

CANADIAN RIVER MUNICIPAL WATER AUTHORITY

REGULAR BOARD OF DIRECTORS MEETING

Date/Time: April 8, 2020 10:00 a.m.

Place: Online Meeting

Option1, Zoom Meeting:

<https://zoom.us/j/605719458?pwd=UExFcnlPdTM1ZVBzWkp2RIY4N1N0dz09>

Meeting ID: 605 719 458

Password: 123321

Option 2, call-in number:

(346) 248-7799

Meeting ID: 605719458#

Password: 123321

Note: Option 1 will require a computer or smart phone (computer screen is better) and will include seeing all video participants and seeing a shared computer screen when needed. It is highly recommended to use Option 1.

AGENDA

1. APPROVE MINUTES

- a. Regular Meeting of 01/8/2020

(Introduction of Guests)

2. PUBLIC COMMENT

3. APPROVE PAYMENT

Directors' expenses since 01/8/2020

4. REVIEW FINANCIAL INFORMATION

- a. Financial Statements
- b. Investment Summary

5. APPROVE BUDGET FOR FY 2020/2021

- a. Report of Personnel Committee
- b. Report of Finance and Budget Committee
- c. Consider and possible action approving overall budget for FY 2020/2021

6. DEPOSITORY BANKS

Consider and possible action authorizing extension of the existing depository bank contracts

7. RESERVE FUND BILLING

Consider and possible action approving temporary suspension of certain reserve fund contributions from Member Cities for the remainder of FY 19/20

8. 2011 SERIES BOND REFUNDING

Discussion, consideration and possible action concerning a resolution of the Board of Directors of the Canadian River Municipal Water Authority authorizing the issuance of Canadian River Municipal Water Authority subordinate lien contract revenue refunding bonds, Series 2020 (Conjunctive Use Groundwater Supply Project) Prescribing the form of said bonds; Providing for the security for and payments of said bonds; Delegating the Authority to effect the sale of the bonds to an authorized representative; and enacting other provision relating to the subject

9. RATIFY EXPENSES

Consider and possible action ratifying expenses

10. STATUS OF WATER SUPPLY

- a. Lake Meredith
- b. John C. Williams Wellfield

11. CRMWA II UPDATE

12. SPS RATE CASE UPDATE

13. REMOTE BOARD MEETING ATTENDANCE OPTIONS DISCUSSION

14. BYPASS REIMBURSEMENT UPDATE

15. HAYHOOK LTD VS CANADIAN RIVER MUNICIPAL WATER AUTHORITY LAWSUIT UPDATE

16. EXECUTIVE SESSION

Executive session may be held as authorized by the Texas Government Code in relation to the following subject: Consultation with attorney on items set forth in this agenda, as needed. *Authorized by Section 551.071, Texas Government Code*; or deliberations regarding real property for any appropriate items on this agenda. *Authorized by Section 551.0 72, Texas Government Code*.

17. STAFF REPORT

- a. Reservoir Storage and Lake Level
- b. Administrative Activities
- c. Water Quality
- d. System Operations

18. ADJOURNMENT

Done by order of: Richard Ellis, President

Attest: Kent Satterwhite
(Secretary)

Item 1

Approve Minutes

CANADIAN RIVER MUNICIPAL WATER AUTHORITY

Plainview Country Club/Convention Center
2902 West 4th Street
Plainview, Texas

January 8, 2020

Directors Present:	City of Amarillo:	Bill Hallerberg
		Roy Urrutia
	City of Borger:	Glendon Jett
		Charles Gillingham
	City of Brownfield:	Rickey Dunn
	City of Lamesa:	Cris Norris
	City of Levelland:	Richard Ellis
	City of O'Donnell:	Charles Vaughn
	City of Pampa:	Jerry Carlson
	City of Plainview:	Tyke Dipprey
	Donnie Brumley	
	City of Slaton:	Chad Wilson
	City of Tahoka:	Jay Dee House

Directors via Conference Call:	City of Lubbock:	Jim Collins
		Jay House

Directors Absent:	City of Levelland:	Scott Wade
	City of Pampa:	Mac Smith

General Manager: Kent Satterwhite
General Counsel: Doug Caroom

Others participating were: Julie Allegretti – City of Amarillo; Eddie Edwards – City of Borger; Erik Rejino, Jose Cavazos, Andreia Corly – City of Lamesa; Landon Durham – City of Levelland; Aubrey Spear, Malcom Laing - City of Lubbock; Gary Turley – City of Pampa; Paul Kite, Time Crosswhite – City of Plainview; Mike Young – Doshier, Pickens and Francis; George Williford – Hilltop Securities; Scott Honeyfield, Zane Edwards, Kyle Krueger – Parkhill, Smith & Cooper; Chad Pernell, Darren Schick, Michelle McKinney, Meagan Sanchez, Jessica Hajjar, Phil Grove, Reggie Jackson, Kevin Withers, and Tammy Hamby - Canadian River Municipal Water Authority.

President Richard Ellis called the meeting of the Board of Directors of the Canadian River Municipal Water Authority to order at 10:00 a.m.

Item 1 – Announce New Directors

President Ellis introduced new Directors, Roy Urrutia, from the City of Amarillo and Charles Gillingham, from the City of Borger.

Item 2 – Approve Minutes

Director Cris Norris moved for approval of the minutes. Director Bill Hallerberg seconded, and the motion passed unanimously.

Item 3 – Elect Officers for 2020

President Ellis asked Director Jerry Carlson to conduct the election of officers. Director Carlson referenced Item 3 in the booklet listing the current officers. He stated nominations for officers could be done individually or all together. Director Hallerberg stated if there were no objections he made the motion to nominate Richard Ellis as President, Tyke Dipprey as Vice-President and Kent Satterwhite as Secretary/Treasurer. Director Rickey Dunn seconded the motion.

Item 4 – Announce Committee Appointments

President Ellis explained that with new Directors coming on the board, changes needed to be made to update the Standing Committees appointments. He asked if any of the Directors had a specific committee that they were interested in to please let him know and an attempt would be made to meet those interests of individual board members.

Item 5 – Resolution in Memoriam Honoring Bill Carder

President Ellis read a formal resolution recognizing the service of Bill Carder and presented it to the Board of Directors. Director Carlson moved to approve the resolution. Director Norris seconded, and the motion passed unanimously.

Item 6 – Approve Payment

Michelle McKinney reported Director fees for the last quarter were \$1,950, transportation costs were \$869, and meals were \$1,631. Director Roy Urrutia moved for approval of the expenses. Director Glendon Jett seconded, and the motion passed unanimously.

Item 7 – Review of Financial Information

a. Review and approve FY 2018/2019 Comprehensive Annual Financial Report

Mrs. McKinney presented and gave an overview of the different sections of the Comprehensive Annual Financial Report (CAFR). She then introduced CRMWA's auditor, Mike Young with Doshier, Pickens & Francis. He briefly explained the basic categories that make up the audit, the Introductory Section, the Financial Section, and the Statistical Section. Mr. Young reported that the Independent Auditors' Report provides some managements responsibilities and also gives an opinion of the auditors after they look at the prepared financial statements and assess the internal controls and audit risk and perform specific audit procedures covering all the areas of the financial reporting process. Mr. Young explained that the Independent Auditor's Report states that in "our

opinion, the financial statements present fairly, in all material respects, the financial position of the Canadian River Municipal Water Authority as of September 30, 2019, and the changes in financial position and changes in cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.” Mr. Young briefly summarized the second report, Internal Control Over Financial Reporting and on Compliance and Other Matters, by stating Doshier, Pickens did not identify any deficiencies in internal controls or any significant deficiencies or material weaknesses. He also stated that as a result of the audit, no instances of non-compliance with laws, agreements, or contracts that would affect the financial statements were found. Mr. Young then highlighted the Basic Financial Statements and the Notes to Financial Statements. Mr. Young asked if there were any questions. Director Hallerberg moved to approve the FY 2018/2019 Comprehensive Annual Financial Report. Director Chad Wilson seconded and the motion passed unanimously.

b. Review charges and adjustments for FY 2018/2019

Mrs. McKinney reported the O&M budget came in at \$515,652 under budget for fiscal year 2018/2019. The main reason for the budget to come in low was a change in the scope of pipe repaire. Mrs. McKinney presented the Final O&M Budget to Actual Summary and stated each year the member cities are assessed general operating and maintenance (GOM) cost based estimated costs during the budget period. The actual costs are allocated to the cities based upon where the services are performed. She also presented the Summary of FY 18/19 Activity resulting in the year end GOM Adjustments, which shows how the \$515,652 was distributed among the member cities and gives an explanation why.

c. Financial Statements

Mrs. McKinney presented the O&M Budget summary sheet which, based on projections for the first quarter, is tracking to be on budget. She also briefly reviewed the layout of the financials, highlighting the bond information.

d. Investment Summary

Mrs. McKinney explained the Quarterly Investment Report noting the investment strategies of CRMWA, the comparison between CRMWA’s portfolio and benchmarks. She remarked that CRMWA has been meeting or exceeding the benchmarks during the last quarter.

Item 8 – Ratify Expenses

There were no expenses to ratify.

Item 9 -- Status of Water Supply

a. Status of Lake Meredith

Chad Pernell reported lake depth was 76.62 feet. Mr. Pernell presented graphs reflecting the Historical Depth, Chloride Levels, Drought Planning, and Historical Inflow. He noted a total of 14,278 acre-feet had been pumped from Lake Meredith during 2019 and 42,900 acre-feet was lost to evaporation. He also presented charts depicting the Drought Outlook and probability of temperature and precipitation.

b. Status of John C. Williams Wellfield

Mr. Pernell presented the Well Field Capacity Graph showing five wells down for repairs. He reported that CRMWA was looking at a few different options and they would be discussed on another agenda item. He noted with the current wells down, the capacity is approximately 68.91 MGD. He also presented and briefly discussed the Wellfield Profile Chart.

Item 10 – CRMWA II Update

Mr. Satterwhite reported there was no update at this time.

Item 11 – SPS Rate Case Update

Mr. Pernell reported there was no update at this time.

Item 12 – Bond Counsel

George Williford, with Hilltop Securities, reported that during recent legislature, a bill was passed amending Ch. 2254 of the Government Code to require contingency contracts for legal services. Contracts also have to meet several requirements such as posting a notice along with the Board of Directors Meeting Notice. A resolution authorizing the hiring of the bond counsel on a contingency basis must also be approved. Doug Caroom, CRMWA General Council, stated the bill was addressing contingent damages litigation, such as the opioid lawsuits, but it was broad enough to pick up on legal bond counsel work, which is also done on a contingent basis. Director Hallerberg moved to approve the resolution agreement. Director Norris seconded and the motion passed unanimously.

Item 13 – 2011 Series Bond Refunding

Mr. Williford gave a presentation explaining the refunding process. He reported the original bond amount was \$81,630,000 with a callable principal amount of \$51,805,000 on February 15, 2021. He stated there were two scenarios to consider for possible savings on the 2011 Bond. The first scenario, called the tax exempt current refunding, would see a net present value savings of approximately \$7,397,029. The second scenario, called the tax exempt forward refunding, would see a net present value savings of approximately \$6,513,479. Interest rates could range from 3.00% to 5.00%. With current market conditions, the savings opportunity are substantial enough for the refunding process. Mr. Williford stated that the Member Cities would need to be contacted to see if they were interested in refunding the bond. If the Board wished to proceed with possibly refunding the 2011 Series Bond, a percentage, that represents possible present value savings, needs to be finalized and listed in Resolution 1/2020-13. Discussion was held on what that percentage should be and it was agreed that the percentage would be 6.5%. Mr. Williford stated the resolution contains the parameter authorization procedures, which has been used in previous refunding opportunities. Director Hallerberg moved to approve the resolution with the 6.5% present value savings and authorized the General Manager to continue to monitor and work with Hilltop Securities and Member Cities to determine if they are interested in refunding the 2011 Series bond. Director Dipprey seconded and the motion passed unanimously.

Item 14 – Discussion of Board Meeting Attendance via Phone

President Ellis stated this item had been added to the agenda to due to the participation by phone being utilized more often. He stated the conference call-in was added as a way to allow Directors to listen in and participate when they were unable to attend the meeting. He stated that there are many benefits to the conference calling, but it has also shown some downsides with background noise and not being able to hear all the commentary. He requested input on whether CRMWA should look at some options to improve the quality of the conference calling, as there are many options available, or try to physically be present at the meetings. Discussion was held on the benefits of having a better setup for the conference calling, as well as, the benefits of having Directors present at the meetings. It was concluded that CRMWA staff would look at some options to improve the quality of the conferencing while keeping the costs low and possibly bringing some options back to the April meeting.

Item 15 – Health Insurance

Tammy Hamby reported that premiums for health insurance decreased by approximately 4% for the 2020/2021 plan year. Mr. Satterwhite explained that it was discussed last year to bring the premium rates to the full board for approval in January due to a timing issue with Texas Municipal League, our insurance carrier. Director Carlson moved to approve the premiums. Director Wilson seconded and the motion passed unanimously.

Item 16 – Aquifer Storage and Recovery Discussion

Mr. Satterwhite reminded the Directors that an Aquifer Storage and Recovery (ASR) study was budgeted and approved in 2015, but due to the pipeline failures it was decided to hold off on the study. He stated this was a discussion item at this time because he wanted to give some background information before the April meeting. Mr. Satterwhite explained what ASR was and the benefits it could potentially give to the Member Cities. He explained a feasibility study would look at each city's wellfield to determine water compatibility. Discussion was held on whether each of the Cities would be interested in and would participate in the study. Mr. Satterwhite explained that only the Member Cities who were interested in the study and wanted to participate, would share the cost of it. It was concluded that Mr. Satterwhite would reach out to each of the Member Cities to see if they were interested in a study.

Items 18, 19, and 21 were discussed prior to breaking for lunch
Lunch Break - 12:24 p.m. to 1:15 p.m.

Item 17 – Wellfield Pumps and Motors

Mr. Satterwhite reminded the board that there have been significant issues with the pumping equipment in the wellfield, mostly with the large motors, greater than 500 hp. The pumps are designed to last approximately 10 years or more, but they are not lasting that long. He reported the original wellfield started off with Exodyne motors and CRMWA ended up in a lawsuit with that company. CRMWA then switched to Byron Jackson (Flowserve) motors, and stated most everyone in the industry would agree that they are some of the best motors, but again, there have been problems. Mr. Satterwhite explained that CRMWA continues to use Flowserve motors, but also contracted with Gicon who supplies Indar motors. There are also issues with the 500 hp Indar motors. Mr. Satterwhite stated that something has to change because the current setup just isn't working. Mr. Satterwhite reported there are two options to consider. The first option, is moving to a line shaft, where the motor is on top of the wellhead and has a drive shaft that turns the pump. There are two types of units with this setup, one is water lubricated and the other is oil lubricated. The water lubricated option is new to the industry. The other option is a slim-line submersible. Mr. Satterwhite reported that in Phase II of the wellfield, 2 in-line units were installed in 2009 or 2010, they are not the big 500 hp motors, but there have been no issues with them to date. Mr. Pernell stated that they have not seen consistent issues with the smaller hp motors, only the large ones. He explained there are various issues going on. Water must be able to move at the right speed past the motor to cool it properly. Each well is different in terms of depth of the well, where the water level is, where the motor is situated, ect. He stated each well must be treated differently because there have been different types of failures. If the failures all lead back to one thing, it would be easy to fix but that has not been the case. Scott Honeyfield presented a PowerPoint presentation that explained the difference between a submersible and line shaft motor and how they work. He reported that 90% of the failures have been in the motor, which should not be the case. Mr. Satterwhite explained that Gicon was a great company to work with and when he asked them to take the motors back, they did. CRMWA returned 5 – 600 hp motors and 2 – 650 hp motors and was issued a credit in the amount of \$628,000. He again stated there were two options. Option 1 consisted of purchasing 2 - oil lubricated line-shaft units and 1 – slim-line submersible pending additional research. Option 2 consisted of purchasing 3 – oil lubricated line-shaft units. Mr. Satterwhite stated

he has discussed the Gicon credit with attorneys and CRMWA can trade the credit for the units without having to go out for bids. Staff is recommending Option 1 and if approved, would purchase the 2 line shaft units tomorrow and start additional research on the slim-line unit. If satisfied, CRMWA would purchase a slim line unit; if not, an additional line-shaft unit would be ordered. Mr. Satterwhite asked for authorization to purchase, with the available credit, units listed in option 1 pending the research done on the slim line unit. If Staff is not satisfied with the research, the authorization given allows Mr. Satterwhite to purchase a third line-shaft unit instead of the slim-line. He stated he feels like this is a good test and a great place to start. Option 1's total purchase price is \$674,000. With the credit of \$628,000, there would be a disparity in the amount of \$46,000. Mr. Satterwhite reported that Ronnie, with Gicon, would split the \$46,000 with CRMWA. Mr. Honeyfield responded to a question stating the three wells are similar with all currently running 600 and 650 hp motors. They are also similar in depth and capacity. Mr. Honeyfield explained that in the future, the current wells could be modified to run as a line-shaft unit. Director Dunn moved to accept Staff's recommendation and authorize Mr. Satterwhite to order 2 – line-shaft units tomorrow. Director Norris seconded and the motion passed unanimously.

Item 18 – Bypass Reimbursement Update

Discussion of update was held during Executive Session. No action was taken.

Item 19 – Hayhook LTD vs Canadian River Municipal Water Authority Lawsuit Update

Discussion of item was held during Executive Session. No action was taken.

Item 20 – Executive Session

Executive session was held to discuss Item 18 – Bypass Reimbursement Update and Item 19 - Hayhook LTD vs Canadian River Municipal Water Authority Lawsuit Update. The session convened at 12:07 p.m. and concluded at 12:14 p.m.

Item 21 – Staff Report

Mr. Satterwhite presented the Staff Report and a brief discussion of salt cedar spraying. Mr. Satterwhite reported on an employee accident that occurred during the spraying. He also mentioned new employee Jessica Hajjar and the retirement of April Gibbs.

Item 22 – Public Comment

There were no public comments.

Item 23 – Adjournment

President Ellis declared the meeting adjourned at 2:09 p.m.

Certificate of Secretary

I hereby certify that the above and foregoing is a correct and complete minute of the proceedings of the Board Of Directors of the Canadian River Municipal Water Authority at their Regular Board of Directors Meeting.



Kent Satterwhite, Secretary

ITEM 6

Depository Banks

CRMWA entered into depository contracts with Amarillo National Bank (primary) and Happy State Bank (secondary) effective for the period of May 1, 2016 through April 30, 2018 as approved by the Board of Directors at the April 13, 2016 board meeting.

Per CRMWA's Banking and Investment Policy, a depository may:

- Serve for a term of two years and until its successor shall have been duly selected and qualified, except that CRMWA and its depository bank may agree to extend the contract for two additional two-year terms.
- An extension is not subject to the bid notice requirements.

April 30, 2018 was the end of the original contracts term and extensions to both of the depository banks contracts were approved by the Board of Directors at the April 11, 2018 to extend the current contracts for another 2-year term ending April 30, 2020.

It is the recommendation of Staff to approve an additional two-year term on both contracts to extend to April 30, 2022. This will be the final extension allowed. In 2022, CRMWA will need to go out for bid again for both the primary and secondary depositories.

ITEM 7

Reserve Fund Billing

In light of recent developments and potential economic impacts to our Member Cities, it is recommended that we temporarily suspend monthly collections for and funding of the following Reserves for the remainder of FY 2019/2020:

General Reserve contributions to be reduced by \$41,660

Well Replacement Reserve contributions to be reduced by \$583,320

Salinity Control Injection Well Reserve contributions to be reduced by \$93,750

The total reduction in reserve fund contributions for FY2019/2020 would be \$718,730.

Not funding these reserves for the balance of this fiscal year and all of next will not affect operations and will not require a catchup.

