas, SAVE AND EXCEPT 4.334 acres of land,
more or less, described in Right-of-Way Deed from Sedley H. Martin, Sr., et ux to State of
Texas, dated March 22, 1963, recorded in Volume 359, Page 136, of the Deed Records of
Guadalupe County, Texas (4.184 acres out of 333 acre tract Patrick Lynch and .150 acres out
of 2.3 acre tract Thomas Weeks and SAVE AND EXCEPT 99.97 acres of land, more or less,
described in Deed from Sedley H. Martin, et ux to Frank B. Burns and wife, Wanda Burns,
dated February 2, 1970, recorded in Volume 427, Page 359, of the Deed Records of Guadalupe
County, Texas.

Tract 2: 273.75 acres of land, more or less, (owned by SEDLEY H. MARTIN, JR. TRUST)
located in Guadalupe County, Texas, being 273.75 acres of land, more or less, out of the
Patrick Lynch Survey, described in Warranty Deed from M. W. Martin, et ux to Sedley H.
Martin, dated June 9, 1954, recorded in Volume 287, Page 545, of the Deed Records of
Guadalupe County, Texas; described in Deed from E. L. Hays, et ux to Sedley H. Martin, dated
February 10, 1965, recorded in Volume 267, Page 545, of the Deed Records of Guadalupe
County, Texas.

Tract 3: 214.4 acres of land, more or less, (owned by SEDLEY H. MARTIN, JR. TRUST)
located in Guadalupe County, Texas, being 139.4 acres of land, more or less, out of the Patrick
Lynch Survey, described in Deed from Veterans Land Board of the State of Texas to Sedley H.
Martin, dated November 13, 1979, recorded in Volume 457, Page 530, of the Deed Records of
Gonzales County, Texas and 75 acres of land, more or less, out of the Jackson Romark Survey,
Abstract No. 269, described in Deed from Chessly Batey, et al to Sedley H. Martin, dated
August 1, 1962, recorded in Volume 349, Page 467, of the Deed Records of Guadalupe County,
Texas.

The Property is subject to any and all covenants, easements restrictions, prior oil, gas, and
mineral severances and leases, leases of the surface, discrepancies, conflicts, and shortages in
area or overlapping of improvements, to the extent same are in force and effect and apply
against the Property.
This page has been added by the Guadalupe County Clerk's office to comply with the statutory requirement that the clerk shall stamp the recording information at the foot of the last page of the document.

This page becomes a part of the document identified by Document Number 09-9935 affixed on the first page of this document.
MEMORANDUM OF LEASE

This Memorandum of Lease is made effective the 3rd day of July, 2007, by and between QSTS Ranch Partnership, Ltd., Martha Seeligson Geffney, Roxana Seeligson Newsom, and Frates Slick Seeligson, Jr. ("Lessor") and SCHERTZ/SEGUIS LOCAL GOVERNMENT CORPORATION, A Texas local government corporation ("Lessee").

WITNESSETH:

1. Lessor and Lessee have, effective the date set out above, entered into a Lease of Ground Water (the "Lease"), of the right to withdraw and beneficially use the Carrizo/Wilcox Aquifer water pertaining to the real property described on Exhibit "A" attached hereto (the "Water Rights"), and all real and personal property rights, appurtenances, permits, authorities, licenses, consents and contracts, if any, pertaining to all such Water Rights, as more fully described in the Lease which sets out the rights and obligations of Lessor and Lessee thereunder.

2. The Lease sets forth the names of Lessor and Lessee and addresses of the parties thereto.

3. Under the terms of the Lease, Lessor has agreed to lease the Water Rights to Lessee and Lessee has agreed to lease the Water Rights from Lessor upon and in accordance with the terms of the Lease.

4. This Memorandum of Lease is intended to act only as notice of the existence of the Lease and its general terms. To the extent the terms of this Memorandum of Lease conflict with the terms of the Lease, the terms of the Lease shall control.
LENSOR:
QSTS Ranch Partnership, Ltd.
By: Sonligsee Investment Management, LLC
Its: General Partner

By: [Signature]
Name: FROTIS ZECHARIADIS, JR.
Title: President

STATE OF Texas $
COUNTY OF Texas $

This instrument was acknowledged before me on the 29 day of June, 2017, by FROTIS ZECHARIADIS, JR., President of Sonligsee Investment Management, LLC, a Texas limited liability company corporation, on behalf of said corporation.

[SEAL]

Michael Steven Vann
Notary Public
State of Texas
My Comm. Exp. 05-14-2011

Notary Public, State of Texas

Guadalupe Lease
Martha Seeligson Gaffney

STATE OF ____________ $ WASHINGTON D.C.
COUNTY OF ____________ $

This instrument was acknowledged before me on the 30th day of JUNE 2007, by Martha Seeligson Gaffney.

[SEAL]

Notary Public, __________________________

Notary Public District of Columbia
CHARLES HELLER

Guadalupe Lease
Roxana Seeligson Newsom

STATE OF Texas $
COUNTY OF Bexar $

This instrument was acknowledged before me on the 2nd day of July, 2007 by Roxana Seeligson Newsom.

[SEAL]

DONNA S. KOCH
Notary Public, State of Texas

Guadalupe Lease
STATE OF Texas §
COUNTY OF Bexar §

This instrument was acknowledged before me on the 29 day of June, 2007 by Frates Slick Seligson, Jr.

[SEAL]

Michael Steven Vonn
Notary Public, State of Texas
My Comm. Exp. 05-04-2011

/Prudhomme Lease
Lessee:

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION, a Texas local government corporation

By: ____________________________
Name: Roy A. Cockrell
Title: General Manager

STATE OF TEXAS

COUNTY OF GUADALUPE

This instrument was acknowledged before me on the 3rd day of July, 2001, by Roy A. Cockrell, General Manager of SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION, a Texas local government corporation, on behalf of said corporation.

[SEAL]

[Signature]
Notary Public, State of Texas

AFTER RECORDING,
RETURN TO:

Schertz-Seguin Local Government Corporation
P. O. Box 833
Seguin, Texas 78156
Attention: General Manager
EXHIBIT "A"
PROPERTY DESCRIPTION

FIRST PARCEL - GONZALES & GUADALUPE COUNTIES, TEXAS:

SURFACE ESTATE ONLY IN AND TO A 5,318.95 ACRE TRACT OF LAND, MORE OR LESS, BEING A PART OF A CERTAIN 5,324.19 ACRE TRACT OF LAND DESCRIBED IN DEED DATED NOVEMBER 8, 1950 FROM HUGH A. L. HALFP, EXECUTOR TO ARTHUR A. SEELIGSON, JR. AND FRATES SEELIGSON, RECORDED IN VOLUME 265, PAGE 186, DEED RECORDS, GONZALES COUNTY, TEXAS, AND IN VOLUME 248, PAGE 447, DEED RECORDS, GUADALUPE COUNTY, TEXAS, AND BEING A PART OF THE JOSE DE LA BAUME SIX LEAGUES GRANT, ABSTRACT NO. 34, LYING AND BEING SITUATED IN GONZALES AND GUADALUPE COUNTIES, TEXAS; SAID 5,324.19 ACRE TRACT OF LAND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS, TO-WIT:

BEGINNING at a fence corner at the original Southwest corner of the Jose de la Baume Grant from which a pile of rocks bears South 60 degrees West 15 feet, said corner being also the Southwest corner of the Wells Ranch;

THENCE East along the outside South fence line of the Wells Ranch, the South line of the Jose de la Baume Grant, 22,593.22 feet to a 30 inch post oak tree on the Northeast side of O'Neal's Creek for the Southeast corner of this tract;

THENCE North 10 degrees 16 minutes East crossing a county lane and continuing from there along the Wells outside fence line in said direction, 312.7 feet to a fence corner in said outside fence;

THENCE North 89 degrees 32 minutes East with said outside fence line 168.9 feet to another corner in the said fence;

THENCE with said outside fence of the Wells Ranch North 0 degrees 20 minutes East 3130 feet to another corner in said outside fence;

THENCE continuing with said outside fence South 89 degrees 54 minutes East 1245.38 feet to another corner in said fence on the line of State Highway 80;

THENCE North 11 degrees 08 minutes East with said outside fence and State Highway 80, 1468.79 feet to a corner in said fence at the junction of said State Highway 80 and a fifty foot county road;

THENCE North 85 degrees 51 minutes West with said outside fence and the said fifty foot county road, 378 feet to a corner in said fence and said road;
THENCE North 0 degrees 51 minutes East with said outside fence and said fifty foot road, 2262.1 feet;

THENCE North 0 degrees 48 minutes East continuing with said outside fence and fifty foot road, 661.1 feet to a point in the center line of the fifty foot road leading from the above mentioned county road to the Wells Ranch, passing through the land herein described, which road is more fully set forth at the end of the tract of land herein described;

THENCE South 82 degrees 08 minutes East with the center line of said road leading to the Wells Ranch 18 feet to point in direct line with the fence on the West boundary of the present county road running from this point North;

THENCE North 0 degrees 48 minutes East with the above mentioned county road and the said outside fence, 2739.4 feet;

THENCE North 0 degrees 23 minutes East with said fence line and the county road which is 32 feet wide, 4404.7 feet to an iron pin at a corner of said fence, the Northeast corner of the Wells Ranch being also the Northeast corner of Subdivision No. 1 of the Capota Farm and the Northeast corner of the tract of land herein described;

THENCE South 89 degrees 37 minutes West with a fence line 5341.2 feet to an iron pin set for the most Northerly Northwest corner of the tract herein described, from which a post oak 15 inches in diameter marked "X" bears North 2 degrees East 29.7 feet, another post oak 18 inches in diameter marked "X" bears South 82 degrees East 90.7 feet;

THENCE partly across the Wells Ranch along the following courses:

South 0 degrees 04 minutes East 6484.86 feet to the center line of the above mentioned fifty foot road to the Wells Ranch hereinafter referred to, from which point a post oak 30 inches in diameter marked "X" bears North 87 degrees 20 minutes West 264 feet; and

Another post oak 18 inches in diameter marked "X" bears North 84 degrees East 190 feet;

THENCE South 88 degrees 36 minutes West with the center line of said road to the Wells Ranch hereinafter referred to, 1336.9 feet to an iron pin set at the West end of said road from which a three forked willow marked "X" 30 inches in diameter bears South 83 degrees 20 minutes, another willow 15 inches in diameter marked "X"
bars South 45 degrees 15 minutes East 22 feet;

THENCE South 89 degrees 51 minutes West 17,328.4 feet to an iron pin set in the outside Wells Ranch fence line, being the West line of the Jose de la Baume Grant from which a post oak 12 inches in diameter marked "X" bears North 71 degrees 40 minutes East, 36 feet, and another post oak 18 inches in diameter bears South 11 degrees 30 minutes East 121 feet;

THENCE South 0 degrees 25 minutes West with the outside fence of the Wells Ranch, the West line of the Jose de la Baume Grant 1807.7 feet;

THENCE South 0 degrees 53 minutes West following the said fence and Grant line 6558.24 feet to THE PLACE OF BEGINNING, containing an area of 5,324.19 acres of land, more or less, of which 7.31 acres is a part of the area of a road to the Wells Ranch, which said road to the Wells Ranch is more particularly described by metes and bounds described and dedicated in a Deed from C. M. Wells to G. A. C. Halff, dated Jul 1, 1938 and recorded in Book 179, Pages 290-291, Deed Records of Guadalupe County, Texas, and in Volume 181, Pages 637-639, Deed Records of Gonzales County, Texas, to which reference is here made for the purpose of more particularly describing said road and all other pertinent purposes.

BUT LESS AND EXCEPTING, HOWEVER, THAT CERTAIN TRACT OR PARCEL OF LAND CONTAINING 4.649 ACRES, MORE OR LESS, (DESCRIBED AS CONTAINING 4.28 ACRES OF LAND, MORE OR LESS, IN DEED DATED APRIL 29, 1946 FROM G. A. C. HALFF TO MRS. MAY HOLDER, RECORDED IN VOLUME 239, PAGES 199-200, DEED RECORDS, GONZALEZ COUNTY, TEXAS, BUT UPON A RE-SURVEY ON THE GROUND WAS FOUND TO CONTAIN 4.649 ACRES OF LAND, MORE OR LESS, AS SHOWN IN DEED DATED OCTOBER 12, 1973 AND RECORDED IN VOLUME 396, PAGES 229-233, DEED RECORDS, GONZALEZ COUNTY, TEXAS) AND IS MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS, TO-WIT:

BEGINNING at an iron rod set in the Southerly line of the aforesaid Jose de la Baume Six League Grant and at the Southeast corner of the aforesaid 4.28 acre tract, said corner also being the Southwest corner of that certain tract described as containing 1 acre of land, more or less, in that certain Deed dated October 2, 1907, executed by J. B. WELLS to W. B. GREEN, County Judge, Gonzales County, Texas, for the school purposes, said Deed being recorded in Volume 82, Page 363, Deed Records, Gonzales County, Texas, said PLACE OF BEGINNING being located West 2955 varas from the Southeast corner of the aforesaid Jose de la Baume Six League Grant for the Southeast corner of this tract or parcel of land hereby intended to be described;
TENCE West 373.25 varas along the Southerly line of the aforesaid Jose de la Baume Six League Grant, said line also being the Southerly line of the aforesaid 4.28 acre tract, to an iron rod set in the Southeasterly line of a public road for the most Westerly corner of this tract or parcel of land hereby intended to be described;

TENCE in a Northeasterly direction along the Southeasterly line of the aforesaid public road, said line also being the

Northwesterly line of the aforesaid 4.28 acre tract, North 54 degrees 25 minutes East 78.5 varas, North 66 degrees East 18 varas, North 52 degrees 40 minutes East 97.9 varas, North 74 degrees 45 minutes East 33.5 varas to an iron rod set in the curve of said public road, for the most Northerly corner of this tract or parcel of land hereby intended to be described;

TENCE South 63 degrees 22 minutes East 204.5 varas along the Southwesterly line of the aforesaid public road, said line also being the Northeasterly line of the aforesaid 4.28 acre tract, to an iron rod set in the Easterly line of the aforesaid 5324.19 acre tract, said line also being the Westerly line of the aforesaid 1 acre tract and at a corner of the aforesaid 4.28 acre tract, for a corner of this tract or parcel of land hereby intended to be described;

TENCE South 29.5 varas along said lines to the PLACE OF BEGINNING.

AND ALSO LESS AND EXCEPTING, HOWEVER, THAT CERTAIN 1 ACRE TRACT OR PARCEL OF LAND, MORE OR LESS, DESCRIBED IN DEED DATED AUGUST 2, 1947, EXECUTED BY DISTRICT TRUSTEES OF DISTRICT NO. 28 AND COUNTY OF GONZALES TO G. A. C. HALPF, RECORDED IN VOLUME 247, PAGES 416-419, DEED RECORDS, GONZALES COUNTY, TEXAS, SAID 1 ACRE TRACT OR PARCEL OF LAND BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS, TO-WIT:

BEGINNING at the extreme Southeast corner of that portion of said Jose de la Baume Survey which was owned by J. B. WELLS on October 2, 1907;

TENCE with the South line of said survey West 75-1/9 varas to a stake set for corner;

TENCE North 75-1/9 varas to a stake for corner;

TENCE East 75-1/9 varas to a stake for corner;

TENCE South with the East line of said J. B. Wells Land 75-1/9
Save and except out of same a strip of land off the south side of said tract 30 feet in width hereby reserved for roadway and being the same tract or parcel of land heretofore conveyed by J. B. Wells unto W. B. Green (then county judge of Gonzales County, Texas), and his successors in office, for the use and benefit of the colored school in school district No. 28 by deed dated October 2, 1907, recorded in Volume 82, Pages 363-364, Deed Records, Gonzales County, Texas; and being the same tract or parcel of land described in deed dated November 8, 1950 from Hugh A. L. Halff, executor and trustee of the estate of Ochenaux A. C. Halff, deceased to Arthur A. Seeligson, Jr. and Frates Seeligson, recorded in Volume 265, Pages 186-189, Deed Records, Gonzales County, Texas.
THIRD PARCEL - GUADALUPE COUNTY, TEXAS:

THAT CERTAIN PARCEL OF LAND PURCHASED FROM HILMA ERSKINE IN JULY
OF 1960, LOCATED IN GUADALUPE COUNTY, TEXAS, CONTAINING 1,917 ACRES
OF LAND, MORE OR LESS, DESCRIBED AS FOLLOWS, TO-WIT:

TRACTS TWENTY-FIVE (25), TWENTY-SIX (26) AND TWENTY-SEVEN
(27), ACCORDING TO THE PLAT OF THE McLARTY RANCH SUBDIVISION
DATED AUGUST 8, 1952, AND RECORDED IN MAP BOOK 2, PAGES 32-
33, OF THE MAP RECORDS OF GUADALUPE COUNTY, TEXAS, TO WHICH
AND THE RECORD THEREOF REFERENCE IS HERE MADE, WHICH SAID
TRACTS CONSIST OF ALL OF THE H. & T. C. R.R. CO. SURVEYS
NUMBERS 1, 3 AND 5 AND 8.2 ACRES OFF THE WEST SIDE OF THE JOSE
DE LA BAUME SURVEY, THE SAID FOUR TRACTS AND PARCELS OF LAND
BEING FULLY DESCRIBED BY METES AND BOUNDS IN DEED FROM T. J.
McLARTY TO A. M. ERSKINE, DATED NOVEMBER 14, 1953, RECORDED
IN VOLUME 269, PAGES 460-463, AND IN CORRECTION DEED OF SAME
DATE RECORDED IN BOOK 270, PAGES 137-140, OF THE DEED RECORDS
OF GUADALUPE COUNTY, TEXAS, TO WHICH AND THE RECORD THEREOF
REFERENCE IS HERE MADE;

LESS AND EXCEPT:

(1) 4.205 ACRES OF LAND, MORE OR LESS, CONVEYED TO THE STATE
OF TEXAS AND MORE FULLY DESCRIBED IN VOLUME 359, PAGE
271, DEED RECORDS, GUADALUPE COUNTY, TEXAS; AND

(2) 6.9 ACRES OF LAND, MORE OR LESS, CONVEYED TO FRANK
SCHMIDT AND HENRY A. GLENWINKEL AND MORE FULLY DESCRIBED
IN VOLUME 359, PAGE 273, DEED RECORDS, GUADALUPE COUNTY,
TEXAS.

BUT SAVE AND EXCEPT ALL OF THE OIL, GAS AND OTHER MINERALS IN, ON
AND UNDER AND THAT MAY BE PRODUCED FROM SAID ABOVE DESCRIBED LANDS.
FOURTH PARCEL - GUADALUPE COUNTY, TEXAS:

FIELD NOTES DESCRIBING A SURVEY OF TRACT NO. 8 OF A SUBDIVISION OF MCLAURY RANCH, PLAT OF SAID SUBDIVISION BEINGRecorded in Volume 2, Pages 32-33 of the Map Records of Guadalupe County, Texas. The land herein described is situated in the W. W. Cannon Survey No. 2, A-383, Guadalupe County, Texas and is described by metes and bounds as follows:

BEGINNING at a fence corner and iron pipe marking the Southwest corner of said Cannon Survey;

THENCE with fence along the West line of said Cannon Survey North 0 degrees 22 minutes West 1320 feet to a steel axle;

THENCE North 89 degrees 44 minutes East at 1014.6 feet an iron pipe, at 2045.8 feet a steel axle, at 2994.0 feet an iron pipe, 4161.6 feet an iron pipe and at 5335.9 feet an iron pipe in fence along the East line of said Cannon Survey;

THENCE with said fence South 0 degrees 05 minutes West 1320 feet to a fence corner and iron pipe marking the Southeast corner of said Cannon Survey No. 2;

THENCE with fence along South line of said Cannon Survey No. 2 South 89 degrees 44 minutes West 5325.5 feet to the PLACE OF BEGINNING and containing 161.5 acres of land, more or less.

BEGINNING at a fence corner and iron pipe marking the Northeast corner of said Tract No. 3, said corner being in the West line of the H. & T. C. Railroad Company Survey No. 3 and situated North 0 degrees 13 minutes West 1500.1 feet from the Southwest corner of H. & T. C. Railroad Survey No. 3;

THENCE with fence South 0 degrees 13 minutes East 1500.1 feet to a fence corner and iron pipe marking the Southwest corner of H. & T. C. Railroad Co. Survey No. 3;

THENCE South 845.6 feet to a re-entrant corner of Tract No. 4 of said subdivision of McLarty Ranch;

THENCE West 2590.1 feet to the West corner of Tract No. 4 of subdivision of McLarty Ranch and the Southwest corner of the tract herein described, said corner being 30.6 feet East of a fence line which divides the H. & T. C. Railroad Co. Survey No. 4 into the A. R. Eggleston Survey and the J. B & C. M. Wells Survey, A-495;

THENCE 30 feet from and parallel to said fence North 11 degrees 09 minutes West 1294.5 feet to a point in the common line of the H. & T. C. Railroad Company Survey No. 4, and the C. C. Currier Survey, A-98;

THENCE into said Currier Survey, 30 feet from and parallel to fence North 0 degrees 10 minutes East 1072.1 feet to a point and the Northwest corner of the tract herein described;

THENCE East 2830.4 feet to the PLACE OF BEGINNING.
SIXTH PARCEL - GUADALUPE COUNTY, TEXAS:

FIELD NOTES DESCRIBING A SURVEY OF TRACT NO. 4 OF A SUBDIVISION OF MCLARTY RANCH, PLAT OF SAID SUBDIVISION BEING RECORDED IN VOLUME 2, PAGES 32-33, OF THE MAP RECORDS OF GUADALUPE COUNTY, TEXAS. THE LAND HEREIN DESCRIBED IS SITUATED IN THE H. & T. C. RAILROAD COMPANY SURVEY NO. 4, GUADALUPE COUNTY, TEXAS, AND IS DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

BEGINNING at an iron pipe in the South line of H. & T. C. Railroad Co. Survey No. 4 said pipe being 30 feet West of a fence corner and iron pipe marking the Southeast corner of said Survey No. 4;

THENCE with the South line of said Survey No. 4, 30 feet from and parallel to a fence, South 89 degrees 49 minutes West 5334.5 feet to a point 30.6 feet East of a fence line which divides the H. & T. C. Railroad Co. Survey No. 4 into the A. R. Eggleston Survey and the J. B. and C. M. Wells Survey, A-495;

THENCE along a line 30 feet from and parallel to said fence North 11 degrees 09 minutes West 779.1 feet to the Southwest corner of Tract No. 3 of said subdivision of McLarty Ranch;

THENCE with the South line of said Tract No. 3, East 2590.1 feet to the Southeast corner of said Tract No. 3 and a re-entrant corner of the tract herein described;

THENCE North 845.6 feet to a fence corner and iron pipe marking the Southwest corner of H. & T. C. Railroad Co. Survey No. 3, A-172;

THENCE with fence along South line of said Survey No. 3, North 89 degrees 52 minutes East 2884.9 feet to a point from which a fence corner and iron pipe marking the Southeast corner of said Survey No. 3 bears East 30 feet;

THENCE 30 feet from and parallel to fence along the East line of the H. & T. C. Railroad Co. Survey No. 4, South 0 degrees 22 minutes East 1599.6 feet to the PLACE OF BEGINNING and containing 150.1 acres of land, more or less.
SEVENTH PARCEL - GUADALUPE COUNTY, TEXAS:

ALL THAT CERTAIN TRACT AND PARCEL OF LAND LYING AND BEING SITUATED IN GUADALUPE COUNTY, TEXAS, BEING 139 ACRES OF LAND, BEING THE E. J. HOLMES SURVEY, AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS, TO-WIT:

BEGINNING at the Northeast corner of Section 3, H. & T. C. Ry. Company Survey, on the West boundary of the de la Baume Survey;

THENCE with the West boundary of said Survey, North 267 varas to its Northwest corner in the South boundary of the Green DeWitt League;

THENCE West with the South boundary of said league 2950 varas to stake;

THENCE South 265 varas to North boundary of said Section 3;

THENCE East 2950 varas to the PLACE OF BEGINNING.

FILED FOR RECORD

2000 FEB 25 PM 2:40

TERESA KIEL COUNTY CLERK GUADALUPE COUNTY

STATE OF TEXAS
COUNTY OF GUADALUPE
I certify this instrument was FILED on the date and at the time stamped herein and was duly recorded in the Official Public Records of Guadalupe County, Texas.

Teresa Kiel
Guadalupe County Clerk

RTE - Alan Caddell

PO Box 833
Seguin, TX 78156
Memorandum

Date: February 25, 2008

To: Susan Caddell
    Finance Department

From: Georgia Hanks

Re: Memorandum of Lease/Filing Fees

A receipt for filing fees for the memorandum of lease for the following water leases in Guadalupe County is enclosed:

1) Carrizo Water Co., LLC
2) Carlos Brawner
3) Quien Sabe

If you have questions or need additional information, please call me at 401-2409.

/gh

Enclosures: 1
Official Receipt-02/23/2008

County Clerk (Debt): TRACY MIL

Social Security: 7...

Phone:

Account: 21-02/23/2008-0
Late Fee: 01/26/2008
Secured Number: 123456
Payment Method: Check
US
Paid for: CITIES OF SEGUIN
Received By: LMK

Remainder: 06-003462 - 08-003464

<table>
<thead>
<tr>
<th>Item</th>
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<tr>
<td>CMS</td>
<td>3.00</td>
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<tr>
<td>Bill</td>
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</tr>
</tbody>
</table>

Total Charges: 132.00

Payment: 132.00

063-5500-537.32-05
STATE OF TEXAS

COUNTY OF GUADALUPE

SITE CERTIFICATE

Before me, the undersigned notary, on this day personally appeared [R. Alan Cockerell], a person whose identity is known to me or who has presented to me a satisfactory proof of identity. After I administered an oath, this person swore to the following:

(1) My name is [R. Alan Cockerell]. I am over 18 years of age and I am of sound mind, and capable of swearing to the facts contained in this Site Certificate. The facts stated in this certificate are within my personal knowledge and are true and correct.

(2) I am an authorized representative of [Schertz-Seguin Local Government Corporation], an entity that has filed an application for financial assistance with the Texas Water Development Board for a water project.

LEGAL CERTIFICATION - OWNERSHIP INTEREST

This is to certify that [Schertz-Seguin Local Government Corporation] has acquired or is in the process of acquiring the necessary real property interest, as evidenced by fee simple purchase or fully executed earnest money contracts, firm option agreements to purchase the subject property or the initiation of eminent domain procedures, that such acquisition will guarantee access and egress and such interest will contain the necessary easements, rights of way or unrestricted use as is required for the project being financed by the Texas Water Development Board. The legal description is referenced below:

Please see attached chart of property acquired if fee simple for the proposed water treatment plant site and water well sites, together with a copy of the deeds for each tract, with each deed showing that the deed has been recorded and filed for record in the County deed records.
LEGAL CERTIFICATION - LEASE/CONTRACT

I certify that Schertz-Seguin Local Government Corporation has executed written leases on several tracts to produce groundwater needed for this water project that extend for the life of the Texas Water Development Board loan or grants used to finance this project, either in whole or in part, and thereafter for so long as groundwater is produced for this project and the annual royalty payments are paid. A chart of these leases and copy of each lease or agreement is attached hereto.

LEGAL CERTIFICATION - PROPERTY EASEMENT

I certify that Schertz-Seguin Local Government Corporation has executed the express easements required to access and use the well sites needed for this water project that extends through the life of the Texas Water Development Board loan or grant that will be used to finance this project, either in whole or in part, and beyond. A copy of these express easement agreements are attached hereto. In addition, Schertz-Seguin Local Government Corporation intends to use the proceeds of the grant or loan from the Texas Water Development Board to acquire pipeline easements required for this project and upon receipt of the funds, Schertz-Seguin Local Government Corporation will initiate the process of acquiring the necessary real property interests required for the pipeline, as evidenced by purchase or the initiation of eminent domain procedures by the City of Schertz and/or the City of Seguin, that such acquisition will guarantee access and egress and such interest will contain the necessary easements, rights of way or unrestricted use as is required for the project being financed by the Texas Water Development Board.

EXECUTED this 20th day of May, 2016.

(Signature)
R. Alan Cockerell
(Print Name)
General Manager
(Title)

Sworn to and subscribed before me by R. Alan Cockerell on May 20, 2016.

Notary Public in and for the State of Texas

My Commission expires: 05-29-2019
Response to “application Issues” from email by Joel Smith dated May 18, 2016:

1. Please describe, in general terms, the problem that has created the need for the project. If growth is an issue, quantify it briefly:
   Schertz-Seguin Local Government Corporation (SSLGC) supplies treated potable water to the cities of Schertz and Seguin as well as Selma, Springs Hill WSC, Universal City and San Antonio Water System (SAWS). According to Region L projections, total amounts of water needed by SSLGC to meet its customers’ projected demands are as follows:
   • 18,756 ac-ft/yr in 2020
   • 21,350 ac-ft/yr in 2040
   • 24,150 ac-ft/yr in 2070

   Region L also states that SSLGC currently has 17,030 ac-ft/yr of water dependable yield available from its Gonzales wellfield. Due to growth of its customers as identified by both SSLGC and Region L Plan, the project is needed to meet the demands of its customers due to population increases. Without expansion of its wholesale water supply system, SSLGC could experience water deficits by 2020.

   The Expanded Carrizo and parallel pipeline project for SSLGC involves expansion of well fields located in Guadalupe County. SSLGC was created by the City of Schertz and City of Seguin to develop and operate a wholesale water supply system to serve the long-term needs of several communities located in Guadalupe and Bexar Counties. SSLGC’s water supply strategy focuses on the development of additional well fields, treatment systems, and transmission facilities for delivery of treated potable water to its customers. Planned implementation of this strategy will provide an additional dependable annual supply of approximately 6,500 ac-ft/yr.

2. Please describe the Corporation’s current system. Overall descriptions should include:

   a. Types and sizing of the current inventory of system’s property; wells, pump stations, storage tanks, treatment works, and other items. Please include rough estimates of the linear footage of transmission and nay distribution water lines.

   General
   SSLGC currently owns and operates the following production, treatment, and transmission facilities:
   • 12 Water supply wells
   • Raw water collection piping network
   • Treatment and production facilities
   • Water storage facilities
   • Water pump stations
   • Transmission pipelines
Water Supply
Existing Carrizo water wells and raw water collection pipe networks are located in Gonzales County and owned and operated by SSLGC. SSLGC has constructed a total of twelve (12) water supply wells located to the north of the City of Nixon. Each existing water well is approximately 1,400 feet in depth will pump up to 1,500 gallons per minute. Total existing firm capacity or production of a well field is typically the lesser of the largest well pump out of service or 85% of the total rated production rate. In this case with twelve wells, 85% of production is the determining factor in the rating of the SSLGC well field. Therefore, the firm capacity of the SSLGC well field is presently 13,123 gpm (18.9 MGD) with a total production capacity from the well field of 14,623 gpm (21.057 MGD) based on the approved rating by TCEQ.

Water rights and the allowable pumping rates for SSLGC wells located in Gonzales County are regulated by the Gonzales County Underground Water Conservation District (GCUWCD). SSLGC also has existing undeveloped groundwater rights in southeastern Guadalupe County where groundwater is regulated by the Guadalupe County Groundwater Conservation District (GCGCD). Both groundwater districts have promulgated rules under the provisions of Chapter 36 of the Texas Water Code regulating water production rates and spacing of wells in the respective district.

SSLGC owns or leases adequate property in Gonzales County to allow for a maximum annual production rate of 19,362 acre-feet of which 17,030 acre-feet is considered as its firm yield. Since the GCUWCD places a maximum monthly production rate on each well, SSLGC cannot fully utilize all permitted water from its Carrizo wells due to seasonal variations of water demand requirements from residential customers.

Raw Water Pipe Network (Collection System)
Fifteen (15) miles of raw water pipes have been constructed from the wells to the treatment facilities and are constructed from PVC (either C-900 or C-905 depending upon the pipe diameter) ranging in size from 12” to 30” in diameter. PVC was selected for this application due to its resistance to attack by low pH water. Raw water pipelines are located either on property owned by SSLGC, within easements on properties leased by SSLGC for water production, or within separate waterline easements on property neither owned nor leased by SSLGC. The well field collection pipeline network runs from each well head to the treatment facility located in the center of the well field.

SAWS Supply
SSLGC has entered into a Mutual Regional Water Supply Contract (Contract) with SAWS to treat and transport up to 12,688 acre feet annually of groundwater produced from the SAWS Buckhorn well field in Gonzales County. SAWS will be responsible for installation and operation of the Carrizo well field and the raw water pipeline to the SSLGC treatment facility. SSLGC will be responsible for
providing treatment to remove iron and manganese and to meet the requirements of the Ground Water Rule (GWR) to provide 4-log inactivation of viruses and transportation to the City of Schertz. SAWS then transports this water to its NACO Pump Station from a terminus in the City of Schertz for distribution.

**Water Treatment**

SSLGC water treatment facility is designed to remove iron and manganese to meet the minimum requirements established by the SMCL, to adjust pH for stabilization, and to disinfect for 4-log removal of viruses per the GWR requirements. Treatment facility uses both pressure filtration (WTP1) and conventional gravity filtration (WTP2). Disinfection is accomplished using free chlorine as the primary disinfectant.

Existing pressure filtration system used in WTP1 consists of twelve (12) steel pressure filters each 10 feet in diameter by 42 feet in length. Gravity filtration system designed to treat groundwater from SAWS (WTP2) has six (6) filters each 16 feet wide by 32 feet in length. Treatment facilities (WTP1 plus WTP2) have a combined treatment capacity of approximately 34 MGD. SSLGC treatment processes include the following steps:

- Permanganate, Chlorine, Air, and Lime added pre-filtration
- Filtration using greensand plus media
- Filter backwash clarification and disposal
- Chlorine Injection for disinfection
- Caustic Injection for pH adjustment

**Water Storage Facilities**

SSLGC operates three (3) major storage facilities at the water treatment plant, at the Booster Pump Station #1, and at the Surge Tank site. SSLGC has a total clearwell capacity of 6.5 MG in three (3) ground storage tanks at the WTP site. In addition, two (2) ground storage tanks are located at the Booster Pump Station #1 totaling 6.6 MG of storage capacity. Finally, a 2.0 MG concrete ground storage tank is constructed at the Surge Tank site. Of the six (6) existing storage tanks in the SSLGC system, two are constructed of welded steel with aluminum domed roofs while four (4) are constructed of pre-stressed concrete. Clearwells at the water treatment facilities are top fed while the storage facilities at the Booster Pump Station #1 and the Surge Tank sites are bottom fed.

**Water Pumping Facilities**

SSLGC has two major pumping stations. High Service Pump Station (HSPS) #1 is located at WTP1 and currently includes four (4) vertical turbine pumps each equipped with 500 horsepower (HP) motors with variable frequency drive (VFD) starting equipment. HSPS1 has been designed to allow for the installation of three (3) additional vertical turbine pumps for a total of seven (7). HSPS2, located at WTP2, operates in parallel with HSPS1 and consists of four (4) vertical turbine pumps with 500 HP motors. A total of eight (8) high service pumps
provide a firm pumping capacity at the HSPS of 23,600 gpm (34 MGD) with 6 pumps operating simultaneously which represents the maximum capacity of the existing 42” transmission pipeline.

Booster Pump Station #1 (BPS1) currently includes five (5) vertical turbine pumps. A parallel pump station (BPS2) will be constructed at the site including two (2) horizontal split case pumps with 2,250 HP motors as part of the SAWS Expansion project. The new pump station operates the majority of time to comply contract commitments for quantity of water delivered to SAWS. In addition, a horizontal surge tank was constructed at the site to provide assistance in mitigating surges caused by a sudden loss of power at the site. The new split case pumps at the BPS#2 provides a firm pumping capacity of 17,500 gpm (25.2 MGD) which also represents the maximum capacity of the 36” transmission pipeline to the Schertz area.

Water Transmission Facilities
Water transmission mains transport treated water from both WTP1 and WTP2 near Nixon to the delivery points in the City of Schertz and City of Seguin. The transmission pipeline system is constructed of steel cylinder pipe designed according to AWWA C303 with push on gasketed joints and welded joints at the bends. Pipe sizes and length of transmission pipelines are 42” (18.7 miles), 36” (22.8 miles), 30” (5.11 miles).

In addition, the transmission pipeline system is not currently cathodically protected to protect from premature failure from corrosion. Since a large portion of the pipeline runs parallel to a gas pipeline that is cathodically protected and is installed in corrosive soils, such a system is needed to protect the pipeline. Cathodic protection system is currently being added to the existing pipeline.

b. Please list the counties, cities, and utilities that make up the Corporation’s customers:
   - City of Schertz
   - City of Seguin
   - Springs Hill Water Supply Corporation
   - City of Selma
   - Universal City
   - SAWS

c. Does the Corporation provide raw, treated, or both types of water to its customers? If the answer is “both”, please state the percentage of each, compared to the complete amount of water provided:
   SSLGC provides only treated water to its wholesale customers.

d. Please describe where the main offices and facilities of the Corporation are located:
Main offices for SSLGC are located at 108 West Mountain Street, Seguin, Texas 78155. Water treatment facilities are located 2130 County Road 127 in Gonzales County.

3. Please describe the proposed project, to include:

a. How many contracts are needed to complete the project?  
   It is anticipated that the project will require four (4) construction contracts to complete. One for the pipeline, one for the treatment facilities, one for the water wells, and one for the well collection system and road work.

b. Wellfield;

   i. Will be purchased or leased,  
      Property for well field has been purchased by SSLGC.

   ii. Are there any operating or abandoned wells currently on the property?  
       There are no operating water wells on SSLGC property. There are some abandoned oil wells on the property.

   iii. What is the yield of any existing wells?  
        There are no existing large volume wells in this area.

   iv. What is the average yield of wells in the area?  
       Carrizo-Wilcox Aquifer in the vicinity of the planned well field is in the confined part of the aquifer and approximately two (2) miles downdip of the outcrop. Hydro-geologic maps of the Carrizo Aquifer in this area suggest that wells would be capable of producing in excess of 500 gpm to 700 gpm and would range in depth up to 800 feet deep. Hydro-geologic maps of the Wilcox Aquifer in this area suggest that wells would be capable of producing in excess of 300 gpm to 500 gpm and would range in depth up to 1,600 feet deep. Wells are planned to be screened in both the Carrizo Sand and the Wilcox Group. Groundwater quality in the planned well field usually has a concentration of total dissolved solids of less than 300 mg/L. However, the Carrizo-Wilcox water typically has elevated concentrations of iron and manganese that requires removal before being used by the public.

v. What size is the proposed well field?  
   Approximately 6,500 acre feet annually.

vi. What permits are required, what is the status of the permits?  
    SSLGC has acquired and possesses a portion of the permits required for four (4) Carrizo wells or 3,224 ac-ft/yr and two (2) Wilcox wells or 1,322 ac-ft/yr all from the Guadalupe County Groundwater Conservation District.
(GCGCD). In total SSLGC currently possesses 4,546 ac-ft/yr from the two aquifers for this project.

As part of this project, an additional permit for a 500 gpm Carrizo well will be acquired from GCGCD. SSLGC currently has a portion of these water rights and will submit an additional permit application when all water rights have been obtained. Also as part of this project, an additional permit for a 410 gpm Wilcox well will be required from Gonzales County Underground Water Conservation District (GCUWCD). SSLGC possesses adequate water rights for a Wilcox well. The two (2) permit applications will provide an additional 1,467 ac-ft/yr of water.

vii. How many wells are planned?
Eight (8) new wells as described above.

viii. What (if any) treatment is required?
Water quality based on water samples taken in this area is generally good. Water treatment will consist of iron and manganese removal and disinfection.

ix. What type of system control is proposed?
Control and operation of the SSLGC water supply system is facilitated through the use of a supervisory control and data acquisition (SCADA) system and control valves. SCADA system consists of programmable logic controllers (PLCs) and computer controlled master terminal units (MTUs) at both the SSLGC WTP and Seguin WTP. Status and operating conditions of the wholesale water system can be monitored and controlled by operators via iPads. Repeater stations are located between the Schertz Live Oak GST and the BPS and between the SSLGC WTP and BPS. Remote terminal units (RTUs) at each site communicated with the MTUs via radio using Ethernet from the following remote locations:

- Wells 1 - 12
- SSLGC WTP
- Booster Pump Station
- Seguin WTP GST
- Schertz Live Oak GST
- Buckhorn Well Field
- SAWS Schertz Parkway Pump Station

With the addition of the SAWS water, operators will also control the SAWS Buckhorn Well Field through its SCADA system. The proposed WTP and well field will be connected to the existing control system.

x. What size storage and pumping facilities are proposed?
2 - 2 million gallon ground storage tanks will be constructed at the new WTP as part of this project. In addition, a new 5,000 gpm booster pump station will be constructed at the WTP. All other storage and booster pumping facilities needed for the project are existing.

c. Water Transmission Line:

i. What is the approximate length?
Proposed transmission line will be approximately 98,000 linear feet in length.

ii. What type of piping material will be used?
Pipe material will be in accordance with AWWA C200, welded steel pipe, with mortar lining and coating.

iii. What is the number of Highway crossings, stream crossings?
Number of Highway crossings are 3.
Number of stream crossings are 11.

iv. What is the current easement status?
Approximately 110 easements will be required for the water transmission pipeline project. Easement acquisition has not been initiated.

v. What storage and pumping facilities will be associated with the proposed pipeline?
None. Existing storage and pumping facilities will be utilized for new pipeline.

1. Will these facilities be part of the project scope?
N/A. The water transmission pipeline project will utilize existing storage and pumping facilities.

d. Project Maps are good, but small. Please provide an 11X17 map for each of the four maps submitted.
11"x17" maps will be mailed to the TWDB.

4. Required for Board Participation funding (transmission line): Excess capacity calculations. The draft Master Agreement that describes how much excess capacity the TWDB can finance and how it will be repaid must be completed prior to the application being taken to the Board for commitment. The engineering component of this Agreement is the calculation of the excess capacity in the line. The Consulting Engineer is responsible for this calculation. The components of this calculation are:

a. Determination of excess capacity.
SSLGC's existing 36" pipeline from Seguin to Schertz currently operates at or near 100% capacity during peak periods providing over 13,000 ac-ft/yr to SAWS
and over 8,000 ac-ft/yr to Schertz, Selma, and Universal City. The 36" pipeline has a rated capacity of 22,000 ac-ft/yr.

The proposed 36" pipeline, to be constructed as a part of this project, will have the same capacity as the existing pipeline of 22,000 ac-ft/yr. SSLGC plans to transport treated water from three (3) distinct projects, as identified in the Region I Plan, through the proposed 36" pipeline. Water produced from these projects totals 21,000 ac-ft/yr and is identified along with their respective percentage of capacity as follows:

<table>
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<tr>
<th>Project</th>
<th>Peak Usage (ac-ft/yr)</th>
<th>36&quot; Pipeline Utilization (%)</th>
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<tbody>
<tr>
<td>SSLGC Expanded Carrizo</td>
<td>6,000</td>
<td>29</td>
</tr>
<tr>
<td>CVLGC Wilson County Carrizo</td>
<td>10,000</td>
<td>47</td>
</tr>
<tr>
<td>SSLGC Brackish Wilcox</td>
<td>5,000</td>
<td>24</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>21,000</strong></td>
<td><strong>100</strong></td>
</tr>
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</table>

Expanded Carrizo Project is a part of this application while CVLGC Wilson County Carrizo and SSLGC Brackish Wilcox Projects are anticipated to be brought on line in years 2025 and 2030, respectively.

Therefore, requested TWDB participation is 71% now until 2025 when the CVLGC - Wilson County Carrizo Project will begin production. Then requested TWDB participation will be 24% until year 2030 when the SSLGC Brackish Wilcox Project will begin production.

b. **Determining the costs associated with the excess capacity.**
Cost of the parallel pipeline is anticipated to be $30,000,000 of the requested loan amount. A breakdown of cost allocated to each proposed project in the Region I Plan is as follows:
c. Promulgation of the schedule for reimbursement to the TWDB of excess capacity (when line usage will require reimbursement to the TWDB).
Reimbursement to the TWDB of excess capacity will begin upon production of each project identified to be transported through the SSGLC system. Anticipated timing for each is as follow:

<table>
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<th>Project</th>
<th>Peak Usage (ac-ft/yr)</th>
<th>Cost Participation</th>
</tr>
</thead>
<tbody>
<tr>
<td>SSLGC Expanded Carrizo</td>
<td>6,000</td>
<td>$8,700,000</td>
</tr>
<tr>
<td>CVLGC Wilson County Carrizo</td>
<td>10,000</td>
<td>$14,100,000</td>
</tr>
<tr>
<td>SSLGC Brackish Wilcox</td>
<td>5,000</td>
<td>$7,200,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>21,000</td>
<td><strong>$30,000,000</strong></td>
</tr>
</tbody>
</table>

The above items will complete the engineering/environmental portion of the application. There may be other, single items requested as TWDB review continues. The next item will not be required until closing. However, since closing will occur soon after commitment, we suggest that you work on this concurrently with your application items. This will allow us to release budget line items associated with planning, when you close.

**Water Rights Certification:**

The Water Rights Certification (Certification) is an internal memo that TWDB staff must prepare when new sources of water are being created by the project scope, in this case, wells. The draft Certification (known as the Reasonable Expectation of Water Rights Certification) is required prior to closing. The completed Certification is required prior to the release of funds for construction. To prepare the draft Certification, staff will need:
1. *The Corporation’s applications for drilling rights to the groundwater conservation districts where the well field will be.* SSLGC has acquired some of the permits required for four (4) Carrizo wells and two (2) Wilcox wells all from the Guadalupe County Groundwater Conservation District (GCGCD). An additional permit for a 500 gpm Carrizo well will be acquired from GCGCD when all water rights have been obtained. An additional permit for a 410 gpm Wilcox well will be required from Gonzales County Underground Water Conservation District (GCUWCD). SSLGC possesses adequate water rights for a Wilcox well.

2. *Contracts for or evidence of ownership of the proposed well field.* Contracts or evidence of ownership for proposed well field is attached hereto.

3. *The number and average yield of wells being proposed.* It is proposed to construct five (5) Carrizo wells and construct three (3) Wilcox wells for a total of eight (8) wells. Average yield from each Carrizo Well will be 806 ac-ft/yr (500 gpm). Average yield from each Wilcox Well will be 660 ac-ft/yr (410 gpm). From the eight wells, total yield will be 6,010 ac-ft/yr.