CANADIAN RIVER MUNICIPAL WATER AUTHORITY
Revised Reserve Fund Projections due to Reduced FY1920 Funding

RESERVE FUND	Original FY1920 Reserve Projections	Revised FY1920 Reserve Projections	Savings to Member Cities	Revised FY2021 Reserve Projections
GENERAL RESERVE				
Starting Balance	\$ 8,323,327	\$ 8,341,132		\$ 8,559,472
Contributions	\$ 100,000	\$ 58,340	\$ 41,660	\$ -
Estimated Usage	\$ -	\$ -		\$ -
Estimated Interest Earned	\$ 200,000	\$ 160,000		\$ 160,000
Projected Ending Balance	\$ 8,623,327	\$ 8,559,472		\$ 8,719,472
WELL MAINTENANCE RESERVE				
Starting Balance	\$ 1,099,616	\$ 1,158,949		\$ 984,949
Contributions	\$ 500,000	\$ 500,000		\$ 600,000
Estimated Usage	\$ (900,000)	\$ (700,000)		\$ (900,000)
Estimated Interest Earned	\$ 30,000	\$ 26,000		\$ 26,000
Projected Ending Balance	\$ 729,616	\$ 984,949		\$ 710,949
WELL REPLACEMENT RESERVE				
Starting Balance	\$ 3,462,588	\$ 3,483,275		\$ 4,374,955
Contributions	\$ 1,400,000	\$ 816,680	\$ 583,320	\$ -
Estimated Usage	\$ -	\$ -		\$ -
Estimated Interest Earned	\$ 75,000	\$ 75,000		\$ 80,000
Projected Ending Balance	\$ 4,937,588	\$ 4,374,955		\$ 4,454,955
SALINITY CONTROL INJECTION WELL RESERVE				
Starting Balance	\$ 4,034,089	\$ 4,036,974		\$ 4,253,224
Contributions	\$ 225,000	\$ 131,250	\$ 93,750	\$ -
Estimated Usage	\$ -	\$ -		\$ -
Estimated Interest Earned	\$ 110,000	\$ 85,000		\$ 85,000
Projected Ending Balance	\$ 4,369,089	\$ 4,253,224		\$ 4,338,224
TOTAL RESERVE ACTIVITY				
TOTAL RESERVE CONTRIBUTIONS	\$ 2,225,000	\$ 1,506,270	\$ 718,730	\$ 600,000
TOTAL ESTIMATED INTEREST EARNINGS	\$ 415,000	\$ 346,000		\$ 351,000
TOTAL ESTIMATED RESERVE USAGE	\$ (900,000)	\$ (700,000)		\$ (900,000)
NET RESERVE INCREASE	\$ 1,740,000	\$ 1,152,270		\$ 51,000

Item 8

2011 Series Bond Refunding

DRAFT

RESOLUTION NO. 2020/_____

RESOLUTION AUTHORIZING THE ISSUANCE OF

CANADIAN RIVER MUNICIPAL WATER AUTHORITY
SUBORDINATE LIEN CONTRACT REVENUE REFUNDING BONDS
SERIES 2020
(Conjunctive Use Groundwater Supply Project)

_____, 2020

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EXHIBIT “A”	MEMBER CITIES' SHARES
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EXHIBIT “C”	CONTINUING DISCLOSURE
EXHIBIT “D”	ESCROW AGREEMENT

RESOLUTION NO. 2020/____

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CANADIAN RIVER MUNICIPAL WATER AUTHORITY AUTHORIZING THE ISSUANCE OF CANADIAN RIVER MUNICIPAL WATER AUTHORITY SUBORDINATE LIEN CONTRACT REVENUE REFUNDING BONDS, SERIES 2020 (CONJUNCTIVE USE GROUNDWATER SUPPLY PROJECT), IN THE AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$53,500,000, PRESCRIBING THE FORM OF SAID BONDS; PROVIDING FOR THE SECURITY FOR AND PAYMENT OF SAID BONDS; DELEGATING THE SALE THEREOF; AND ENACTING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, the **CANADIAN RIVER MUNICIPAL WATER AUTHORITY**, a conservation and reclamation district duly created and existing under Section 59, Article XVI of the Texas Constitution and the laws of the State of Texas (the "Authority"), provides water to the cities of Amarillo, Borger, Brownfield, Lamesa, Levelland, Lubbock, O'Donnell, Pampa, Plainview, Slaton, and Tahoka which are located within the boundaries of the Authority (collectively, the "Member Cities") under water supply contracts; and

WHEREAS, the Authority provides the Member Cities with water for their municipal water supply through the operation and maintenance of the Sanford Dam and Lake Meredith (the "Canadian River Project"); and

WHEREAS, the Authority was created in 1953 by Chapter 243, Acts of the 53rd Legislature, Regular Session, as amended, and such enabling legislation was formerly codified as article 8280-154 of Vernon's Texas Civil Statutes (the "Authority Act"); and

WHEREAS, the Authority has acquired an additional source of water in addition to the supply from the Canadian River Project for the benefit of its Member Cities in the form of an underground water supply, used in conjunction with the existing Canadian River Project supply, which will increase both the quantity and quality of water the Authority is able to supply its Member Cities; and

WHEREAS, each of the Member Cities has executed a contract with the Authority to provide for the funding of the costs of the Project, as hereinafter defined, (the "Conjunctive Use Groundwater Supply Agreements") dated to be effective as of May 15, 1996; and

WHEREAS, each of the Member Cities and the Authority have executed Amendment No. 1, Amendment No. 2, Amendment No. 3, Amendment No. 4 and Amendment No. 5 to such contracts (collectively the contracts and amendments will be referred to as the "Conjunctive Use Groundwater Supply Agreements"); and

WHEREAS, the Conjunctive Use Groundwater Supply Agreements are hereby referred to and adopted for all purposes as if they had been set forth in their entirety in this Resolution; and

WHEREAS, the Authority has previously issued the following outstanding bonds as Parity Bonds:

Canadian River Municipal Water Authority Contract Revenue Refunding Bonds, Series 2010 (Conjunctive Use Groundwater Supply Project) (the "Series 2010 Refunding Bonds"); and

WHEREAS, Amendment No. 5 to the Conjunctive Use Groundwater Supply Agreements authorized the Authority to issue non-parity subordinate lien bonds without a reserve fund (the "Subordinate Lien Bonds"); and

WHEREAS, the Authority has previously issued the following outstanding Subordinate Lien Bonds: Canadian River Municipal Water Authority Subordinate Lien Contract Revenue Bonds, Series 2011 (Conjunctive Use Groundwater Supply Project) (the "Series 2011 Bonds"); its Canadian River Municipal Water Authority Subordinate Lien Contract Revenue Refunding Bonds, Series 2012 (Conjunctive Use Groundwater Supply Project) (the "Series 2012 Refunding Bonds"); its Canadian River Municipal Water Authority Subordinate Lien Contract Revenue Refunding Bonds, Series 2014 (Conjunctive Use Groundwater Supply Project) (the "Series 2014 Refunding Bonds"); and its Canadian River Municipal Water Authority Subordinate Lien Contract Revenue Refunding Bonds, Series 2017 (Conjunctive Use Groundwater Supply Project) (the "Series 2017 Refunding Bonds"); and

WHEREAS, the Authority proposes to issue its Canadian River Municipal Water Authority Subordinate Lien Contract Revenue Refunding Bonds, Series 2020 (Conjunctive Use Groundwater Supply Project) (the "Bonds") to refund all or a part of the callable portion of its outstanding Series 2011 Bonds in advance of their maturities pursuant to the parameters set forth herein (the "Refunded Bonds"); and

WHEREAS, the Bonds will not be issued as Parity Bonds; and

WHEREAS, the Authority, is an Issuer within the meaning of Tex. Gov't. Code Section 1371.001(4)(F) because it is a district organized or operating under Section 59, Article XVI, Texas Constitution, that has all or part of two or more municipalities within the boundaries; and

WHEREAS, the Board of Directors of the Authority hereby find and determine that the total debt service of the refunding bonds herein authorized to be issued will amount to less than the total debt service on the Refunded Bonds which will result in a gross present value savings based on the projections presented, and the actual present value savings is to be set forth in the Approval Certificate, and that the Refunded Bonds should be refunded by the issuance of refunding bonds hereinafter mentioned, in accordance

with the laws of the State of Texas, including particularly, Chapters 1207 and 1371, Texas Government Code, as amended; and

WHEREAS, the Authority and each of the Member Cities have entered into a Conjunctive Use Groundwater Supply Agreement, under various legislative authority, including, but not limited to Chapter 243, Acts of the 53rd Legislature, Regular Session, as amended, section 791.026, Texas Government Code, section 402.012, Texas Local Government Code, as amended, and former article 1113, TEX. REV. CIV. STAT. ANN. [now codified in Chapter 1502, Texas Government Code; specifically, section 1502.056 therein], which provides for (a) the terms of each Member Cities' payment of its share of the construction and development costs of the Project, (b) each Member City's payment of its share of the operation, maintenance and replacement costs of the Project, (c) the obligation of the Authority to maintain the Project, and (d) the other obligations and performances of the parties; and

WHEREAS, each of the Member Cities will be provided with notice and the consent of each of the Member Cities to the issuance of the Bonds will be obtained; and

WHEREAS, the Conjunctive Use Groundwater Supply Agreements became effective on May 15, 1996, Amendment No. 1 thereto became effective on July 1, 1999, Amendment No. 2 became effective on December 1, 2004, Amendment No. 3 became effective on February 1, 2006, Amendment No. 4 became effective on January 1, 2009 and Amendment No. 5 became effective on July 1, 2011; and

WHEREAS, the Bonds authorized to be issued by this Resolution are to be issued and delivered pursuant to the Authority Act, Chapters 791, 1207 and 1371, Texas Government Code, as amended, and other applicable laws; and

WHEREAS, pursuant to Chapters 1207 and 1371 Texas Government Code, as amended, the Authority desires to delegate the authority to effect the sale of the Bonds to the Authorized Representative;

NOW, THEREFORE, be it resolved:

ARTICLE I

DEFINITIONS AND OTHER PRELIMINARY MATTERS

Section 1.01. Definitions. Unless otherwise expressly provided or unless the context clearly requires otherwise, in this Resolution the following terms shall have the meanings specified below:

Additional Bonds means the additional Revenue Bonds, issued as Parity Bonds or Subordinate Lien Bonds, related to the Project or Project Expansion which the Authority reserves the right to issue and deliver in the future as provided by this Resolution and the Conjunctive Use Groundwater Supply Agreements.

Approval Certificate means the certificate of the Authorized Representative of the Authority approving certain terms of the Bonds.

Aqueduct means the system for transporting water to the points of delivery established for the Project and the Canadian River Project, and includes all pipelines, conduits, pumping facilities and related works, and the land and rights-of-way for such works and facilities.

Aqueduct Construction Costs means those costs associated with the construction and acquisition of the Aqueduct.

Authority means the Canadian River Municipal Water Authority, a conservation and reclamation district duly created and existing under the laws of the State of Texas.

Authority Act means Chapter 243, Acts of the 53rd Legislature, Regular Session, as amended, formerly codified as TEX. REV. CIV. STAT. art. 8280-154.

Authorized Representative means the General Manager of the Authority, or in his absence, the President of the Board of Directors of the Authority, authorized to act on behalf of the Authority in selling and delivering of the Bonds and carrying out the other procedures and making the determinations specified in Section 15.01 of this Resolution.

Board means the Board of Directors of the Authority.

Bond or Bonds means the Authority's Subordinate Lien Contract Revenue Refunding Bonds entitled "Canadian River Municipal Water Authority Subordinate Lien Contract Revenue Refunding Bonds, Series 2020 (Conjunctive Use Groundwater Supply Project)" in the aggregate principal amount authorized to be issued by Section 3.01 of this Resolution.

Bond Date means the initial date of the Bonds which is designated in Section 3.02 of this Resolution.

Bond Documents mean the Conjunctive Use Groundwater Supply Agreements, the bond resolution or resolution, authorizing the issuance of the Bonds, and all amendments or supplements thereto.

Bond Purchase Agreement means (1) in a negotiated sale, the contract between the underwriter and the Authority setting forth the terms, prices and conditions upon which the underwriter will purchase the Bonds or (2) in a competitive sale, the notice of sale and accepted bid of the purchaser.

Bond Reserve Fund means the fund established by the Board for the Bonds, if any, in accordance with Section 7.06 of this Resolution.

Canadian River Project means the project that includes the Sanford Dam and Lake Meredith as authorized by the Act of Congress dated December 29, 1950 (64 Stat. 1124).

City means a Member City.

Closing Date and **Date of Delivery** mean the date of initial delivery of and payment for the Bonds to be delivered to the Underwriters or the Initial Purchaser.

Code means the Internal Revenue Code of 1986, as amended, including the regulations and published rulings thereunder.

Construction Cost Payment Schedule means the schedule prepared by the General Manager as provided in the Conjunctive Use Groundwater Supply Agreements.

Construction Fund means the fund established by the Board for the Bonds in accordance with Section 7.01 of this Resolution.

Designated Payment/Transfer Office shall mean the office of the Paying Agent/Registrar which is designated for payment of the Bonds.

DTC means The Depository Trust Company, New York, New York, or any successor securities depository.

DTC Participant means any broker, dealer, bank, trust company, clearing corporation or certain other organizations with bonds credited to an account maintained on its behalf by DTC.

Escrow Agent means _____, _____, _____,* and its successors in that capacity.

Escrow Agreement means the escrow agreement between the Authority and the Escrow Agent.

Escrow Fund means the fund referred to in Section 7.02 of this Resolution to hold cash and securities for the payment of debt service on the Refunded Bonds.

Event of Default means any Event of Default as defined in Section 11.01 of this Resolution.

Financing Costs means the costs associated with the issuance of the Bonds, including but not limited to the cost of funding the Reserve Fund, or surety bond in lieu thereof, rating agency fees, bond insurance premiums, underwriting discount, original issue discount, printing, and professional services associated with the Bonds.

* From Approval Certificate.

General Manager means the General Manager of the Authority.

Holder, Owner or Registered Owner means the person who is the registered owner of a Bond or Bonds, as shown in the Register.

Initial Bond means the Bond described in Sections 3.04(b) and 6.02(e).

Initial Purchaser” means the purchaser of the Bonds as determined in the Approval Certificate and accepted Official Bid.

Insurance Policy means the insurance policy, if any, guaranteeing the scheduled payment of principal of and interest on the Bonds, if approved in the Approval Certificate.

Interest and Sinking Fund means the fund established by the Board in accordance with Section 7.05 of this Resolution.

Interest Payment Date means, with respect to any Bond, the date or dates upon which interest on the Bond is scheduled to be paid until the maturity of the Bond, such dates being February 15 and August 15 of each year commencing as provided in the Approval Certificate.

Member City means a city, town, or municipality which is a member of the Authority pursuant to Acts 53rd Leg., Ch. 243 (1953), as amended.

Parity Bonds shall have the meaning as ascribed in Section 8.01(a) of this Resolution, and the following outstanding bonds are Parity Bonds: the Series 2010 Refunding Bonds.

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

Project means the acquisition of Water Rights, the construction of the well field, collection and production facilities, the Aqueduct, operation and maintenance of the Conjunctive Use Groundwater Supply Project, and the supplying of water from the Conjunctive Use Groundwater Supply Project.

Project Construction Costs means the Aqueduct Construction Costs and the Project Water Supply Costs, which together shall include any and all costs and expenses whatsoever, of all kinds, of the Authority with respect to the acquisition, purchase, determination of the feasibility of, testing, or construction of the Project or the abandonment, sale, exchange, or other disposition of the Project for which the Authority is liable, incurred on, after, or before the date hereof, including but not limited to, the Authority's costs of acquiring Water Rights, all Financing Costs, labor, materials, equipment, engineering, legal fees, superintendence, administration, overhead, general

* From Approval Certificate.

expenses, acquisition of land, rights-of-way and other property rights, inspections, special services, National Environmental Policy Act compliance, property damages, insurance, costs of all licenses and permits; provided, however, to the extent a Member City participates in Project Construction Costs under Section 3.3 of its respective Conjunctive Use Groundwater Supply Agreement, the Financing Costs of the Bonds shall not be included as Project Construction Costs for that Member City.

Project Expansion means the acquisition of additional Water Rights, the construction of additional well fields, collection and production facilities, and extensions of the Aqueduct to serve Member Cities.

Project Operation and Maintenance Costs means the reasonable and necessary expenses incurred in the efficient and economical administration, management and operation and the maintenance of the Project in good repair and operating condition as provided in the Revised Manual.

Project Payment Fund means the fund established by the Board for the Bonds in accordance with Section 7.03 of this Resolution.

Project Payments means the payments from each Member City under its respective Conjunctive Use Groundwater Supply Agreement with the Authority for the Project Construction Costs.

Project Water Supply Costs means those costs associated with the acquisition of the Water Rights, well fields, collection facilities and production facilities for the Project.

Record Date means the Record Date as prescribed by Section 3.03(b) of this Resolution.

Refunded Bonds means:

Canadian River Municipal Water Authority Subordinate Lien Contract Revenue Bonds, Series 2011 (Conjunctive Use Groundwater Supply Project), dated December 1, 2011, in the aggregate principal amount and maturities as set out in the Approval Certificate.

Register means the Register specified in Section 3.06(a) of this Resolution.

Revenue Bonds means bonds issued by the Authority to pay Project Construction Costs, whether in one or more issues, including Parity Bonds and Subordinate Lien Bonds, such bonds to be secured by a lien on and pledge of Project Payments and any bonds issued to refund any Revenue Bonds.

Revised Manual means the current version of the Canadian River Municipal Water Authority Manual, as amended from time to time by the unanimous vote of the Board.

Rule means United States Securities and Exchange Commission Rule 15c2-12, as amended.

Subordinate Lien Bonds means Revenue Bonds issued pursuant to Section 8.01(b), including the Series 2011 Bonds, the Series 2012 Refunding Bonds, the Series 2014 Refunding Bonds, the Series 2017 Refunding Bonds and the Bonds authorized by this Resolution.

Surety Policy means a surety bond, insurance policy, letter of credit or other agreement or instrument, including any related reimbursement or financial guaranty agreement, by which the issuer is obligated to provide funds up to and including the maximum amount and under the conditions specified in such agreement or instrument provided that the issuer and Surety Policy shall be rated, at the time of issuance of such Surety Policy, in one of the three highest rating categories by A.M. Best Company, Standard & Poor's Ratings Services, or Moody's Investors Service.

Unallocated and Unpledged Balance means the balance of funds determined by the Board according to Section 7.07 of this Resolution.

Underwriter or Underwriters mean the purchaser or purchasers of the Bonds in a negotiated sale as determined in the Bond Purchase Agreement.

Verification Report means the report of _____,* the Verification Agent, verifying the mathematical accuracy of certain calculations and the sufficiency of receipts of the Escrow Account to pay, when due, the principal and interest on the Refunded Bonds.

Water Rights means those rights to underground water acquired by the Authority in Roberts and Hutchinson Counties pursuant to the Water Rights Acquisition Agreement between the Authority and Quixx Corporation dated June 23, 1995, and any additional water rights acquired through a Project Expansion.

Section 1.02. Other Definitions. The term "Conjunctive Use Groundwater Supply Agreements" shall have the meaning assigned in the preamble to this Resolution.

Section 1.03. Findings. The declarations, determinations and findings declared, made and found in the preamble to this Resolution are hereby adopted, restated and made a part of the operative provisions hereof.

Section 1.04. Table of Contents, Titles and Headings. The table of contents, titles and headings of the Articles and Sections of this Resolution have been inserted for

* From Approval Certificate.

convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof and shall never be considered or given any effect in construing this Resolution or any provision hereof or in ascertaining intent, if any question of intent should arise.

Section 1.05. Interpretation.

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

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

ARTICLE II

SECURITY FOR THE BONDS

Section 2.01. Pledge of Revenues; Priority of Parity Bonds. The Bonds herein authorized are and shall be payable from and secured by an irrevocable lien on and pledge of the Project Payments, as defined herein, that is junior and subordinate to the first lien pledged to the Parity Bonds, to be derived from the Member Cities from the Conjunctive Use Groundwater Supply Agreements, and the Project Payments are further pledged irrevocably to the establishment and maintenance of the funds hereinafter created. The proportionate share of each Member City for principal and interest payments on the Bonds is set forth on Exhibit "A" to this Resolution. Each Member City is responsible for its own fixed annual proportionate share of such principal and interest payments, and no Member City is responsible for the payment due from another Member City, except as provided in the Conjunctive Use Groundwater Supply Agreements. Before amounts received from a Member City as a Project Payment are deposited by the Authority in a Project Fund for Subordinate Lien Bonds (or any other fund established to secure Subordinate Lien Bonds), the Authority will apply amounts received from each Member City as a Project Payment to satisfy such Member City's payment and funding requirements for any outstanding Parity Bonds and no Project Payment received from a Member City (or any portion thereof) shall be applied or used to satisfy or discharge the obligation of any other Member City to make a Project Payment in respect of Parity Bonds, except as provided in the Conjunctive Use Groundwater Supply Agreements.

Section 2.02. Special Obligations. The Bonds and the interest thereon shall constitute special obligations of the Authority, payable solely from the Project Payments made under the Conjunctive Use Groundwater Supply Agreements with each of the Member Cities herein pledged, and the Registered Owner of the Bonds shall never have the right to demand payment thereof out of any funds raised or to be raised by taxation.

ARTICLE III

AUTHORIZATION; GENERAL TERMS AND PROVISIONS REGARDING THE BONDS

Section 3.01. Authorization. The Bonds are hereby authorized to be issued and delivered in accordance with the Constitution and laws of the State of Texas, including particularly Chapters 1207 and 1371, Texas Government Code, as amended, in the aggregate principal amount not to exceed \$53,500,000 to be set forth in the Approval Certificate for the following purposes: for providing funds (i) to refund the Refunded Bonds, and (ii) to pay the costs of issuance.

Section 3.02. Date, Denomination, Maturities, Numbers and Interest. The Bonds shall have the Bond Date as specified in the Approval Certificate, and (other than the Initial Bond referenced in Section 3.04(b) hereof) shall be in denominations of \$5,000 or any integral multiple (within a stated maturity) thereof, shall be lettered "R" and numbered consecutively from One (1) upward, and principal shall become due and payable on February 15 in each of the years and in the amounts (the "Stated Maturities") set forth in the Approval Certificate, such maturities not to mature later than February 15, 2032.

The Bonds shall bear interest on the unpaid principal amounts from the Date of Delivery at the per annum rates to be determined when the Bonds are sold (but in no event shall the Bonds bear interest at a net effective rate in excess of 15% per annum calculated in the manner required by Chapter 1204, Texas Government Code, as amended, as set forth in the Bond Purchase Agreement and the Approval Certificate. The amount of interest to be paid each payment period shall be calculated on the basis of a 360-day year of twelve 30-day months. Interest on the Bonds shall be payable semiannually, as specified in the Approval Certificate.

All details of the Bonds not fully set forth herein shall be as set forth in the Bond Purchase Agreement and the Approval Certificate.

Section 3.03. Medium, Method and Place of Payment.

(a) The principal of, redemption premium, if any, and interest on the Bonds shall be paid in lawful money of the United States of America.

(b) Interest on the Bonds shall be payable to the Registered Owner whose name appears in the Register at the close of business on the last business day of the month next preceding such Interest Payment Date (the "Record Date"); provided, however, that in the event of nonpayment of interest on a scheduled Interest Payment Date and for thirty (30) days thereafter, a new record date for such interest payment (the "Special Record Date") will be established by the Paying Agent/Registrar (hereinafter defined and designated) if and when funds for the payment of such interest have been received from the Authority. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date," which shall be 15

days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Registered Owner of a Bond appearing on the books of the Paying Agent/Registrar at the close of business on the last business day preceding the date of mailing of such notice.

(c) Interest on a Bond shall be paid by check, dated as of the Interest Payment Date, and sent by the Paying Agent/Registrar to each Registered Owner, first class United States mail, postage prepaid, to the address of each Registered Owner as it appears in the Register, or by such other customary banking arrangements acceptable to the Paying Agent/Registrar and each Registered Owner to whom interest is to be paid; provided, however, that the Registered Owner shall bear all risk and expenses of such customary banking arrangements.

(d) The principal of and premium, if any, of each Bond shall be paid to the Registered Owner thereof on the Stated Maturity Date or the date of prior redemption thereof upon presentation and surrender of such Bond at the Designated Payment/Transfer Office of the Paying Agent/Registrar.

(e) If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, legal holiday, or a day on which banking institutions in the city where the Paying Agent/Registrar is located are required or authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, a legal holiday, or day on which banking institutions are required or authorized to close, and payment on such date shall for all purposes be deemed to have been made on the due date thereof as specified in this Section.

Section 3.04. Control, Execution and Initial Registration.

(a) The General Manager of the Authority is hereby authorized to have control of the Initial Bond and all necessary records and proceedings pertaining thereto pending investigation, examination, and approval by the Attorney General of the State of Texas, registration by the Comptroller of Public Accounts of the State of Texas and registration with, and initial exchange or transfer by, the Paying Agent/Registrar.

(b) Initially, a single bond (the "Initial Bond") representing the entire principal amount of the Bonds registered in the name of the Underwriters' designee, as specified in the Resolution and Approval Certificate, shall be executed and submitted to the Attorney General of the State of Texas for his approval, and, thereupon, the Comptroller of Public Accounts of the State of Texas, or a deputy designated in writing to act on behalf of the Comptroller, will execute the Comptroller's Registration Certificate.

(c) After the Initial Bond has been approved by the Attorney General and registered by the Comptroller of Public Accounts, the Paying Agent/Registrar shall register the Bonds in the name of the Underwriters or their designee, and shall cancel the

Initial Bond and deliver the Bonds in accordance with the provisions of Article XV of this Resolution.

(d) The Bonds shall be executed on behalf of the Authority by the President of the Board and the Secretary of the Authority, by their manual or facsimile signatures, and the official seal of the Authority shall be impressed or placed in facsimile thereon. Such facsimile signatures on the Bonds shall have the same effect as if each of the Bonds had been signed manually and in person by each of said officers, and such facsimile seal on the Bonds shall have the same effect as if the official seal of the Authority had been manually impressed upon each of the Bonds.

(e) In the event that any officer of the Authority whose manual or facsimile signature appears on the Bonds ceases to be such officer before the authentication of such Bonds or before the delivery thereof, such manual or facsimile signature nevertheless shall be valid and sufficient for all purposes as if such officer had remained in such office.