4. *Completion of a wrd-208b form. Most of the information requested above is also requested in this form. An electronic copy of the form has been provided for you, attached to this email.* Executed Form wrd-208b is attached hereto.
SAWS Well Field
No. of Wells = 9
Rated Capacity = 1,200 gpm/well
Firm Capacity = 13.8 mgd
Average Flow = 10.4 mgd (11,688 afy)

Bebe Well
Peak Flow = 1.2 mgd
Average Flow = 0.9 mgd

SSLGC WTP and Pump Station
WTP Capacity = 34.6
GST Overflow El. = 500 ft.
No. of Pumps = 7
Rated Capacity = 3950 gpm/ea
Rated Head = 358 ft.
Firm Capacity  = 32.4 mgd

SAWS Supply Pipeline
Length = 40,500 ft.
Max Pressure Class = 150 psi
Average Flow = 11.3 mgd
Average Velocity = 3.6 fps
Peak Flow = 13.82 mgd
Peak Velocity = 4.4 fps

SSLGC Pipeline (WTP to Seguin Turnout)
Diameter = 42 in.
Length = 102,000 ft
Max Pressure Class = 200 psi
Peak Flow = 32.4 mgd
Peak Velocity = 5.2 fps

SSLGC (Turnout to Schertz Booster)
Diameter = 36 in.
Length = 19,600 ft
Max Pressure Class = 150 psi
Peak Flow = 28.7 mgd
Peak Velocity = 6.3 fps

SSLGC Booster Station
GST Overflow El. = 655 ft.
No. of Pumps = 7
Rated Capacity = 25.1 mgd
Rated Head = 390 ft.
Firm Capacity = 25.1 mgd

SAWS WATER Delivery Pump Station
GST Overflow El. = 735 ft.
GST Height = 40 ft.
GST Volume = 2 mg
No. of Pumps = 4
Rated Capacity = 5210 gpm/pump
Firm Capacity = 22.3 mgd

SAWS Water Delivery Pipeline
Diameter = 36 in.
Length = 59,500 ft
Max Pressure Class = 150 psi
Peak Flow = 22.3 mgd
Peak Velocity = 4.9 fps
Average Flow = 17.1 mgd
Average Velocity = 3.8 fps

SSLGC Pipeline (Schertz Booster to Schertz Tank)
Diameter = 36 in.
Length = 97,600 ft
Max Pressure Class = 250 psi
Peak Flow = 25.1 mgd
Peak Velocity = 5.5 fps
Schertz-Seguin Local Government Corporation
30 Year SWIFT Funding, Series 2016
Participants
$22,830,000
Fiscal
Year
2017
2018
2019
2020
2021
2022
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2046
2047
2048
2049
2050
2051
Total

Existing
Debt Service
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$5,019,275
$5,008,513
$5,018,438
$4,998,588
$5,011,088
$5,013,963
$5,007,763
$5,013,350
$5,135,809
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$5,133,136
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$5,143,152
$5,140,028
$5,126,638
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$5,134,344
$5,132,756
$5,132,700
$425,300
$424,600
$423,300

$128,515,759

$43,670,000

Board Participation
Net Debt Service
$0.00
$0.00
$106,905
$213,810
$267,263
$374,168
$454,346
$614,704
$812,478
$988,871
$1,069,050
$1,539,814
$2,010,578
$2,010,578
$2,010,578
$2,010,578
$2,010,578
$2,010,578
$1,539,814
$2,059,050
$2,061,480
$2,062,835
$2,061,840
$2,063,495
$2,062,565
$2,059,050
$2,062,950
$2,058,795
$2,061,820
$2,061,555
$2,063,000
$2,060,920
$2,060,315
$2,060,950
$2,062,590

Low Interest Loan
30 yr. Debt Service
$1,029,764.63
$1,373,019.50
$2,453,019.50
$2,451,787.50
$2,451,854.50
$2,454,174.50
$2,453,587.00
$2,450,458.00
$2,450,294.00
$2,453,281.00
$2,453,635.00
$2,451,885.00
$2,454,106.00
$2,450,151.00
$2,450,167.00
$2,454,007.00
$2,450,310.50
$2,450,097.50
$2,453,199.50
$2,454,448.00
$2,453,728.00
$2,450,800.00
$2,450,664.00
$2,453,136.00
$2,453,032.00
$2,450,352.00
$2,455,096.00
$2,451,896.00
$2,450,936.00
$2,452,032.00
$0.00
$0.00
$0.00
$0.00
$0.00

Total New Net
Debt Service
$6,037,102.13
$6,392,294.50
$7,568,437.00
$7,684,035.00
$7,717,705.00
$7,839,430.00
$7,921,895.50
$8,072,924.50
$8,276,122.00
$8,577,961.38
$8,646,922.51
$9,123,036.51
$9,596,615.26
$9,585,747.76
$9,593,881.26
$9,605,881.26
$9,601,263.51
$9,603,827.38
$9,133,041.00
$9,640,135.50
$9,648,814.25
$9,651,516.25
$9,646,847.75
$9,649,387.25
$9,648,297.00
$4,934,702.00
$4,942,646.00
$4,933,991.00
$4,512,756.00
$4,513,587.00
$2,063,000.00
$2,060,920.00
$2,060,315.00
$2,060,950.00
$2,062,590.00

Operating Costs
Plant O&M (Fixed)
$6,363,644.00
$6,554,553.32
$6,751,189.92
$6,953,725.62
$7,162,337.39
$7,377,207.51
$7,598,523.73
$7,826,479.44
$8,061,273.83
$8,303,112.04
$8,552,205.40
$8,808,771.57
$9,073,034.71
$9,345,225.75
$9,625,582.53
$9,914,350.00
$10,211,780.50
$10,518,133.92
$10,833,677.94
$11,158,688.27
$11,493,448.92
$11,838,252.39
$12,193,399.96
$12,559,201.96
$12,935,978.02
$13,324,057.36
$13,723,779.08
$14,135,492.45
$14,559,557.23
$14,996,343.94
$15,446,234.26
$15,909,621.29
$16,386,909.93
$16,878,517.23
$17,384,872.74

Plant O&M (Vairabale)
$2,863,860.00
$2,949,775.80
$3,038,269.07
$3,129,417.15
$3,223,299.66
$3,319,998.65
$3,419,598.61
$3,522,186.57
$3,627,852.17
$3,736,687.73
$3,848,788.36
$3,964,252.01
$4,083,179.57
$4,205,674.96
$4,331,845.21
$4,461,800.57
$4,595,654.58
$4,733,524.22
$4,875,529.95
$5,021,795.85
$5,172,449.72
$5,327,623.21
$5,487,451.91
$5,652,075.47
$5,821,637.73
$5,996,286.86
$6,176,175.47
$6,361,460.73
$6,552,304.55
$6,748,873.69
$6,951,339.90
$7,159,880.10
$7,374,676.50
$7,595,916.80
$7,823,794.30

Administrative Costs
$961,504.00
$990,349.12
$1,020,059.59
$1,050,661.38
$1,082,181.22
$1,114,646.66
$1,148,086.06
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$1,218,004.50
$1,254,544.64
$1,292,180.97
$1,330,946.40
$1,370,874.80
$1,412,001.04
$1,454,361.07
$1,497,991.90
$1,542,931.66
$1,589,219.61
$1,636,896.20
$1,686,003.08
$1,736,583.18
$1,788,680.67
$1,842,341.09
$1,897,611.32
$1,954,539.66
$2,013,175.85
$2,073,571.13
$2,135,778.26
$2,199,851.61
$2,265,847.16
$2,333,822.58
$2,403,837.25
$2,475,952.37
$2,550,230.94
$2,626,737.87

$53,027,901

$71,064,918.63

$252,608,578.46

$384,759,164.15

$173,154,937.62

$58,134,533.51

Required
Revenues
$16,226,110.13
$16,886,972.74
$18,377,955.59
$18,817,839.14
$19,185,523.27
$19,651,282.82
$20,088,103.90
$20,604,119.15
$21,183,252.49
$21,872,305.79
$22,340,097.25
$23,227,006.49
$24,123,704.34
$24,548,649.51
$25,005,670.07
$25,480,023.73
$25,951,630.26
$26,444,705.13
$26,479,145.08
$27,506,622.70
$28,051,296.07
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$29,758,276.00
$30,360,452.41
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$28,524,651.79
$26,794,396.74
$27,534,258.64
$28,297,853.80
$29,085,614.96
$29,897,994.91

City of Schertz
50.00%
$8,113,055.07
$8,443,486.37
$9,188,977.79
$9,408,919.57
$9,592,761.63
$9,825,641.41
$10,044,051.95
$10,302,059.58
$10,591,626.25
$10,936,152.89
$11,170,048.63
$11,613,503.25
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$12,274,324.76
$12,502,835.03
$12,740,011.87
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$13,239,572.54
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$14,585,020.36
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$15,180,226.21
$13,134,111.04
$13,458,085.84
$13,783,361.22
$13,912,234.70
$14,262,325.90
$13,397,198.37
$13,767,129.32
$14,148,926.90
$14,542,807.48
$14,948,997.46

City of Seguin
50.00%
$8,113,055.07
$8,443,486.37
$9,188,977.79
$9,408,919.57
$9,592,761.63
$9,825,641.41
$10,044,051.95
$10,302,059.58
$10,591,626.25
$10,936,152.89
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$13,222,352.56
$13,239,572.54
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$14,585,020.36
$14,879,138.00
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$13,912,234.70
$14,262,325.90
$13,397,198.37
$13,767,129.32
$14,148,926.90
$14,542,807.48
$14,948,997.46


SSLGC - BOARD PARTICIPATION LOAN SCHEDULE
REVISED 7-7-2016
Date
Principal
Rate
8/1/2017
9/30/2017
2/1/2018
8/1/2018
9/30/2018
2/1/2019
8/1/2019
9/30/2019
2/1/2020
8/1/2020
9/30/2020
2/1/2021
8/1/2021
9/30/2021
2/1/2022
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9/30/2049
2/1/2050
8/1/2050
$1,880,000
9/30/2050
2/1/2051
8/1/2051
$1,970,000
9/30/2051
Totals
$22,830,000

Interest

TWDB

Net Det Service

Annual

$801,788

-$801,788

$0

$534,525
$534,525

-$534,525
-$534,525

$0
$0

$534,525
$534,525

-$534,525
-$427,620

$0
$106,905

$534,525
$534,525

-$427,620
-$427,620

$106,905
$106,905

$534,525
$534,525

-$427,620
-$374,168

$106,905
$160,358

$534,525
$534,525

-$374,168
-$320,715

$160,358
$213,810

$534,525
$534,525

-$320,715
-$293,989

$534,525
$534,525

-$293,989
-$160,358

$213,810
$240,536
$0
$240,536
$374,168

$534,525
$534,525

-$176,393
-$80,179

$358,132
$454,346

$534,525
$534,525

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$454,346
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$0

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$470,764

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$1,005,289

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$470,764

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$470,764

$1,005,289
$534,525

$0

$0

$106,905

$213,810

$267,263

$374,168

$454,346

$614,704

$812,478

$988,871

$1,069,050

$1,539,814

$2,010,578

$2,010,578

$2,010,578

$2,010,578

$2,010,578

$2,010,578

$1,539,814
4.300%

$534,525
$534,525

$534,525
$1,524,525

4.700%

$513,240
$513,240

$513,240
$1,548,240

4.700%

$488,918
$488,918

$488,918
$1,573,918

4.700%

$463,420
$463,420

$463,420
$1,598,420

4.700%

$436,748
$436,748

$436,748
$1,626,748

4.700%

$408,783
$408,783

$408,783
$1,653,783

4.700%

$379,525
$379,525

$379,525
$1,679,525

4.700%

$348,975
$348,975

$348,975
$1,713,975

4.700%

$316,898
$316,898

$316,898
$1,741,898

4.700%

$283,410
$283,410

$283,410
$1,778,410

4.700%

$248,278
$248,278

$248,278
$1,813,278

4.700%

$211,500
$211,500

$211,500
$1,851,500

4.700%

$172,960
$172,960

$172,960
$1,887,960

4.700%

$132,658
$132,658

$132,658
$1,927,658

4.700%

$90,475
$90,475

$90,475
$1,970,475

4.700%

$46,295
$46,295

$46,295
$2,016,295

$2,059,050

$2,061,480

$2,062,835

$2,061,840

$2,063,495

$2,062,565

$2,059,050

$2,062,950

$2,058,795

$2,061,820

$2,061,555

$2,063,000

$2,060,920

$2,060,315

$2,060,950

$30,197,898

$0

$53,027,898

$2,062,590
$53,027,898


$43,670,000
Schertz/Seguin Local Government Corporation
CONTRACT REVENUE BONDS,
NEW SERIES 2016 (Texas Water Development Board SWIRFT Project Financing) (the “Obligations”)

<table>
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<td>_______</td>
<td>February 1st</td>
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Interest Date: Interest on the Obligations will be payable on February 1 and August 1 each year, commencing August 1, 2017 (each an “Interest Payment Date”). The Obligations will bear interest at the rates per annum set forth in “APPENDIX A - MATURITY SCHEDULE.”

Record Date: The close of business on the fifteenth day of the month immediately preceding the applicable Maturity Date.

Redemption: The Obligations are subject to redemption prior to maturity as provided herein. See “THE OBLIGATIONS - Redemption Provisions” herein.

Authorized Denominations: The Obligations are being issued as fully registered bonds in denominations of $5,000, or any integral multiple thereof.

Paying Agent/Registrar/Registrar: The paying agent (“Paying Agent/Registrar”) for the Obligations is BOKF, NA, Austin, Texas.

Book-Entry-Only System: Upon initial issuance, the ownership of the Obligations will be registered in the registration books of the Issuer kept by the Paying Agent/Registrar, in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”) to which principal, redemption premium, if any, and interest payments on the Obligations will be made. The purchasers of the Obligations will not receive physical delivery of bond certificates. Principal of, interest, and premium if any, on the Obligations will be payable at the designated office of the Paying Agent/Registrar in Austin, Texas as the same become due and payable.

Issuer: Schertz/Seguin Local Government Corporation (the “Corporation” or the “Issuer”).


Purpose: See “APPENDIX B - OFFICIAL ACTION.”

Security for the Obligations: See APPENDIX B - OFFICIAL ACTION.”

Ratings: See “OTHER INFORMATION - Ratings”

Delivery Date: _________, 2016.

See “APPENDIX A - MATURITY SCHEDULE” for Principal Amounts, Maturities, Interest Rates, Prices or Yields, and Initial CUSIP Numbers
Schertz/Seguin Local Government Corporation

CORPORATION OFFICIALS, STAFF AND CONSULTANTS

Board of Directors

Ken Greenwald  President
Robin Dwyer  Vice President
T. "Jake" Jacobs  Secretary
Bob Pees  Assistant Secretary
Andrew Hunt  Treasurer
Jim Fowler  Ex-Officio – Councilmember – City of Schertz
Don Keil  Ex-Officio – Councilmember – City of Seguin

Administration

R. Alan Cockerell  General Manager
Amber Briggs  Assistant General Manager
Regina C. Franke  Administrative Assistant

City of Schertz, Texas

City Council

Michael Carpenter  Mayor
Jim Fowler  Councilmember, Place 1
Grumpy Azzoz  Councilmember, Place 2
Daryl John  Mayor Pro-Tem, Place 3
Cedric Edwards  Councilmember, Place 4
Robin Thompson  Councilmember, Place 5

Administrative Officers

John Kessel  City Manager
Dudley Wait  Executive Director Of Operations
Juan F. Santoya Jr.  Director of Finance
Brenda Dennis  City Secretary
Charles Zeck  City Attorney

City of Seguin, Texas

City Council

Don Keil  Mayor
Ernest Leal  Mayor Pro-Tem, District 1
Jennifer “Jet” Crabb  Councilmember, District 2
Phil Seidenberger  Councilmember, District 3
Thomas V. Castellon, Jr.  Councilmember, District 4
Carlos Medrano  Councilmember, District 5
Fonda Mathis  Councilmember, District 6
Donna Dodgen  Councilmember, District 7
Mark Herbold  Councilmember, District 8

Administrative Officers

Rick Cortez  City Manager
Thalia Staatzengerber  Assistant City Manager
Susan Caddell  City Secretary
Andrew Quittner  Director of Finance

Consultants and Advisors

Norton Rose Fullbright US LLP, San Antonio, Texas - Bond Counsel
BOKF, NA, Austin, Texas - Paying Agent/Registrar
Davidson Troilo Ream & Garza, PC, San Antonio, Texas – General Counsel
Armstrong, Vaughn & Associates, P.C., Universal City, Texas – Auditor
Walker Partners, Waco, Texas – Engineer
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APPENDIX A  MATURITY SCHEDULE
APPENDIX B  FORM OF OFFICIAL ACTION
APPENDIX C  FORM OF OPINION OF BOND COUNSEL
INTRODUCTION

This Private Placement Memorandum, including the cover page and appendices, contains brief descriptions of the Schertz/Seguin Local Government Corporation (the “Corporation” or the “Issuer”), provides certain information with respect to the issuance by the Issuer, and summaries of certain provisions of the “Obligations” pursuant to a resolution (the “Resolution”) adopted by the Board of Directors (the “Board”) of the Corporation on _____, 2016 (the “Official Action”). Except as otherwise set forth herein, capitalized terms used but not defined in this Private Placement Memorandum have the meanings assigned to them in the Official Action. See “APPENDIX B – “FORM OF OFFICIAL ACTION” attached hereto.

APPENDIX A contains the maturity schedule for the Obligations. APPENDIX B contains the Official Action and a description of the purpose for the proceeds of the Obligations. APPENDIX C contains a copy of the proposed opinion of Norton Rose Fulbright US LLP (“Bond Counsel”) with respect to the Obligations. The summaries of the documents contained in the forepart of this Private Placement Memorandum are not complete or definitive, and every statement made in this Private Placement Memorandum concerning any provision of any document is qualified by reference to such document in its entirety.

THE OBLIGATIONS

General Description

The Obligations are being issued in the aggregate principal amount set forth in APPENDIX A of this Private Placement Memorandum and will mature and be subject to redemption prior to maturity as described therein. The Obligations are being issued as fully registered bonds in denominations of $5,000, or any integral multiple thereof. The Obligations will be dated as of the stated date of issue and will mature on the dates referenced thereon, and will bear interest at the rates per annum set forth in “APPENDIX A - MATURITY SCHEDULE.”

Interest on the Obligations is payable semiannually on February 1 and August 1, commencing August 1, 2017 (each “Interest Payment Date”), and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Principal of and the redemption price with respect to the Obligations will be payable to the Owners upon presentation and surrender at the principal office of the Paying Agent/Registrar.

Purpose

See “APPENDIX B - FORM OF OFFICIAL ACTION.”

Authority for Issuance

The Obligations are issued pursuant to the provisions of (i) the Constitution and general laws of the State of Texas, including particularly Chapter 431, Texas Transportation Code, as amended, the Texas Water Code, as amended, the Regional Water Supply Contract, dated as of November 15, 1999 (the “Contract”), Chapter 1201, Texas Government Code, as amended, resolutions adopted by the City Councils of the City of Schertz, Texas and the City of Seguin, Texas, respectively (each, a “City” and collectively, the “Cities”, and (ii) the Official Action.

Security for the Obligations

See “APPENDIX B - FORM OF OFFICIAL ACTION.”
Redemption Provisions

On February 1, 2028, or on any date thereafter, the Obligations maturing on and after February 1, 2027 and in inverse order of the stated maturity, may be redeemed prior to their scheduled maturities, upon the written direction of the Issuer, with funds provided by the Issuer, at par plus accrued interest to the date fixed for redemption as a whole, or in part, and if less than all of a maturity is to be redeemed the Paying Agent/Registrar, which is BOKF, NA Austin, Texas, who will determine by lot the Obligations, or portions thereof within such maturity to be redeemed (provided that a portion of an Obligation may be redeemed only in Authorized Denominations).

Notice of Redemption; Selection of Obligations to Be Redeemed

See “APPENDIX B - FORM OF OFFICIAL ACTION.”

The Paying Agent/Registrar, so long as a Book-Entry-Only System is used for the Obligations, will send any notice of redemption of the Obligations, notice of proposed amendment to the Resolution or other notices with respect to the Obligations only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Obligations called for redemption or any other action premised on any such notice. Redemption of portions of the Obligations by the Issuer will reduce the outstanding principal amount of such Obligations held by DTC.

Book-Entry-Only System

The information in this caption concerning The Depository Trust Company, New York, New York (“DTC”) and DTC’s book entry system has been obtained from DTC and neither the Issuer nor the cities make any representation or warranty nor takes any responsibility for the accuracy or completeness of such information.

DTC will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Obligations and deposited with DTC. See APPENDIX B - "FORM OF OFFICIAL ACTION.”

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

Opinion

Bond Counsel will deliver its opinion on the date of delivery of the Obligations substantially in the form as attached in “APPENDIX C - FORM OF OPINION OF BOND COUNSEL.”

OTHER INFORMATION

Forward Looking Statements

The statements contained in this Private Placement Memorandum, including the cover page, appendices, and any other information or documents provided by the Issuer, that are not purely historical, are forward-looking statements, including statements regarding the Issuer’s expectations, hopes, intentions, or strategies regarding the future. Holders and beneficial owners of the Obligations have placed reliance on forward-looking statements. All forward looking statements included in this Private Placement Memorandum are based on information available to the Issuer on the date hereof. It is important to note that the Issuer’s actual results could differ materially from those in such forward-looking statements.

Ratings

No application has been made to any ratings agency or municipal bond insurance company for qualification of the Obligations for ratings or municipal bond insurance, respectively.

LITIGATION

General

On the date of delivery of the Obligations to the Texas Water Development Board, the Issuer will execute and deliver a certificate to the effect that, except as disclosed herein, no litigation of any nature has been filed or is pending, as of that date, to restrain or enjoin the issuance or delivery of the Obligations or which would affect the provisions made for their payment or security or in any manner questioning the validity of the Obligations.

The Issuer

The Corporation. The Corporation is frequently involved in administrative and regulatory proceedings related to applications for various permits and approvals required in connection with the development, construction and proposed operation of the planning, designing, and constructing utility system improvements (the “Project”). Any delay caused by protested applications to, or adverse rulings of, administrative bodies or regulatory agencies from which the Corporation must obtain a required permit or approval could delay the development, construction and proposed operation of the Project. Such delay could adversely affect the Project and could result in increased costs of development, financing, construction and/or operation of the Project.

The Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Corporation intends to address these risks with appropriate insurance coverage.

Except as described herein, there is no litigation, proceeding, inquiry, or investigation pending by or before any court or other governmental authority or entity (or, to the best knowledge of the Corporation and the Cities, threatened) that adversely affects the obligation of the Corporation to deliver the Bonds, the security for, or the validity of, the Bonds or the financial condition of the Corporation or the Cities. The Corporation holds permits from the Gonzales County Underground Water Conservation District (the “GCUWCD”) to produce water from its wells, which are subject to renewal. In considering an application for renewal of a permit, the Corporation may be subjected to the imposition of additional limitations, including limitations on the amount of water that may be transferred under a permit and conditions that may be difficult or expensive to satisfy. The rules of the GCUWCD also provide that the GCUWCD may revise or revoke a well production permit at any time if the GCUWCD finds that the well is causing unreasonable effects on existing groundwater and surface water resources or existing permit holders.
The City of Schertz. Schertz is a defendant in various tort claims and lawsuits with respect to general liability, automobile liability, and various contractual matters. In the opinion of Schertz’s management, the outcome of the pending litigation will not have a material adverse effect on Schertz’s, or Schertz’s utility systems, financial position or operations.

The City of Seguin. Seguin is a defendant in various tort claims and lawsuits with respect to general liability, automobile liability, and various contractual matters. In the opinion of Seguin’s management, the outcome of the pending litigation will not have a material adverse effect on Seguin’s, or Seguin’s utility systems, financial position or operations.

Environmental Regulations

The Corporation and Cities are subject to the environmental regulations of the State and the United States in the operation of their utility systems. These regulations are subject to change and the Corporation and the Cities may be required to expend substantial funds to meet the requirements of such regulatory authorities.

CONTINUING DISCLOSURE OF INFORMATION

In the Official Action, the Issuer and the Cities have made the following agreement for the benefit of the holders and beneficial owners of the Obligations. The Issuer and the Cities are required to observe the agreement for so long as they remain obligated to advance funds to pay the Obligations. Under the agreement, the Issuer will be obligated to provide certain updated financial information and operating data, and timely notice of specified material events, to the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access System. SEE APPENDIX B - “FORM OF OFFICIAL ACTION.”

Compliance with Prior Undertakings

The Corporation and the Cities (the “Obligated Parties”) have previously made continuing disclosure agreements in connection with the issuance of the Obligations. The Obligated Parties believe that during the past five years they have each made all required filings with respect to the New Series Bonds and the Priority Bonds (each as defined in the Resolution) and are in full compliance with the Rule. Prior to that time frame, the Obligated Parties had reported instances of non-compliance on EMMA and the Nationally Recognized Municipal Securities Information Repository.

During the last five years, the Issuer has complied in all material respects with its continuing disclosure agreements in accordance with SEC Rule 15c2-12.

INVESTMENT CONSIDERATIONS

The Cities’ ability to make payments of the Bond Payment portion of the Annual Payments sufficient to pay principal of and interest on the Priority Bonds (as defined in the Resolution) and the New Series Bonds (as defined in the Resolution) when due may be affected by certain risks described below and elsewhere in this Private Placement Memorandum. Such risks should be considered in making a decision to invest in the Obligations.

Several Not Joint Liability

The Cities’ pecuniary liability to make the Annual Payments to the Corporation are several and not joint liabilities based upon a 50%/50% basis as described in the Contract and the Resolution. Accordingly, to the extent that one of the Cities defaults on its proportionate share of the Annual Payments, the Corporation will not have sufficient funds to maintain and operate the System and/or to pay the debt service requirements on the Priority Bonds and the New Series Bonds. The nondefaulting City has no legal obligation to make any payments on behalf of the defaulting City.

Limited Bondholder Remedies

The Resolution and the Contract provide only limited remedies to Bondholders in the event of default. Neither the Obligations nor the Annual Payments are subject to acceleration upon default. Although the Bondholders could
apply for a writ of mandamus to compel the Cities and the Corporation to abide by their contractual obligations, such a remedy is time consuming and may have to be enforced from year to year. No judgment against the Cities or the Corporation may be enforced by execution of a levy against its public purpose property. In addition, the rights and remedies of Bondholders may be limited by applicable federal bankruptcy and receivership laws affecting creditors of political subdivisions.

MISCELLANEOUS

Any statements made in this Private Placement Memorandum involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Private Placement Memorandum nor any statement that may have been made verbally or in writing is to be construed as a contract with the owners of the Obligations.

The information contained above is neither guaranteed as to accuracy or completeness nor to be construed as a representation by the Issuer. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Private Placement Memorandum nor any sale made hereunder is to create, under any circumstances, any implication that there has been no change in the affairs of the Issuer or the Issuer from the date hereof.

The Private Placement Memorandum is submitted in connection with the sale of the securities referred to herein to the Texas Water Development Board on the Delivery Date and may not be reproduced or used, as a whole or in part, for any other purpose.

ADDITIONAL INFORMATION

The Private Placement Memorandum speaks only as of its date and the information contained herein is subject to change. Descriptions of the Obligations and the Official Action and any other agreements and documents contained herein constitute summaries of certain provisions thereof and do not purport to be complete. This Private Placement Memorandum was approved by the Issuer.
APPENDIX A

MATURITY SCHEDULE

[MATURITY SCHEDULE to include Principal Amounts, Maturities, Interest Rates, Prices or Yields, and Initial CUSIP Numbers]
## Schertz-Seguin Local Government Corporation

**Contract Revenue Bonds**

New Series 2016 (Texas Water Development Board SWIRFT Project Financing)

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<th>Maturity</th>
<th>Principal</th>
<th>Coupon</th>
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<td>3.680%</td>
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**PRELIMINARY SUBJECT TO CHANGE**
RESOLUTION NO. _______

A RESOLUTION BY THE BOARD OF DIRECTORS OF THE SCHERTZ/SEGuin LOCAL GOVERNMENT CORPORATION AUTHORIZING THE ISSUANCE OF “SCHERTZ/SEGuin LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE BONDS, NEW SERIES 2016 (TExAS WATeR DEVELOPMENT BOARD SwIRFT PROJECT FINANCING)”; PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THESE NEW SERIES BONDS AS PROVIDED HEREIN, ON PARITY WITH CERTAIN CURRENTLY OUTSTANDING NEW SERIES BONDS; PROVIDING THE TERMS AND CONDITIONS OF SUCH NEW SERIES BONDS ON PARITY THERewith; FORECLOSING THE ABILITY TO ISSUE ADDITIONAL OBLIGATIONS THAT ARE SENIOR IN SECURITY AND PRIORITY OF PAYMENT TO THE NEW SERIES BONDS HEREAFTER ISSUED ON PARITY THERewith; AND RESOLVING OTHER MATTERS INCIDENT AND RELATING TO THE ISSUANCE, PAYMENT, SECURITY, SALE, AND DELIVERY OF SUCH NEW SERIES BONDS, INCLUDING THE APPROVAL OF AN APPLICATION TO THE TExAS WATeR DEVELOPMENT BOARD AND A PRIVATE PLACEMENT MEMORANDUM PERTAINING TO THE NEW SERIES BONDS; AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT, AN ESCROW AGREEMENT, AND RATIFYING, RECONFIRMING, AND READOPTING THE REGIONAL WATER SUPPLY CONTRACT; COMPLYING WITH THE REQUIREMENTS OF THE DEPOSITORY TRUST COMPANY’S LETTER OF REPRESENTATIONS; COMPLYING WITH THE REGULATIONS PROMULGATED BY THE TExAS WATeR DEVELOPMENT BOARD; AND PROVIDING AN EFFECTIVE DATE

____________, 2016
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A RESOLUTION BY THE BOARD OF DIRECTORS OF THE SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION AUTHORIZING THE ISSUANCE OF “SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE BONDS, NEW SERIES 2016 (TEXAS WATER DEVELOPMENT BOARD SWIRFT PROJECT FINANCING)”; PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THESE NEW SERIES BONDS AS PROVIDED HEREIN, ON PARITY WITH CERTAIN CURRENTLY OUTSTANDING NEW SERIES BONDS; PROVIDING THE TERMS AND CONDITIONS OF SUCH NEW SERIES BONDS ON PARITY THEREWITH; FORECLOSING THE ABILITY TO ISSUE ADDITIONAL OBLIGATIONS THAT ARE SENIOR IN SECURITY AND PRIORITY OF PAYMENT TO THE NEW SERIES BONDS HEREAFTER ISSUED ON PARITY THEREWITH; AND RESOLVING OTHER MATTERS INCIDENT AND RELATING TO THE ISSUANCE, PAYMENT, SECURITY, SALE, AND DELIVERY OF SUCH NEW SERIES BONDS, INCLUDING THE APPROVAL OF AN APPLICATION TO THE TEXAS WATER DEVELOPMENT BOARD AND A PRIVATE PLACEMENT MEMORANDUM PERTAINING TO THE NEW SERIES BONDS; AUTHORIZING THE EXECUTION OF A PAYING AGENT/REGISTRAR AGREEMENT, AN ESCROW AGREEMENT, AND RATIFYING, RECONFIRMING, AND READOPTING THE REGIONAL WATER SUPPLY CONTRACT; COMPLYING WITH THE REQUIREMENTS OF THE DEPOSITORY TRUST COMPANY’S LETTER OF REPRESENTATIONS; COMPLYING WITH THE REGULATIONS PROMULGATED BY THE TEXAS WATER DEVELOPMENT BOARD; AND PROVIDING AN EFFECTIVE DATE

WHEREAS, Subchapter D of Chapter 431 (Sections 431.101–431.109) of the Texas Transportation Code, as amended (the Act) authorizes local governments to create local government corporations to aid, assist, and act on behalf of local governments; and

WHEREAS, the City Councils (collectively, the Governing Bodies) of the City of Seguin, Texas and the City of Schertz, Texas (collectively, the Cities) have previously authorized and approved the creation of the Schertz/Seguin Local Government Corporation (the Corporation), a local government corporation and a nonprofit entity, as their constituted authority and instrumentality to accomplish the specific public purpose of acquiring, constructing, improving, enlarging, extending, repairing, maintaining, and operating a water utility system, pursuant to the provisions of Chapter 552, as amended, Texas Local Government Code (formerly Chapter 402, as amended, Texas Local Government Code), and other applicable law; and

WHEREAS, the Cities, pursuant to the Act and other applicable law, have authorized the creation of the Corporation for the purposes set forth in the Corporation’s Articles of Incorporation, including the issuance of bonds to finance or refinance the costs of certain projects to accomplish the Corporation’s public purposes;
WHEREAS, pursuant to law, and particularly the Act, Section 552.018, as amended, Texas Local Government Code (formerly Section 402.018, as amended, Texas Local Government Code), and the Corporation’s powers under Chapter 22 and Chapter 2, as amended, Texas Business Organizations Code (formerly Article 1396 of Texas Revised Civil Statutes Annotated), and Chapter 1201, as amended, Texas Government Code (incorporated by reference, respectively, under Sections 431.006 and 431.070, as amended, Texas Transportation Code), the Corporation is empowered to acquire and construct water supply facilities, and to deliver this water to the Cities; and

WHEREAS, pursuant to the provisions of the Act and the other laws of the State of Texas (the State), the Corporation and the Cities entered into a Regional Water Supply Contract, dated as of November 15, 1999, as amended (the Contract) pursuant to which the Corporation agreed to finance the costs of projects and under which the Cities agreed to make payments to or on behalf of the Corporation in amounts sufficient to meet all of the Corporation’s obligations relating to the issuance of contract revenue bonds to finance or refinance projects; and

WHEREAS, the Cities and the Corporation hereby ratify, reconfirm, and readopt the Contract; and

WHEREAS, the Contract permits the Corporation to issue bonds, notes, or other obligations, whether in one or more series or issues, to pay the cost of projects or to refund any such bonds, notes, or other obligations; and

WHEREAS, the recitals and provisions of the Contract are incorporated herein as if set forth in its entirety, and the capitalized terms of this resolution (the Resolution) shall have the same meanings, and shall be defined as set forth in the Contract; and

WHEREAS, the Corporation has heretofore issued (and there are now outstanding) multiple series of contract revenue bonds, the proceeds from which were utilized to pay project costs or for refunding bond purposes, secured by and payable from a first lien on and pledge of the Bond Payment portion of the Annual Payments (each as defined in the Contract) paid to the Corporation by the Cities pursuant to the Contract (the Priority Bonds); and

WHEREAS, the Corporation’s resolutions authorizing the issuance of the Priority Bonds (the Priority Bonds Resolutions) permit the Corporation to issue additional obligations secured by and payable from a lien on and pledge of the Bond Payment portion of the Annual Payments paid to the Corporation by the Cities under the Contract, which lien and pledge is junior and inferior to the lien thereon and pledge thereof securing the currently outstanding Priority Bonds; and

WHEREAS, to realize covenant relief governing the issuance of additional Priority Bonds pursuant to the terms of the Priority Bonds Resolutions, the Corporation previously established a new revenue finance system and previously issued now outstanding “New Series Bonds”, which are obligations of the Corporation secured, together with the Previously Issued New Series Bonds (hereinafter defined) by a lien on and pledge of the Bond Payment portion of the Annual Payments paid to the Corporation by the Cities under the Contract that is junior and
inferior to the lien thereon and pledge thereof securing the currently outstanding Priority Bonds (the \textit{New Series Bonds}); and

WHEREAS, the Corporation’s resolutions authorizing the issuance of the New Series Bonds (the \textit{New Series Bonds Resolutions}) permit the Corporation to issue additional obligations secured by and payable from a lien on and pledge of the Bond Payment portion of the Annual Payments paid to the Corporation by the Cities under the Contract, which lien and pledge is junior and inferior to the lien thereon and pledge thereof securing the currently outstanding Priority Bonds; and

WHEREAS, in conjunction with the establishment the New Series Bonds revenue finance system, the Corporation previously determined to covenant to no longer issue additional series of bonds secured by and payable from a lien on and pledge of the Bond Payment portion of the Annual Payments paid to the Corporation by the Cities under the Contract on parity with the Priority Bonds (referred to herein as \textit{Additional Priority Bonds}) so that at such time as no Priority Bonds remain outstanding, the lien on and pledge of the Bond Payment portion of the Annual Payments paid to the Corporation by the Cities under the Contract securing the repayment of the New Series Bonds will be elevated to and will enjoy a first and prior lien position; and

WHEREAS, this Resolution constitutes a Bond Resolution as that term is defined in the Contract; and

WHEREAS, principal of and interest on the New Series Bonds are payable solely from the Bond Payment portion of the Annual Payments made to the Corporation by the Cities under the Contract at such level of priority hereinbefore and hereinafter described and in amounts sufficient to pay and redeem, and provide for the payment of the principal of, premium, if any, and interest on the Bonds (defined herein and in the Contract), when due, the fees and expenses of the Paying Agent/Registrar for the Bonds, and other expenses and costs of the Corporation, all as required by this Resolution and the Contract; and

WHEREAS, the Corporation hereby finds and determines that the Bonds can and should be issued as the third series of New Series Bonds and in connection therewith (a) the Corporation is not in default as to any covenant, condition or obligation prescribed in any Priority Bonds Resolutions, the New Series Bonds Resolutions, or the Contract (including any amendment or supplement thereto); (b) the Cities have approved this Resolution as to form and content and acknowledged that the payment of principal of and interest on the Bonds is payable, in whole or in part, from the Bond Payment portion of the Annual Payments to be made by the Cities to the Corporation under and pursuant to the Contract; (c) a consulting engineer certifies to the Corporation the need for an estimated amount of additional financing required for completion, expansion, enlargement or improvement of the Project; (d) the Bonds are made to mature on February 1 or August 1, or both, in each of the years in which they are scheduled to mature; and (e) this Resolution provides for deposits to be made to the Bond Fund in amounts sufficient to pay the principal of and interest on such Bonds as the same become due; and
WHEREAS, the Corporation’s Board has determined that the Bonds in the total amount of 36,000,000 should be issued and sold at this time for the purposes of planning, designing, and constructing utility system improvements to implement the State Water Plan (the Project); and

WHEREAS, the Act also authorizes the Corporation acting through its Board of Directors (the Corporation’s Board) to issue revenue bonds to finance such projects, payable solely from the revenues derived from payments to be made to the Corporation for the purpose of defraying the cost of financing, acquiring, and constructing such projects; and

WHEREAS, the principal of the Bonds and the interest thereon are and shall be payable from and secured, together with the currently outstanding Previously Issued New Series Bonds, by a lien on and pledge of the payments designated as Bond Payment portion of the Annual Payments to be made by the Cities pursuant to the Contract in amounts sufficient to pay and redeem, and provide for the payment of the principal of, premium, if any, and interest on the Bonds, when due, and the fees and expenses of the Paying Agent/Registrar (defined herein) for the Bonds, all as required by this Resolution and in the Contract; and

WHEREAS, the Corporation has determined and does hereby determine that it can finance the projects to implement the State Water Plan in accordance with Chapters 15 and 16 of the Texas Water Code, as amended, pursuant to the Corporation’s obligations under the Contract on the most favorable terms through the issuance of the Bonds to the TWDB in accordance with the terms of this Resolution; and

WHEREAS, the Bonds herein authorized for issuance are to be delivered to the Texas Water Development Board (the Water Development Board, TWDB, or the Purchasers) in evidence of a loan commitment received in the aggregate amount of such Bonds; and

WHEREAS, the Corporation’s Board has determined that the Bonds in the total amount of $36,000,000 should be issued and sold at this time in order to obtain funds necessary to finance the costs of projects; now, therefore,

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION THAT:

SECTION 1: Authorization - Designation - Principal Amount - Purpose. Special contract revenue bonds of the Corporation shall be and are hereby authorized to be issued in the aggregate principal amount of THIRTY SIX MILLION AND NO/100 DOLLARS ($36,000,000), to be designated and bear the title of “SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE BONDS, NEW SERIES 2016 (TEXAS WATER DEVELOPMENT BOARD SWIRFT PROJECT FINANCING)” (the Bonds), pursuant to the Resolution adopted by the Corporation’s Board for the purpose of providing funds finance, acquire, and construct treatment facilities, water supply pipelines, booster pumps, other appurtenances, and necessary easements and other interests in land concerning the State Water Plan (the Project) and to pay the costs and expenses of issuance of the Bonds. The Bonds shall be payable as to both principal and interest solely from and equally and ratably secured, together with the currently outstanding Previously Issued New Series Bonds and any Additional New Series Bonds hereafter issued by the Corporation, by a lien on and pledge of the Bond
Payment portion of the Annual Payments (each as defined in the Contract) received by the Corporation from the Cities under the Contract, which lien and pledge is junior and inferior to the first and prior lien thereon and pledge thereof securing the repayment of the currently outstanding Priority Bonds, until such time as no currently outstanding Priority Bonds remain Outstanding (at which point the New Series Bonds will enjoy a first and prior lien on and pledge of the Bond Payment portion of the Annual Payments). The Bonds are authorized to be issued pursuant to the authority conferred by and in conformity with the laws of the State of Texas, particularly the Act, Chapter 1201, Texas Government Code, as amended, the Contract, and the Resolution.

SECTION 2: Fully Registered Bonds - Authorized Denominations - Stated Maturities - Interest Rates - Interest Payments – Bond Date. The Bonds are issuable in fully registered form only; shall be dated August 1, 2016 (the Bond Date) and shall be in denominations of $5,000 or any integral multiple thereof (within a Stated Maturity), and the Bonds shall become due and payable on February 1 in each of the years and in principal amounts (the Stated Maturities) and bear interest on the unpaid principal amounts from the Closing Date (hereinafter defined), or the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for, to the earlier of redemption or Stated Maturity, at the per annum rates, while Outstanding, in accordance with the following schedule:

<table>
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<th>Year of Stated Maturity</th>
<th>Principal Amounts ($)</th>
<th>Interest Rates (%)</th>
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The Bonds shall bear interest on the unpaid principal amount thereof at the per annum rates shown above, computed on the basis of a 360-day year of twelve 30-day months, and interest thereon shall be payable semiannually on February 1 and August 1 of each year (each an Interest Payment Date) commencing August 1, 2017, while the Bonds are Outstanding. Interest on each Bond issued and delivered to a Holder (hereinafter defined) shall accrue from the latest Interest Payment Date that interest on such Bond (or its Predecessor Bond) has been paid that precedes the registration date appearing on such Bond in the “Registration Certificate of Paying Agent/Registrar” (Section 8D hereof), unless the registration date appearing thereon is an Interest Payment Date for which interest is being paid, in which case interest on such Bond shall accrue from the registration date appearing thereon and provided further that with respect to the initial payment of interest on a Bond, such interest shall accrue from the date of initial delivery of the Bonds (or its Predecessor Bond) to the Purchasers (hereinafter defined).

SECTION 3: Payment of Bonds - Paying Agent/Registrar. The principal of, premium, if any, and interest on the Bonds, due and payable by reason of Stated Maturity, redemption, or otherwise, shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, and such payment of principal of and interest on the Bonds shall be without exchange or collection charges to the Holder (hereinafter defined) of the Bonds.

The selection and appointment of BOKF, NA, Austin, Texas (the Paying Agent/Registrar), to serve as the initial Paying Agent/Registrar for the Bonds is hereby approved and confirmed, and the Corporation agrees and covenants to cause to be kept and maintained at the corporate trust office of the Paying Agent/Registrar books and records (the Security Register) for the registration, payment, and transfer of the Bonds, all as provided herein, in accordance with the terms and provisions of a Paying Agent/Registrar Agreement, attached, in substantially final form, as Exhibit A hereto, and such reasonable rules and regulations as the Paying Agent/Registrar and the Corporation may prescribe. The Corporation covenants to maintain and provide a Paying Agent/Registrar at all times while the Bonds are Outstanding, and any
successor Paying Agent/Registrar shall be (i) a national or state banking institution or (ii) an association or a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers. Such Paying Agent/Registrar shall be subject to supervision or examination by federal or state authority and authorized by law to serve as a Paying Agent/Registrar.

The Corporation reserves the right to appoint a successor Paying Agent/Registrar upon providing the previous Paying Agent/Registrar with a certified copy of a resolution or resolutions terminating such agency. Additionally, the Corporation agrees to promptly cause a written notice of this substitution to be sent to each Holder of the Bonds by United States mail, first-class postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Principal of, premium, if any, and interest on the Bonds, due and payable by reason of Stated Maturity, redemption or otherwise, shall be payable only to the registered owner of the Bonds appearing on the Security Register (the Holder or Holders) maintained on behalf of the Corporation by the Paying Agent/Registrar as hereinafter provided (i) on the Record Date (hereinafter defined) for purposes of payment of interest thereon, (ii) on the date of surrender of the Bonds for purposes of receiving payment of principal thereof upon redemption of the Bonds or at the Bonds’ Stated Maturity, or (iii) on any other date for any other purpose. The Corporation and the Paying Agent/Registrar, and any agent of either, shall treat the Holder as the owner of a Bond for purposes of receiving payment and all other purposes whatsoever, and neither the Corporation nor the Paying Agent/Registrar, or any agent of either, shall be affected by notice to the contrary.

Principal of, premium, if any, on the Bonds shall be payable only upon presentation and surrender of the Bonds to the Paying Agent/Registrar at its corporate trust office. Interest on the Bonds shall be paid to the Holder whose name appears in the Security Register at the close of business on the fifteenth day of the month next preceding an Interest Payment Date for the Bonds (the Record Date) and shall be paid (i) by federal funds wire transfer and at the written request of the Holder or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested in writing by the Holder at the Holder’s risk and expense. While the Bonds are held by the Purchasers (as defined in Section 35 hereof), payment of principal of, premium, if any, and interest on the Bonds shall be made by federal funds wire transfer, at no cost to the Purchasers, to an account at a financial institution located in the United States designated by the Purchasers.

If the date for the payment of the principal of, premium, if any, or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the corporate trust office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a day. The payment on such date shall have the same force and effect as if made on the original date any such payment on the Bonds was due.

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

SECTION 4: Redemption

A. Special Mandatory Redemption. In the event that the Purchasers at such time remains the sole holder of the Bonds and the final accounting delivered by the Corporation to the Purchasers in the form and manner specified in, and in compliance with the provisions of, Section 36.D. of this Resolution evidences that the total cost of the project to be financed with Bond proceeds is less than the amount of Bond proceeds available for paying such costs, then the Corporation shall, as soon as practicable (but in no event later than six months after the Purchasers’ acceptance of the aforementioned accounting), at the direction of the General Manager, and without the requirement of the approval of the Corporation’s Board, redeem Bonds in the amount of such excess to the nearest multiple of the authorized denomination for the Bonds. Bonds redeemed pursuant to this provision shall be redeemable on any date, in inverse order of Stated Maturity, as a whole or in part, in principal amounts of $5,000 or any integral multiple thereof (and if within a Stated Maturity, selected at random and by lot by the Paying Agent/Registrar), at the redemption price of par plus accrued interest to the date of redemption.

B. Optional Redemption. The Bonds having Stated Maturities on and after February 1, 2028 shall be subject to redemption prior to Stated Maturity, at the option of the Corporation, on February 1, 2027, or on any date thereafter, in inverse order of Stated Maturity, as a whole or in part, in principal amounts of $5,000 or any integral multiple thereof (and if within a Stated Maturity selected at random and by lot by the Paying Agent/Registrar), at the redemption price of par plus accrued interest to the date of redemption.

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

D. Selection of Bonds for Redemption. If less than all Outstanding Bonds of the same Stated Maturity are to be redeemed on a redemption date, the Paying Agent/Registrar shall select at random and by lot the Bonds to be redeemed, provided that if less than the entire principal amount of a Bond is to be redeemed, the Paying Agent/Registrar shall treat such Bond then subject to redemption as representing the number of Bonds Outstanding which is obtained by dividing the principal amount of such Bond by $5,000.

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

All notices of redemption shall (i) specify the date of redemption for the Bonds, (ii) identify the Bonds to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state that the Bonds, or the portion of the principal amount thereof to be redeemed, shall become due and payable on the redemption date specified, and the interest thereon, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify that payment of the redemption price for the Bonds, or the principal amount thereof to be redeemed, shall be made at the corporate trust office of the Paying Agent/Registrar only upon presentation and surrender thereof by the Holder. If a Bond is subject by its terms to redemption and has been called for redemption and notice of redemption thereof has been duly given or waived as herein provided, such Bond (or the principal amount thereof to be redeemed) so called for redemption shall become due and payable, and if money sufficient for the payment of such Bonds (or of the principal amount thereof to be redeemed) at the then applicable redemption price is held for the purpose of such payment by the Paying Agent/Registrar, then on the redemption date designated in such notice, interest on said Bonds (or the principal amount thereof to be redeemed) called for redemption shall cease to accrue, and such Bonds shall not be deemed to be Outstanding in accordance with the provisions of this Resolution. This notice may also be published once in a financial publication, journal, or reporter of general circulation among securities dealers in the City of New York, New York (including, but not limited to, The Bond Buyer and The Wall Street Journal), or in the State of Texas (including, but not limited to, The Texas Bond Reporter).

F. Transfer/Exchange. Neither the Corporation nor the Paying Agent/Registrar shall be required (1) to transfer or exchange any Bond during a period beginning forty-five (45) days prior to the date fixed for redemption of the Bonds or (2) to transfer or exchange any Bond selected for redemption, provided; however, such limitation of transfer shall not be applicable to an exchange by the Holder of the unredeemed balance of a Bond which is subject to redemption in part.

SECTION 5: Execution - Registration. The Bonds shall be executed on behalf of the Corporation by its President, Board of Directors, its seal reproduced or impressed thereon, and attested by its Secretary, Board of Directors. The signature of either officer on the Bonds may be manual or facsimile. Bonds bearing the manual or facsimile signatures of individuals who were, at the time of the Bond Date, the proper officers of the Corporation shall bind the Corporation, notwithstanding that such individuals or either of them shall cease to hold such offices prior to the delivery of the Bonds to the Purchasers, all as authorized and provided in Chapter 1201, as amended, Texas Government Code.

No Bond shall be entitled to any right or benefit under this Resolution, or be valid or obligatory for any purpose, unless there appears on such Bond either a certificate of registration substantially in the form provided in Section 8C, executed by the Comptroller of Public Accounts of the State of Texas or his duly authorized agent by manual signature, or a certificate of registration substantially in the form provided in Section 8D, executed by the Paying
Agent/Registrar by manual signature, and either such certificate upon any Bond shall be conclusive evidence, and the only evidence, that such Bond has been duly certified or registered and delivered.

SECTION 6: Registration - Transfer - Exchange of Bonds - Predecessor Bonds. The Paying Agent/Registrar shall obtain, record, and maintain in the Security Register the name and address of every owner of the Bonds, or, if appropriate, the nominee thereof. Any Bond may, in accordance with its terms and the terms hereof, be transferred or exchanged for Bonds of other authorized denominations upon the Security Register by the Holder, in person or by his duly authorized agent, upon surrender of such Bond to the Paying Agent/Registrar for cancellation, accompanied by a written instrument of transfer or request for exchange duly executed by the Holder or by his duly authorized agent, in form satisfactory to the Paying Agent/Registrar.