(f) No Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit of this Resolution unless and until there appears thereon either (i) the Comptroller's Registration Certificate substantially in the form provided herein, manually executed by the Comptroller of Public Accounts of the State of Texas, or by his duly authorized agent, or (ii) the Certificate of Paying Agent/Registrar substantially in the form provided herein, duly authenticated by manual execution of an authorized signatory of the Paying Agent/Registrar. It shall not be required that the same authorized signatory of the Paying Agent/Registrar sign the Certificate of Paying Agent/Registrar on all of the Bonds. Either of such certificates upon any Bond shall be conclusive evidence, and the only evidence, that such Bond has been duly certified or registered and delivered.

Section 3.05. Ownership.

(a) The Authority, the Paying Agent/Registrar and any other person may treat the person in whose name any Bond is registered as the absolute owner of such bond for the purpose of making and receiving payment of the principal thereof and premium, if any, thereon, for the further purpose of making and receiving payment of the interest thereon (subject to the provisions herein that interest is to be paid to the person in whose name the Bond is registered on the Record Date), and for all other purposes, whether or not such Bond is overdue, and neither the Authority nor the Paying Agent/Registrar shall be bound by any notice or knowledge to the contrary.

(b) All payments made to the person deemed to be the Owner of any Bond in accordance with this Section shall be valid and effectual and shall discharge the liability of the Authority and the Paying Agent/Registrar upon such Bond to the extent of the sums paid.

Section 3.06. Registration, Transfer and Exchange.

(a) So long as any Bonds remain outstanding, the Authority shall cause the Paying Agent/Registrar to keep at its Designated Payment/Transfer Office a register (the "Register") in which, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with this Resolution.

(b) Registration of any Bond may be transferred in the Register only upon the presentation and surrender thereof at the Designated Payment/Transfer Office of the Paying Agent/Registrar for transfer of registration and cancellation, together with proper written instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of the Bonds, or any portion thereof in any integral multiple of \$5,000, to the assignee or assignees thereof, and the right of such assignee or assignees thereof to have the Bond or any portion thereof registered in the name of such assignee or assignees. No transfer of any Bond shall be effective until entered in the Register. Upon assignment and transfer of any Bond or portion thereof, a new Bond or Bonds will be issued by the Paying Agent/Registrar in conversion and exchange for such transferred and assigned Bond. To the extent possible the Paying Agent/Registrar will issue such new Bond or Bonds in not more than three business days after receipt of the Bond to be transferred in proper form and with proper instructions directing such transfer.

(c) Any Bond may be converted and exchanged only upon the presentation and surrender thereof at the Designated Payment/Transfer Office of the Paying Agent/Registrar, together with a written request therefor duly executed by the Registered Owner or assignee or assignees thereof, or its or their duly authorized attorneys or representatives, with guarantees of signatures satisfactory to the Paying Agent/Registrar, for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination and in an aggregate principal or maturity amount equal to the unpaid principal or maturity amount of the Bond presented for exchange. If a portion of any Bond is redeemed prior to its scheduled maturity as provided herein, a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in the denomination or denominations of any integral multiple of \$5,000 at the request of the Registered Owner, and in an aggregate principal amount equal to the unredeemed portion thereof, will be issued to the Registered Owner upon surrender thereof for cancellation. To the extent possible, a new Bond or Bonds will be required to be delivered by the Paying Agent/Registrar to the Registered Owner of the Bond or Bonds in not more than three business days after receipt of the Bond to be exchanged in proper form and with proper instructions directing such exchange.

(d) Each Bond issued in exchange for any Bond or portion thereof assigned, transferred or converted shall have the same principal maturity date and bear interest at the same rate as the Bond for which it is being exchanged. Each substitute Bond shall bear a letter and/or number to distinguish it from each other Bond. The Paying Agent/Registrar shall convert and exchange the Bonds as provided herein, and each

substitute Bond delivered in accordance with this Section shall constitute an original additional contractual obligation of the Authority and shall be entitled to the benefits and security of this Resolution to the same extent as the Bond or Bonds in lieu of which such substituted Bond is delivered.

(e) The Authority will pay the Paying Agent/Registrar's reasonable and customary charge for the initial registration or any subsequent transfer, exchange or conversion of Bonds, but the Paying Agent/Registrar will require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection with the registration, transfer, exchange or conversion of a Bond. In addition, the Authority hereby covenants with the Registered Owners of the Bonds that it will (i) pay the reasonable and standard or customary fees and charges of the Paying Agent/Registrar for its services with respect to the payment of the principal of and interest on the Bonds, when due, and (ii) pay the fees and charges of the Paying Agent/Registrar for services with respect to the transfer, registration, conversion and exchange of Bonds as provided herein.

(f) Neither the Authority nor the Paying Agent/Registrar shall be required to issue, transfer or exchange any Bond called for redemption, in whole or in part, where such redemption is scheduled to occur within 45 days after the transfer or exchange date; provided, however, such limitation shall not be applicable to an exchange by the Registered Owner of the uncalled principal balance of the Bond.

Section 3.07. Cancellation and Authentication.

(a) All Bonds paid or redeemed before scheduled maturity in accordance with this Resolution, and all Bonds in lieu of which exchange Bonds or replacement Bonds are authenticated and delivered in accordance with this Resolution, shall be canceled and destroyed upon the making of proper records regarding such payment, redemption, exchange or replacement. The Paying Agent/Registrar shall periodically furnish the Authority with certificates of destruction of such Bonds.

(b) Each substitute Bond issued in conversion of and exchange for or replacement of (pursuant to the provisions of Sections 3.06, 3.08 and 3.09 hereof) any Bond or Bonds issued under this Resolution shall have printed thereon a Certificate of Paying Agent/Registrar, in the form hereinafter set forth. An authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Bond, manually sign and date such Bond, and no such Bond shall be deemed to be issued or outstanding unless such Bond is so executed. No additional resolutions, orders, or resolutions need be passed or adopted by the Board of Directors of the Authority or any other body or person so as to accomplish the foregoing conversion and exchange or replacement of any Bond or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Bonds in the manner prescribed herein, and said Bonds shall be of customary type and composition and be printed on paper with lithographed or steel engraved borders of customary weight and strength. Pursuant to Subchapter D of Chapter 1201, Texas Government Code, the duty of conversion and

exchange or replacement of Bonds as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of the above Certificate of Paying Agent/Registrar, the converted and exchanged or replaced Bonds shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Initial Bond which was originally delivered pursuant to this Resolution, approved by the Attorney General, and registered by the Comptroller of Public Accounts.

(c) Bonds issued in conversion and exchange or replacement of any other Bond or portion thereof, (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Bonds to be payable only to the Registered Owners thereof, (ii) may be redeemed prior to their scheduled maturities, (iii) may be transferred and assigned, (iv) may be converted and exchanged for other Bonds, (v) shall have the characteristics, (vi) shall be signed and sealed, and (vii) the principal of and interest on the Bonds shall be payable, all as provided, and in the manner required or indicated, in the Form of Bond set forth in Section 6.02 of this Resolution.

Section 3.08. Temporary Bonds.

(a) Following the delivery and registration of the Initial Bond and pending the preparation of definitive Bonds, the Authority may execute and, upon the Authority's request, the Paying Agent/Registrar shall authenticate and deliver, one or more temporary Bonds that are printed, lithographed, typewritten, mimeographed or otherwise produced, in any denomination, substantially of the tenor of the definitive Bonds in lieu of which they are delivered, without coupons, and with such appropriate insertions, omissions, substitutions and other variations as the officers of the Authority executing such temporary Bonds may determine, as evidenced by their signing of such temporary Bonds.

(b) Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the benefit and security of this Resolution.

(c) The Authority, without unreasonable delay, shall prepare, execute and deliver to the Paying Agent/Registrar, and thereupon, upon the presentation and surrender of the Bond or Bonds in temporary form to the Paying Agent/Registrar, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a Bond or Bonds of the same maturity and series, in definitive form, in the authorized denomination, and in the same aggregate principal amount, as the Bond or Bonds in temporary form surrendered. Such exchange shall be made without the making of any charge therefor to any Registered Owner.

Section 3.09. Replacement Bonds.

(a) Upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding. The Authority or the Paying Agent/Registrar may require the Registered Owner of such Bond to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection therewith and any other expenses connected herewith.

(b) In the event that any Bond is lost, apparently destroyed or wrongfully taken, the Paying Agent/Registrar, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall authenticate and deliver a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding, provided that the Registered Owner first:

- (i) furnishes to the Paying Agent/Registrar satisfactory evidence of his or her ownership of and the circumstance of the loss, destruction or theft of such Bond;
- (ii) furnishes such security or indemnity as may be required by the Paying Agent/Registrar, and acceptable to the Authority, to save it harmless;
- (iii) pays all expenses and charges in connection therewith, including, but not limited to, printing costs, legal fees, fees of the Paying Agent/Registrar and any tax or other governmental charge that is authorized to be imposed; and
- (iv) satisfies any other reasonable requirements imposed by the Authority and the Paying Agent/Registrar.

(c) If, after the delivery of such replacement Bond, a bona fide purchaser of the original Bond in lieu of which such replacement Bond was issued presents for payment such original Bond, the Authority and the Paying Agent/Registrar shall be entitled to recover such replacement Bond from the person to whom it was delivered or any person taking therefrom except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Authority or the Paying Agent/Registrar in connection herewith.

(d) In the event that any such mutilated, lost, apparently destroyed or wrongfully taken Bond has become or is about to become due and payable, the Paying Agent/Registrar, in its discretion, instead of issuing a replacement Bond, may pay such Bond.

(e) Each replacement Bond delivered in accordance with this Section shall constitute an original additional contractual obligation of the Authority and shall be entitled to the benefits and security of this Resolution to the same extent as the Bond or Bonds in lieu of which such replacement Bond is delivered.

Section 3.10. Book-Entry-Only System.

(a) The definitive Bonds shall be initially issued in the form of a separate single fully registered Bond for each of the maturities thereof. Upon initial issuance, the ownership of each such Bond shall be registered in the name of Cede & Co., as nominee of DTC, and except as provided in Section 3.11 hereof, all of the outstanding Bonds shall be registered in the name of Cede & Co., as nominee of DTC.

(b) With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the Authority and the Paying Agent/Registrar shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such a DTC Participant holds an interest in the Bonds, except as provided in this Resolution. Without limiting the immediately preceding sentence, the Authority 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 DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than an Owner, as shown on the Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than an Owner, as shown in the Register of any amount with respect to principal of, premium, if any, or interest on the Bonds. Notwithstanding any other provision of this Resolution to the contrary, the Authority and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Register as the absolute Owner of such Bond for the purpose of payment of principal of, premium, if any, and interest on the Bonds, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfer with respect to such Bond, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective Owners, as shown in the Register as provided in this Resolution, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Register, shall receive a Bond evidencing the obligation of the Authority to make payments of amounts due 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 Registered Owner at the close of business on the Record Date, the word "Cede & Co." in this Resolution shall refer to such new nominee of DTC.

Section 3.11. Successor Securities Depository; Transfer Outside Book-Entry-Only System. In the event that the Authority or the Paying Agent/Registrar determines that DTC is incapable of discharging its responsibilities described herein and in the Representation Letter by and between the Authority, the Paying Agent/Registrar and DTC (the "Representation Letter"), and that it is in the best interest of the Owners of the Bonds that they be able to obtain certificated Bonds, or in the event DTC discontinues the services described herein, the Authority or the Paying Agent/Registrar shall (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended; notify DTC and DTC Participants, as identified by DTC, of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository; or (ii) notify DTC and DTC Participants, as identified by DTC, of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their DTC accounts, as identified by DTC. In such event, the Bonds shall no longer be restricted to being registered in the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Resolution.

Section 3.12. Payments to Cede & Co. Notwithstanding any other provision of this Resolution to the contrary, so long as any Bonds are 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 Bonds, and all notices with respect to such Bonds, shall be made and given, respectively, in the manner provided in the Representation Letter.

ARTICLE IV

REDEMPTION OF BONDS BEFORE MATURITY

Section 4.01. Limitation on Redemption. The Bonds shall be subject to redemption before scheduled maturity only as provided in this Article IV.

Section 4.02. Redemption of Bonds. The Bonds shall be subject to redemption prior to maturity as provided in the Approval Certificate.

Section 4.03. Notice of Redemptions.

(a) *Notice and Conditional Redemption.* When Bonds (or portions thereof) are to be redeemed, the Authority shall give or cause to be given notice of the redemption of the Bonds to the Paying Agent/Registrar no later than fifteen (15) days prior to the last date on which notice of such redemption can be given or such shorter time as may be acceptable to the Paying Agent/Registrar. In the case of an optional redemption, the notice may state (1) that it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar no later than the redemption date or (2) that the Authority retains the right to rescind such notice at any time prior to the scheduled redemption date if the Authority delivers a

certificate to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice (in either case, a "Conditional Redemption"), and such notice and optional redemption shall be of no effect if such moneys are not deposited or if the notice is rescinded as described in subsection (d) of this Section.

The Paying Agent/Registrar, at the expense of the Authority, shall send notice of any redemption, identifying the Bonds to be redeemed, the redemption date and the method and place of payment and the information required by subsection (b) of this Section to each Owner of a Bond called for redemption at the address listed on the Security Register. Such notice shall be sent by the Paying Agent/Registrar by first class mail, or other commercially acceptable method of communication, at least thirty (30) days prior to the scheduled redemption date. With respect to book-entry Bonds, the Paying Agent/Registrar shall send notice of redemption to the Securities Depository pursuant to the Letter of Representations and the Paying Agent/Registrar shall not be required to give the notice to any beneficial owners. If notice is given as stated in this paragraph (a), failure of any Owner to receive such notice, or any defect in the notice, shall not affect the redemption or the validity of the proceedings for the redemption of the Bonds.

(b) *Contents of Notice.* In addition to the foregoing, the redemption notice shall contain with respect to each Bond being redeemed (1) the CUSIP number, (2) the date of issue, (3) the interest rate, (4) the maturity date, and (5) any other descriptive information determined by the Paying Agent/Registrar to be necessary to identify the Bonds called for redemption. If a redemption is a Conditional Redemption, the notice shall so state. The Paying Agent/Registrar also shall send each notice of redemption to (i) any rating agency then rating the Bonds to be redeemed, and (ii) EMMA.

(c) *Deposit of Redemption Price.* On or before the date fixed for redemption, subject to the provisions of subsections (a) and (d) of this Section, moneys shall be deposited with the Paying Agent/Registrar to pay the principal of, redemption premium, if any, and interest accrued to the redemption date on the Bonds called for redemption. Upon the deposit of such moneys, unless the Authority has given notice of rescission as described in subsection (d) of this Section, the Bonds shall cease to bear interest on the redemption date and shall no longer be entitled to the benefits of this Resolution (other than for payment and transfer and exchange), and such bonds shall no longer be considered Outstanding.

(d) *Rescission of Conditional Redemption.* Any Conditional Redemption may be rescinded in whole or in part at any time prior to the redemption date if the Authority delivers a certificate to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice. The Paying Agent/Registrar shall give prompt notice of such rescission to the affected Owners. Any Bonds subject to Conditional Redemption where redemption has been rescinded shall remain Outstanding, and the rescission shall not constitute an event of default. Further, in the case of a Conditional Redemption, the failure of the Authority to make funds available in part or in whole on or before the redemption date shall not constitute an event of default.

ARTICLE V

PAYING AGENT/REGISTRAR

Section 5.01. Appointment of Initial Paying Agent/Registrar.

(a) The Authority hereby appoints _____, _____, _____,* as its registrar and transfer agent to keep such books or records and make such transfers and registrations under such reasonable regulations as the Authority and the Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such transfer and registrations as herein provided. It shall be the duty of the Paying Agent/Registrar to obtain from the Registered Owners and record in the Register the address of such Registered Owner of each Bond to which payments with respect to the Bonds shall be mailed, as provided herein. The Authority or its designee shall have the right to inspect the Register during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity.

(b) The Authority hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Bonds. The Paying Agent/Registrar shall keep proper records of all payments made by the Authority and the Paying Agent/Registrar with respect to the Bonds, and of all conversions, replacements and exchanges of such Bonds, as provided in the Resolution.

Section 5.02. Qualifications. Each Paying Agent/Registrar shall be (i) a bank, trust company, financial institution, or other entity duly qualified and legally authorized under the laws of the United States or of any state thereof, (ii) authorized under such laws to exercise trust powers, and (iii) subject to supervision or examination by a federal or state governmental authority.

Section 5.03. Maintaining Paying Agent/Registrar.

(a) At all times while any Bonds are outstanding, the Authority will maintain a Paying Agent/Registrar that is qualified under Section 5.02 of this Resolution.

(b) If the Paying Agent/Registrar resigns or otherwise ceases to serve as such, the Authority will promptly appoint a replacement.

(c) The execution and delivery of a Paying Agent/Registrar Agreement, in form and content as set forth in Exhibit "B" attached hereto, specifying the duties and responsibilities of the Authority and the Paying Agent/Registrar, is hereby approved with such changes as may be approved by the President of the Board, and the President of said Board is hereby authorized to execute such agreement.

* From Approval Certificate.

Section 5.04. Termination. The Authority reserves the right to terminate the appointment of any Paying Agent/Registrar by delivering to the entity whose appointment is to be terminated a certified copy of a resolution of the Authority (i) giving notice of the termination of the appointment and of the Paying Agent/Registrar Agreement, stating the effective date of such termination, and (ii) appointing a successor Paying Agent/Registrar.

Section 5.05. Notice of Change to Registered Owners. Promptly upon each change in the entity serving as Paying Agent/Registrar, the Authority will cause notice of the change to be sent to each Holder by first class United States mail, postage prepaid, at the address in the Register, stating the effective date of the change and the name and mailing address of the replacement Paying Agent/Registrar.

Section 5.06. Agreement to Perform Duties and Functions. By accepting the appointment as Paying Agent/Registrar, the Paying Agent/Registrar is deemed to have agreed to the provisions of this Resolution and that it will perform the duties and functions of Paying Agent/Registrar prescribed hereby.

Section 5.07. Delivery of Records to Successor. If a Paying Agent/Registrar is replaced, such Paying Agent/Registrar, promptly upon the appointment of the successor, will deliver the Register (or a copy thereof) and all other pertinent books and records relating to the Bonds to the successor Paying Agent/Registrar.

ARTICLE VI

FORM OF THE BONDS

Section 6.01. Form Generally.

(a) The Bonds, the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the Certificate of Paying Agent/Registrar, and the assignment form to appear on each of the Bonds, (i) shall be substantially in the form set forth in this Article, with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by this Resolution, and (ii) may have such letters, numbers, or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and such legends and endorsements (including any reproduction of an opinion of counsel) thereon as, consistently herewith, may be determined by the Authority or by the officers executing such Bonds, as evidence by their execution thereof.

(b) Any portion of the text of any Bonds may be set forth on the reverse side thereof, with an appropriate reference thereto on the face of the Bonds.

(c) The definitive Bonds shall be typed, printed, lithographed, or engraved, and may be produced by any combination of these methods or produced in any other similar manner, all as determined by the officers executing such Bonds, as evidenced by their execution thereof.

Section 6.02. Form of Bond. The form of Bonds, including the form of the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the form of Certificate of Paying Agent/Registrar and the form of assignment appearing on the Bonds, shall be substantially as follows:

(a) Form of Definitive Bonds.

REGISTERED
NO. R-_____

REGISTERED PRINCIPAL
AMOUNT \$_____

UNITED STATES OF AMERICA
STATE OF TEXAS
CANADIAN RIVER MUNICIPAL WATER AUTHORITY
SUBORDINATE LIEN CONTRACT REVENUE REFUNDING BOND
SERIES 2020
(Conjunctive Use Groundwater Supply Project)

Bond Date:	Interest Rate:	Stated Maturity:	CUSIP No.:
_____*	_____	_____	_____

Date of Delivery: _____*

Registered Owner:

Principal Amount: _____ DOLLARS

THE CANADIAN RIVER MUNICIPAL WATER AUTHORITY (hereinafter referred to as the "Authority"), being a governmental agency and body corporate and politic of the State of Texas, for value received, acknowledges itself indebted to and hereby promises to pay to the order of the Registered Owner named above, or the registered assigns thereof, on the Stated Maturity date specified above the Principal Amount hereinabove stated (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 Date of Delivery or the most recent date to which the interest has been paid by check or duly provided for, 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 15 and August 15 in each year, commencing _____ 15, 20__.* Principal of this Bond is payable at its Stated Maturity or redemption to the Registered Owner hereof, upon presentation and surrender, at the Designated Payment/Transfer Office of the Paying Agent/Registrar executing the registration certificate appearing hereon, or its successor. Interest is payable to the Registered Owner of this Bond whose name appears on the "Register" maintained by the Paying Agent/Registrar at the close of business on the "Record Date," which is the last business day of the month next preceding each Interest Payment Date, and interest shall

* From Approval Certificate.

be paid by the Paying Agent/Registrar by check sent by United States mail, first class postage prepaid, to the address of the Registered Owner recorded in the Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Registered Owner. All payments of principal of and interest on this Bond shall be without exchange or collection charges to the Registered Owner hereof and in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

THIS BOND is one of the series specified in its title issued in the aggregate principal amount of \$_____ * (herein referred to as the "Bonds") and issued pursuant to a certain resolution of the Board of Directors of the Canadian River Municipal Water Authority (the "Resolution") for the purpose of providing funds (1) to refund the Refunded Bonds, and (2) to pay costs related to the issuance of the Bonds, as described in the Resolution.

THIS BOND and all the bonds of the series of which it is a part constitute special obligations of the Authority, are payable as to both principal and interest solely from and secured by a lien on and pledge of the Project Payments, as defined in the Resolution, made by the Member Cities in the Conjunctive Use Groundwater Supply Agreements that is junior and subordinate to the first lien on such Project Payments which have been pledged to secure payment of the Parity Bonds; for a more complete statement of the covenants and provisions securing the payment of this Bond and the series of which it is one, reference is hereby made to the Resolution authorizing this series of Bonds.

THE REGISTERED OWNER hereof shall never have the right to demand payment of this obligation out of any funds raised or to be raised by the levy of taxes, or from any source other than specified in the Resolution.

THE AUTHORITY expressly reserves the right to issue further and additional special revenue obligations as Parity Bonds or Subordinate Lien Bonds secured by a lien on and pledge of the Project Payments made by the Member Cities in the Conjunctive Use Groundwater Supply Agreements, subject to the covenants, conditions, limitations and restrictions relating thereto which are set out and contained in the Resolution authorizing this series of Bonds and such resolutions authorizing the Parity Bonds or Subordinate Lien Bonds, including Subordinate Lien Bonds on parity with other Subordinate Lien Bonds, as the case may be.

REDEMPTION PROVISIONS

[TO BE PROVIDED IN THE APPROVAL CERTIFICATE]

AT LEAST 30 DAYS prior to the date fixed for any redemption of Bonds or portions thereof prior to maturity a written notice of such redemption shall be sent by the Paying Agent/Registrar by United States mail, first class postage prepaid, not less than 30 days prior to the date fixed for any such redemption, to the Registered Owner of each Bond to

* From Approval Certificate.

be redeemed at its address as it appeared on the 45th day prior to such redemption date, provided, however, that the failure to send, mail, or receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond.