Upon surrender for transfer of any Bond at the corporate trust office of the Paying Agent/Registrar, the Corporation shall execute and the Paying Agent/Registrar shall register and deliver, in the name of the designated transferee or transferees, one or more new Bonds of authorized denomination and having the same Stated Maturity and of a like interest rate and aggregate principal amount as the Bond or Bonds surrendered for transfer.

At the option of the Holder, Bonds may be exchanged for other Bonds of the same series and of authorized denominations and having the same Stated Maturity, bearing the same rate of interest and of like aggregate principal amount as the Bonds surrendered for exchange upon surrender of the Bonds to be exchanged at the corporate trust office of the Paying Agent/Registrar. Whenever any Bonds are so surrendered for exchange, the Corporation shall execute, and the Paying Agent/Registrar shall register and deliver, the Bonds, to the Holder requesting the exchange.

All Bonds issued upon any transfer or exchange of Bonds shall be delivered at the corporate trust office of the Paying Agent/Registrar, or be sent by registered mail to the Holder at his request, risk, and expense, and upon the delivery thereof, the same shall be the valid and binding obligations of the Corporation, evidencing the same obligation to pay, and entitled to the same benefits under this Resolution, as the Bonds surrendered upon such transfer or exchange.

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

Bonds canceled by reason of an exchange or transfer pursuant to the provisions hereof are hereby defined to be Predecessor Bonds, evidencing all or a portion, as the case may be, of the same debt evidenced by the new Bond or Bonds registered and delivered in the exchange or transfer therefor. Additionally, the term Predecessor Bonds shall include any Bond registered and delivered pursuant to Section 34 in lieu of a mutilated, lost, destroyed, or stolen Bond which shall be deemed to evidence the same obligation as the mutilated, lost, destroyed, or stolen Bond.
SECTION 7: Initial Bond. The Bonds herein authorized shall be issued initially as a single fully-registered Bond in the total principal amount of $36,000,000 with principal installments to become due and payable as provided in Section 2 and numbered T-1 (the Initial Bond) and the Initial Bond shall be registered in the name of the initial Purchasers or the designee thereof. The Initial Bond shall be the Bonds submitted to the Office of the Attorney General of the State of Texas for approval, certified and registered by the Office of the Comptroller of Public Accounts of the State of Texas and delivered to the Purchasers (hereafter defined). Any time after the delivery of the Initial Bond, the Paying Agent/Registrar, upon written instructions from the Purchasers or their designee, shall cancel the Initial Bond delivered hereunder and exchange therefor definitive Bonds of authorized denominations, Stated Maturities, principal amounts and bearing applicable interest rates, and shall be lettered “R” and numbered consecutively from one (1) upward for transfer and delivery to the Holders named at the addresses identified therefor; all pursuant to and in accordance with such written instructions from the Purchasers, or the designee thereof, and such other information and documentation as the Paying Agent/Registrar may reasonably require. It is anticipated that the definitive Bonds may be delivered in installments as recognized in the provisions of Section 60 of this Resolution. As installment deliveries of the Bonds are made to the Purchasers, the Paying Agent/Registrar pursuant to written instructions from the Corporation, or the designee thereof, and in accordance with Article Six of the Paying Agent/Registrar Agreement shall cancel the Initial Bond and deliver in exchange therefor definitive Bonds of like principal amount and maturity, in authorized denominations and bearing applicable interest rates for transfer and delivery to The Depository Trust Company for the account of the Purchasers, all pursuant to and in accordance with Article Six of the Paying Agent/Registrar Agreement, written instructions from the Purchasers and the Corporation, or the designees thereof, and such other information and documentation as the Paying Agent/Registrar may reasonably require.

SECTION 8: Forms.

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

The definitive Bonds shall be printed, lithographed, or engraved, produced by any combination of these methods, or produced in any other similar manner, all as determined by the officers executing the Bonds as evidenced by their execution thereof, but the Initial Bond submitted to the Attorney General of the State of Texas may be typewritten or photocopied or otherwise reproduced.
[The remainder of this page intentionally left blank.]
B. Form of Definitive Bond.

<table>
<thead>
<tr>
<th>Bond Date:</th>
<th>Stated Maturity:</th>
<th>Interest Rate:</th>
<th>CUSIP No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 1, 2016</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

REGISTERED OWNER: _________________________________________________________

PRINCIPAL AMOUNT: _______________________________ DOLLARS

The Schertz/Seguin Local Government Corporation (the Corporation), a nonprofit corporation of the State of Texas, for value received, hereby promises to pay to the order of the Registered Owner specified above, or the registered assigns thereof, on the Stated Maturity date specified above, the Principal Amount specified above (or so much thereof as shall not have been paid upon prior redemption), and to pay interest on the unpaid principal amount hereof from the Closing Date, or from the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for, to the earlier of redemption or Stated Maturity, while Outstanding, at the per annum rate of interest specified above computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on February 1 and August 1 of each year commencing August 1, 2017 (each being the “Interest Payment Date”).

Principal and premium, if any, of the Bond shall be payable to the Registered Owner hereof (the Holder) upon presentation and surrender, at the corporate trust office of the Paying Agent/Registrar executing the registration certificate appearing hereon or a successor thereof. Interest shall be payable to the Holder of this Bond (or one or more Predecessor Bonds, as defined in the Resolution hereinafter referenced) whose name appears on the Security Register maintained by the Paying Agent/Registrar at the close of business on the Record Date, which is the fifteenth day of the month next preceding each Interest Payment Date. All payments of principal of and interest on this Bond shall be in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Interest shall be paid by the Paying Agent/Registrar by check sent on or prior to the appropriate date of payment by federal funds wire transfer, at no cost to the Holder, and at the written request of the Holder or by such other method, acceptable to the Paying Agent/Registrar, requested by the Holder hereof at the Holder’s risk and expense. While the Bonds are held by the Purchasers payment of principal of, premium, if any, and interest on the Bonds shall be made by federal funds wire transfer, at no cost to the Purchasers, to an account at a financial institution located in the United States designated by the Purchasers.
This Bond is one of the series specified in its title issued in the aggregate principal amount of $36,000,000 (the Bonds) pursuant to a resolution adopted by the governing body of the Corporation (the Resolution), for the purpose of providing funds to (i) finance, acquire, and construct treatment facilities, water supply pipelines, booster pumps, other appurtenances, and necessary easements and other interests in land, and (ii) pay the costs and expenses of issuing the Bonds, under and in strict conformity with the laws of the State of Texas, particularly the Act, Chapter 1201, Texas Government Code, as amended, the Contract, and the Resolution.

In the event that the Purchasers at such time remains the sole holder of the Bonds and the final accounting delivered by the Corporation to the Purchasers in the form and manner specified in the Resolution (and in compliance with the provisions of Section 36.D. of the Resolution) evidences that the total cost of the project to be financed with Bond proceeds is less than the amount of Bond proceeds available for paying such costs, then the Corporation shall, as soon as practicable (but in no event later than six months after the Purchasers’ acceptance of the aforementioned accounting), at the direction of the General Manager without the requirement of the approval of the Board of the Corporation, redeem Bonds in the amount of such excess to the nearest multiple of the authorized denomination for the Bonds. Bonds redeemed pursuant to this provision shall be redeemable on any date, in inverse order of Stated Maturity, as a whole or in part, in principal amounts of $5,000 or any integral multiple thereof (and if within a Stated Maturity, selected at random and by lot by the Paying Agent/Registrar), at the redemption price of par plus accrued interest to the date of redemption.

The Bonds stated to mature on and after February 1, 2028 may be redeemed prior to their Stated Maturities, at the option of the Corporation, on February 1, 2027, or on any date thereafter, in inverse order of Stated Maturity, in whole or in part in principal amounts of $5,000 or any integral multiple thereof (and if within a Stated Maturity selected at random and by lot by the Paying Agent/Registrar) at the redemption price of par, together with accrued interest to the date of redemption, and upon thirty (30) days prior written notice being given by United States mail, first-class postage prepaid, to Holders of the Bonds to be redeemed, and subject to the terms and provisions relating thereto contained in the Resolution. If this Bond is subject to redemption prior to Stated Maturity and is in a denomination in excess of $5,000, portions of the principal sum hereof in installments of $5,000 or any integral multiple thereof may be redeemed, and, if less than all of the principal sum hereof is to be redeemed, there shall be issued, without charge therefor, to the Holder hereof, upon the surrender of this Bond to the Paying Agent/Registrar at its corporate trust office, a new Bond or Bonds of like Stated Maturity and interest rate in any authorized denominations provided in the Resolution for the then unredeemed balance of the principal sum hereof.

If this Bond (or any portion of the principal sum hereof) shall have been duly called for redemption and notice of such redemption duly given, then upon such redemption date this Bond (or the portion of the principal sum hereof to be redeemed) shall become due and payable, and, if money for the payment of the redemption price and the interest accrued on the principal amount to be redeemed to the date of redemption is held for the purpose of such payment by the Paying Agent/Registrar, interest shall cease to accrue and be payable hereon from and after the redemption date on the principal amount hereof to be redeemed. If this Bond is called for redemption, in whole or in part, the Corporation or the Paying Agent/Registrar shall not be required to issue, transfer, or exchange this Bond within forty-five (45) days of the date fixed for
redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the Holder of the unredeemed balance hereof in the event of its redemption in part.

The Bonds of this series are special obligations of the Corporation payable from and equally and ratably secured, together with the currently outstanding Previously Issued New Series Bonds and any Additional New Series Bonds hereafter issued by the Corporation, solely by a lien on and pledge of the Bond Payment (as defined in the Contract) portion of the Annual Payments (as defined in the Contract) received by the Corporation from the Cities pursuant to the provisions of the Contract, which lien and pledge is junior and inferior to the first and prior lien thereon and pledge thereof securing the repayment of the currently outstanding Priority Bonds, until such time as no Priority Bonds remain Outstanding (at which point the New Series Bonds will enjoy a first and prior lien on and pledge of the Bond Payment portion of the Annual Payments). In the Resolution, the Corporation has covenanted to not issue any Additional Priority Bonds, but has reserved and retained the right to issue Additional New Series Bonds and Additional Obligations payable from a lien on and pledge of the Bond Payment portion of the Annual Payments that is subordinate and inferior to the lien thereon and pledge thereof securing the repayment of any New Series Bonds. In addition, the Corporation has reserved and retained the right to issue Additional Obligations, without limitation as to principal amount but subject to any terms, conditions, or restrictions set forth in the Resolution or as may be applicable thereto under law or otherwise. The Bonds do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any property of the Corporation or System, except with respect to the Bond Payment portion of the Annual Payments.

THIS BOND IS NOT A GENERAL OBLIGATION OF THE STATE OF TEXAS, THE CITY OF SCHERTZ, TEXAS, OR THE CITY OF SEGUIN, TEXAS. THE REGISTERED OWNER SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT HEREOF OUT OF MONEY RAISED OR TO BE RAISED BY TAXATION. NO FUNDS OF THE CITY OF SCHERTZ, TEXAS OR THE CITY OF SEGUIN, TEXAS RAISED BY TAXATION SHALL EVER BE USED TO PAY THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THE BONDS. THE CORPORATION HAS NO TAXING AUTHORITY.

Reference is hereby made to the Resolution, copies of which are on file in the corporate trust office of the Paying Agent/Registrar, and to all of the provisions of which the Holder by his acceptance hereof hereby assents, for definitions of terms; the description and nature of the Annual Payments pledged for the payment of the Bonds; the terms and conditions under which the Corporation may issue additional indebtedness (including Additional New Series Bonds and Additional Obligations); the terms and conditions relating to the transfer or exchange of the Bonds; the conditions upon which the Resolution may be amended or supplemented with or without the consent of the Holders; the rights, duties, and obligations of the Corporation and the Paying Agent/Registrar; the terms and provisions upon which this Bond may be redeemed or discharged at or prior to the Stated Maturity thereof, and deemed to be no longer Outstanding thereunder; and for the other terms and provisions specified in the Resolution. Capitalized terms used herein have the same meanings assigned in the Resolution.

This Bond, subject to certain limitations contained in the Resolution, may be transferred on the Security Register upon presentation and surrender at the corporate trust office of the Paying Agent/Registrar, duly endorsed by, or accompanied by a written instrument of transfer in
form satisfactory to the Paying Agent/Registrar duly executed by the Holder hereof, or his duly authorized agent, and thereupon one or more new fully registered Bonds of the same Stated Maturity, of authorized denominations, bearing the same rate of interest, and of the same aggregate principal amount will be issued to the designated transferee or transferees.

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

It is hereby certified, covenanted, and represented that all acts, conditions, and things required to be performed, exist, and be done precedent to the issuance of this Bond in order to render the same a legal, valid, and binding special obligation of the Corporation have been performed, exist, and have been done, in regular and due time, form, and manner, as required by the laws of the State of Texas and the Resolution, and that issuance of the Bonds does not exceed any constitutional or statutory limitation; and that due provision has been made for the payment of the principal of and interest on the Bonds by a lien on and pledge of the Bond Payment portion of the Annual Payments and as otherwise provided in this Resolution. In case any provision in this Bond or any application thereof shall be deemed invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions and applications shall not in any way be affected or impaired thereby. The terms and provisions of this Bond and the Resolution shall be construed in accordance with and shall be governed by the laws of the State of Texas.

*The remainder of this page intentionally left blank*
IN WITNESS WHEREOF, the Board of the Corporation has caused this Bond to be duly executed under the official seal of the Corporation.

SCHERTZ/SEGUIN LOCAL
GOVERNMENT CORPORATION

President, Board of Directors

ATTESTED:

Secretary, Board of Directors

(SEAL)

C. *Form of Registration Certificate of Comptroller of Public Accounts to Appear on Initial Bond Only.

REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER OF
PUBLIC ACCOUNTS
THE STATE OF TEXAS

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

WITNESS my signature and seal of office this ________________________________.

[Signature]
Comptroller of Public Accounts
of the State of Texas

(SEAL)

*NOTE TO PRINTER: Do Not Print on Definitive Bonds.
D. Form of Certificate of Paying Agent/Registrar to Appear on Definitive Bonds Only.

REGISTRATION CERTIFICATE OF PAYING AGENT/REGISTRAR

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

Registered this date: BOKF, NA, Austin, Texas, as Paying Agent/Registrar

____________________________________  By: ______________________________

Authorized Signature

*NOTE TO PRINTER: Print on Definitive Bonds.

E. Form of Assignment.

ASSIGNMENT

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

(Social Security or other identifying number): ____________________________

doing the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints ____________________________ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

DATED: ____________________________

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

Signature guaranteed:

____________________________________
The Initial Bond shall be in the form set forth in paragraph B of this Section, except that the form of a single fully registered Initial Bond shall be modified as follows:

i) immediately under the name of the Bond(s) the headings “Interest Rate” and “Stated Maturity” shall both be completed “as shown below”;

ii) the first two paragraphs shall read as follows:

Registered Owner: ______________________________________________________________
Principal Amount: _______________________________________________________________

The Schertz/Seguin Local Government Corporation (the Corporation), a nonprofit corporation of the State of Texas, for value received for value received, hereby promises to pay to the order of the Registered Owner named above, or the registered assigns thereof, the Principal Amount specified above stated to mature on the first day of February in each of the years and in principal amounts and bearing interest at per annum rates in accordance with the following schedule:

<table>
<thead>
<tr>
<th>Years of Stated Maturity</th>
<th>Principal Amounts ($)</th>
<th>Interest Rates (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Information to be inserted from schedule in Section 2 hereof).

(or so much thereof as shall not have been paid upon prior redemption) and to pay interest on the unpaid Principal Amount hereof from the Closing Date (anticipated to be on or about ___________. 2016), or from the most recent Interest Payment Date (hereafter defined) to which interest has been paid or duly provided for, to Stated Maturity or prior redemption, at the per annum rates of interest specified above computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on February 1 and August 1, commencing August 1, 2017 (each, an “Interest Payment Date”).

Principal and premium, if any, of this Bond shall be payable to the Registered Owner hereof (the Holder), upon its presentation and surrender, at the corporate trust office of BOKF, NA, Austin, Texas (the Paying Agent/Registrar). Interest shall be payable to the Holder of this Bond whose name appears on the Security Register maintained by the Paying Agent/Registrar at the close of business on the Record Date, which is the fifteenth day of the month next preceding each Interest Payment Date. All payments of principal of and interest on this Bond shall be in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Interest shall be paid by the Paying Agent/Registrar by check sent on or prior to the appropriate date of payment by United States mail, first-class postage prepaid, to the Holder hereof at the address appearing in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Holder hereof. While the Bonds are held by the Purchasers, payment of principal of, premium, if any, and interest on the Bonds shall be made by federal funds wire transfer, at no cost to the Purchasers, to an account at a financial institution located in the United States designated by the Purchasers.
G. Insurance Legend. If bond insurance is obtained by the Purchasers or the Corporation for the Bonds, the definitive Bonds and the Initial Bond(s) shall bear an appropriate legend as provided by the insurer.

SECTION 9: Definitions. For all purposes of this Resolution (as defined below), except as otherwise expressly provided or unless the context otherwise requires: (i) the terms defined in this Section have the meanings assigned to them in this Section, and certain terms used in Sections 38 and 54 of this Resolution have the meanings assigned to them in such Sections, and all such terms include the plural as well as the singular; (ii) all references in this Resolution to designated “Sections” and other subdivisions are to the designated Sections and other subdivisions of this Resolution as originally adopted; and (iii) the words “herein”, “hereof”, and “hereunder” and other words of similar import refer to this Resolution as a whole and not to any particular Section or other subdivision.

A. The term Additional New Series Bonds shall mean (i) the currently outstanding Previously Issued New Series Bonds, the Bonds, and any bonds, notes, warrants, or any similar obligations hereafter issued by the Corporation that are payable wholly or in part from and equally and ratably secured by a lien and pledge of the Bond Payment portion of the Annual Payments received by the Corporation from the Cities under the Contract, which lien and pledge is junior and inferior to the lien thereon and pledge thereof securing the repayment of the currently outstanding Priority Bonds until such time as no Priority Bonds remain Outstanding (at which point all New Series Bonds will enjoy a first and prior lien on and pledge of the Bond Payment portion of the Annual Payments), but senior and superior to the lien thereon and pledge thereof of any additional Corporation obligations secured by and payable from a lien on and pledge of the Bond Payment portion of the Annual Payments that is subordinate and inferior to the lien thereon and pledge thereof securing the repayment of any New Series Bonds and (ii) obligations hereafter issued to refund any of the foregoing that are payable from and equally and ratably secured by a lien on and pledge of the Bond Payment portion of the Annual Payments received by the Corporation from the Cities under the Contract, as determined by the Corporation in accordance with applicable law, on parity with the lien thereon and pledge thereof securing the other New Series Bonds then-Outstanding.

B. The term Additional Obligations shall mean collectively, any Prior Lien Obligations, Junior Lien Obligations, or Inferior Lien Obligations hereafter issued by the Corporation.

C. The term Additional Priority Bonds shall mean any bonds, notes, warrants, or other evidences of indebtedness (including those issued for the purpose of refunding previously issued bonds, notes, or other evidences of indebtedness) which the Corporation reserved the right to issue under the Priority Bonds Resolutions the repayment of which is secured by a first and prior lien on and pledge of the Bond Payment portion of the Annual Payments received by the Corporation from the Cities under the Contract, which lien and pledge is on parity with the lien thereon and pledge thereof securing the repayment of the Priority Bonds. The Corporation has covenanted not to issue any Additional Priority Bonds.
D. The term *Annual Payments* shall mean the payments, including the Bond Payment, Operation and Maintenance Expenses, and Overhead Expenses, that the Corporation expects to receive from the Cities pursuant to the terms of the Contract.

E. The term *Authorized Officials* shall mean the Corporation’s Board President, the Corporation’s Board Secretary, and/or the General Manager.

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

G. The term *Bond Fund* shall mean the special Fund or account created and established by the provisions of Section 13 of this Resolution.

H. The term *Bond Payment* shall have the meaning ascribed thereto in the Contract.

I. The term *Bonds* shall mean the $36,000,000 “SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE BONDS, NEW SERIES 2016 (TEXAS WATER DEVELOPMENT BOARD SWIRFT PROJECT FINANCING)”, dated August 1, 2016, authorized by this Resolution.

J. The term *Bonds Similarly Secured* shall mean any Additional Obligations hereafter issued by the Corporation or bonds issued to refund any of the foregoing if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured by a lien on and pledge of the Net Revenues.

K. The term *Closing Date* shall mean the date of physical delivery of the Initial Bond for the payment in full by the Purchasers.

L. The term *Contract* shall mean the Regional Water Supply Contract, dated as of November 15, 1999, together with amendments and supplements thereto (which by the term of such instrument is designated as a supplement to such Contract), a conformed copy of such Contract being attached hereto as Exhibit E for the purposes of identification.

M. The term *Corporation* shall mean Schertz/Seguin Local Government Corporation and any other nonprofit corporation, public agency, or other entity succeeding to the powers, rights, privileges and functions of the Corporation and, when appropriate, the Board of Directors of the Corporation.

N. The term *Construction Fund* shall mean the Corporation’s construction fund ordered established by Section 36 of this Resolution.
O. The term *Credit Agreement* shall mean a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitments to purchase debt, purchase or sale agreements, interest rate swap agreements, or commitments or other contracts or agreements authorized, recognized, and approved by the Corporation as a Credit Agreement in connection with the authorization, issuance, security, or payment of any Bond.

P. The term *Credit Facility* shall mean (i) a policy of insurance or a surety bond, issued by an issuer of policies of insurance insuring the timely payment of debt service on governmental obligations under and pursuant to Texas law, or (ii) a letter or line of credit issued by any financial institution authorized under applicable State law to deliver such types of financial instrument.

Q. The term *Credit Provider* shall mean any bank, financial institution, insurance company, surety bond provider, or other institution which provides, executes, issues, or otherwise is a party to or provider of a Credit Agreement or a Credit Facility.

R. The term *Debt Service Requirements* shall mean as of any particular date of computation, with respect to any obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the Corporation as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on such obligations; assuming, in the case of obligations without a fixed numerical rate, that such obligations bear interest calculated by assuming (i) that the interest rate for every 12-month period on such bonds is equal to the rate of interest reported in the most recently published edition of *The Bond Buyer* (or its successor) at the time of calculation as the “Revenue Bond Index” or, if such Revenue Bond Index is no longer being maintained by *The Bond Buyer* (or its successor) at the time of calculation, such interest rate shall be assumed to be 80% of the rate of interest then being paid on United States Treasury obligations of like maturity and (ii) that, in the case of bonds not subject to fixed scheduled mandatory sinking fund redemptions, that the principal of such bonds is amortized such that annual debt service is substantially level over the remaining stated life of such bonds or in the manner permitted under Section 1371.057(c), as amended, Texas Government Code as the same relates to interim or non-permanent indebtedness, and in the case of obligations required to be redeemed or prepaid as to principal prior to Stated Maturity according to a fixed schedule, the principal amounts thereof will be redeemed prior to Stated Maturity in accordance with the mandatory redemption provisions applicable thereto (in each case notwithstanding any contingent obligation to redeem bonds more rapidly). For the term of any Credit Agreement or a Credit Facility in the form of an interest rate hedge agreement entered into in connection with any such obligations, Debt Service Requirements shall be computed by netting the amounts payable to the Corporation under such hedge agreement from the amounts payable by the Corporation under such hedge agreement and such obligations.

S. The term *Depository* shall mean an official depository bank of the Corporation.

T. The term *Fiscal Year* shall mean the twelve month accounting period used by the Corporation in connection with the operation of the System, currently ending on September 30th of each year, which may be any twelve consecutive month period established by the Corporation,
but in no event may the Fiscal Year be changed more than one time in any three calendar year period.

U. The term *Government Securities*, as used herein, shall mean (i) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by, the United States of America; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, or (iv) any additional securities and obligations hereafter authorized by the laws of the State of Texas as eligible for use to accomplish the discharge of obligations such as the Bonds.

V. The term *Gross Revenues* shall mean all income and increment, including, but not limited to, any revenues, income, or connection fees which may be derived from the ownership and/or operation of the System as it is purchased, constructed or otherwise acquired, including payments pursuant to the Contract (excluding the Bond Payment portion of the Annual Payments), but shall not mean the income and increment derived from a contract or contracts with persons, corporations, municipal corporations, political subdivisions, or other entities which under the terms of the authorizing resolution(s) or order(s) that may be pledged for the requirements of the Corporation’s Special Project Bonds issued particularly to finance certain facilities (even though the facilities to be financed with the Special Project Bonds are physically connected to the System) needed in performing any such contract or contracts; provided, however, that the Board of Directors of the Corporation may utilize any revenues, including those generated by the Contract, in excess of the Debt Service Requirements on the Priority Bonds and/or New Series Bonds for any lawful purpose in accordance with this Resolution and the Contract.

W. The term *Holder or Holders* shall mean the registered owner, whose name appears in the Security Register, for any Bond.

X. The term *Inferior Lien Obligations* shall mean (i) any bonds, notes, warrants, or other obligations hereafter issued by the Corporation payable wholly or in part from a pledge of and lien on Net Revenues of the System, all as further provided in Section 21 of this Resolution, which is subordinate and inferior to the lien on and pledge thereof securing the payment of any Prior Lien Obligations or Junior Lien Obligations hereafter issued by the Corporation, and (ii) obligations hereafter issued to refund any of the foregoing that are payable from and equally and ratably secured by a subordinate and inferior lien on and pledge of the Net Revenues as determined by the Board of Directors in accordance with any applicable law.

Y. The term *Insurer* shall mean ___________________________, or any successor thereto.
Z. The term *Interest Payment Date* shall mean the date semiannual interest is payable on the Bonds, being February 1 and August 1 of each year, commencing August 1, 2017, while any of the Bonds remain Outstanding.

AA. The term *Junior Lien Obligations* shall mean (i) any bonds, notes, warrants, or any similar obligations hereafter issued by the Corporation that are payable wholly or in part from and equally and ratably secured by a junior and inferior lien on and pledge of the Net Revenues of the System, all as further provided in Section 21 of this Resolution and (ii) obligations hereafter issued to refund any of the foregoing that are payable from and equally and ratably secured by a junior and inferior lien on and pledge of the Net Revenues as determined by the Board of Directors in accordance with any applicable law.

BB. The term *Net Revenues* shall mean Gross Revenues of the System, with respect to any period, after deducting the System’s Operation and Maintenance Expenses during such period.

CC. The term *New Series Bonds* shall mean the Previously Issued New Series Bonds, the Bonds, and any Additional New Series Bonds hereafter issued by the Corporation.

DD. The term *Operation and Maintenance Expenses* shall have the meaning ascribed thereto in the Contract.

EE. The term *Outstanding* shall mean when used in this Resolution with respect to Bonds means, as of the date of determination, all Bonds issued and delivered under this Resolution, except:

   (1) those Bonds canceled by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation;

   (2) those Bonds for which payment has been duly provided by the Corporation in accordance with the provisions of Section 40 of this Resolution by the irrevocable deposit with the Paying Agent/Registrar, or an authorized escrow agent, of money or Government Securities, or both, in the amount necessary to fully pay the principal of, premium, if any, and interest thereon to maturity or redemption, as the case may be, provided that, if such Bonds are to be redeemed, notice of redemption thereof shall have been duly given pursuant to this Resolution or irrevocably provided to be given to the satisfaction of the Paying Agent/Registrar, or waived; and

   (3) those Bonds that have been mutilated, destroyed, lost, or stolen and replacement Bonds have been registered and delivered in lieu thereof as provided in Section 34 of this Resolution.

FF. The term *Overhead Expenses* shall have the meaning ascribed thereto in the Contract.

GG. The term *Policy* shall mean the Municipal Bond Insurance Policy issued by the Insurer that guarantees the scheduled payment of principal of and interest on the Bonds when due.
HH. The term Previously Issued New Series Bonds shall mean (i) $6,275,000 “SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE REFUNDING BONDS, NEW SERIES 2014”, dated September 1, 2014, (ii) 41,720,000 “SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE IMPROVEMENT AND REFUNDING BONDS, NEW SERIES 2015”, dated December 1, 2014, and (iii) obligations hereafter issued to refund any of the foregoing that are payable from and equally and ratably secured by a junior and inferior lien on and pledge of the Bond Payment portion of the Annual Payments as determined by the Board of Directors in accordance with any applicable law.

II. The term Prior Lien Obligations shall mean (i) any bonds, notes, warrants, or other evidences of indebtedness which the Corporation reserves the right to issue or enter into, as the case may be, in the future under the terms and conditions provided in Section 20 of this Resolution and which are equally and ratably secured solely by a first and prior lien on and pledge of the Net Revenues of the System and (ii) obligations hereafter issued to refund any of the foregoing if issued in a manner so as to be payable from and secured by a first and prior lien on and pledge of the Net Revenues as determined by the Corporation’s Board in accordance with applicable law.

JJ. The term Priority Bonds shall mean (i) those obligations heretofore issued by the Corporation and that remain Outstanding after the issuance of the Bonds, which Outstanding obligations are payable from and secured by a first and prior lien on and pledge of the Bond Payment portion of the Annual Payments, which lien and pledge is senior and superior to the lien thereon and pledge thereof securing the repayment of the New Series Bonds, being the:

(1) $41,040,000 “SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE BONDS, SERIES 2001”, dated February 1, 2001, and

(2) $22,140,000 “SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE REFUNDING BONDS, SERIES 2010”, dated June 1, 2010.

and (ii) obligations hereafter issued to refund any of the foregoing that are payable from and equally and ratably secured by a first and prior lien on and pledge of the Bond Payment portion of the Annual Payments as determined by the Board of Directors in accordance with any applicable law.

KK. The term Project shall have the meaning ascribed in the preamble to this Resolution.

LL. The term Purchasers shall mean the initial purchaser or purchasers of the Bonds named in Section 35 of this Resolution.

MM. The term Rating Agency shall mean any nationally recognized securities rating agency which has assigned a rating to the Bonds.
NN. The term *Renewal and Replacement Fund* shall mean the special fund, creation and establishment under the Priority Bonds Resolutions of which is recognized by the Corporation in Section 15 of this Resolution.

OO. The term *Resolution* shall mean this resolution adopted by the Corporation’s Board on ____________, 2016.

PP. The term *Special Project Bonds* shall mean obligations which the Corporation expressly reserves the right to issue in Section 22 of this Resolution.

QQ. The term *Stated Maturity* shall mean the annual principal payments of the Bonds payable on February 1 of each year, as set forth in Section 2 of this Resolution.

RR. The term *System* shall mean the works, improvements, facilities, plants, equipment, appliances, property, easements, leaseholds, licenses, privileges, right of use or enjoyment, contract rights or other interests in property comprising the utility system of the Corporation, including the Project, now owned or to be hereafter purchased, constructed or otherwise acquired whether by deed, contract or otherwise, together with any additions or extensions thereto or improvements and replacements thereof, or the utility system of any other entity to which the Corporation has contractual rights of use, including the Project, except the facilities which the Corporation may purchase or acquire with the proceeds of the sale of Special Project Bonds, so long as such Special Project Bonds are outstanding, notwithstanding that such facilities may be physically connected with the System.

SS. The term *TWDB* shall mean the Texas Water Development Board or any successor entity thereof.

TT. The term *TWDB Program* shall have the meaning ascribed in Section 62 of the Resolution.

SECTION 10: Pledge of the Bond Payment Portion of the Annual Payments; Availability of Net Revenues for Payment; Perfection of Security Interest.

A. The Corporation hereby covenants and agrees that the Bond Payment portion of the Annual Payments, subject (but only subject) to the first and prior lien thereon and pledge thereof securing the repayment of the currently outstanding Priority Bonds, is hereby irrevocably pledged to the payment and security of the New Series Bonds including the establishment and maintenance of the special funds or accounts created and established for the payment and security thereof, as hereinafter provided. It is hereby resolved that the New Series Bonds, and the interest thereon, shall constitute a lien on and pledge of the Bond Payment portion of the Annual Payments (subject only to the first and prior lien thereon and pledge thereof securing the repayment of the currently outstanding Priority Bonds) and shall be valid and binding without any physical delivery thereof or further act by the Corporation. This lien on and pledge of the Bond Payment portion of the Annual Payments for the payment and security of the New Series Bonds, as heretofore described, shall be subject only to the first and prior lien thereon and pledge thereof securing the currently outstanding Priority Bonds and, at such time as no Priority Bonds are Outstanding, the lien on and pledge of the Bond Payment Portion of the Annual Payments securing the repayment of the New Series Bonds hereby created shall be elevated to a first and
prior lien position such that this lien and pledge shall be prior in right and claim as to any other indebtedness, liability, or obligation of the Corporation or the System with respect to the New Series Bonds.

B. As an additional source of payment of Debt Service Requirements on the New Series Bonds, but not pledged as additional security therefor, the Corporation hereby reserves the right to utilize its Net Revenues for such lawful purpose, but any use of Net Revenues for the payment of New Series Bonds Debt Service Requirements shall be subject to the prior lien on and pledge of the Net Revenues securing the payment of any Additional Obligations hereafter issued by the Corporation.

C. Chapter 1208, as amended, Texas Government Code applies to the issuance of the New Series Bonds and the lien on and pledge of Bond Payment portion of the Annual Payments granted by the Corporation under subsection A. of this Section, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at any time while the New Series Bonds are outstanding and unpaid such that the pledge of the Bond Payment portion of the Annual Payments granted by the Corporation is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, as amended, then in order to preserve to the registered owners of the New Series Bonds the perfection of the security interest in this pledge, the Corporation agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code, as amended and enable a filing to perfect the security interest in this pledge to occur.

SECTION 11: Rates and Charges. For the benefit of the Holders of the New Series Bonds and in addition to all provisions and covenants in the laws of the State of Texas and in this Resolution, the Corporation hereby expressly stipulates and agrees, while any of the New Series Bonds are Outstanding, to establish and maintain rates and charges for facilities and services afforded by the System, including the Annual Payments, that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to produce Gross Revenues in each Fiscal Year sufficient:

A. To pay all Operation and Maintenance Expenses, or any expenses required by statute to be a first claim on and charge against the Gross Revenues of the System;

B. To produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest on any Prior Lien Obligations hereafter issued by the Corporation and the amounts required to be deposited in any reserve, contingency, or redemption fund or account created for the payment and security of any Prior Lien Obligations, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured solely by a prior and first lien on and pledge of the Net Revenues of the System;

C. To produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest on any Junior Lien Obligations hereafter issued by the Corporation and the amounts required to be deposited in any reserve, contingency, or redemption fund or account created for the payment and security of any Junior Lien Obligations, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured solely by a junior and inferior lien on and pledge of the Net Revenues of the System;
D. To produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest on any Inferior Lien Obligations hereafter issued by the Corporation and the amounts required to be deposited in any reserve, contingency, or redemption fund or account created for the payment and security of any Inferior Lien Obligations, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured solely by a subordinate and inferior lien on and pledge of the Net Revenues of the System;

E. To produce Net Revenues, together with any other lawfully available funds, including the Bond Payment portion of the Annual Payments, to pay the principal of and interest on the currently outstanding Priority Bonds as the same become due and payable and to deposit the amounts required to be deposited in any special fund or account, including the Priority Bonds’ debt service and debt service reserve funds and the Renewal and Replacement Fund heretofore created and established for the payment and security of the Priority Bonds; and

F. To produce Net Revenues, together with any other lawfully available funds, including the Bond Payment portion of the Annual Payments, to pay the principal of and interest on the New Series Bonds as the same become due and payable and to deposit the amounts required to be deposited in any special fund or account, including the Bond Fund created herein and any debt service reserve fund hereafter created as additional security for any Additional New Series Bonds, created and established for the payment and security of the New Series Bonds.

SECTION 12: System Fund. The Corporation hereby ratifies, confirms and herein assumes the application for so long as any New Series Bonds are Outstanding its prior covenants and agreements made in the Priority Bonds Resolutions that the Gross Revenues of the System shall be deposited, as collected and received, into a separate fund or account previously created, established, and maintained with the Depository known as the “Schertz/Seguin Local Government Corporation Revenue Fund” (the System Fund) and that the Gross Revenues of the System shall be kept separate and apart from all other funds of the Corporation. The Corporation covenants that the Overhead Expenses and Operation and Maintenance Expenses (each as defined in the Contract) shall be deposited upon receipt by the Corporation into the System Fund. All Gross Revenues deposited into the System Fund shall be pledged and appropriated to the extent required for the following uses and in the order of priority shown:

FIRST: to the payment of all necessary and reasonable Operation and Maintenance Expenses as defined herein or required by statute, to be a first charge on and claim against the Gross Revenues of the System.

SECOND: to the payment of the amounts required to be deposited into the bond, reserve, contingency, or redemption funds created and established for the payment of any Prior Lien Obligations hereafter issued by the Corporation as the same become due and payable.

THIRD: to the payment of the amounts required to be deposited into the bond, reserve, contingency, or redemption funds created and established for the payment of any Junior Lien Obligations hereafter issued by the Corporation as the same become due and payable.
FOURTH: to the payment of the amounts required to be deposited into the bond, reserve, contingency, or redemption funds created and established for the payment of any Inferior Lien Obligations hereafter issued by the Corporation as the same become due and payable.

FIFTH: to the payment of the amounts that must be deposited in any special funds or accounts, including the debt service and debt service reserve funds and the Renewal and Replacement Fund created and established for the payment and security of the currently outstanding Priority Bonds.

SIXTH: to the payment of the amounts that must be deposited in any special funds or accounts, including the Bond Fund created herein and any debt service reserve fund hereafter created as additional security for any Additional New Series Bonds, created and established for the payment and security of the New Series Bonds.

Any Net Revenues remaining in the System Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other Corporation purpose now or hereafter permitted by law.

SECTION 13: Bond Fund; Surplus Bond Proceeds. For purposes of providing funds to pay the principal of and interest on the New Series Bonds as the same become due and payable, the Corporation agrees to maintain, at the Depository, a separate and special fund or account previously created and known as the “Schertz/Seguin Local Government Corporation Contract Revenue Bonds, Series Interest and Sinking Fund” (the Bond Fund). The Corporation covenants that the Bond Payment portion of the Annual Payments shall be deposited upon receipt by the Corporation into the Bond Fund. The Authorized Officials covenant that there shall be deposited into the Bond Fund prior to each principal and interest payment date from the available Bond Payment portion of the Annual Payments an amount equal to one hundred per cent (100%) of the amount required to fully pay the interest on and the principal of the New Series Bonds then falling due and payable, such deposits to pay maturing principal and accrued interest on the New Series Bonds to be made in substantially equal monthly installments on or before the tenth day of each month, beginning on or before the tenth day of the month next following the delivery of the Bonds to the Purchasers. If the Bond Payment portion of the Annual Payments in any month are insufficient to make the required payments into the Bond Fund, then the amount of any deficiency in such payment shall be added to the amount otherwise required to be paid into the Bond Fund in the next month. For the avoidance of doubt, and for purposes of clarity, the Bond Payment portion of the Annual Payments received by the Corporation from the Cities under the Contract shall be utilized by the Corporation, as received, in the following manner for so long as any Priority Bonds remain Outstanding:

FIRST: to the payment of the amounts that must be deposited in any special funds or accounts, including the debt service and debt service reserve funds created and established for the payment and security of the currently outstanding Priority Bonds and the Renewal and Replacement Fund, in the times and in the amounts (if at all) specified in the Priority Bonds Resolutions.
SECOND: to the payment of the amounts that must be deposited in any special funds or accounts, including the Bond Fund, created and established for the payment and security of the New Series Bonds (and including any debt service reserve fund hereafter created as additional security for any Additional New Series Bonds).

The required monthly deposits to the Bond Fund for the payment of principal of and interest on the New Series Bonds shall continue to be made as hereinabove provided until such time as (i) the total amount on deposit in the Bond Fund is equal to the amount required to fully pay and discharge all outstanding New Series Bonds (principal and interest) or (ii) the New Series Bonds are no longer Outstanding.

Accrued interest, if any, received from the Purchasers, as well as any Net Revenues deposited to the Bond Fund at the Corporation’s discretion, shall be taken into consideration and reduce the amount of the monthly deposits hereinabove required to be deposited into the Bond Fund from the Bond Payment portion of the Annual Payments. Additionally, any proceeds of the Bonds, and investment income thereon, not expended for authorized purposes shall be deposited into the Bond Fund and such amounts as deposited shall be taken into consideration and reduce the amount of monthly deposits required to be deposited into the Bond Fund from the Bond Payment portion of the Annual Payments.

SECTION 14: Reserve Fund. The Corporation hereby reserves the right to establish, at the time of issuance of any series of Additional New Series Bonds, a debt service reserve fund, as either a segregated fund created for the benefit of a particular series of Additional New Series Bonds or a combined fund applicable to all New Series Bonds at such time Outstanding, and to provide for the funding of any such debt service reserve fund in the manner (which may be in any manner then or thereafter permitted by applicable law) and amount as prescribed in the Corporation resolution authorizing the issuance of the series of Additional New Series Bonds in conjunction with which such reserve fund is created. No debt service reserve was created in the issuance of the Previously Issued New Series Bonds or is created in connection with the issuance of the Bonds.

SECTION 15: Renewal and Replacement Fund. There has been previously created and established under the Priority Bonds Resolutions that there shall be maintained at the Depository, and accounted for separate and apart from all other funds of the Corporation a separate fund entitled the “Schertz/Seguin Local Government Corporation Contract Revenue Bonds Renewal and Replacement Fund” (the Renewal and Replacement Fund). The amount deposited initially into the Renewal and Replacement Fund from proceeds of the previously issued Priority Bonds was $500,000.00 (the Emergency Amount) which amount may not be decreased while any Priority Bonds are Outstanding. The Renewal and Replacement Fund shall be used for the purpose of (1) paying the costs of improvements, enlargements, extensions, additions, replacements, or other capital expenditures related to the System, or (2) paying the costs of unexpected or extraordinary repairs or replacements of the System for which System funds are not available, or (3) paying unexpected or extraordinary expenses of operation and maintenance of the System for which System funds are not otherwise available, or (4) paying the debt service requirements on the currently outstanding Priority Bonds for which other System revenues are not available, or (5) for any other lawful purpose in support of the System.
Though it has not exercised such right with respect to the issuance of the currently outstanding New Series Bonds, the Corporation hereby reserves the right to provide, in any prospective Corporation resolution authorizing the issuance of any series of Additional New Series Bonds, for an increase in the amount to be maintained from time to time in the Renewal and Replacement Fund and to provide that the amounts on deposit from time in the Renewal and Replacement Fund shall be available to pay debt service on the New Series Bonds subject to the prior use of any such proceeds to pay debt service on any Priority Bonds at such time Outstanding. Such Corporation resolution shall provide for the manner of funding any resultant increase in the amount to be accumulated and maintained in the Repair and Replacement Fund in a manner permitted under the Priority Bonds Resolutions and other applicable law and that is not in conflict with terms and provisions of this Resolution.

SECTION 16: Deficiencies – Excess Net Revenues.

A. If on any occasion there shall not be a sufficient amount of the Bond Payment portion of the Annual Payments to make the required deposits into the Bond Fund, then such deficiency shall be cured as soon as possible from the next available unallocated Annual Payments, or from any other sources available for such purpose, and such payments shall be in addition to the amounts required to be paid into these Funds or accounts during such month or months. Subject to making the required deposits to any funds or accounts securing any Additional Obligations or Priority Bonds, when and as required by any Corporation resolution authorizing a series of Additional Obligations or any Priority Bonds Resolution, respectively, the excess Net Revenues of the System may be used by the Corporation for any lawful purpose including, but not limited to, the payment of the Debt Service Requirements on or redemption of any New Series Bonds.

B. Subject to making the required deposits to the Bond Fund when and as required by this Resolution or any resolution authorizing the issuance of Additional New Series Bonds or Additional Obligations, the excess Net Revenues of the System may be used by the Corporation for any lawful purpose including, but not limited to, the redemption of any Bonds Similarly Secured or New Series Bonds, as applicable.

SECTION 17: Payment of Bonds. While any of the New Series Bonds are Outstanding, any Authorized Official shall cause to be transferred to the Paying Agent/Registrar therefor, from funds on deposit in the Bond Fund, amounts sufficient to fully pay and discharge promptly each installment of interest on and principal of the New Series Bonds as such installment accrues or matures; such transfer of funds must be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar for the New Series Bonds at the close of the business day next preceding the date a debt service payment is due on the New Series Bonds.

SECTION 18: Investments. Funds held in any Fund or account created, established, or maintained pursuant to this Resolution shall, at the option of the Corporation, be invested as permitted by the provisions of the Public Funds Investment Act, as amended, Chapter 2256, Texas Government Code, or any other law (collateralized pursuant to the Public Funds Collateral Act, as amended, Chapter 2257, Texas Government Code), and secured (to the extent not insured by the Federal Deposit Insurance Corporation) by obligations of the type hereinafter described,
including time deposits, certificates of deposit, guaranteed investment contracts, or similar contractual agreements, investments held in book-entry form, in securities including, but not limited to, direct obligations of the United States of America, obligations guaranteed or insured by the United States of America, which, in the opinion of the Attorney General of the United States, are backed by its full faith and credit or represent its general obligations, or invested in indirect obligations of the United States of America, including, but not limited to, evidences of indebtedness issued, insured, or guaranteed by such governmental agencies as the Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Home Loan Banks, Government National Mortgage Association, Farmers Home Administration, Federal Home Loan Mortgage Association, or Federal Housing Association; provided that all such deposits and investments shall be made in such a manner that the money required to be expended from any Fund or account will be available at the proper time or times. Such investments (except State and Local Government Series investments held in book entry form, which shall at all times be valued at cost) shall be valued in terms of current market value within 45 days of the close of each Fiscal Year. All interest and income derived from deposits and investments in the Bond Fund immediately shall be credited to, and any losses debited to, the Bond Fund. All such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds.

SECTION 19: Issuance of Additional Bonds.

A. The Corporation hereby covenants to not issue any Additional Priority Bonds.

B. In addition to the right to issue bonds of subordinate and inferior lien as authorized by the laws of this State of Texas, the Corporation reserves the right hereafter to issue Additional New Series Bonds. The Additional New Series Bonds, when issued, shall be payable from and secured by a lien on and pledge of the Bond Payment portion of the Annual Payments in the same manner and to the same extent as are the New Series Bonds at such time Outstanding and such Additional New Series Bonds and New Series Bonds at such time Outstanding shall in all respects be of equal dignity. The Additional New Series Bonds may be issued in one or more installments provided, however, that no Additional New Series Bonds, shall be issued unless and until the following conditions have been met:

1. The Corporation is not then in default as to any covenant, condition or obligation prescribed in any Priority Bonds Resolution authorizing the issuance of Priority Bonds at such time outstanding and any resolution authorizing the issuance of the New Series Bonds at such time Outstanding or the Contract (including any amendment or supplement thereto).

2. A consulting engineer certifies to the Corporation the need for an estimated amount of additional financing required for completion, expansion, enlargement or improvement of the Project, if new money bonds are being issued.

3. The Cities shall have approved the resolution(s) authorizing the issuance of the Additional New Series Bonds as to form and content and acknowledged that the payment of principal of and interest on such Additional New Series Bonds is payable, in
whole or in part, from the Bond Payment portion of the Annual Payments to be made by the Cities to the Corporation under and pursuant to the Contract.

(4) The Additional New Series Bonds are made to mature on February 1 or August 1 or both in each of the years in which they are scheduled to mature.

(5) The resolution authorizing the issuance of the Additional New Series Bonds provides for deposits to be made to the Bond Fund in amounts sufficient to pay the principal of and interest on such Additional New Series Bonds as the same become due.

Outstanding New Series Bonds may be refunded (pursuant to any law then available) upon such terms and conditions as the Corporation’s Board may deem to be in the best interest of the Corporation.

SECTION 20: Issuance of Prior Lien Obligations. The Corporation also reserves the right to issue Prior Lien Obligations that are payable from and secured by a first and prior lien and pledge of the Net Revenues of the System. The Corporation covenants and agrees, however, it will not issue any Prior Lien Obligations unless:

A. Except for a refunding to cure a default, the Corporation is not then in default as to any covenant, condition or obligation prescribed by the resolutions authorizing the issuance of New Series Bonds.

B. Each of the funds created solely for the payment of principal of and interest on the then-outstanding Priority Bonds and then-outstanding New Series Bonds contains the amounts of money then-required to be on deposit therein.

In addition, the Prior Lien Obligations may be refunded pursuant to any law then available upon such terms and conditions as the Corporation’s Board may deem to be in the best interest of the Corporation and its inhabitants.

SECTION 21: Obligations of Inferior Lien and Pledge. The Corporation hereby reserves the right to issue, at any time, obligations including, but not limited to, Junior Lien Obligations and Inferior Lien Obligations payable from and secured, in whole or in part, by a lien on and pledge of the Net Revenues of the System, subordinate and inferior in rank and dignity to the lien on and pledge of such Net Revenues securing the payment of any Prior Lien Obligations hereafter issued by the Corporation as may be authorized by the laws of the State of Texas.