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 interest thereon shall cease to accrue from and after the redemption date therefor, provided moneys for the payment of the redemption price and the interest on the principal amount to be redeemed to the date of redemption are held for the purpose of such payment by the Paying Agent/Registrar.

IN THE EVENT OF A PARTIAL REDEMPTION of the principal amount of this Bond, payment of the redemption price of such principal amount shall be made to the Registered Owner only upon presentation and surrender of this Bond to the Paying Agent/Registrar at its Designated Payment/Transfer Office, and there shall be issued to the Registered Owner hereof, without charge, a new Bond or Bonds of like maturity and interest rate in any authorized denominations provided by the Resolution for the then unredeemed balance of the principal sum hereof. If this Bond is selected for redemption, in whole or in part, the Authority and the Paying Agent/Registrar shall not be required to transfer this Bond to an assignee of the Registered Owner within 45 days of the redemption date therefor; provided, however, such limitation on transferability shall not be applicable to an exchange by the Registered Owner of the unredeemed balance hereof in the event of its redemption in part.

REFERENCE IS HEREBY MADE TO THE RESOLUTION, a copy of which is on file in the Designated Payment/Transfer Office of the Paying Agent/Registrar, and to all of the provisions of which the Registered Owner of this Bond by the acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the revenues pledged for the payment of the Bonds; the terms and conditions relating to the transfer or exchange of this Bond, the rights, duties, and obligations of the Authority and the Paying Agent/Registrar; the terms and provisions upon which this Bond may be discharged at or prior to its maturity, and deemed to be no longer outstanding thereunder; and for other terms and provisions contained therein. Capitalized terms used herein have the meanings assigned in the Resolution.

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

THE AUTHORITY AND THE PAYING AGENT/REGISTRAR, and any agent of either, shall treat the Registered Owner whose name appears on the Register (i) on the Record Date as the owner entitled to payment of interest hereon, (ii) on the date of surrender of this Bond as the owner entitled to payment of principal at the Stated Maturity, or its redemption, in whole or in part, and (iii) on any other date as the owner for all other purposes, and neither the Authority, nor the Paying Agent/Registrar, or any agent of either, shall be affected by notice to the contrary. In the event of nonpayment of interest on a Bond 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 Authority. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Registered Owner of a Bond appearing on the Register at the close of business on the last business day next preceding the date of mailing of such notice.

THE AUTHORITY, THE PAYING AGENT/REGISTRAR, and any other person may treat the person in whose name this Bond is registered as the Registered Owner hereof for the purpose of receiving payment as herein provided and for all purposes, whether or not this Bond be overdue, and neither the Authority nor the Paying Agent/Registrar shall be affected by notice to the contrary.

IT IS HEREBY CERTIFIED, RECITED, AND COVENANTED that this Bond has been duly and validly authorized, issued, sold, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law; and that this Bond is a special obligation of the Authority payable from and secured by an irrevocable lien on and pledge of the Project Payments from the "Conjunctive Use Groundwater Supply Agreements" dated as of May 15, 1996, and as amended July 1, 1999, December 1, 2004, February 1, 2006, January 1, 2009 and July 1, 2011, between the Authority and each of the Member Cities that is subordinate and junior to the first lien on such Project Payments securing payment of the Parity Bonds. It is specifically provided in the Conjunctive Use Groundwater Supply Agreements that the Member Cities are obligated collectively to make payments in amounts sufficient to pay the principal of and interest on the Parity Bonds and this series of Bonds, when due. It is provided, however, that each of the Member Cities is responsible solely for the payment of its fixed annual proportionate share of such principal and interest, as set forth in the Resolution. A Member City is not obligated to pay any part of the amount due by another Member City, except as provided in the Conjunctive Use Groundwater Supply Agreements.

IN WITNESS WHEREOF, this Bond has been duly executed on behalf of the Authority, under its official seal, in accordance with law.

Secretary
Canadian River Municipal Water
Authority

President
Board of Directors
Canadian River Municipal Water
Authority

[SEAL]

(b) Form of Comptroller's Registration Certificate.

The following Comptroller's Registration Certificate may be deleted from the definitive Bonds if such certificate on the Initial Bond is fully executed.

OFFICE OF THE COMPTROLLER	§	
OF PUBLIC ACCOUNTS	§	REGISTER NO. _____
OF THE STATE OF TEXAS	§	

I hereby certify that there is on file and of record in my office an opinion of the Attorney General of the State of Texas to the effect that this Bond has been examined by him as required by law, that he finds that it has been issued in conformity with the Constitution and laws of the State of Texas, and that this Bond has this day been registered by me.

Witness my hand and seal of office at Austin, Texas, _____.

[SEAL]

Comptroller of Public Accounts
of the State of Texas

(c) Form of Certificate of Paying Agent/Registrar.

The following Certificate of Paying Agent/Registrar may be deleted from the Initial Bond if the Comptroller's Registration Certificate appears thereon.

CERTIFICATE OF PAYING AGENT/REGISTRAR

The records of the Paying Agent/Registrar show that the Initial Bond of this series of Bonds was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas, and that this is one of the Bonds referred to in the within-mentioned Resolution.

_____*
_____*

Dated: _____

By: _____
Authorized Signatory

(d) Form of Assignment.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned Registered Owner of this Bond, or duly authorized representative or attorney thereof, hereby assigns this Bond to _____

_____/_____
(print or typewrite Assignee's name and address, including zip code) (Assignee's Social Security or Taxpayer Identification Number)

and hereby irrevocably constitutes and appoints _____,
attorney, to transfer the registration of this Bond on the Paying Agent/Registrar's
Registration Books with full power of substitution in the premises.

Dated: _____

NOTICE: Signature(s) must be
guaranteed by an eligible
guarantor institution as
defined by SEC Rule 17Ad-15
(17 CFR 240-17Ad-15).

Registered Owner
NOTICE: The signature must
correspond with the name of
the Registered Owner appearing
on the face of this Bond.

* From Approval Certificate.

- (e) The Initial Bond shall be in the respective form set forth therefor in paragraph (a) of this Section, except as follows:

Heading and paragraph one shall be amended to read as follows:

REGISTERED

No. T-1

\$ _____ *

UNITED STATES OF AMERICA
STATE OF TEXAS
CANADIAN RIVER MUNICIPAL WATER AUTHORITY
SUBORDINATE LIEN CONTRACT REVENUE REFUNDING BOND
SERIES 2020
(Conjunctive Use Groundwater Supply Project)

Bond Date: _____, 2020

Date of Delivery: _____, 2020*

Registered Owner: _____ *

Principal Amount: _____ * DOLLARS

THE CANADIAN RIVER MUNICIPAL WATER AUTHORITY (hereinafter referred to as the "Authority"), being a governmental agency and body corporate and politic of the State of Texas, for value received, acknowledges itself indebted to and hereby promises to pay to the order of the Registered Owner named above, or the registered assigns thereof, the Principal Amount hereinabove stated on February 15 in the years and in principal installments in accordance with the following schedule:

<u>YEAR OF</u> <u>MATURITY</u>	<u>PRINCIPAL</u> <u>INSTALLMENTS</u>	<u>INTEREST</u> <u>RATE</u>
-----------------------------------	---	--------------------------------

(Information to be inserted from
schedule in the Approval Certificate.)

(or so much principal thereof as shall not have been prepaid prior to maturity) and to pay interest on the unpaid principal installments hereof from the later of the Date of Delivery or the most recent date to which the interest has been paid by check or duly provided for, 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 15 and August 15 in each year, commencing _____ 15, 20__. Principal installments of this Bond are payable in the year of maturity or on a prepayment date to the Registered Owner hereof by _____* (the "Paying Agent/Registrar"), upon presentation and surrender,

* From Approval Certificate

at its Designated Payment/Transfer Office in _____, _____.* Interest is payable to the Registered Owner of this Bond whose name appears on the "Register" maintained by the Paying Agent/Registrar at the close of business on the "Record Date," which is the last business day of the month next preceding each Interest Payment Date, and interest shall be paid by the Paying Agent/Registrar by check sent by United States mail, first class postage prepaid, to the address of the Registered Owner recorded in the Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Registered Owner. All payments of principal of, premium, if any, and interest on this Bond shall be without exchange or collection charges to the Registered Owner hereof and in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

Section 6.03. CUSIP Registration. The Authority may secure identification numbers ("CUSIP Numbers") and may authorize the printing of such numbers on the face of the Bonds. It is expressly provided, however, that the presence or absence of CUSIP Numbers on the Bonds shall be of no significance or effect as regards the legality thereof, and neither the Authority nor the attorneys approving said Bonds as to legality are to be held responsible for CUSIP Numbers incorrectly printed on the Bonds.

Section 6.04. Legal Opinion. The approving legal opinion of Bickerstaff Heath Delgado Acosta LLP, Bond Counsel, which opinion shall be dated and delivered on the Closing Date, may be printed on the reverse side of each Bond, which may be executed in facsimile or may be attached to each Bond.

Section 6.05. Statement of Insurance. A statement relating to a municipal bond insurance policy, if any, to be issued for the Bonds may be printed on each Bond.

ARTICLE VII

FUNDS AND ACCOUNTS, AND APPLICATION OF MONEY

Section 7.01. Funds. For the Bonds and each series of Additional Bonds issued as Subordinate Lien Bonds, the following special funds are established and shall be maintained by the Authority at an official depository bank of the Authority as provided in the Bond Documents, and must be kept separate and apart from all other funds and accounts of the Authority, including other issues of Revenue Bonds (except for Parity Bonds to the Bonds) issued under the Conjunctive Use Groundwater Supply Agreement; and shall be secured in accordance with the Laws of the State of Texas so long as any of the Bonds or any additional obligations or interest thereon are outstanding or unpaid:

(a) Canadian River Municipal Water Authority Subordinate Lien Bonds Project Payment Fund, hereinafter called the "Project Payment Fund".

* From Approval Certificate.

(b) Canadian River Municipal Water Authority Subordinate Lien Bonds Construction Fund, hereinafter called the "Construction Fund".

(c) Canadian River Municipal Water Authority Subordinate Lien Bonds Interest and Sinking Fund, hereinafter called the "Interest and Sinking Fund".

(d) Canadian River Municipal Water Authority Subordinate Lien Bond Reserve Fund, hereinafter called the "Bond Reserve Fund".

Section 7.02. Initial Deposits. On the Closing Date, the Authority shall cause the proceeds from the sale of the Bonds to be deposited as follows:

- (i) All accrued interest on the Bonds from the Bond Date until the Closing Date and premium, if any, shall be deposited to the credit of the Interest and Sinking Fund.
- (ii) The sum described in the Approval Certificate and the Verification Report shall be deposited to the Escrow Fund or with the paying agent for the Refunded Bonds to pay all principal and interest on the redemption date as provided in the Approval Certificate.
- (iii) The sum set forth in the Approval Certificate to be deposited as directed by the General Manager and used to pay costs and expenses pertaining to the issuance of the Bonds. To the extent that any of such sum is not used for such purpose, such excess shall be deposited to the Interest and Sinking Fund.
- (iv) The sum, if any, set forth in the Approval Certificate to be deposited in the Bond Reserve Fund.
- (v) To the extent necessary to accomplish fully the purposes of this Resolution, the General Manager is authorized to reallocate the funds directed to be used for the purposes specified above.

Section 7.03. Project Payment Fund.

(a) Subject to Section 2.01, all payments for Project Construction Costs for the Bonds from the Member Cities to the Authority under the Conjunctive Use Groundwater Supply Agreements with the Member Cities, except for payments under an escrow agreement as provided for in Section 3.3 of the Conjunctive Use Groundwater Supply Agreements or payments for Project Operation and Maintenance Costs, as received, are to be deposited in the Project Payment Fund for the Bonds. All money in the Project Payment Fund shall be applied as hereinafter provided.

(b) The money in Project Payment Fund authorized by this Resolution is to be used by the Board to pay the debt service on the Bonds and to make deposits or

payments required for the reserve funds or special accounts as provided herein for the Bonds.

Section 7.04. RESERVED.

Section 7.05. Interest and Sinking Fund. Concurrently with the Authority's receipt of funds on the Closing Date for the Bonds, the Authority shall establish an "Interest and Sinking Fund." Subject to Section 2.01, the Authority shall deposit in the Interest and Sinking Fund the amount provided by Section 7.02 and the following:

(a) such amounts, in substantially equal monthly installments, made on or before the fifth day of the month following the Closing Date and each month thereafter, as will be sufficient to pay the interest scheduled to come due on the Bonds and any future subordinate lien bonds on the next Interest Payment Date; and

(b) such amounts, in substantially equal monthly installments, made on or before the fifth day of the month following the Closing Date and each month thereafter, as will be sufficient to pay the principal of the Bonds next due and payable. Except for Subordinate Lien Bonds issued on parity with the Bonds and any future subordinate lien bonds, the money deposited into the Interest and Sinking Fund for the Bonds shall be used only for principal and interest due on the Bonds and any future subordinate lien bonds. Money in the Interest and Sinking Fund shall be invested as provided in Section 7.08 of this Resolution, and interest earned on such investment is to be retained in the Interest and Sinking Fund for the Bonds.

Section 7.06. Bond Reserve Fund. No account is being established in the Bond Reserve Fund for the benefit of the Registered Owners of the Bonds; consequently, no proceeds of the Bonds shall be deposited into the Reserve Fund, no funds shall be deposited in the Reserve Fund (unless otherwise provided by the Authority in a subsequent resolution) and a Registered Owner of the Bonds shall not be entitled to any funds which may be on deposit in the Reserve Fund (unless otherwise provided by the Authority in a subsequent resolution).

Section 7.07. Unallocated and Unpledged Balance. Within thirty (30) days after the close of each fiscal year after the fiscal year in which the Bonds are issued, the Board shall examine for the Bonds (and Additional Bonds if issued as Parity Bonds) the balances in the Project Payment Fund, the Interest and Sinking Fund, and the Bond Reserve Fund. If, on the last day of any such fiscal year, the Board is current in the making of deposits into the Interest and Sinking Fund and the Bond Reserve Fund for the Bonds, so that all deposits required under the Conjunctive Use Groundwater Supply Agreements and this Resolution have been made into the respective funds, and if there are no unpaid obligations against any of the respective funds, or in the event there are unpaid obligations if they are taken into account as indicated below, the Board will take the following actions with respect to the funds maintained for the Bonds (and Additional Bonds if issued as Subordinate Lien Bonds issued on parity with the Bonds):

- (a) Ascertain the balance of funds in the Project Payment Fund for the Bonds;
- (b) Ascertain for the Bonds and Additional Bonds if issued as Subordinate Lien Bonds on parity with the Bonds, the total amount of unpaid obligations against: the Project Payment Fund, the Interest and Sinking Fund, and the Bond Reserve Fund, including obligations which have been issued and those which have not been issued but, which in the opinion of the Board, will probably be issued;
- (c) Subtract item (b) from the sum from item (a). The remainder shall constitute the Unallocated and Unpledged Balance for the Bonds and Additional Bonds if issued as Subordinate Lien Bonds on parity with the Bonds;
- (d) Transfer to the Interest and Sinking Fund for the Bonds and Additional Bonds if issued as Subordinate Lien Bonds on parity with the Bonds, such Unallocated and Unpledged Balance.

Section 7.08. Investments.

- (a) Any money held in the Project Payment Fund for the Bonds will be separately invested and reinvested in the following investments, as authorized by the Texas Public Funds Investment Act, Chapter 2256, Texas Government Code (the "PFIA"): (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed, insured, or backed by the full faith and credit of the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) certificates of deposit and share certificates (i) issued by a depository institution that has its main office or a branch office in the State, that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for Authority deposits, or (ii) where (a) the funds are invested by the Authority through (I) a broker that has its main office or a branch office in the State and is selected from a list adopted, at least annually, by the Authority as required by law or (II) a depository institution that has its main office or a branch office in the State that is selected by the Authority; (b) the broker or the depository institution selected by the Authority arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the Authority; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the

United States; and (d) the Authority appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the United States Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the Authority with respect to the certificates of deposit; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the Authority, held in the Authority's name, and deposited at the time the investment is made with the Authority or with a third party selected and approved by the Authority and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas; (9) bankers' acceptances with a stated maturity of 270 days or less from the date of its issuance, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (10) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (11) no-load money market mutual funds registered with and regulated by the United States Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share; (12) no-load mutual funds registered with the United States Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the preceding clauses, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent; and (13) public funds investment pools that have an advisory board which includes participants in the pool and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent.

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

interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

(b) Any money held in the Interest and Sinking Fund and the Bond Reserve Fund for the Bonds will be separately invested and reinvested by the Board in investments described in subsections (1) or (2) of the preceding paragraph.

(c) Any investments will be held by or under the control of the Board and while so held will be deemed a part of the fund in which such money was originally held. The earnings accruing on such investments, including any profit realized, will be credited to such funds as provided for in this Resolution.

(d) The Authority shall pay the required rebate on any excess earnings on investments to the United States in accordance with Section 148(f) of the Internal Revenue Code of 1986, as amended.

Section 7.09. Final Payment. Notwithstanding anything to the contrary herein, whenever the total amount of funds in the Interest and Sinking Fund and the Bond Reserve Fund for the Bonds is equivalent to the aggregate principal and interest amount due and to become due on the Bonds (and Additional Bonds if Parity Bonds), no further payments need be made into the Interest and Sinking Fund or the Bond Reserve Fund securing the Bonds, and the obligations shall not be regarded as being outstanding except for the purpose of being paid with the funds on hand. Any amounts remaining in any of these funds after defeasance and payment of the Bonds (and any Additional Bonds issued as Parity Bonds) may be transferred to the Project Payment Fund for the Bonds.

ARTICLE VIII

ADDITIONAL BONDS

Section 8.01. Additional Bonds. The Authority reserves the right to issue, on a parity or non-parity basis, further revenue obligations (the "Additional Bonds") payable from the Project Payments for the purpose of refunding the Bonds or Revenue Bonds or completing the Project or for a Project Expansion to the extent contemplated by this Resolution. Unless Additional Bonds expressly provide they have a junior lien position, Additional Bonds will have a first lien position on the Project Payments for such series of Revenue Bonds.

(a) *Parity Bonds*. When issued as Parity Bonds in compliance with applicable law and the terms and conditions set forth in this Resolution and Bond Documents, if any, such Additional Bonds shall occupy a senior position with respect to the Bonds and such Additional Bonds issued as Subordinate Lien Bonds and shall occupy an equal position with any previously issued Parity Bonds. The Authority hereby covenants and agrees that no Additional Bonds will be issued on a parity basis with previously issued Parity Bonds, including the Bonds, unless and until the following conditions have been met:

(1) The Authority is not then in default as to any covenant, condition or obligation prescribed by this Resolution or the Bond Documents and that the Interest and Sinking Fund, and the Bond Reserve Fund contain the amounts then required to be on deposit therein;

(2) The applicable laws of the State of Texas in force at such time and which provide permission and authority for the issuance of such Additional Bonds have been fully complied with;

(3) The resolution authorizing such Additional Bonds shall contain provisions for increasing the Project Payments made in accordance with the Construction Cost Payment Schedule so that the monthly deposits to be made into the Interest and Sinking Fund will assure the availability of money on time for the purpose of paying the installments of interest on and principal of such Additional Bonds;

(4) The Additional Bonds are scheduled to mature only on the same interest payment dates as the Parity Bonds, and the interest thereon is scheduled to be paid only on the same interest payment dates as the Parity Bonds;

(5) The calculation of average annual principal and interest requirements made pursuant to this Section 8.01 shall be made as of and from the date of the installment or series of Revenue Bonds then proposed to be issued; and

(6) The resolution authorizing the issuance of such installment or series of Additional Bonds provides that the aggregate amount to be accumulated and maintained in the Bond Reserve Fund shall be increased from bond proceeds of the Additional Bonds to an aggregate amount not less than the least of the average annual principal and interest requirements for the Parity Bonds and the installment or series of Additional Bonds then proposed to be issued as Parity Bonds or the amounts stated in Section 7.06.

(b) *Non-Parity Basis.* Unless the Additional Bonds are issued as Parity Bonds, such bonds shall occupy a subordinate position with respect to the Parity Bonds and shall be issued with the establishment of separate Project Payment Funds, Construction Funds, Interest and Sinking Funds, and Bond Reserve Funds, if any, which shall not be used except for the series of Revenue Bonds for which they were issued unless such Additional Bonds are issued as Subordinate Lien Bonds on parity with the Bonds. Such Additional Bonds issued on a non-parity basis may not be issued unless:

(1) The Authority is not then in default as to any covenant, condition or obligation prescribed by this Resolution;

(2) The applicable laws of the State of Texas in force at such time and which provide permission and authority for the issuance of such Additional Bonds have been fully complied with; and

(3) The Additional Bonds are scheduled to mature only on the same interest payment dates as the other Revenue Bonds, and the interest thereon is scheduled to be paid only on the same interest payment dates as the other Revenue Bonds.

Section 8.02. Refunding Bonds.

(a) Subject to subsection (b) of this Section, the Authority reserves the right to refund all or any part of the Bonds in the manner permitted by law.

(b) The Authority may issue partial refunding bonds if the conditions set forth in Section 8.01 with respect to Additional Bonds have been met.

ARTICLE IX

PARTICULAR REPRESENTATIONS AND COVENANTS OF THE AUTHORITY

Section 9.01. Obligation to Complete Project. The Authority agrees to proceed promptly and to the best of its ability to refund the Refunded Bonds as set out in the Approval Certificate, under the Conjunctive Use Groundwater Supply Agreements and this Resolution.

Section 9.02. Operation of Project. The Authority agrees to exercise reasonable efforts to ensure that the Project is operated and maintained in accordance with applicable federal, state, and local laws.

Section 9.03. Project Alterations and Repairs. While the Authority may be compelled to make necessary alterations, repairs, and installations of new or additional equipment from time to time during the life of the Project, the Authority agrees to make every reasonable effort to provide the Member Cities with water in accordance with the Conjunctive Use Groundwater Supply Agreements.

Section 9.04. Maintenance and Operation - Insurance. The Authority has agreed in the Conjunctive Use Groundwater Supply Agreements that it will maintain the Project in good condition and that it will operate the Project in an efficient manner and at a reasonable cost. So long as any of the Bonds are outstanding, the Authority will maintain a traditional insurance policy or will provide coverage through a governmental self-insurance pool for the benefit of the Registered Owners of the Bonds and of any Additional Bonds of the kinds and in the amounts, if any, which are normally provided for governmental projects of this type, and that during such time all policies of insurance or governmental pool coverages shall be maintained in force and effect and that payments

will be made promptly when due. All moneys received from losses under such insurance policies or governmental pool coverages, other than public liability policies will be pledged as security for the Bonds and any Additional Bonds except for the pro rata amount attributable to a Member City making payments under an escrow agreement as provided in Section 3.3 of the Conjunctive Use Groundwater Supply Agreements, 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. Adequate provision for making good such loss or damage is to be made within ninety days after the date of the loss. The payment of premiums for all insurance policies required are to be considered as Project Operation and Maintenance Costs.

Section 9.05. Records and Accounts.

(a) So long as any of the Bonds or any interest thereon remain outstanding and unpaid, the Authority will keep and maintain a proper and complete system of books, records and accounts pertaining to the acquisition, construction and operation of the Project, separate and apart from all other records and accounts in which complete and correct entries shall be made of all transactions relating to the Project, and that the Registered Owner of any of the Bonds or any duly authorized agent or agents of such Registered Owner shall have the right at all reasonable times to inspect all such books, records, accounts and data relating thereto, and to inspect the properties comprising the Project. Within six (6) months following the close of each fiscal year, the Board will cause an audit of such books and accounts to be made by an independent certified public accountant, showing the receipts and disbursements for account of the Project for such fiscal year. Each such audit, shall in addition to any other items considered proper by the independent certified public accountant, particularly include the following:

(1) a detailed statement of the income and expenditures for account of the Project for such fiscal year;

(2) a balance sheet as of the end of such fiscal year;

(3) the independent certified public accountant's comments regarding the manner in which the Board has carried out the requirements of this Resolution and Bond Documents, and his or her recommendations for any changes or improvements in the operation, records and accounts of the Project; and

(4) a list of the insurance policies in force at the end of the fiscal year on the properties of the Project, setting out as to each policy the amount thereof, the risk covered, the name of the insurer, and the policy's expiration date.

(b) For so long as the Project is in operation, the Authority will maintain a proper set of books, records and accounts pertaining to the operation of the Project which shall be available for inspection by the Member Cities. The Initial Purchaser of the Bonds and any bondholder shall have the right to discuss with the accountant making the annual

audit the contents thereof and to request such additional information as they may reasonably request.

(c) Expenses incurred in making the audits above required shall be considered as Project Operation and Maintenance Costs and paid as such.

Section 9.06. Sale or Encumbrance of Properties. So long as any of the Revenue Bonds remain outstanding, the Authority shall not, except as otherwise prescribed herein or in the Bond Documents or as consented to by the Registered Owners of the Bonds, sell, or in any other manner dispose of any properties comprising the Project, including property acquired later with the proceeds of Additional Bonds. Notwithstanding anything herein to the contrary, the Board may dispose of property which in its judgment has become inexpedient for use in connection with the Project, including the exchange of water rights for a similar amount in quality and quantity of water rights which can be used more efficiently for the Project. In the event of the disposition of any property under such circumstances, the proceeds from such sale shall be used to acquire other property suitable for use and needed by the Project or, if such sale occurs following the termination of the Project pursuant to Section 3.5 of the Conjunctive Use Groundwater Supply Agreements, the proceeds of the sale will be disposed of as follows: (a) return the pro rata portion attributable to a City which was paid directly pursuant to Section 3.3 of the Conjunctive Use Groundwater Supply Agreements, and (b) deposit the remainder to the credit of the Interest and Sinking Fund for the payment of the Bonds issued to pay all or a part of the property sold.

Section 9.07. Board to Submit Information to Meet Continuing Disclosure Requirements. In order to meet the requirements imposed by United States Securities and Exchange Commission Rule 15c2-12, as amended (the "Rule"), if Revenue Bonds are issued and outstanding, the Authority shall provide annually to the Municipal Securities Rulemaking Board (the "MSRB"), within six months after the end of each fiscal year ending in or after 2020, financial information and operating data with respect to itself of the general type included in the final Official Statement. This undertaking is more explicitly described in Exhibit "C" to this Resolution, which is incorporated by reference. To the extent the Member Cities provide the requisite information, the Authority will provide such financial information and operating data with respect to such Member Cities of the general type included in the final Official Statement annually to the MSRB, within six months after the end of each fiscal year ending in or after 2020. The obligation to make such reports will be for so long as any of the Member Cities provide the information to the Authority and remain an "obligated person" as defined in Rule 15c2-12(f)(10). The Authority, with respect to the Bonds, also agrees to notify the MSRB, in a timely manner (not to exceed 10 business days), of any of the events listed in Rule 15c2-12(b)(5)(ii)(C), if such event is material within the meaning of the federal securities laws. This covenant is for the benefit of the Member Cities and the Registered Owners of the Bonds and shall remain in effect for so long as the Authority remains an "obligated person."

Section 9.08. Covenants Regarding Tax Exemption. The Authority covenants to refrain from taking any action which would adversely affect, and to take any required

action to ensure, the treatment of the Bonds as obligations described in Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on which is not includable in the "gross income" of the Registered Owner for purposes of federal income taxation. In furtherance thereof, the Authority covenants as follows:

(a) to take any action to assure that no more than 10 percent of the proceeds of the Bonds or the projects financed therewith (less amounts deposited to a reserve fund, if any) are used for any "private business use," as defined in Section 141(b)(6) of the Code or, if more than 10 percent of the proceeds or the projects financed therewith are so used, such amounts, whether or not received by the Authority, with respect to such private business use, do not, under the terms of this Resolution or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Bonds, in contravention of Section 141(b)(2) of the Code;

(b) to take any action to assure that in the event that the "private business use" described in Subsection (a) hereof exceeds 5 percent of the proceeds of the Bonds or the projects financed therewith (less amounts deposited into a reserve fund, if any), then the amount in excess of 5 percent is used for a "private business use" which is "related" and not "disproportionate," within the meaning of Section 141(b)(3) of the Code, to the governmental use;

(c) to take any action to assure that no amount which is greater than the lesser of \$5,000,000, or 5 percent of the proceeds of the Bonds (less amounts deposited into a reserve fund, if any) is directly or indirectly used to finance loans to persons, other than state or local governmental units, in contravention of Section 141(c) of the Code;

(d) to refrain from taking any action which would otherwise result in the Bonds being treated as "private activity bonds" within the meaning of Section 141(b) of the Code;

(e) to refrain from taking any action that would result in the Bonds being "federally guaranteed" within the meaning of Section 149(b) of the Code;

(f) to refrain from using any portion of the proceeds of the Bonds, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire investment property (as defined in Section 148(b)(2) of the Code) which produces a materially higher yield over the term of the Bonds, other than investment property acquired with--

(1) proceeds of the Bonds invested for a reasonable temporary period of 3 years or less or, in the case of a refunding bond, for a period of 30 days or less until such proceeds are needed for the purpose for which the Bonds are issued,

(2) amounts invested in a bona fide debt service fund, within the meaning of Section 1.148-1(b) of the Treasury Regulations, and

(3) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed 10 percent of the proceeds of the Bonds;

(g) to otherwise restrict the use of the proceeds of the Bonds or amounts treated as proceeds of the Bonds, as may be necessary, so that the Bonds do not otherwise contravene the requirements of Section 148 of the Code (relating to arbitrage) and, to the extent applicable, Section 149(d) of the Code (relating to advance refundings);

(h) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Bonds) an amount that is at least equal to 90 percent of the "Excess Earnings," within the meaning of Section 148(f) of the Code, and to pay to the United States of America, not later than 60 days after the Bonds have been paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under Section 148(f) of the Code; and

(i) to maintain such records as will enable the Authority to fulfill its responsibilities under this Section and Section 148 of the Code, and to retain such records for at least six years following the final payment of principal and interest on the Bonds.

In order to facilitate compliance with the above covenants (g), (h) and (i), a "Rebate Fund" is hereby established by the Authority for the sole benefit of the United States of America, and such Fund shall not be subject to the claim of any other person, including without limitation the bondholders. The Rebate Fund is established for the additional purpose of compliance with Section 148 of the Code.

It is the understanding of the Authority that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Bonds, the Authority will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally-recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under Section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Bonds, the Authority agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally-recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Bonds under Section 103 of the Code. In furtherance of such intention, the Authority hereby authorizes and directs the President of the Board and/or the General Manager of the Authority to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the Authority, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds.

Section 9.09. Additional Certifications. Proper officers of the Authority charged with the responsibility of issuing the Bonds are hereby directed to make, execute and deliver certifications as to facts, estimates and circumstances in existence as of the Closing Date and stating whether there are any facts, estimates or circumstances that would materially change the Authority's current expectations.

Section 9.10. Benefit of Covenants. The covenants and representations made or required by this Article are for the benefit of the Registered Owners and may be relied upon by the Registered Owners and bond counsel for the Authority.

Section 9.11. Application of Parity Bond Covenants and Agreements. It is the intention of the Board and accordingly hereby recognized and stipulated that the provisions, agreements and covenants contained herein bearing upon the management and operations of the Project, and the administering and application of Project Payments and other revenues derived from payments pursuant to the Conjunctive Use Groundwater Supply Agreements, shall to the extent possible be harmonized with like provisions, agreements and covenants contained in the resolutions authorizing the issuance of obligations which, by their terms, have a prior right and claim on the Project Payments and other revenues derived from payments pursuant to the Conjunctive Use Groundwater Supply Agreements to the claim and right securing the payment of the Bonds and any Additional Bonds (other than Parity Bonds), and to the extent of any irreconcilable conflict between the provisions contained herein and in the resolutions authorizing the issuance of such obligations, the provisions, agreements and covenants contained therein shall prevail to the extent of such conflict and be applicable to this Resolution but in all respects subject to the priority of rights and benefits, if any, conferred thereby to the holders of such obligations.

ARTICLE X

PARTICULAR REPRESENTATIONS AND COVENANTS OF THE MEMBER CITIES

Section 10.01. Covenants of Member Cities. The Authority in issuing the Bonds relies on the covenants made by the Member Cities for the benefit of the Registered Owners of the Bonds and Additional Bonds as set forth in the Conjunctive Use Groundwater Supply Agreements.

Section 10.02. Member City's Disclosure Agreement. Each Member City has agreed in its Conjunctive Use Groundwater Supply Agreement that if Revenue Bonds are issued, it will be an "obligated person" as defined in Rule 15c2-12(f)(10) of the Rules of the United States Securities and Exchange Commission. If Revenue Bonds are issued, each Member City appoints the Authority as its agent to file the financial information and operating data required by the Rule. Each Member City agrees to provide to the Authority a copy of its annual audited financial statement and such other financial and operating information necessary for the Authority to comply with the continuing disclosure requirements under the Rule. The information for the annual report shall be provided no

later than four months from the end of the Member City's fiscal year. Each Member City has made this covenant for the benefit of the Authority and the Registered Owners of the Bonds and shall remain in effect for so long as the City remains an "obligated person" as defined in Rule 15c2-12(f)(10). Should the Member City fail to provide the requisite information to the Authority within the four month period after the end of its fiscal year, the Member City has agreed that it will make its own filings to comply with the Rule within six months after the end of its fiscal year.

ARTICLE XI

DEFAULT AND REMEDIES

Section 11.01. Events of Default. Each of the following occurrences or events for the purpose of this Resolution is hereby declared to be an "Event of Default," to-wit:

- (i) the failure to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable; or
- (ii) default in the performance or observance of any other covenant, agreement or obligation of the Authority or Member Cities under the Conjunctive Use Groundwater Supply Agreements, the failure to perform which materially, adversely affects the rights of the Registered Owners, including but not limited to, their prospect or ability to be repaid in accordance with this Resolution, and the continuation thereof for a period of 60 days after notice of such default is given by any Registered Owner to the Authority.

Section 11.02. Remedies for Default.

(a) Upon the happening of any Event of Default, then and in every case any Registered Owner or an authorized representative thereof, including but not limited to, a trustee or trustees therefor, may proceed against the Authority for the purpose of protecting and enforcing the rights to the Registered Owners under this Resolution, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or agreement contained herein, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Registered Owners hereunder or any combination of such remedies.

(b) It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all Registered Owners of Bonds then outstanding.

Section 11.03. Remedies Not Exclusive.

(a) No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Bonds or

now or hereafter existing at law or in equity; provided however, that notwithstanding any other provision of this Resolution, the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under this Resolution.

(b) The exercise of any remedy herein conferred or reserved shall not be deemed a waiver of any other available remedy.

ARTICLE XII

DISCHARGE/DEFEASANCE

Section 12.01. Discharge/Defeasance. The Bonds may be defeased, refunded and discharged in any manner permitted by law. Bonds or any principal amount(s) 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 at maturity or to the redemption date therefor, together with all interest due thereon, shall have been irrevocably deposited with and held in trust by the Paying Agent/Registrar, or an authorized escrow agent, or (ii) Defeasance Securities shall have been irrevocably deposited in trust with the Paying Agent/Registrar, or an authorized escrow agent, which Defeasance Securities have been certified by an independent accounting firm to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any moneys deposited therewith, if any, to pay when due the Bonds on the Stated Maturities thereof or (if notice of redemption has been duly given or waived or if irrevocable arrangements therefor accepted to the Paying Agent/Registrar have been made) the redemption date thereof. The Authority covenants that no deposit of moneys or Defeasance 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 or regulations adopted pursuant thereto.

Any moneys so deposited with the Paying Agent/Registrar, or an authorized escrow agent, and all income from Defeasance Securities held in trust by the Paying Agent/Registrar, or an authorized escrow agent, pursuant to this Section in excess of the amount required for the payment of the Bonds shall be remitted to the Authority or deposited as directed by the Authority. Furthermore, any money held by the Paying Agent/Registrar for the payment of the Bonds and remaining unclaimed for a period of three (3) years after the Stated Maturity, or applicable redemption date, of the Bonds such moneys were deposited and are held in trust to pay shall, upon the request of the Authority, be remitted to the Authority against a written receipt therefor. Notwithstanding the above and foregoing, any remittance of funds from the Paying Agent/Registrar to the Authority shall be subject to any applicable unclaimed property laws of the State of Texas.

The term "Defeasance Securities" means (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or

insured by the agency or instrumentality and that, on the date the governing body of the Authority adopts or approves the proceedings authorizing the purchase thereof 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 Authority adopts or approves the proceedings authorizing the purchase thereof are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, and (iv) any other then authorized securities or obligations under applicable law of the State of Texas that may be used to defease obligations such as the Bonds.

ARTICLE XIII

UNCLAIMED PAYMENTS

Section 13.01. Unclaimed Payments. Amounts held by the Paying Agent/Registrar which represent principal of and interest on the Bonds remaining unclaimed by the Owner after the expiration of three years from the date such amounts have become due and payable shall be reported and disposed of by the Paying Agent/Registrar in accordance with the applicable provisions of Texas law including, to the extent applicable, Title 6 of the Texas Property Code, as amended.

ARTICLE XIV

APPROVAL OF ESCROW AGREEMENT AND REDEMPTION OF REFUNDED BONDS

Section 14.01. Approval of Escrow Agreement. The Escrow Agreement, having such terms and provisions substantially in the form of Exhibit “D” and as finally approved by the Authorized Representative evidenced by his execution and delivery thereof, is hereby authorized and approved.

Section 14.02. Redemption of Refunded Bonds. The Refunded Bonds are hereby called for redemption prior to maturity as set forth in the Approval Certificate, at a redemption price equal to the principal amount thereof so redeemed plus accrued interest to the date of redemption. Interest on the Refunded Bonds shall cease to accrue on the date of redemption thereof.

Section 14.03. Notice of Redemption. Notice of redemption of the Refunded Bonds shall be given in the manner and within the times required by the resolution authorizing the issuance thereof.

Section 14.04. Source of Funds for Redemption. The source of funds for payment of the principal of and interest on the bonds called for redemption and to be redeemed in

advance of maturity pursuant to this Resolution shall be from the cash and securities on deposit in the Escrow Fund.

ARTICLE XV

AWARDING SALE OF BONDS; AUTHORIZED REPRESENTATIVE; INSURANCE; AND ADDITIONAL MATTERS

Section 15.01. Sale of Bonds; Official Statement.

(a) The Sale of the Bonds to the Underwriters at a price approved by the Authorized Representative on or before the date of issuance of the Bonds, but in no event less than 95% of the principal amount thereof plus accrued interest, if any, from the date thereof to the date of delivery, is hereby authorized and approved pursuant to Sections 1207.007 and 1371.053 Texas Government Code, as amended, and the Authorized Representative is hereby authorized and directed to enter into a Bond Purchase Agreement with the Underwriters to accomplish the issuance of the Bonds, provided that:

- (i) None of the Bonds shall bear interest at a rate greater than 15% per annum or in excess of the maximum rate allowed by Chapter 1204, Texas Government Code, as amended.
- (ii) The present value savings in debt service resulting from the issuance of the Bonds shall be at least 6.50%;
 - (1) .
- (iii) The true interest cost (TIC) shall not exceed 4.00%;
- (iv) The maximum maturity of the Bonds is February 15, 2032;
- (v) The Resolutions authorizing the Bonds have been received from each Member City and the Authorized Representative has obtained the consent of the Finance Committee; and
- (vi) The maximum par amount of the Bonds shall not exceed (1) \$53,500,000.

The Bond Purchase Agreement is to be signed by the Authorized Representative, and the execution thereof and delivery to the Underwriters by the Authorized Representative shall constitute conclusive evidence of the approval of such Bond Purchase Agreement by the Authority.

(b) The Authorized Representative is hereby authorized, in the name and on behalf of the Authority, to approve, distribute, and deliver a preliminary official statement and a final official statement relating to the Bonds to be used by the Underwriters in the marketing of the Bonds.

(c) All officers of the Authority are authorized to take such actions and to execute such documents, certificates and receipts as they may deem necessary and appropriate in order to consummate the delivery of the Bonds.

(d) The obligation of the Underwriters to accept delivery of the Bonds is subject to, among other conditions specified in the Bond Purchase Agreement, the Underwriters being furnished with the final, approving opinion of Bickerstaff Heath Delgado Acosta LLP, Bond Counsel for the Authority, which opinion shall be dated the Closing Date.

Section 15.02. Resolution a Contract - Amendments. This Resolution shall constitute a contract with the Holders from time to time, be binding on the Authority, and shall not be amended or repealed by the Authority while any Bond remains Outstanding except as permitted in this Section. The Authority, may, without the consent of or notice to 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 Authority may, with the written consent from the owners holding a majority in aggregate principal amount of the Parity Obligations then Outstanding affected thereby, amend, add to, or rescind any of the provisions of this Resolution; provided that, without the written consent of all Holders of Outstanding Bonds effected, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Bonds, reduce the principal amount thereof, the redemption price therefor, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds or Parity Obligations, as the case may be, required to be held for consent to any such amendment, addition, or rescission.

Section 15.03. Further Procedures. The President of the Board and the General Manager of the Authority and all other officers, employees and agents of the Authority, and each of them, shall be and they are hereby expressly authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and under the seal of the Authority and on behalf of the Authority all agreements, instruments, or such other documents, whether mentioned herein or not, as may be necessary or desirable in order to carry out the terms and provisions of this Resolution, the Approval Certificate, the initial sale and delivery of the Bonds, the Paying Agent/Registrar Agreement, Escrow Agreement and the Bond Purchase Agreement. In addition, prior to the initial delivery of the Bonds, the President of the Board and General Manager of the Authority, and its 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: (i) in order to cure any technical ambiguity, formal defect, or omission in the Resolution or such other document; or (ii) as requested by the Attorney General or his representative to obtain the approval of the Bonds by the Attorney General and if such officer or counsel determines that such ministerial changes are consistent with the intent and purpose of

the Resolution, which determination shall be final. In the event that any officer of the Authority whose signature shall appear on any document shall cease to be such officer before the delivery of such document, such signature nevertheless shall be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

Section 15.04. Designation of Authorized Representative. The General Manager is hereby designated as the Authorized Representative of the Authority (or in his absence, the President of the Board of the Authority), and as such is hereby authorized, appointed and designated as the officer or employee of the Authority authorized to act on behalf of the Authority in the selling and delivering of the Bonds and carrying out the other procedures and making the determinations specified in this Resolution; in addition, each also is authorized on behalf of the Authority to change the designation of the Bonds or any portion thereof to any other series, date or designation.

Section 15.05. Bond Insurance. The Authorized Representative is authorized to approve the purchase of a policy of municipal bond insurance if the Authority's Financial Advisor certifies that its analysis indicates that municipal bond insurance would reduce the present value of the Authority's total interest cost, net of payment of the insurance premium, to an amount which is less than if the Bonds were marketed without such insurance. The Authorized Representative may also approve the purchase of a surety policy or municipal bond debt service reserve policy.

ARTICLE XVI

PUBLIC MEETING

Section 16.01. Public Meeting. It is officially found, determined and declared that the meeting at which this Resolution has been read and has been adopted was open to the public and public notice of the time, place and subject matter of the public business to be considered and acted upon at said meeting, including this Resolution, was given, all as required by the applicable provisions of Chapter 551, Texas Government Code, as amended.

[The remainder of this page intentionally left blank.]

PASSED AND APPROVED THIS _____ DAY OF _____, 2020.

President, Board of Directors
Canadian River Municipal Water Authority

ATTEST:

Secretary
Canadian River Municipal Water Authority

[SEAL]

EXHIBIT "A"

MEMBER CITIES' SHARES

Each of the Member Cities is responsible solely for the payment of its fixed annual proportionate part of such principal and interest, as follows:

<u>Member City</u>	<u>Percentage*</u>
City of Amarillo	%
City of Borger	%
City of Brownfield	%
City of Lamesa	%
City of Levelland	%
City of Lubbock	%
City of O'Donnell	%
City of Pampa	%
City of Plainview	%
City of Slaton	%
City of Tahoka	%

None of the Member Cities have exercised the escrow fund option found in Section 3.3(a) of the Conjunctive Use Groundwater Supply Agreements.

* From Approval Certificate.

EXHIBIT "B"

PAYING AGENT/REGISTRAR AGREEMENT

(See Tab ___ for a complete copy)

EXHIBIT “C”

CONTINUING DISCLOSURE

The Authority enters into the following Continuing Disclosure Undertaking:

A. Annual Reports. The Authority shall provide annually to the MSRB through EMMA, within six months after the end of each fiscal year ending in or after 2020, financial information and operating data with respect to the Authority that is of the general type included in the Official Statement authorized by Section 15.01 of the Resolution, being the information described in the tables numbered 1 through 8, Appendix A and Appendix C thereto. Any financial statements so to be provided shall be (1) prepared in accordance with the accounting principles described in Appendix A thereto, and (2) audited, if the Authority commissions an audit of such statements and the audit is completed within the period during which they must be provided. If audited financial statements are not so provided, then the Authority shall provide audited financial statements for the applicable fiscal year to the MSRB through EMMA when and if the audit report on such statements becomes available.

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

The financial information and operating data to be provided pursuant to this undertaking 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 or other offering document, if it is available from the MSRB) that theretofore has been provided to the MSRB or filed with the SEC.

B. Event Notices. The Authority shall notify the MSRB through EMMA, in a timely manner not in excess of ten business days after the occurrence of any of the following events with respect to the Bonds:

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-exempt 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;
13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

For the purposes of the preceding Section B(15) of this Resolution, the term, “financial obligation” means a: (A) Debt obligation; (B) Derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) Guarantee of paragraph (A) or (B). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12 of the Securities Exchange Act of 1934.

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

C. *Limitations, Disclaimers, and Amendments.* The Authority shall be obligated to observe and perform the covenants specified in this Section with respect to the Authority and the Bonds while, but only while, the Authority remains an “obligated person” with respect to the Bonds within the meaning of the Rule, except that the Authority in any event will give notice required by Section B above of any bond calls and defeasance that cause the Authority to no longer be such an “obligated person.”