SECTION 22: Special Project Bonds. The Corporation further reserves the right to issue bonds in one or more installments for the purchase, construction, improvement, extension, replacement, enlargement or repair of utility facilities necessary under a contract or contracts with persons, corporations, municipal corporations, political subdivisions, or other entities, such bonds to be payable from and secured by the proceeds of such contract or contracts. The Corporation further reserves the right to refund such bonds and secure the payment of the debt service requirements on the refunding bonds in the same manner or as otherwise permitted by the laws of the State of Texas.
SECTION 23: Maintenance of System - Insurance. The Corporation covenants, agrees, and affirms its covenants that while the New Series Bonds remain outstanding it will maintain and operate the System with all possible efficiency and maintain casualty and other insurance on the properties of the System and its operations of a kind and in such amounts customarily carried by municipal corporations in the State of Texas engaged in a similar type of business (which may include an adequate program of self-insurance); and that it will faithfully and punctually perform all duties with reference to the System required by the laws of the State of Texas. All money received from losses under such insurance policies, other than public liability policies, shall be retained for the benefit of the Holders of the New Series Bonds until and unless the proceeds are paid out in making good the loss or damage in respect of which such proceeds are received, either by replacing the property destroyed or repairing the property damaged, and adequate provision for making good such loss or damage must be made within ninety (90) days after the date of loss. The payment of premiums for all insurance policies required under the provisions hereof shall be considered Operation and Maintenance Expenses. Nothing in this Resolution shall be construed as requiring the Corporation to expend any funds which are derived from sources other than the operation of the System but nothing herein shall be construed as preventing the Corporation from doing so.

SECTION 24: Records and Accounts - Annual Audit. The Corporation covenants, agrees, and affirms its covenants that so long as any of the New Series Bonds remain outstanding, it will keep and maintain separate and complete records and accounts pertaining to the operations of the System in which complete and correct entries shall be made of all transactions relating thereto as provided by applicable law. The Holders of the Bonds or any duly authorized agent or agents of such Holders shall have the right to inspect the System and all properties comprising the same. The Corporation further agrees that following (and in no event later than 150 days after) the close of each Fiscal Year, it will cause an audit of such books and accounts to be made by an independent firm of Certified Public Accountants which annual audit shall be prepared in accordance with generally accepted auditing standards. Copies of each annual audit shall be furnished, without charge, (i) to the Texas Water Development Board, Attention: Executive Administrator and (ii) upon written request, to and at the expense of such Holder, to any subsequent Holder thereof. Expenses incurred in making the annual audit of the operations of the System are to be regarded as Operation and Maintenance Expenses.

SECTION 25: Sale or Encumbrance of System. While any New Series Bonds remain Outstanding, the Corporation will not sell, dispose of or, except as permitted in Sections 20, 21, 22, 23, and 62, further encumber the Net Revenues of the System or any substantial part thereof; provided, however, that this provision shall not prevent the Corporation from disposing of any of the Project or the System which is being replaced or is deemed by the Corporation to be obsolete, worn out, surplus or no longer needed for the proper operation of the System. Any agreement pursuant to which the Corporation contracts with a person, corporation, municipal corporation or political subdivision to operate the System or to lease and/or operate all or part of the System shall not be considered as an encumbrance of the System.

SECTION 26: Competition. To the extent it legally may, the Corporation will not grant any franchise or permit for the acquisition, construction or operation of any competing facilities which might be used as a substitute for the System and will prohibit the operation of any such competing facilities.
SECTION 27: **Special Covenants.** The Corporation further covenants and agrees that:

A. **Encumbrance and Sale.**

   (1) The Annual Payments and the Net Revenues have not in any manner been pledged to the payment of any debt or obligation of the Corporation except with respect to the currently Outstanding Priority Bonds and New Series Bonds are Outstanding, the Corporation will not, except as provided in this Resolution, additionally encumber any portion of the Annual Payments or the Net Revenues.

   (2) While the New Series Bonds are Outstanding, and except as specifically permitted in Section 20, 21, 22, 23, and 62, of this Resolution, the Corporation shall not mortgage, pledge, encumber, sell, lease, or otherwise dispose of or impair its title to the Net Revenues of the System or any significant or substantial part thereof.

B. **Title.** Subject to the provisions of Section 62 of the Resolution, the Corporation or the Cities lawfully owns or will own and is or will be lawfully possessed of the lands or easements upon which its System is and will be located, and has or will purchase good and indefeasible estate in such lands in fee simple, or has or will lawfully obtain any necessary easements to operate the System, and it warrants that it has or will obtain and will defend, the title to all the aforesaid lands and easements for the benefit of the owners of the New Series Bonds against the claims and demands of all persons whomsoever, that it is lawfully qualified to pledge the Bond Payment portion of the Annual Payments to the payment of the New Series Bonds, in the manner prescribed herein, and that it has lawfully exercised such rights.

C. **Liens.** The Corporation will from time to time and before the same become delinquent pay and discharge all taxes, assessments, and governmental charges, if any, which shall be lawfully imposed upon it, or its System, and it will pay all lawful claims for rents, royalties, labor, materials, and supplies which if unpaid might by law become a lien or charge upon its System, provided, however, that no such tax, assessment, or charge, and that no such claims which might be or other lien or charge, shall be required to be paid while the validity of the same shall be contested in good faith by the Corporation.

D. **Performance.** The Corporation will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in the Contract and in the resolutions authorizing the issuance of New Series Bonds, and in each and every New Series Bond and pay from the Bond Payment portion of the Annual Payments the principal of and interest on every New Series Bond (subject to the payment obligations relating to the currently outstanding Priority Bonds, as specified in the Priority Bonds Resolutions) on the dates and in the places and manner prescribed in such resolutions and New Series Bonds; and that it will, at the times and in the manner prescribed (and subject to the payment requirements applicable to the currently outstanding Priority Bonds, as specified in the Priority Bonds Resolutions), deposit or cause to be deposited from the Bond Payment portion of the Annual Payments the amounts required to be deposited into the Bond Fund; and the Holder of the New Series Bonds may require the Corporation, its officials, agents, and employees to carry out, respect, or enforce the covenants and obligations of this Resolution or any resolution authorizing the issuance of Additional New Series Bonds including, but without limitation, the use and filing of mandamus.
proceedings, in any court or competent jurisdiction, against the Corporation, its officials, agents, and employees.

E. Legal Authority. The Corporation is duly authorized under the laws of the State of Texas to issue the New Series Bonds; that all action on its part for the authorization and issuance of the New Series Bonds has been duly and effectively taken, and the New Series Bonds in the hands of the Holders thereof are and will be valid and enforceable special obligations of the Corporation in accordance with their terms.

F. Budget. The Corporation will prepare, adopt, and place into effect an annual budget (the Annual Budget) for operation and maintenance of the System for each Fiscal Year, including in each Annual Budget such items as are customarily and reasonably contained in a utility system budget under generally accepted accounting procedures.

G. Permits. The Corporation will comply with all of the terms and conditions of any and all franchises, permits, and authorizations applicable to or necessary with respect to the System and which have been obtained from any governmental agency; and the Corporation has or will obtain and keep in full force and effect all franchises, permits, authorizations, and other requirements applicable to or necessary with respect to the acquisition, construction, equipment, operation, and maintenance of the System.

SECTION 28: Limited Obligations of the Corporation. The New Series Bonds are limited, special obligations of the Corporation payable from and equally and ratably secured, together with the Previously Issued New Series Bonds and any Additional New Series Bonds hereafter issued by the Corporation, solely by a lien on and pledge of the Bond Payment portion of the Annual Payments at the level of priority specified in Section 10 hereof, and the Holders thereof shall never have the right to demand payment of the principal or interest on the New Series Bonds from any funds raised or to be raised through taxation by the Corporation.

SECTION 29: Security of Funds. All money on deposit in the Funds or accounts for which this Resolution makes provision (except any portion thereof as may be at any time properly invested as provided herein) shall be secured in the manner and to the fullest extent required by the laws of the State of Texas for the security of public funds (including as required by and in accordance with the Texas Public Funds Collateral Act, codified at Chapter 2257, as amended, Texas Government Code), and money on deposit in such Funds or accounts shall be used only for the purposes permitted by this Resolution.

SECTION 30: Remedies in Event of Default. In addition to all the rights and remedies provided by the laws of the State of Texas and specifically to confirm that the Purchasers have all rights and remedies available under Texas law hereunder, the Corporation covenants and agrees particularly that in the event the Corporation (a) defaults in the payments to be made to the Bond Fund, or (b) defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in this Resolution, the Holders of any of the New Series Bonds shall be entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the Corporation and other officers of the Corporation to observe and perform any covenant, condition, or obligation prescribed in this
Resolution or in the Contract. In addition, the Holders shall be entitled to exercise any rights of enforcement against the Cities, as provided in the Contract.

No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient. The specific remedy herein provided shall be cumulative of all other existing remedies and the specification of such remedy shall not be deemed to be exclusive.

For the avoidance of doubt, for so long as the Purchasers are Holders of the Bonds, the Purchasers may exercise all remedies available to it at law or in equity, and any provision of this Resolution or the Bonds that attempts to restrict or limit this right to exercise remedies shall be of no force or effect.

SECTION 31: Notices to Holders Waiver. Wherever this Resolution provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and sent by United States Mail, first-class postage prepaid, to the address of each Holder appearing in the Security Register at the close of business on the business day next preceding the mailing of such notice.

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

SECTION 32: Bonds Are Negotiable Instruments. Each of the Bonds authorized herein shall be deemed and construed to be a “security” and as such a negotiable instrument with the meaning of the Chapter 8 of the Texas Uniform Commercial Code.

SECTION 33: Cancellation. All New Series Bonds surrendered for payment, transfer, redemption, exchange, or replacement, if surrendered to the Paying Agent/Registrar, shall be promptly canceled by it and, if surrendered to the Corporation, shall be delivered to the Paying Agent/Registrar and, if not already canceled, shall be promptly canceled by the Paying Agent/Registrar. The Corporation may at any time deliver to the Paying Agent/Registrar for cancellation any New Series Bonds previously certified or registered and delivered which the Corporation may have acquired in any manner whatsoever, and all New Series Bonds so delivered shall be promptly canceled by the Paying Agent/Registrar. All canceled New Series Bonds held by the Paying Agent/Registrar shall be destroyed as directed by the Corporation.

SECTION 34: Mutilated, Destroyed, Lost, and Stolen Bonds. If (1) any mutilated Bond is surrendered to the Paying Agent/Registrar, or the Corporation and the Paying Agent/Registrar receive evidence to their satisfaction of the destruction, loss, or theft of any Bond, and (2) there
is delivered to the Corporation and the Paying Agent/Registrar such security or indemnity as may be required to save each of them harmless, then, in the absence of notice to the Corporation or the Paying Agent/Registrar that such Bond has been acquired by a bona fide purchaser, the Corporation shall execute and, upon its request, the Paying Agent/Registrar shall register and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost, or stolen Bond, a new Bond of the same Stated Maturity and interest rate and of like tenor and principal amount, bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost, or stolen Bond has become or is about to become due and payable, the Corporation in its discretion may, instead of issuing a new Bond, pay such Bond.

Upon the issuance of any new Bond or payment in lieu thereof, under this Section, the Corporation may require payment by the Holder of a sum sufficient to cover any tax or other governmental charge or fee imposed in relation thereto and any other expenses (including attorney’s fees and the fees and expenses of the Paying Agent/Registrar) connected therewith.

Every new Bond issued pursuant to this Section in lieu of any mutilated, destroyed, lost, or stolen Bond shall constitute a replacement of the prior obligation of the Corporation, whether or not the mutilated, destroyed, lost, or stolen Bond shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Resolution equally and ratably with all other Outstanding Bonds.

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

SECTION 35: Sale of the Bonds; Approval of Private Placement Memorandum; Use of Bond Proceeds. The sale of the Bonds to the Texas Water Development Board (the Purchasers and having all the rights, benefits, and obligations of a Holder) at the price of par, less the origination fee of $__________ pursuant to a loan commitment received from the Purchasers is hereby confirmed. The pricing and terms of the sale of the Bonds are hereby found and determined to be the most advantageous reasonably obtainable by the Corporation. Delivery of the Bonds to the Purchasers shall occur as soon as practicable after the adoption of this Resolution, upon payment therefor in accordance with the terms of loan commitment, and this Resolution.

The Private Placement Memorandum (the Private Placement Memorandum) related to the Bonds and presented to the Corporation’s Board in connection with this Resolution is hereby approved. Any Authorized Official is hereby directed to deliver the Private Placement Memorandum to the Purchasers in satisfaction of the prerequisite of the Purchasers to receive the Private Placement Memorandum prior to their purchase of the Bonds.
Proceeds from the sale of the Bonds shall be applied as follows:

(1) Accrued interest, if any, and capitalized interest (in the amount of $__________) received from the Purchasers shall be deposited into the Bond Fund. As interest accrues from the date of initial delivery of the Bonds to the Purchasers (the Closing Date), there will be no accrued interest.

(2) A portion of the proceeds shall be deposited into the special construction account or accounts created for the Project to be constructed with the proceeds of the Bonds or to pay the costs of issuance of the Bonds. This special construction account shall be established and maintained at the Depository and shall be invested in accordance with the provisions of Section 18 of this Resolution. Interest earned on the proceeds of the Bonds pending completion of construction of the projects financed with such proceeds shall be accounted for, maintained, deposited, and expended as permitted by the provisions of Chapter 1201, as amended, Texas Government Code, or as required by any other applicable law. Thereafter, such amounts shall be expended in accordance with Section 13 of this Resolution.

SECTION 36: Compliance with Purchasers’ Rules and Regulations. The Corporation will comply with all of the requirements contained in the resolution or resolutions adopted by the Purchasers with respect to the issuance of the Bonds. In addition, in compliance with the Purchasers’ SWIFT Loan Program Rules, the Corporation agrees and covenants:

A. to keep and maintain full and complete records and accounts pertaining to the construction of the project financed with the proceeds of sale of the Bonds, including the Construction Fund (defined herein), in accordance with the standards set forth by the Government Accounting Standard Board;

B. to create and establish at the Depository a “SWIFT Program Loan Construction Fund” (the Construction Fund) for the receipt and disbursement of all proceeds from the sale of the Bonds and all other funds acquired by the Corporation in connection with the planning and construction of the projects financed, in whole or in part, by the Purchasers pursuant to the loan evidenced by the Bonds and all funds deposited to the credit of the Construction Fund shall be disbursed only for the payment of costs and expenses incurred in connection with the planning and building of such projects as approved by the Purchasers and as otherwise allowed by the rules and in accordance with the provisions of Chapter 15, 16, or 17 of the Texas Water Code, as amended;

C. to provide the Purchasers with copies of “as built plans” pertaining to the projects financed, in whole or in part, with any funds of the Purchasers;

D. upon completion of the construction of the projects financed, in whole or in part, by the loan evidenced by the Bonds, to provide a final accounting to the Purchasers of the total costs of the projects. Thereafter, the Corporation shall submit a final accounting and a final funds registration form to the Executive Administrator, or his designee within 60 days of the Corporation’s receipt of the certificate of approval for the final pricing construction contract and the final inspection receipt. Upon receipt of this information, the Purchasers shall within 60 days of receipt of this information provide written direction of the Corporation of the course of action
to be taken with respect to such surplus funds. If the projects as finally completed are built at a
total cost less than the amount of available funds for building the projects, or if the Executive
Administrator of the Purchasers disapproves construction of any portion of such projects as not
being in accordance with the plans and specifications, the Corporation agrees to immediately,
with filing of the final accounting, return to the Purchasers the amount of any such excess and/or
the cost determined by the Executive Administrator of the Purchasers relating to the parts of such
projects not built in accordance with the plans and specifications, to the nearest multiple of the
authorized denominations for the Bonds, upon the surrender and cancellation of a like amount of
the appropriate series of such Bonds held by the Purchasers in inverse order of their Stated
Maturities by (i) the effectuation of a redemption of such amount of Bonds pursuant to Section
4.A. hereof, (ii) the deposit into the Bond Fund for the next scheduled payment of interest or
principal on the Bonds, or (iii) spending such amount on other eligible project costs as authorized
by the Executive Administrator. In determining the amount of available funds for building the
project, the Corporation agrees to account for all amounts deposited to the credit of the
Construction Fund, including all loan funds extended by the Purchasers, all other funds available
from the projects as described in the project engineer’s or fiscal representative’s sufficiency of
funds statement and all interest earned by the Corporation on money in the Construction Fund;

E. in addition to the requirements contained in Section 23 hereof, to maintain
adequate insurance coverage on the projects financed with the proceeds of the Bonds in amounts
adequate to protect the Purchasers’ interest;

F. in addition to the requirements contained in Section 24 hereof, to maintain
current, accurate, and complete records and accounts necessary to demonstrate compliance with
financial assistance related legal and contractual provisions;

G. to implement any water conservation program required by the Purchasers until all
financial obligations to the Purchasers have been discharged;

H. to comply with any special conditions, if any, specified by the Corporation’s
water conservation plan maintained in accordance with 31 TAC 363.15, as well as any
environmental determination until all financial obligations to the Purchasers have been
discharged;

I. to abide by the Purchasers’ rules and relevant state statutes, including, but not
limited to, the Purchasers’ pre-design funding procedures;

J. to not use Bond proceeds to pay for the cost of sampling, testing, removing or
disposing of injection well fluids, brine concentration, municipal solid wastes, soils and/or media
contaminated by hazardous substances, and for managing and disposing of any other hazardous
substances, including (but not limited to) radioactive substances and low-level radioactive
wastes, that may be generated at the project site during planning, design, and construction
activities;

K. loan proceeds shall not be used by the Corporation when sampling, testing,
removing or disposing of contaminated soils and/or media at the project site and the Corporation
also agrees, to the extent permitted by law, to indemnify, hold harmless and protect the
Purchasers from any and all claims, causes of action or damages to the person or property of third parties arising from the sampling, analysis, transport, storage, treatment, and disposition of any contaminated sewage sludge, contaminated sediments and/or contaminated media that may be generated by the Corporation, its contractors, consultants, agents, officials, and employees during the course of the project;

L. to apply for and obtain all permits, licenses, letter authorizations, notifications of solid waste registration, notices of intent and other regulatory approvals that may be required by those federal, state, regional, and local governmental entities responsible for regulating environmental, health and safety, and transportation-related matters arising from or pertaining to the generation, management, and disposal of all municipal solid wastes, radioactive substances, and low-level radioactive-wastes that may be generated as the result of the planning, design, and construction of the project financed with Bond proceeds, including (but not necessarily limited to) surface water discharge permit(s), stormwater permits, underground injection control permits, solid waste facility registrations, notifications, and/or permits, hazardous waste permits, radioactive materials management licenses, and low-level radioactive waste permits, registrations, and exemptions;

M. the Corporation shall report to the Purchasers the amounts of project funds, if any, that were used to compensate historically underutilized businesses that worked on the project, in accordance with 31 TAC § 363.1312;

N. to notify the Executive Administrator of the Purchasers prior to taking any actions to alter the legal status of the Corporation’s Board in any manner (such as by conversion to a conservation and reclamation district or a sale-transfer-merger with another retail public utility that results in a change in governance of the System) and to receive approval from the Purchasers of any action to convey the Corporation’s obligations to the Purchasers, as the Holder of the Bonds, to another entity;

O. to not use any portion of the Bond proceeds, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire Nonpurpose Investments (as defined in Section 38 hereof) which produce a yield materially higher than the yield on the Purchasers’ bonds that are used to provide the Purchasers with proceeds that it will use to purchase the Bonds (the Source Series Bonds), other than Nonpurpose Investments acquired with:

1. Proceeds of the Source Series Bonds invested for a reasonable temporary period of up to three (3) years (reduced by the period of investment by the Purchasers) until such proceeds are needed for the facilities to be financed;

2. Amounts invested in a bona fide debt service fund, within the meaning of §1.148-1(b) of the Regulations (as defined in Section 38 hereof); and

3. Amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed the least of maximum annual debt service on the Bonds, 125% of average annual debt service on the Bonds, or 10% of the stated principal amount (or, in the case of a discount, the issue price) of the Bonds; and
(4) to not acquire any of the Source Series Bonds in an amount related to the amount of the Bonds.

SECTION 37: Application to Texas Water Development Board. The Corporation’s Board ratifies and confirms its prior approval of the form and content of the Application to the Texas Water Development Board (the Application) prepared in connection with the sale of the Bonds and hereby approves the form and content of any addenda, supplement, or amendment thereto.

SECTION 38: Covenants to Maintain Tax-Exempt Status.

A. Definitions. When used in this Section, the following terms have the following meanings:

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

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

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

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

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

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

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

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

(1) any Investment has the meaning set forth in Section 1.148-5 of the Regulations; and

(2) the Bonds has the meaning set forth in Section 1.148-4 of the Regulations.

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

C. No Private Use or Private Payments. Except to the extent that it will not cause the Bonds to become “private activity bonds” within the meaning of section 141 of the Code and the Regulations and rulings thereunder, the Corporation shall at all times prior to the last Stated Maturity of Bonds:

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

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

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

E. **Not to Invest at Higher Yield.** Except to the extent that it will cause the Bonds to become “arbitrage bonds” within the meaning of section 148 of the Code and the Regulations and rulings thereunder, the Corporation shall not at any time prior to the final Stated Maturity of the Bonds directly or indirectly invest Gross Proceeds in any Investment, if as a result of such investment the Yield of any Investment acquired with Gross Proceeds, whether then held or previously disposed of, materially exceeds the Yield of the Bonds.

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

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

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

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

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

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

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

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

J. Bonds Not Hedge Bonds.

(1) The Corporation reasonably expects to spend at least 85% of the spendable proceeds of the Bonds within three years after such Bonds are issued.

(2) Not more than 50% of the proceeds of the Bonds will be invested in Nonpurpose Investments having a substantially guaranteed Yield for a period of 4 years or more.

K. Elections. The Corporation hereby directs and authorizes any Authorized Official, either or any combination of the foregoing, to make such elections in the Certificate as to Tax Exemption or similar or other appropriate certificate, form, or document permitted or required pursuant to the provisions of the Code or the Regulations, as they deem necessary or appropriate in connection with the Bonds. Such elections shall be deemed to be made on the Closing Date.

SECTION 39: Control and Custody of Bonds. The President of the Corporation’s Board of Directors shall be and is hereby authorized to take and have charge of all necessary orders and records pending investigation by the Attorney General of the State of Texas, and shall take and have charge and control of the Bonds pending their approval by the Attorney General, the registration thereof by the Comptroller of Public Accounts and the delivery of the Bonds to the Purchasers.
Furthermore, any Authorized Official, either or all, are hereby authorized and directed to furnish and execute such documents relating to the Corporation and its financial affairs as may be necessary for the issuance of the Bonds, the approval of the Attorney General and their registration by the Comptroller of Public Accounts and, together with the Corporation’s Financial Advisors, Bond Counsel, and the Paying Agent/Registrar, make the necessary arrangements for the delivery of the Initial Bonds to the Purchasers and, when requested in writing by the Purchasers, the initial exchange thereof for definitive Bonds.

SECTION 40: Satisfaction of Obligation of Corporation. If the Corporation shall pay or cause to be paid, or there shall otherwise be paid to the Holders, the principal of, premium, if any, and interest on the New Series Bonds, at the times and in the manner stipulated in this Resolution, then the lien on and pledge of the Bond Payment portion of the Annual Payments under this Resolution and all covenants, agreements, and other obligations of the Corporation to the Holders shall thereupon cease, terminate, and be discharged and satisfied.

New Series Bonds, or any principal amount(s) thereof, shall be deemed to have been paid within the meaning and with the effect expressed above in this Section when (i) money sufficient to pay in full such New Series Bonds or the principal amount(s) thereof on or prior to Stated Maturity or to the redemption date therefor, together with all interest due thereon, shall have been irrevocably deposited with and held in trust by the Paying Agent/Registrar or an authorized escrow agent, and/or (ii) Government Securities shall have been irrevocably deposited in trust with the Paying Agent/Registrar, or an authorized escrow agent, which Government Securities have, in the case of a net defeasance, been certified by an independent accounting firm to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any money deposited therewith, if any, to pay when due the principal of and interest on such New Series Bonds, or the principal amount(s) thereof, on and prior to the Stated Maturity thereof or (if notice of redemption has been duly given or waived or if irrevocable arrangements therefor acceptable to the Paying Agent/Registrar have been made) the redemption date thereof for the Bonds. In the event of a gross defeasance of the Bonds, the Corporation shall deliver a certificate from its Financial Advisors, the Paying Agent/Registrar, or another qualified third party concerning the deposit of cash and/or Government Securities to pay, when due, the principal of, redemption premium (if any), and interest due on any defeased Bonds. The Corporation covenants that no deposit of money or Government Securities will be made under this Section and no use made of any such deposit which would cause the Bonds to be treated as arbitrage bonds within the meaning of section 148 of the Code (as defined in Section 38). As long as the Purchasers hold all of the Bonds the Corporation will give the Purchasers notice of the creation of any escrow pursuant to this Section. Failure to give such notice shall not affect the validity or effectiveness of the creation of such an escrow.