The provisions of this Section are for the sole benefit of the Holders and Beneficial Owners of the Bonds, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Authority undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the financial results, condition, or prospects of the Authority or the State of Texas or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The Authority 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 AUTHORITY 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 AUTHORITY, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR *MANDAMUS* OR SPECIFIC PERFORMANCE.

No default by the Authority in observing or performing its obligations under this Section shall comprise a breach of or default under the Resolution for purposes of any other provision of the Resolution.

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

The provisions of this Section may be amended by the Authority from time to time to adapt to changed circumstances resulting from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Authority, 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 the Resolution that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the Authority (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. If the Authority so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with Section A 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.

D. Definitions. As used in this undertaking, the following terms have the meanings ascribed to such terms below:

“*EMMA*” means the Electronic Municipal Market Access System established by the MSRB.

“*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.

EXHIBIT "D"

ESCROW AGREEMENT

(See Tab ___ for a complete copy)

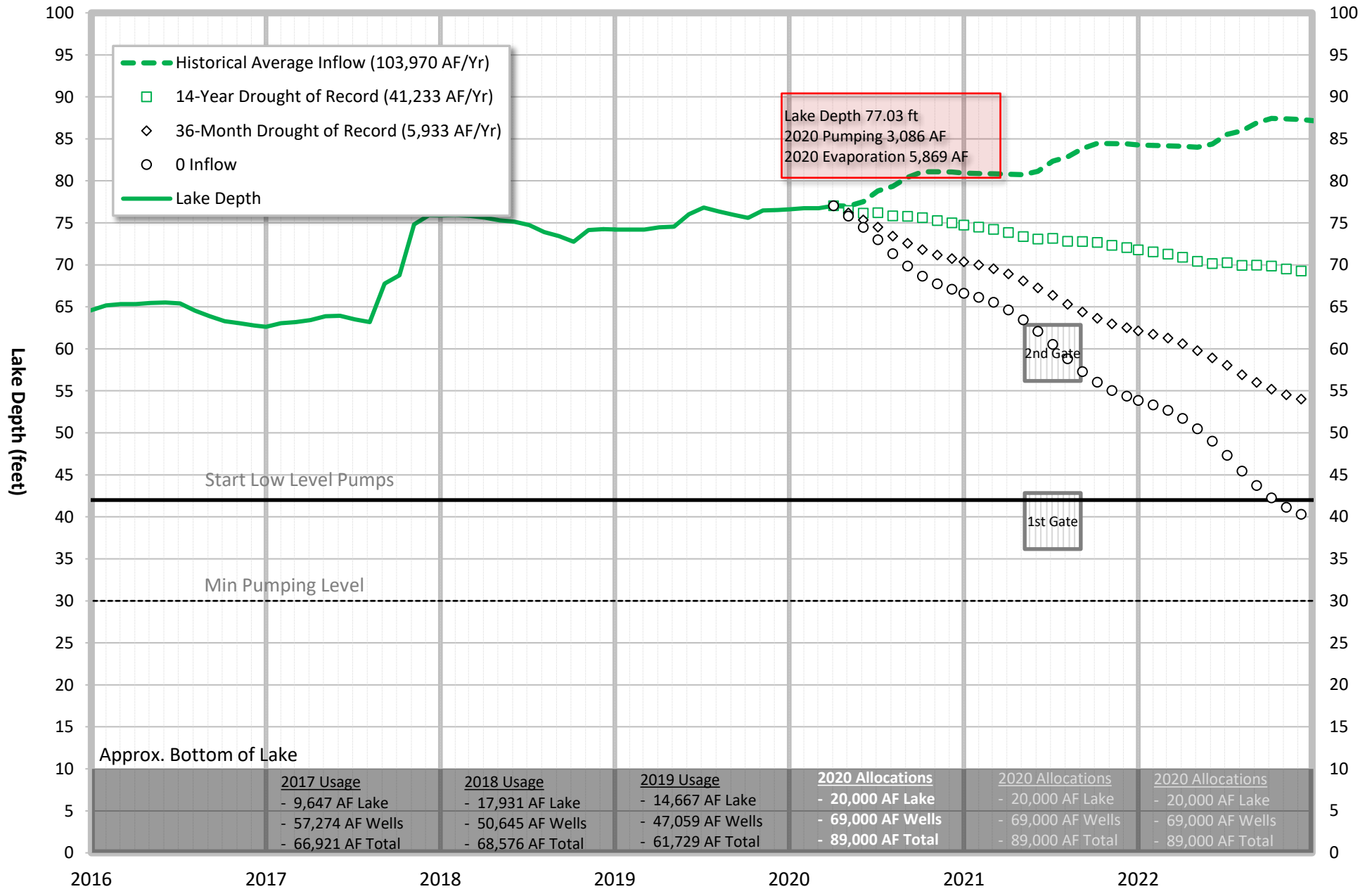
Item 10a

Status of Water Supply

Lake Meredith

LAKE MEREDITH - Drought Planning

Projections based on Drought of Record Inflows

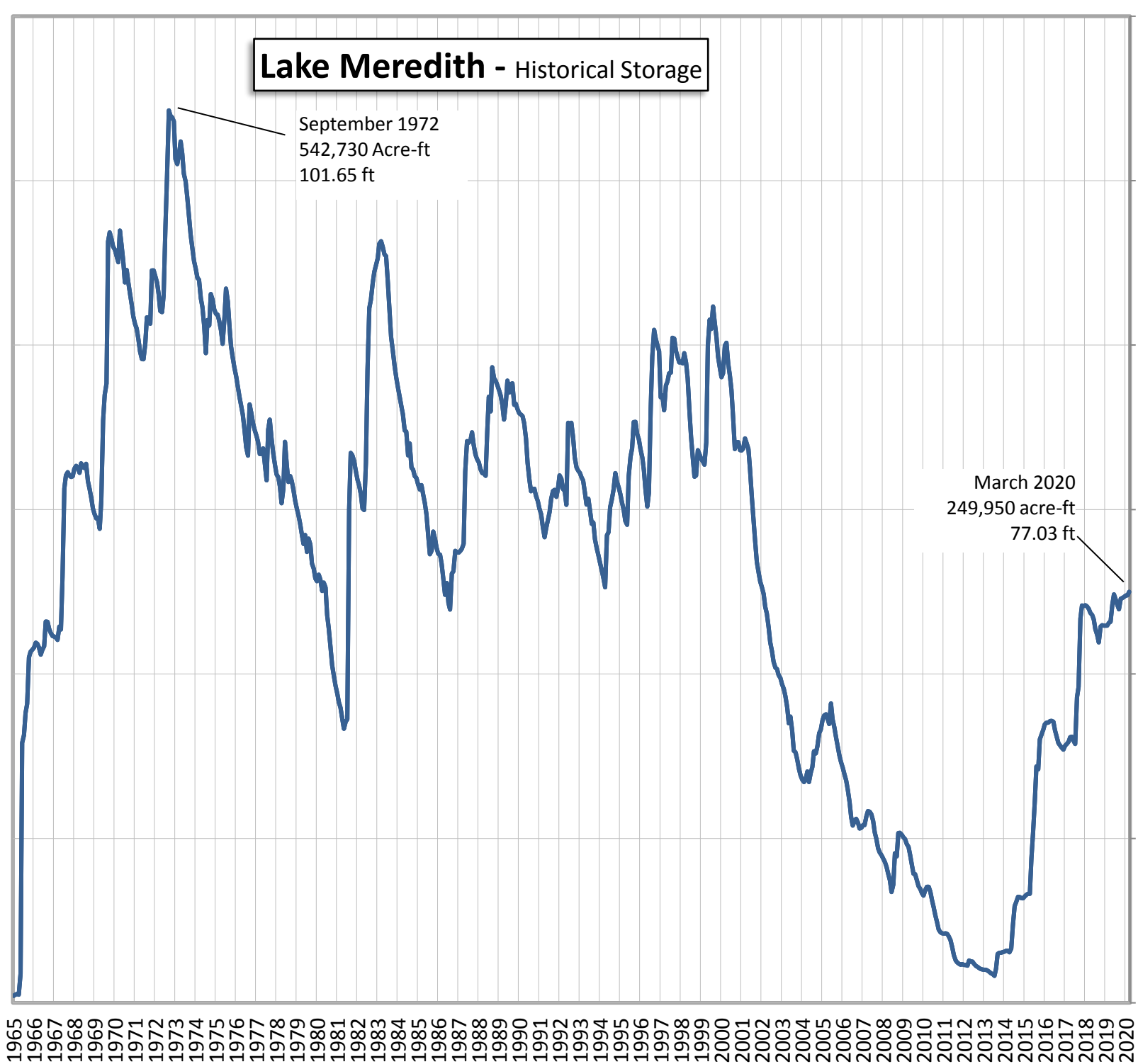


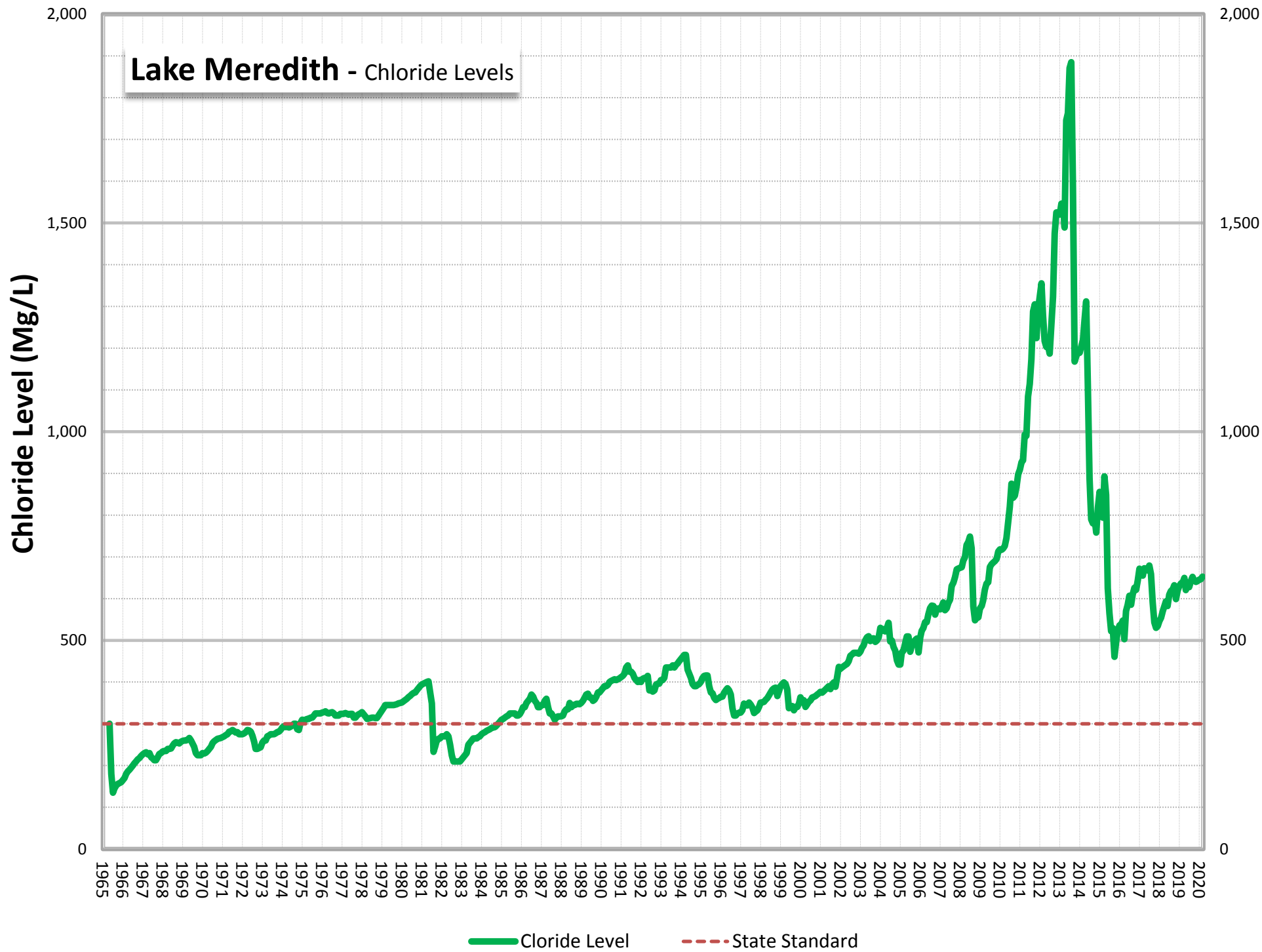
Lake Meredith - Historical Storage

September 1972
542,730 Acre-ft
101.65 ft

March 2020
249,950 acre-ft
77.03 ft

Acre Feet

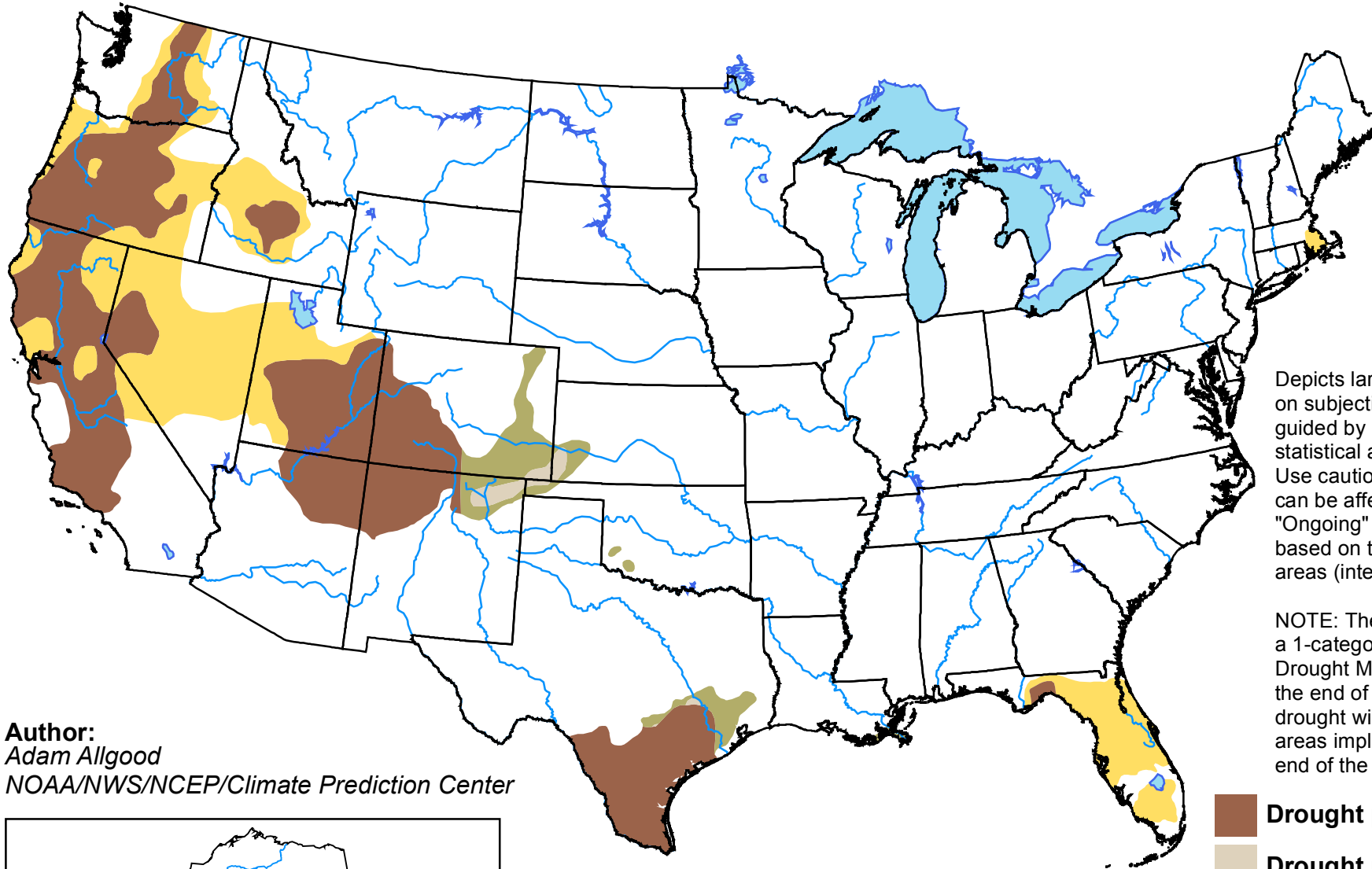




U.S. Seasonal Drought Outlook

Drought Tendency During the Valid Period





Valid for March 19 - June 30, 2020
Released March 19

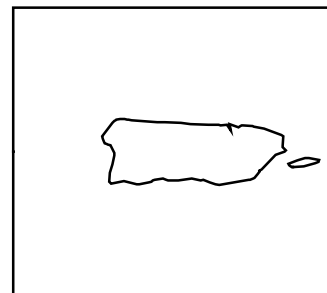
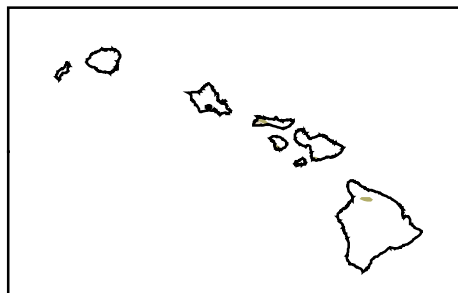
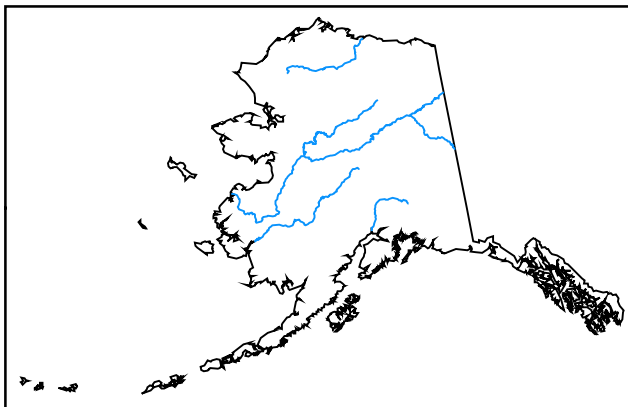


Depicts large-scale trends based on subjectively derived probabilities guided by short- and long-range statistical and dynamical forecasts. Use caution for applications that can be affected by short lived events. "Ongoing" drought areas are based on the U.S. Drought Monitor areas (intensities of D1 to D4).

NOTE: The tan areas imply at least a 1-category improvement in the Drought Monitor intensity levels by the end of the period, although drought will remain. The green areas imply drought removal by the end of the period (D0 or none).

Author:
Adam Allgood
NOAA/NWS/NCEP/Climate Prediction Center

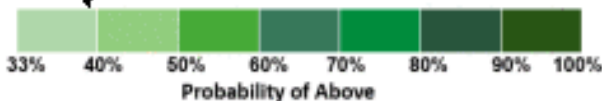
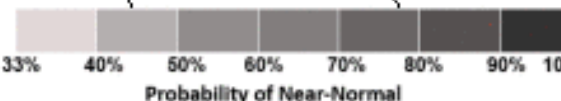
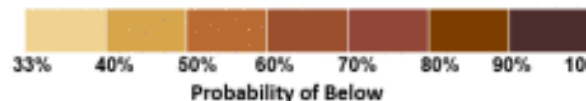
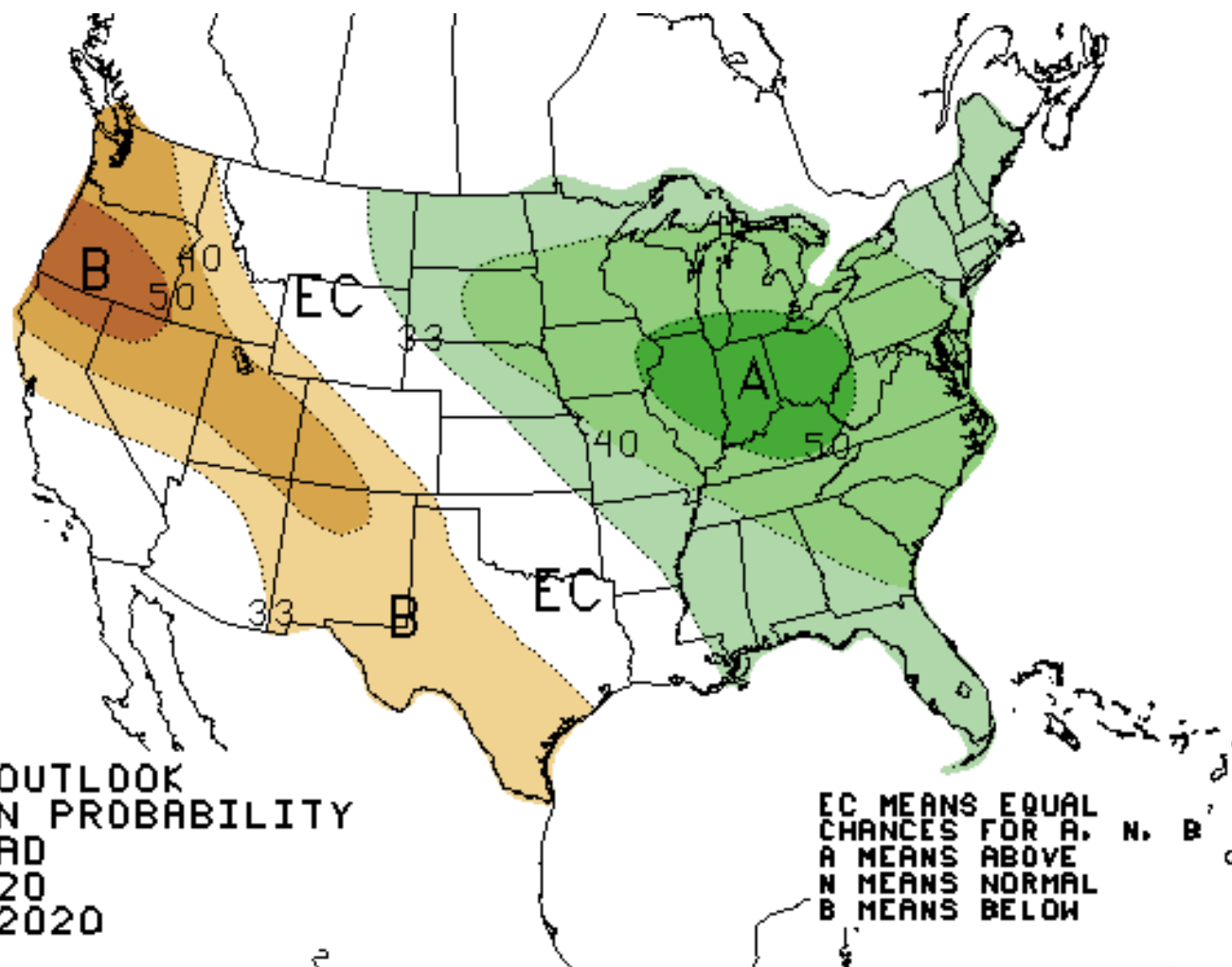
-  Drought persists
-  Drought remains but improves
-  Drought removal likely
-  Drought development likely