Any money so deposited with the Paying Agent/Registrar, and all income from Government Securities held in trust by the Paying Agent/Registrar, or an authorized escrow agent, pursuant to this Section which is not required for the payment of the New Series Bonds, or any principal amount(s) thereof, or interest thereon with respect to which such money has been so deposited shall be remitted to the Corporation or deposited as directed by the Corporation. Furthermore, any money held by the Paying Agent/Registrar for the payment of the principal of and interest on the New Series Bonds and remaining unclaimed for a period of four (4) years
after the Stated Maturity, or applicable redemption date, of the New Series Bonds such money was deposited and is held in trust to pay shall upon the request of the Corporation be remitted to the Corporation against a written receipt therefor, subject to the unclaimed property laws of the State of Texas.

Notwithstanding any other provision of this Resolution to the contrary, it is hereby provided that any determination not to redeem defeased New Series Bonds that is made in conjunction with the payment arrangements specified in (i) or (ii) above shall not be irrevocable, provided that: (1) in the proceedings providing for such defeasance, the Corporation expressly reserves the right to call the defeased New Series Bonds for redemption; (2) gives notice of the reservation of that right to the owners of the defeased New Series Bonds immediately following the defeasance; (3) directs that notice of the reservation be included in any redemption notices that it authorizes; and (4) at the time of the redemption, satisfies the conditions of (i) or (ii) above with respect to such defeased debt as though it was being defeased at the time of the exercise of the option to redeem the defeased New Series Bonds, after taking the redemption into account in determining the sufficiency of the provisions made for the payment of the defeased New Series Bonds.

SECTION 41: Authorization of Escrow Agreement. The Corporation’s Board hereby finds and determines that it is in the best interest of the Corporation to authorize the execution of an Escrow Agreement, to comply with the Purchasers’ rules and regulations and provide for the installment deliveries of the proceeds of the Bonds to the Purchasers, if any. A copy of the Escrow Agreement is attached hereto, in substantially final form, as Exhibit B, and is incorporated by reference to the provisions of this Resolution for all purposes. Any Authorized Official is authorized to execute the Escrow Agreement as the act and deed of the Corporation’s Board.

SECTION 42: Resolution a Contract; Amendments - Outstanding Bonds. The Corporation acknowledges that the covenants and obligations of the Corporation herein contained are a material inducement to the purchase of the New Series Bonds. This Resolution shall constitute a contract with the Holders from time to time, binding on the Corporation and its successors and assigns, and it shall not be amended or repealed by the Corporation so long as any New Series Bond remains Outstanding except as permitted in this Section. The Corporation may, without the consent of any Holders, from time to time and at any time, amend this Resolution in any manner not detrimental to the interests of the Holders, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the Corporation may, with the written consent of Holders holding a majority in aggregate principal amount of the New Series Bonds then Outstanding affected thereby, amend, add to, or rescind any of the provisions of this Resolution; provided that, without the consent of all Holders of Outstanding New Series Bonds, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of and interest on the New Series Bonds, reduce the principal amount thereof or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, the redemption price therefor, or interest on the New Series Bonds, (2) give any preference to any New Series Bond over any other New Series Bond, or (3) reduce the aggregate principal amount of New Series Bonds required for consent to any such amendment, addition, or rescission.
SECTION 43: Printed Opinion. The Purchasers’ obligation to accept delivery of the Bonds is subject to its being furnished a final opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, as Bond Counsel, approving certain legal matters as to the Bonds, this opinion to be dated and delivered as of the date of initial delivery and payment for such Bonds. Printing of a true and correct copy of this opinion on the reverse side of each of said Bonds, with appropriate certificate pertaining thereto executed by facsimile signature of the Secretary of the Corporation’s Board is hereby approved and authorized.

SECTION 44: CUSIP Numbers. CUSIP numbers may be printed or typed on the definitive Bonds. It is expressly provided, however, that the presence or absence of CUSIP numbers on the definitive Bonds shall be of no significance or effect as regards the legality thereof, and neither the Corporation nor attorneys approving said Bonds as to legality are to be held responsible for CUSIP numbers incorrectly printed or typed on the definitive Bonds.

SECTION 45: Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

SECTION 46: Benefits of Resolution. Nothing in this Resolution, expressed or implied, is intended or shall be construed to confer upon any person other than the Corporation, the Cities, Bond Counsel, the Paying Agent/Registrar, the Purchasers, and the Holders, any right, remedy, or claim, legal or equitable, under or by reason of this Resolution or any provision hereof, this Resolution and all its provisions being intended to be and being for the sole and exclusive benefit of the Corporation, the Cities, Bond Counsel, the Paying Agent/Registrar, the Purchasers, and the Holders.

SECTION 47: Inconsistent Provisions. All orders and resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Resolution are hereby repealed to the extent of such conflict, and the provisions of this Resolution shall be and remain controlling as to the matters resolved herein.

SECTION 48: Governing Law. This Resolution shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

SECTION 49: Severability. If any provision of this Resolution or the application thereof to any person or circumstance shall be held to be invalid, the remainder of this Resolution and the application of such provision to other persons and circumstances shall nevertheless be valid, and the Corporation’s Board hereby declares that this Resolution would have been enacted without such invalid provision.

SECTION 50: Construction of Terms. If appropriate in the context of this Resolution, words of the singular number shall be considered to include the plural, words of the plural number shall be considered to include the singular, and words of the masculine, feminine or neuter gender shall be considered to include the other genders.

SECTION 51: Incorporation of Preamble Recitals. The recitals contained in the preamble hereof are hereby found to be true, and such recitals are hereby made a part of this Resolution for all purposes and are adopted as a part of the judgment and findings of the Corporation’s Board.
SECTION 52: Authorization of Paying Agent/Registrar Agreement. The Corporation’s Board hereby finds and determines that it is in the best interest of the Corporation to authorize the execution of a Paying Agent/Registrar Agreement pertaining to the payment, registration, transferability, and exchange of the Bonds. A copy of the Paying Agent/Registrar Agreement is attached hereto, in substantially final form, as Exhibit A and is incorporated by reference to the provisions of this Resolution.

SECTION 53: Public Meeting. It is officially found, determined, and declared that the meeting at which this Resolution is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Resolution, was given, all as required by Chapter 551, as amended, Texas Government Code.

SECTION 54: Continuing Disclosure Undertaking.

A. Definitions.

As used in this Section, the following terms have the meanings ascribed to such terms below:

EMMA means the MSRB’s Electronic Municipal Market Access system, accessible by the general public, without charge, on the internet through the uniform resource locator (URL) http://www.emma.msrb.org.

MSRB means the Municipal Securities Rulemaking Board.

Rule means SEC Rule 15c2-12, as amended from time to time.

SEC means the United States Securities and Exchange Commission.

B. Annual Reports.

The Corporation shall file annually with the MSRB, (1) within six months after the end of each fiscal year of the Corporation ending in or after 2016, financial information and operating data with respect to the Corporation of the general type included in the final Private Placement Memorandum authorized by Section 35 of this Resolution, being the information described in Exhibit C hereto, and (2) if not provided as part of such financial information and operating data, audited financial statements of the Corporation, when and if available. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles described in Exhibit C hereto, or such other accounting principles as the Corporation may be required to employ from time to time pursuant to state law or regulation, and (ii) audited, if the Corporation commissions an audit of such financial statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the Corporation shall file unaudited financial statements within such period and audited financial statements for the applicable fiscal year to the MSRB, when and if the audit report on such financial statements becomes available. Under current Texas law, the Corporation must have its records and accounts audited annually and shall have an annual financial statement prepared based on the audit. The annual financial statement, including the auditor’s opinion on the statement, shall be filed in the office of the Secretary of the
Corporation’s Board of Directors, within 180 days after the last day of the Corporation’s fiscal year. Additionally, upon the filing of this financial statement and the annual audit, these documents are subject to the Texas Open Records Act, as amended, Texas Government Code, Chapter 552.

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

C. Notice of Certain Events.

The Corporation shall file notice of any of the following events with respect to the Bonds to the MSRB in a timely manner and not more than 10 business days after occurrence of the event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of holders of the Bonds, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership, or similar event of the Corporation, which shall occur as described below;
(13) The consummation of a merger, consolidation, or acquisition involving the Corporation or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(14) Appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material.

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

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

D. Limitations, Disclaimers, and Amendments.

The Corporation shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the Corporation remains an “obligated person” with respect to the Bonds within the meaning of the Rule, except that the Corporation in any event will give notice of any deposit that causes the Bonds to be no longer Outstanding.

The provisions of this Section are for the sole benefit of the holders and beneficial owners of the Bonds, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Corporation undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Corporation’s financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The Corporation does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

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

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

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

The provisions of this Section may be amended by the Corporation from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Corporation, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Resolution that authorizes such an amendment) of the Outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the Corporation (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Holders and beneficial owners of the Bonds. The Corporation may also repeal or amend the provisions of this Section if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the Corporation also may amend the provisions of this Section in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds, giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the Corporation so amends the provisions of this Section, the Corporation shall include with any amended financial information or operating data next provided in accordance with this Section an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

E. Information Format – Incorporation by Reference.

The Corporation information required under this Section shall be filed with the MSRB through EMMA in such format and accompanied by such identifying information as may be specified from time to time thereby. Under the current rules of the MSRB, continuing disclosure documents submitted to EMMA must be in word-searchable portable document format (PDF) files that permit the document to be saved, viewed, printed, and retransmitted by electronic means and the series of obligations to which such continuing disclosure documents relate must be identified by CUSIP number or numbers.
Financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement, a private placement memorandum, or other offering document) available to the public through EMMA or filed with the SEC.

SECTION 55: Book-Entry Only System.

It is intended that the Bonds initially shall be registered so as to participate in a securities depository system (the “DTC System”) with the Depository Trust Company, New York, New York, or any successor entity thereto (“DTC”), as set forth herein. Each Stated Maturity of the Bonds shall be issued (following cancellation of the Initial Bond described in Section 7) in the form of a separate single definitive Bond. Upon issuance, the ownership of each such Bond shall be registered in the name of Cede & Co., as the nominee of DTC, and all of the Outstanding Bonds shall be registered in the name of Cede & Co., as the nominee of DTC. The Corporation and the Paying Agent/Registrar are authorized to execute, deliver, and take the actions set forth in such letters to or agreements with DTC as shall be necessary to effectuate the DTC System, including the Letter of Representations attached hereto as Exhibit D (the “Representation Letter”).

With respect to the Bonds registered in the name of Cede & Co., as nominee of DTC, the Corporation and the Paying Agent/Registrar shall have no responsibility or obligation to any broker-dealer, bank, or other financial institution for which DTC holds the Bonds from time to time as securities depository (a “Depository Participant”) or to any person on behalf of whom such a Depository Participant holds an interest in the Bonds (an “Indirect Participant”). Without limiting the immediately preceding sentence, the Corporation and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any Depository Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Depository Participant or any other person, other than a registered owner of the Bonds, as shown on the Security Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the delivery to any Depository Participant or any Indirect Participant or any other Person, other than a Holder of a Bond, of any amount with respect to principal of, premium, if any, or interest on the Bonds. While in the DTC System, no person other than Cede & Co., or any Depository Participant thereto, as nominee for DTC, shall receive a bond certificate evidencing the obligation of the Corporation to make payments of principal, premium, if any, and interest on the Bonds pursuant to this Resolution. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Resolution with respect to interest checks or drafts being mailed to the Holder, the word “Cede & Co.” in this Resolution shall refer to such new nominee of DTC.

In the event that (a) the Corporation determines that DTC is incapable of discharging its responsibilities described herein and in the Representation Letter, (b) the Representation Letter shall be terminated for any reason, or (c) DTC or the Corporation determines that it is in the best interest of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the Corporation shall notify the Paying Agent/Registrar, DTC, and the Depository Participants of the availability within a reasonable period of time through DTC of bond certificates, and the Bonds shall no longer be restricted to being registered in the name of Cede & Co., as nominee of DTC.
However, the Corporation will not discontinue the use of DTC without the prior notice and consent of the Purchasers for so long as the Purchasers are the holder of any of the Bonds. At that time, the Corporation may determine that the Bonds shall be registered in the name of and deposited with a successor depository operating a securities depository system, as may be acceptable to the Corporation, or such depository’s agent or designee, and if the Corporation and the Paying Agent/Registrar do not select such alternate securities depository system then the Bonds may be registered in whatever name or names the Holders of Bonds transferring or exchanging the Bonds shall designate, in accordance with the provisions hereof.

Notwithstanding any other provision of this Resolution to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the Representation Letter.

SECTION 56: Unavailability of Authorized Publication. If, because of the temporary or permanent suspension of any newspaper, journal, or other publication, or, for any reason, publication of notice cannot be made meeting any requirements herein established, any notice required to be published by the provisions of this Resolution shall be given in such other manner and at such time or times as in the judgment of the Corporation or of the Paying Agent/Registrar shall most effectively approximate such required publication and the giving of such notice in such manner shall for all purposes of this Resolution be deemed to be in compliance with the requirements for publication thereof.

SECTION 57: No Recourse Against Corporation Officials. No recourse shall be had for the payment of principal of, premium, if any, or interest on any Bond or for any claim based thereon or on this Resolution against any official of the Corporation or any person executing any New Series Bond.

SECTION 58: Further Procedures. The officers and employees of the Corporation are hereby authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the Corporation all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Resolution, the initial sale and delivery of the Bonds, the Paying Agent/Registrar Agreement, the Escrow Agreement, and the Private Placement Memorandum. In addition, prior to the initial delivery of the Bonds, any Authorized Official and Bond Counsel are hereby authorized and directed to approve any technical changes or corrections to this Resolution or to any of the instruments authorized and approved by this Resolution necessary in order to (i) correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Resolution and as described in the Private Placement Memorandum, (ii) obtain a rating from any of the national bond rating agencies, or (iii) obtain the approval of the Bonds by the Texas Attorney General’s office. In case any officer of the Corporation whose signature shall appear on any certificate shall cease to be such officer before the delivery of such certificate, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.
SECTION 59: Water Supply Contract. The Corporation’s Board hereby ratifies, reconfirms, and readopts the Contract attached hereto Exhibit E.

SECTION 60: Installment Deliveries. The Corporation acknowledges that the Purchasers of the Bonds retain the option to purchase the Bonds on an installment basis with the proceeds of the Bonds to be deposited into the Construction Fund created by this Resolution. Funds delivered in installments will be based upon incurred costs as documented by invoices submitted by the Corporation to the Purchasers.

SECTION 61: Corporation’s Consent to Provide Information and Documentation to the Texas MAC. The Municipal Advisory Council of Texas (the Texas MAC), a non-profit membership corporation organized exclusively for non-profit purposes described in section 501(c)(6) of the Internal Revenue Code and which serves as a comprehensive financial information repository regarding municipal debt issuers in Texas, requires provision of written documentation regarding the issuance of municipal debt by the issuers thereof. In support of the purpose of the Texas MAC and in compliance with applicable law, the Corporation hereby consents to and authorizes any Authorized Official, Bond Counsel to the Corporation, and/or Financial Advisor to the Corporation to provide to the Texas MAC information and documentation requested by the Texas MAC relating to the Bonds; provided, however, that no such information and documentation shall be provided prior to the Closing Date. This consent and authorization relates only to information and documentation that is a part of the public record concerning the issuance of the Bonds.

SECTION 62: Reservation of Rights to Utilize the Texas Water Development Board’s State Participation Account Program. The Cities and the Corporation have agreed in the Contract that the Corporation may file an application with the Water Development Board (also known as the TWDB) to seek financial assistance pursuant to the TWDB’s State Participation Account as authorized pursuant to Article III, Sections 49-d, 49-d-2, and 49-d-8 of the Texas Constitution and Chapter 16, Subchapters E and F, as amended, Texas Water Code, or any other assistance programs from time to time authorized by Texas law and administered by the TWDB (and under the guidelines for which the Corporation is an eligible applicant) (each a TWDB Program). To the extent the Corporation utilizes a TWDB Program to access funds to complete the Project, such TWDB Program’s rules and regulations may require that the TWDB take an undivided ownership interest in up to 50% of the infrastructure improvements comprising the Project. This undivided ownership interest is represented by a master agreement and other documents to be executed between the Corporation and the TWDB to effectuate the Corporation’s financial participation in such a TWDB Program. Under any such TWDB Program, the Corporation will be obligated to make lease or other rental payments to the TWDB to repay its financial assistance which enabled the Corporation to construct the Project in a manner in which excess capacity in the Project was implemented on a regional basis. Accordingly, the Purchasers of the New Series Bonds are provided notice that the Corporation hereby expressly reserves the right to seek financial assistance to complete the Project utilizing such a TWDB Program.

SECTION 63: Approval Certificate. Pursuant to 3.02 of the Contract and each of the resolutions adopted by the Cities, the Cities have authorized the execution of an approval certificate (the “Approval Certificate”), attached hereto as Exhibit F, which evidences the
approval of the terms and provisions of the Bonds and the Contract as set forth herein by each of
the Cities.

SECTION 64: Effective Date. This Resolution shall be in force and effect from and after
its final passage, and it is so resolved.

[The remainder of this page intentionally left blank.]
PASSED AND ADOPTED on the ___ day of _________, 2016.

SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION

__________________________________________
President, Board of Directors

ATTEST:

____________________________________
Secretary, Board of Directors

(CORPORATION SEAL)
INDEX TO EXHIBITS

Exhibit A  Paying Agent/Registrar Agreement
Exhibit B  Escrow Agreement
Exhibit C  Description of Annual Financial Information
Exhibit D  DTC Letter of Representations
Exhibit E  Regional Water Supply Contract
Exhibit F  Cities Approval Certificate
EXHIBIT A
PAYING AGENT/REGISTRAR AGREEMENT

SEE TAB NO. ___
EXHIBIT B
ESCROW AGREEMENT
SEE TAB NO. __
EXHIBIT C
CONTINUING DISCLOSURE OF INFORMATION
DESCRIPTION OF ANNUAL FINANCIAL INFORMATION

The following information is referred to in Section 54 of this Resolution.

Annual Financial Statements and Operating Data

The financial information and operating data with respect to the Corporation to be provided annually in accordance with such Section are as specified (and included in the Appendix or under the headings of the Private Placement Memorandum referred to) below:

The Corporation’s audited financial statements for the most recently concluded Fiscal Year or to the extent these audited financial statements are not available, the portions of the unaudited financial statements of the Corporation referenced in the Private Placement Memorandum, but for the most recently concluded Fiscal Year.

Accounting Principles

The accounting principles referred to in such Section are generally accepted accounting principles for governmental units as prescribed by the Government Accounting Standards Board from time to time.
EXHIBIT D
DTC LETTER OF REPRESENTATIONS
SEE TAB NO. ___
EXHIBIT E
REGIONAL WATER SUPPLY CONTRACT
SEE TAB NO. __
EXHIBIT F
CITIES APPROVAL CERTIFICATE
SEE TAB NO. ___
IN REGARD to the authorization and issuance of the “Schertz/Seguin Local Government Corporation Contract Revenue Bonds, New Series 2016 (Texas Water Development Board SWIRFT Project Financing)” (the “Bonds”), dated August 1, 2016, in the aggregate original principal amount of $43,670,000, we have reviewed the legality and validity of the issuance thereof by the Schertz/Seguin Local Government Corporation (the “Corporation”). The Bonds are issuable in fully registered form only, in denominations of $5,000 or any integral multiple thereof (within a Stated Maturity). The Bonds have Stated Maturities of February 1 in each of the years 2019 through 2051, unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the resolution (the “Resolution”) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the respective meanings ascribed thereto in the Resolution.

WE HAVE SERVED AS BOND COUNSEL for the Corporation solely to pass upon the legality and validity of the issuance of the Bonds under the laws of the State of Texas, and with respect to the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Corporation or the Cities or their respective utility systems. We have not assumed any responsibility with respect to the financial condition or capabilities of the Corporation or the Cities or the disclosure thereof in connection with the sale of the Bonds. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Bonds. Our role in connection with the Corporation’s Application to the Texas Water Development Board prepared for use in connection with the sale of the Bonds has been limited as described therein.

WE HAVE EXAMINED the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the Corporation in connection with the issuance of the Bonds, including the Resolution, the Regional Water Supply Contract, dated as of November 15, 1999, as amended (the “Contract”) between the Corporation, the City of Seguin, Texas (“Seguin”), and the City of Schertz, Texas (“Schertz”, and together with Seguin, the “Cities”) and the escrow agreement (the “Escrow Agreement”) between the Corporation and BOKF, NA, Austin, Texas; (2) customary certifications and opinions of officials of the Corporation and the Cities; (3) certificates executed by officers of the Corporation and the Cities relating to the expected use and investment of proceeds of the Bonds and certain other funds of the Corporation, and to certain other facts solely within the knowledge and control of the Corporation and the Cities; and (4) such other documentation, including an examination of the Bond executed and delivered
initially by the Corporation, and such matters of law as we deem relevant to the matters
discussed below. In such examination, we have assumed the authenticity of all documents
submitted to us as originals, the conformity to original copies of all documents submitted to us
as certified copies, and the accuracy of the statements and information contained in such
certificates. We express no opinion concerning any effect on the following opinions which may
result from changes in law effected after the date hereof.

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Bonds have been duly
authorized by the Corporation and issued in conformity with the Constitution and laws of the
State of Texas now in force, and the Bonds issued in compliance with the provisions of the
Resolution are valid, legally binding and enforceable special obligations of the Corporation,
payable, together with any Additional New Series Bonds hereafter issued, solely from and
equally and ratably secured, together with the currently outstanding Previously Issued New
Series Bonds, by a lien on and pledge of the Bond Payment portion of the Annual Payments to
be received by the Corporation from the Cities pursuant to the Contract that is junior and inferior
to the lien thereon and pledge thereof providing for the payment and security of the currently
outstanding Priority Bonds, together with certain other funds on deposit in the accounts
established in the Resolution, except to the extent that the enforceability thereof may be
affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting
creditors’ rights or the exercise of judicial discretion in accordance with general principles of
equity. In the Resolution, the Corporation retains the right to issue Additional New Series
Bonds, and Additional Obligations, without limitation as to principal amount but subject to any
terms, conditions, or restrictions as may be applicable thereto under law or otherwise. The
Bonds do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any
property of the Corporation, except with respect to the Bond Payment portion of the Annual
Payments. The holder of the Bonds shall never have the right to demand payment of the Bonds
out of any funds raised or to be raised by taxation.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that, assuming continuing
compliance after the date hereof by the Corporation and the Cities with the provisions of the
Resolution and the Contract and in reliance upon the representations and certifications of the
Corporation and the Cities made in a certificate of even date herewith pertaining to the use,
expenditure, and investment of the proceeds of the Bonds, under existing statutes, regulations,
published rulings, and court decisions (1) interest on the Bonds will be excludable from the
gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to
the date hereof (the “Code”) of the owners thereof for federal income tax purposes, pursuant to
section 103 of the Code, (2) interest on the Bonds will not be included in computing the
alternative minimum taxable income of the owners thereof who are individuals or, except as
hereinafter described, corporations, and (3) the Bonds are not “private activity bonds” within the
meaning of section 141 of the Code.

WE CALL YOUR ATTENTION TO THE FACT that, with respect to our opinion in clause (2)
above, interest on all tax-exempt obligations, such as the Bonds, owned by a corporation will be
included in such corporation’s adjusted current earnings for purposes of calculating the
alternative minimum taxable income of such corporation, other than an S corporation, a mutual
fund, a financial asset securitization investment trust, a real estate mortgage investment
conduit, or a real estate investment trust. A corporation’s alternative minimum taxable income is
Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, in connection with the authorization and issuance of “SCHERTZ/SEGUIN LOCAL GOVERNMENT CORPORATION CONTRACT REVENUE BONDS, SERIES 2016 (TEXAS WATER DEVELOPMENT BOARD SWIRFT PROJECT FINANCING)”

the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

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

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

Norton Rose Fulbright US LLP

Associated PIF PDF
The following document is for associated PIF #0