<http://go.usa.gov/3eZ73>

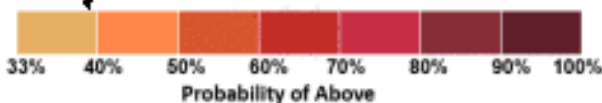
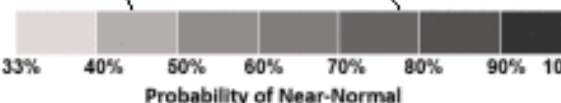
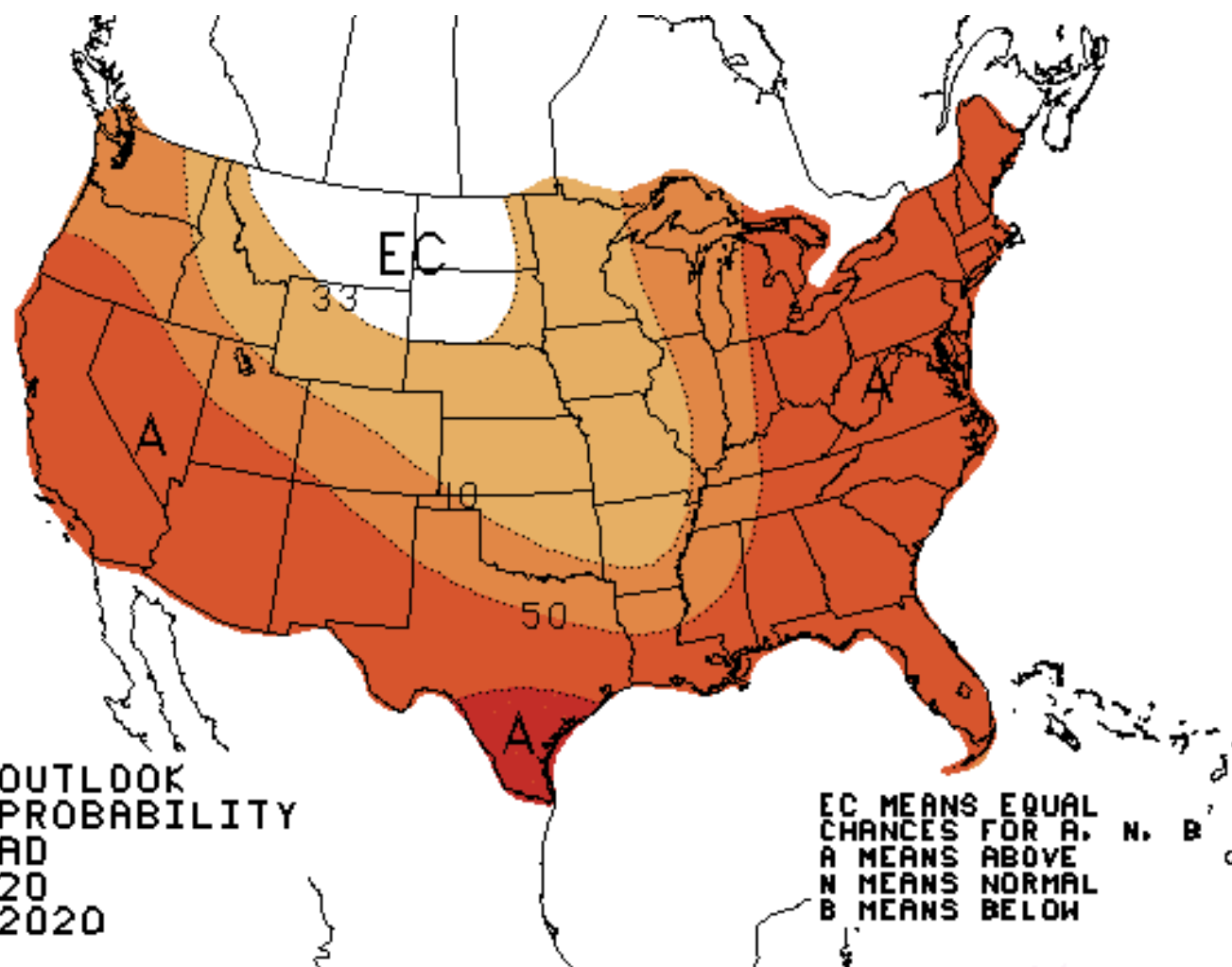


THREE-MONTH OUTLOOK
PRECIPITATION PROBABILITY
0.5 MONTH LEAD
VALID AMJ 2020
MADE 19 MAR 2020





THREE-MONTH OUTLOOK
TEMPERATURE PROBABILITY
0.5 MONTH LEAD
VALID AMJ 2020
MADE 19 MAR 2020



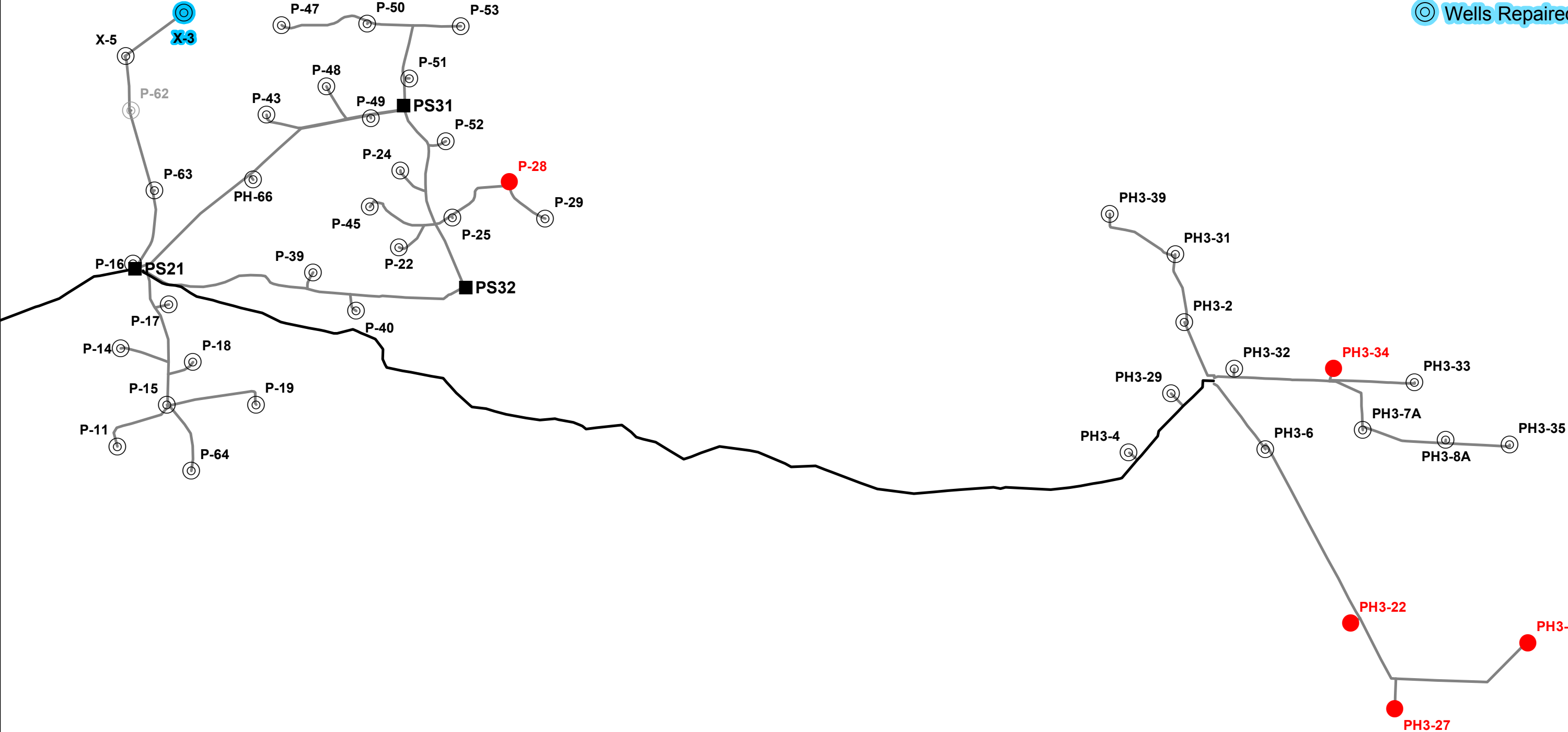
Item 10b

Status of Water Supply

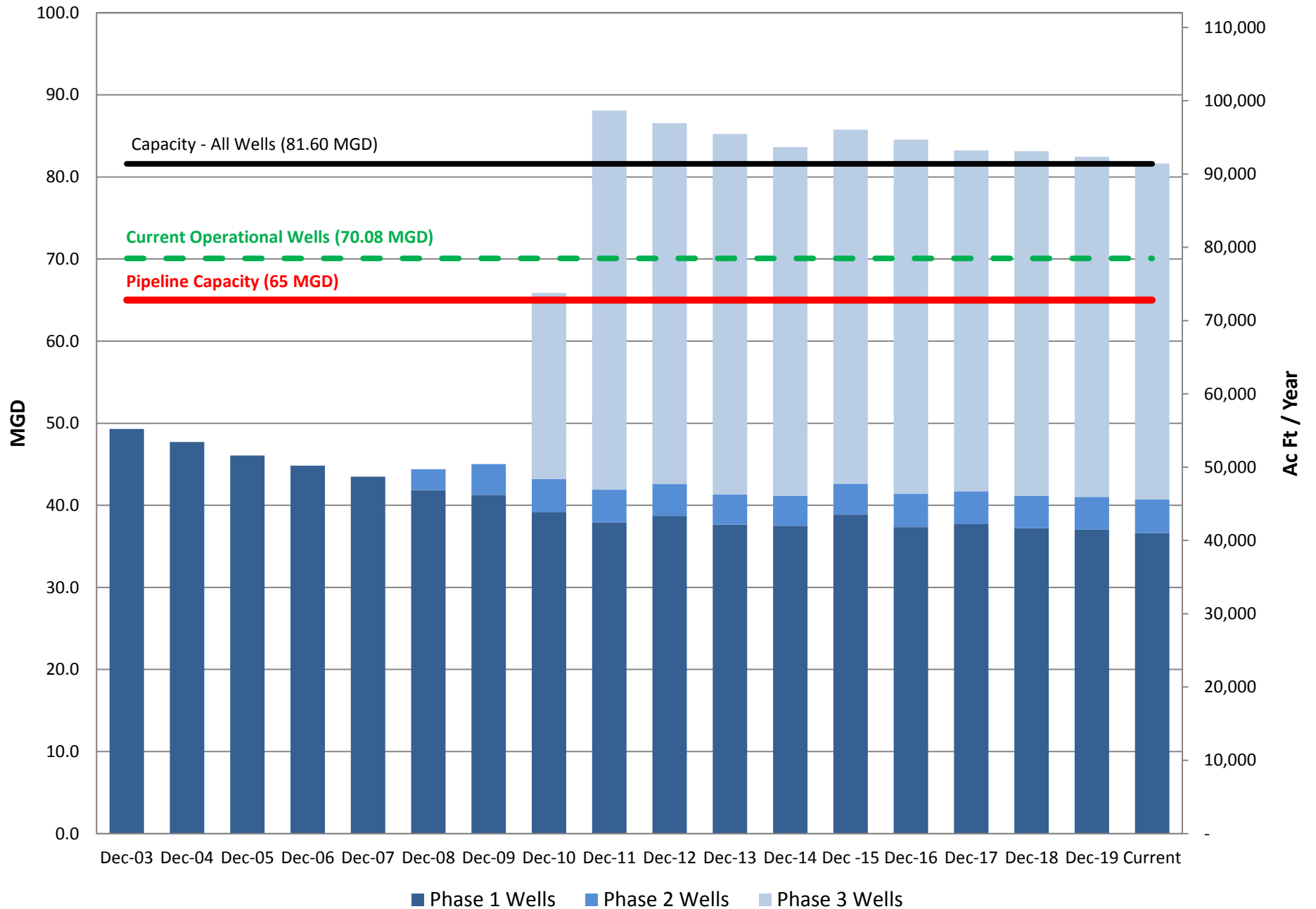
John C. Williams Wellfield

JOHN C. WILLIAMS WELLFIELD

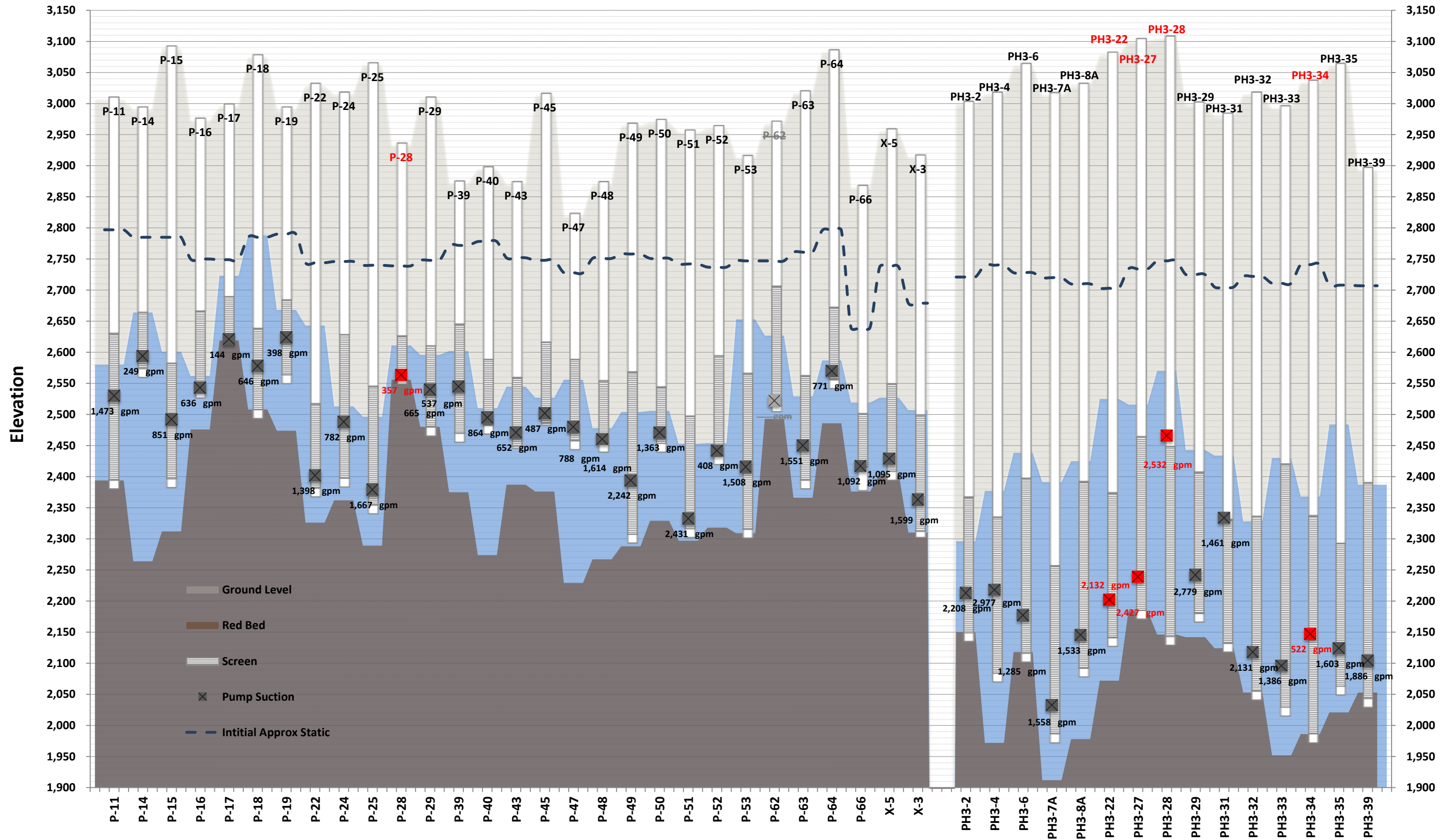
- New Wells Down
- Wells Down
- Wells Repaired



Wellfield Capacity



John C. Williams Wellfield Profile



Item 15

Hayhook LTD VS Canadian River Municipal Water
Authority Lawsuit Update



SPROUSE SHRADER SMITH PLLC
ATTORNEYS AT LAW

TIMOTHY C. WILLIAMS
(806) 468-3346

February 25, 2020

Via e-file

The Honorable Steven R. Emmert
31st Judicial District, Roberts County
P.O. Box 766
Wheeler, Texas 79096-0766

RE: Closing Argument Brief for Cause No. 2094, *Hayhook, Ltd., vs. Canadian River Municipal Water Authority*, in the 31st District Court, in and for Roberts County, Texas

Dear Judge Emmert:

To begin, I'd like to thank the Court for its time and attention on this matter.

The primary issues that I would like to draw the Court's attention to are:

1. CRMWA's damage calculation.
2. Hayhook's failure to provide evidence of an essential element of its taking claims.
3. Hayhook's claims are barred by the statute of limitations.
4. The damage provision in 5d of the 2000 Agreement is an unenforceable penalty.

Calculation of Amount Owed

CRMWA's calculation of damages owed follows the formula outlined in the 2000 Agreement. The calculation was arrived at using the following provisions from the 2000 Agreement:

1. Page 5, §b – Providing for the construction of additional transmission lines for the consideration set forth in Paragraph 3.
2. Page 18, ¶3.b and 3.d – Providing for compensation of \$11.36 per rod for pipelines and \$5.00 per rod for power lines.¹

¹ Hayhook seemingly argues that the \$11.36 per rod is inapplicable. However, such an interpretation would render the language on page 5, §b meaningless. Such an interpretation would be contrary to rules regarding contract

3. Page 19, ¶4 – Providing the adjustment formula of 558/175 based on the parties' stipulation for damage calculation purposes.
4. Undisputed testimony that the Phase III Pipeline was 874 rods.

Based on these provisions, CRMWA calculates the amount of damages as follows:

$$874 \text{ rods} \times \$16.36 \times (558/175) = \$45,592.23$$

Incredibly, Hayhook has asked this Court to determine that the entire 30,720-acre tract of the Ranch was damaged 15% by an underground transmission pipeline which takes up 0.1% of the Ranch.

Damage to the remainder is based on a loss of the highest and best use of the Ranch. Hayhook failed to identify a single activity that would be lost as a result of an underground pipeline. Hayhook is still able to graze, use the Ranch for recreational activities, enter into hunting leases, or any other recreational ranch activity. One cannot see the pipeline. One can drive heavy equipment over the pipeline and most people would not even know it is there. Any perceived activity loss did not occur as a result of the Phase III Transmission Line, but occurred in 1976 when the Campbells sold their water rights. When the Campbells sold the water 35 year ago, they forever gave away perpetual access to the water developer and were left with a subordinate surface estate. Hayhook offered no evidence to support the conclusion that the highest and best use of the Ranch was somehow impacted by the construction of the Phase III Transmission Line beyond what previously occurred. Rather, the only data presented to the Court showed that underground pipelines have a de minimis effect on the value of property in the Texas Panhandle. The Court need look no further than Steve Rogers' Land Sale No. 2 (pages 50-51 of his report) and Land Sale No. 3 (pages 54-55) to show that properties with significant underground pipelines sell for substantially the same price as those without.

Additionally, there was no market data supporting the proposition that a 33-acre pipeline would have any effect on a 30,720-acre tract. This is not surprising, but it has no such effect. The largest encumbered "comparable" sale was not even close to the size of the Ranch (418 acres, or 1.3% the size of the Ranch). All properties examined by both experts were so much smaller that they cannot reliably serve as a point of comparison for diminution of the Ranch. There is too great of an analytical leap between any of the "comparables" discussed by the expert witnesses and the Ranch. As a result, there was no evidence of diminution in value of the remainder from the construction of a pipeline taking up 33 acres on a 30,720 ranch.

interpretation. Even more, in light of the fact that both the temporary and permanent easement widths are identical for feeder and transmission lines, it would follow that the compensation would also be the same.

Further, Hayhook's case study didn't even involve properties in the Texas Panhandle, but instead focused exclusively on residential properties south of the DFW metroplex.² This is contrary to generally accepted principles of locating similarly sized properties with similar highest and best uses. Hayhook selectively picked properties and plugged those properties into case studies which would support a highest diminution in value.³ The Court should give no weight to Robinson's case study approach as there is again too great of an analytical leap to constitute any evidence of diminution of value to the Ranch. Ultimately, the Court was presented no evidence supporting a diminution in value resulting from the installation of the Phase III Transmission Line outside of the mere *ipse dixit* of Hayhook's expert.

The nonsensicalness of Hayhook's damage model is further illustrated by comparing the total purchase price of all the water rights, including the easements necessary for development, with Hayhook's current claim. In 1976, the Campbells sold the water rights to the entire ranch, including all easements necessary to develop the water rights and perpetual access to the 30,720-acre Ranch, for a sum of \$2,438,190.20. Fast forward to today, Hayhook would have this Court believe that the installation of a pipeline taking up 33 acres of a 30,720-acre property somehow damaged the Ranch over \$3 million. To arrive at this number, Hayhook ignores the damage provisions in the contract and use an Austin appraisers *ipse dixit*. This is a huge leap unsupported by any actual evidence and contrary to the parties' agreement. If the Court determines the Hayhook's lawsuit was timely filed, the most reliable way to compensate Hayhook is pursuant to the 2000 Agreement.

CRMWA conclusively negated an essential element of Hayhook's takings claim.

In order to establish a takings claim in Texas, the proponent, "must prove (1) the State intentionally performed certain acts, (2) that resulted in a "taking" of property, (3) for public use." *Gen. Servs. Comm'n v. Little-Tex Insulation Co.*, 39 S.W.3d 591, 598 (Tex. 2001). "Texas courts have long recognized that the State wears two hats: the State as a party to the contract and the State as sovereign." *Id.* at 599. If a government contracts with a private party, "the State does not have the requisite intent under constitutional-takings jurisprudence when it withholds property or money from an entity in a contract dispute." *Id.*, *Kirby Lake Dev., Ltd. v. Clear Lake City Water Auth.*, 320 S.W.3d 829, 844 (Tex. 2010). When a contract regarding real property exists between the private property owner and the government, the governmental entity, "act[s] within its color of right under the contract and not under its eminent domain power." *Id.* Additionally, if an invasion

² Notably, the literature Robinson used to support his case study in the DFW metroplex did not involve damages as claimed in this suit, but instead involved stigma damages to properties. There was no authority cited in his report which supported the application of the case study under the circumstances present in this lawsuit.

³ An example of this results driven case study is Case Study 2 and 3, involving encumbered sales that were next door to each other. By simply reexamining Case Study 2 using the Case Study 3 encumbered sale, there would be no diminution in value as opposed to 40-60%.

or use of real property by a governmental entity was “contemplated or foreseeable at the time,” then the action constitutes damage to property. *Hubler v. City of Corpus Christi*, 564 S.W.2d 816, 824 (Tex. Civ. App.—Corpus Christi 1978, writ ref’d n.r.e.).

The only evidence at trial was that CRMWA was acting under color of right and not acting with the requisite intent to constitute a taking. This was conclusively established by the following evidence:

1. Don Campbell, on behalf of Hayhook, candidly admitted that CRMWA had the right to build the pipeline, the issue was how much compensation was owed Hayhook as a result. This candid admission negates the requisite intent required for a taking and instead shows that the parties contemplated CRMWA’s use of the Ranch in the future.
2. Kent Satterwhite testified that CRMWA was acting under the 1976 Water Rights Conveyance. Specifically, the Water Rights Conveyance provides CRMWA with all easements necessary for the development and utilization of the water rights. *See* Plaintiff’s Ex. 1, pg. 4, ¶ 4. Kent Satterwhite testified that the Phase III Transmission Line allowed for the development and utilization of the water rights under the Ranch because it allows CRMWA to construct linear wells along the route of the Phase III Transmission Line and directly inject the water into the line at that location on account of the low pressure. This testimony was undisputed.
3. Kent Satterwhite testified that CRMWA was also acting pursuant to its rights under the 2000 Agreement. As an initial point, Mr. Satterwhite testified regarding the process of negotiating with a landowner. If an agreement is not reached, then CRMWA institutes condemnation proceedings. In Hayhook’s case, CRMWA proceeded without a signed amendment to the 2000 Agreement because it rightfully believed that it had the right under the 2000 Agreement.

The 2000 Agreement expressly states as follows: “CRMWA shall have the right to construct, install and operate additional transmission pipelines after the completion of Phase I . . .” P. Ex. 9, p. 5. The Phase III Pipeline was a transmission line. There is no limitation on the interior diameter size of a transmission line in the 2000 Agreement. Kent Satterwhite testified that the size varies greatly, and CRMWA has transmission lines with inside diameters ranging from 18” to 90+”. Every single page of the Construction Plans is clearly labeled “PHASE 3 TRANSMISSION PIPELINE.” These plans predate the filing of this lawsuit by over 4 years. Both Mr. Satterwhite and Mr. Pernell unequivocally indicated that the Phase III Pipeline was a transmission line. The

fact that both the “Main Pipeline” and the Phase III Pipeline are 54” does not transform the characterization of the Phase III Pipeline.⁴

Because the Phase III Pipeline is a transmission line, CRMWA was acting under its color of right under the 2000 Agreement. As a result, it lacked the requisite intent to commit a taking.⁵

Based on the foregoing, Hayhook is unable to recover under its takings claim as an essential element of its claim was conclusively negated during trial. The absence of a takings claim has two practical effects. First, Hayhook’s damages, if any, would be awarded pursuant to the terms of the contract instead of pursuant to the damage model proposed by their expert. Second, if Hayhook was somehow damaged because off-site water was placed in the Phase III Transmission Line, any resulting damage would fall under the 2 year statute of limitations.⁶

Hayhook’s Claims are barred by the Statute of Limitations

Hayhook’s breach of contract claim is barred by the 4-year statute of limitations. The evidence at trial and the parties’ stipulations established the following facts:

1. CRMWA provided the Construction Plans for the Phase III Transmission Pipeline in April, 2009, and sent a proposed amendment to the 2000 Agreement.
2. CRMWA contacted Don Campbell multiple times regarding the Phase III Transmission Pipeline.
3. CRMWA began clearing the right of way across the eastern portion of the Ranch for the construction of the Phase III Pipeline on August 26, 2009 and concluded that portion of the work by October 27, 2009. *See Stipulation of Facts.*

Under the legal-injury rule, a claim generally accrues, "when a wrongful act causes some legal injury, even if the fact of injury is not discovered until later, and even if all resulting damages have not yet occurred." *Wood v. Tran*, No. 01-19-00068-CV, 2019 Tex. App. LEXIS 6756, at *7

⁴ Hayhook’s argument is predicated on the wording of footnote 5 in the settlement agreement, which states that “The ‘main pipeline’ is a pipeline with an inside diameter of 54 inches.” Use of the word “The ‘main pipeline’” instead of “A ‘main pipeline’” is important, and illustrates that there was only a singular “Main Pipeline” under the 2000 Agreement. Even more, the “Main Pipeline” is also a transmission line.

⁵ Importantly, if the Court ultimately decides that CRMWA was mistaken regarding its rights under the 2000 Agreement and the 1976 Water Rights Conveyance, the appropriate inquiry is whether CRMWA believe it was acting pursuant to its contractual rights, even if ultimately CRMWA was incorrect. Accordingly, the Court’s previous decision on the motion for summary judgment does not address this issue.

⁶ CRMWA’s rights under the 2000 Agreement include the right to *operate* the Phase III Transmission Line. Operation of that line would necessarily include pumping water through it. Although the issue of damages for transporting off-site water was left open in the 2000 Agreement, Hayhook did not identify any damage that would result from off-site water as opposed to on-site water.

(Tex. App.—Houston [1st Dist.] Aug. 6, 2019), “Under this rule, a cause of action for breach of contract accrues at the moment the contract is breached.” *Carl M. Archer Tr. No. Three v. Tregellas*, 566 S.W.3d 281, 288 (Tex. 2018), citing *Cosgrove v. Cade*, 468 S.W.3d 32, 39 (Tex. 2015). A contract is breached, when according to the written agreements language, the non-breaching party would have right to seek a judicial remedy. *Exxon Mobil Corp. v. Rincones*, 520 S.W.3d 572, 591 (Tex. 2017). Regardless of how slight the damage is at the time of injury, or if the damage amount might increase with the passage of time, the limitations run from the time of the initial damage. *Trinity River Auth. v. URS Consultants, Inc.-Texas*, 889 S.W.2d 259, 262 (Tex. 1994) (citation omitted).

In *Tregellas*, the Texas Supreme Court recently addressed limitations on a breach of contract claim. *Tregellas*, 566 S.W.3d at 288. The issue was whether limitations began to run upon conveyance of land in violation of a right of first refusal or when the plaintiff learned of the violating conveyance and attempted to exercise its right. The Court began its analysis by noting that a cause of action accrues when a wrongful act causes some legal injury, even if all the resulting damages have not yet occurred. *Id.* Thus, the limitations begin to run at “the moment the contract is breached.” *Id.* Applying that principle, the Court determined that the cause of action accrued when the owners conveyed a mineral interest to another party in breach of the agreement. *Id.*⁷

Turning to the takings claim, property is “damaged” when no physical taking has occurred, but its value has been diminished. *Allodial*, 176 S.W.3d at 684. “When property has been ‘damaged,’ a party must bring a cause of action within two years.” *Id.*, *Hues v. Warren Petroleum Co.*, 814 S.W.2d 526, 530 (Tex. App.-Houston [14th Dist.] 1991, writ denied), see also TEX. CI. PRAC. & REM. CODE. § 16.003(a). As noted above, because CRMWA was acting pursuant to its rights under the 2000 Agreement and 1976 Water Rights Conveyance, there was no taking. Instead, the issue becomes one of damages, i.e. the amount of surface damages owed, damage to the remainder, if any, and damages associated with transporting off-site water, if any. Hayhook had two years to bring a claim to recover these damages, but waited over four years after construction activities began and 3½ years after the Phase III Transmission Pipeline was completed. Hayhook’s damage claim is barred by the statute of limitations.

Paragraph 5d is an unenforceable penalty.

Paragraph 5d of the Settlement Agreement provides for a sum equal to \$1,980 per acre for activities outside of an easement area with an upward adjustment as outlined in Paragraph 4. CRMWA does not believe that this paragraph is applicable as the 2000 Agreement expressly

⁷ The Court ultimately tolled the statute of limitations under the discovery rule. However, Hayhook had not asserted that the discovery rule tolls the limitations, only that limitations did not commence until Campbell learned that damages had not been paid.

provides for the construction of additional transmission pipelines and requires Hayhook to provide an easement. *See Plaintiff's Ex. 31* (correspondence from Denise Cheney to Joe Hayes dated June 18, 2010). However, if Paragraph 5d were to apply, the damages would be calculated as follows:

$$\$1,980 \times 38.78 \text{ acres}^8 \times (558/175) = \$244,832.54$$

Whether the provision is enforceable as liquidated damages or an unenforceable penalty is a question of law and considered as of the time the parties made the agreement. *Phillips v. Phillips*, 820 S.W.2d 785, 788 (Tex. 1991). The universal rule for measuring damages for the breach of a contract is just compensation for the loss or damage actually sustained. *Id.* By the operation of that rule a party generally should be awarded neither less nor more than his actual damages. *Id.* A party has no right to have a court enforce a stipulation which violates the principle underlying that rule. *Id.* In order to enforce a liquidated damage clause, the court must find: (1) that the harm caused by the breach is incapable or difficult of estimation, and (2) that the amount of liquidated damages called for is a reasonable forecast of just compensation. *Id.*

Here, application of the damage provision in Paragraph 5.d of the 2000 Agreement would result in an unenforceable penalty. Steve Rogers testified that the market in the Texas Panhandle does not seem to care about the presence of underground pipelines if it does not impact the use of the surface. There were numerous comparables in his report which supported this statement. Accordingly, Steve Rogers testified that the damages sustained as a result of the Phase III Transmission Pipeline would essentially be the loss of use of that particular tract burdened by the easement in the amount of 95% of the permanent easement. This amount is \$14,000.00. Application of Paragraph 5d would result in a damage award of 17.5 times the amount of actual damages suffered.

The punitive nature of the provision is further illustrated when compared to the 2000 Agreement, wherein the Campbells received \$530,000 for 20+ miles of underground pipes, 19 well stations, and a pump station. All told, the easement area for Phase I is approximately 300 acres. Don Campbell testified that this was a good deal and was complementary of his attorney's ability in connection with this settlement. This amounts to around \$1,750 per acre, inclusive of large above ground facilities including the 7.75 acres for the large pump station and 4.3 acres around the well sites. Under the punitive damage provision, Hayhook would be receiving damages of \$6,313.37 per acre. Even using Rudy Robinson's appraisal value, this amounts to 10 times the value of that acreage. This results in an unenforceable damage provision.

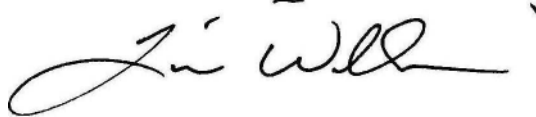
⁸ Temporary construction easement of 38.78 acres for Phase III Transmission Pipeline. *See Plaintiff's Ex. 36.*

Summary

CRMWA requests the Court enter findings of fact and conclusions of law which (1) dismisses Hayhook's takings claim as an essential element was conclusively negated and (2) dismisses Hayhook's claims under the applicable statute of limitations. However, in the event that the Court determines that Hayhook's breach of contract claim is timely, CRMWA states that damages under the 2000 Agreement would be \$45,592.23. This compensation is more than fair as the actual damages sustained by Hayhook were \$14,000. Finally, application of Paragraph 5.d would result in an unenforceable punitive damage award.

Please do not hesitate to contact me if you have any additional questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "Tim Williams", with a stylized flourish at the end.

Timothy C. Williams

TCW/crd

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Cc: Joe Hayes, *via e-file*

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February 25, 2010

VIA EMAIL

Hon. Steven Emmert
P. O. Box 766
Wheeler, Texas 79096

**Re: Hayhook, Ltd. v. CRMWA – No. 2094 in the 31st
District Court of Roberts County, Texas.**

Dear Judge Emmert:

As requested by the Court, following is a summary of the Plaintiff's requested relief in light of the evidence developed at the February 18, 2020 trial of the captioned matter.

1. Plaintiff's Theories of Recovery.

As stated in the Plaintiff's Sixth Amended Petition and Trial Brief, the Plaintiff seeks recovery under its claim for *inverse condemnation*, and alternatively, if the Court should find that the Plaintiff has not proven its claim for *inverse condemnation*, then the Plaintiff should recover under its claim for *breach of contract*. Depending on the ground of recovery found by the Court, the evidence will provide the Court with an appropriate range from which damages should be calculated, as hereinafter described.

2. Inverse Condemnation.

Based on the authorities cited in paragraph IV-A-1 of Plaintiff's Trial Brief (pgs. 5-6), the Plaintiff carried its burden of proof on its *inverse condemnation* claim. The Court had previously found in its Order On Plaintiff's Motion For Summary Judgment that CRMWA did not have the right under the Water Rights Conveyance to construct or use the Phase III Pipeline to transport off-site water across the Hayhook Ranch (the "**Ranch**") to the Pump Station. Based on the evidence, CRMWA did not have the right under the 2000 Agreement (the "**Agreement**") to transport off-site water to the Pump Station through the Phase III Pipeline, because the Phase III Pipeline was not the Main Pipeline, a transmission pipeline or a feeder pipeline, described in the Phase I Plans, which were the **only** pipelines through which CRMWA could transport off-site water across the Ranch. Moreover, the Phase III Pipeline did not connect the Main Pipeline, transmission pipelines or feeder pipelines, described in the Phase I Plans, to pipelines **located on other lands**, and the Main Pipeline, transmission pipelines

and feeder pipelines, described in the Phase I Plans, were not extended to connect with **pipelines located on other lands.**

As described in the *Recoverable Damages* section of paragraph IV-A-1 of Plaintiff's Trial Brief (pgs. 6-7), the damage model for an *inverse condemnation* in which the strip taken is not a separate economic unit, is the fair market value of the whole Ranch before the construction of the Phase III Pipeline, and the fair market value of the remainder of the Ranch, excluding the 38.78 acre tract directly damaged by the construction of the Phase III Pipeline,¹ after the construction of the Phase III Pipeline.

The testimony of Rudy Robinson was that the fair market value of the Ranch, including all of the improvements, prior to construction of the Phase III Pipeline, was (utilizing a \$659.50 per acre value) \$20,259,921, and considering a 95% diminution in fair market value to the 38.78 acre tract taken, the value of the remainder after the construction of the Phase III Pipeline was: (a) \$17,220,933, after applying a **15% diminution factor** in valuing the remainder, or (b) \$18,663,424, after applying a **8% diminution factor** in valuing the remainder. Consequently, the difference in the fair market value of the whole Ranch before the construction of the Phase III Pipeline, and the fair market value of the remainder of the Ranch after the construction of the Phase III Pipeline, which the Plaintiff is entitled to recover, is in the range of **\$1,596,497** to **\$3,014,692**, depending on the diminution factor utilized. These diminution factors are discussed in paragraph 4, below.

3. Breach of Contract.

In the event the Court concludes that the Plaintiff has not established its claim for *inverse condemnation*, the Plaintiff is entitled to recover under its theory of *breach of contract*.

Based on the authorities cited in paragraph IV-A-2 of Plaintiff's Trial Brief (pgs. 7-9), the Plaintiff carried its burden of proof on its *breach of contract* claim pursuant to paragraph 5(d) of the Agreement, which clearly and unequivocally says that it applies to **any damages** sustained by the Ranch after a facility described in paragraphs 3(a) through (g) has been constructed and installed. Under paragraph 5(d), the stipulated damages would be \$1,980 per acre, multiplied by 38.78 acres (\$76,784.44), which would then be increased pursuant to paragraph 4 of the Agreement by \$588/\$175, for total damages of **\$244,832.67**. This number, when adjusted for pre-judgment interest, is very close to the \$293,149.77 that Kent

¹ Kent Satterwhite testified that 38.78 acres was an appropriate acreage number to consider for damage calculation purposes in this case.

Satterwhite directed be booked by CRMWA in 2012, as a liability owing to Hayhook, Ltd.

CRMWA contends that the damages owing under the Agreement for the construction of the Phase III Pipeline should be determined pursuant to paragraph 3(b) of the Agreement, as *ordinary damages*, even though the definition of *ordinary damages* (footnote 9(a) to paragraph 3, on pg. 16 of the Agreement) specifically excludes damages resulting from activities outside of an applicable easement area, as described in paragraph 5 of the Agreement. Kent Satterwhite's testimony was that the Phase III Pipeline was outside of any prior easement. In the event that the stipulated damages contained in paragraph 3(b) of the Agreement are applicable, CRMWA's estimation of its stipulated damages, calculated under paragraph 3(b), is slightly in excess of **\$45,000**.

As described in the *Recoverable Damages* section of Plaintiff's Trial Brief (pgs. 8-9), in the event that there is an **unbridgeable gap** between the Plaintiff's **actual damages** (being the difference in the fair market value of the whole Ranch before and after the construction of the Phase III Pipeline), and the Plaintiff's stipulated damages calculated under either paragraphs 5(d) or 3(b) of the Agreement, then the Plaintiff is entitled to recover its **actual damages**. Based on the testimony of Rudy Robinson concerning the difference between the fair market value of the Ranch before and after the construction of the Phase III Pipeline, being **\$3,038,988**, utilizing a **15% diminution factor**, or **\$1,620,793**, utilizing an **8% diminution factor**, it is clear that there is an unbridgeable gap between the Plaintiff's actual damages and those damages stipulated in either paragraph 5(d) or 3(b) of the Agreement. Consequently, the Plaintiff is entitled to recover its actual damages caused by the construction of the Phase III Pipeline, under its breach of contract theory.

4. Diminution Factor.

In calculating the diminution factor applicable to both the remainder of the Ranch, caused by the construction of the Phase III Pipeline, and the reduction in value of the whole Ranch caused by the construction of the Phase III Pipeline, both Rudy Robinson and Steve Rogers used a *paired sales* analysis.

Rogers' *paired sales* analysis was based on two encumbered sales and three unencumbered sales in Gray County, Texas. Based on his analysis, Rogers found a 95% diminution in value to the 38.78 acre strip upon which the Phase III Pipeline was constructed, which totaled **\$14,000**, and no diminution in value to the remainder of the Ranch.

In Robinson's initial analysis, he reviewed five encumbered sales and nine unencumbered sales in Tarrant, Johnson and Ellis Counties, Texas. Based on Robinson's analysis of these *paired sales*, the diminution in value caused by large water pipelines, ranged between 14% and 66%, and averaged 27.8%. From this analysis, Robinson developed his opinion that the construction of the Phase III Pipeline resulted in a 15% diminution in the value of the Ranch.

In his second analysis, Robinson re-worked the *paired sales* utilized by Rogers in Gray County, Texas. Based on this analysis, Robinson found a 13% diminution in value in the comparison of Rogers' sales E-1 to U2, and a 20% diminution in value in the comparison of Rogers' sales E2 to U2. The average diminution in value caused by the construction of the large water pipelines in Rogers' *paired sales*, averaged 8%. From this analysis, Robinson developed his opinion that based on Rogers' *paired sales*, the construction of the Phase III Pipeline resulted in an 8% diminution in the value of the Ranch.

5. Conclusion.

Based on the credible evidence, the Plaintiff is entitled to the following damages under the following theories of recovery:

(a) Inverse Condemnation:

Damages in the range of \$1,596,497 to \$3,014,599.

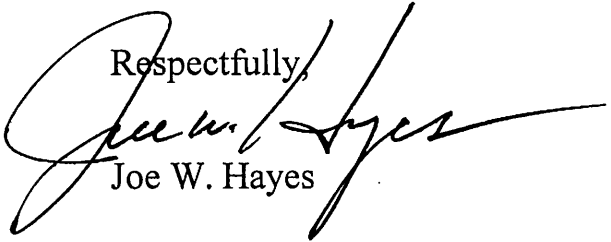
(b) Breach of Contract:

Damages for breach of paragraph 5(d) of the Agreement in the amount of \$244,832.67, but if there is an **unbridgeable gap** between the Plaintiff's actual damages and those calculated under paragraph 5(d) of the Agreement, the Court should award the Plaintiff's actual damages in the range of \$1,620,793 to \$3,038,988.

Damages for breach of paragraph 3(b) of the Agreement in the amount of \$45,000, but if there is an **unbridgeable gap** between the Plaintiff's actual damages and those calculated under paragraph 3(b) of the Agreement, the Court should award the Plaintiff's actual damages in the range of \$1,620,793 to \$3,038,988.

Hon. Steven Emmert
Page 5

Thanking you for your consideration in this matter, I am

Respectfully,

Joe W. Hayes

JWH/cd
cc: Tim Williams – via email

Item 17

Staff Report



Canadian River Municipal Water Authority

P.O. Box 9, 9875 Water Authority Road

Sanford, Texas 79078

Phone (806) 865-3325

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www.crmwa.com

STAFF REPORT

Second Quarter FY 2019/2020

EXECUTIVE COMMITTEE

Richard Ellis, President

Tyke Dipprey, Vice-President

Kent Satterwhite, General Mgr.
and Secretary-Treasurer

MEMBER CITIES

DIRECTORS

AMARILLO

William Hallerberg

Roy Urrutia

BORGER

Glendon Jett

Charles Gillingham

PAMPA

Jerry Carlson

Mac Smith

PLAINVIEW

Tyke Dipprey

Donnie Brumley

LUBBOCK

James Collins

Jay House

SLATON

Chad Wilson

TAHOKA

Jay Dee House

O'DONNELL

Charles Vaughn

LAMESA

Cris Norris

BROWNFIELD

Rickey Dunn

LEVELLAND

Richard Ellis

Scott Wade

The following activities have taken place during this quarter:

RESERVOIR STORAGE AND WATER DELIVERIES

The water level in Lake Meredith has increased 0.41 feet during this period, bringing the Lake level to an elevation of 2890.03 feet (nominal depth 77.03 feet). The current level is 2.57 feet higher than one year ago, and the Lake now contains 249,950 acre-feet of water.

During this period, storage in Lake Meredith has increased by 3,090 acre-feet, inflow was 12,045 acre-feet, evaporation was estimated at 5,870 acre-feet and 3,086 acre-feet of lake water was pumped.

JCW WELL FIELD PRODUCTION

9,292 acre-feet of water was pumped from the wellfields. Currently, there are five wells down for repair, P-28, PH-22, PH-27, PH-28 and PH-34, reducing our capacity to 70.1 MGD. P-28 requires a refurbished pump and could be operational this month. PH-22 requires a new motor and could be operational in early summer, PH-27 requires a new motor and refurbished pump and could be operational in early summer, PH-28 requires a new motor and could be operational in early summer, PH-34 will require a new pump and could be operational by early summer.

The attached chart shows the deliveries to the Member Cities.

ADMINISTRATIVE ACTIVITIES

Chad Pernell, Darren Schick, Scott Honeyfield, and Kent Satterwhite toured of the Baker Hughes pump/motor (slim-line submersibles) manufacturing facility and met with officials at the Los Angeles Department of Water & Power about similar facilities, failure experience, and possible solutions. Kent attended a Texas River Authority Mangers' meeting, a Region O (Lubbock area) Water Planning Group meeting. Chad & Kent testified at a bench trial for Hayhook LTD vs CRMWA. Chad & Kent also met with landowners and others regarding CRMWA II ROW issues. Bill Hallerberg, Tammy Hamby, Rod Goodwin, Darren, Chad, and Kent attended the Texas Panhandle Water Conservation Symposium. Several CRMWA employees attended Dam Tender training hosted by the Bureau of Reclamation.

WATER QUALITY

Chloride levels in the Lake rose slightly from 640 mg/L, to 648 mg/L (300 is State standard). The current chloride level of the groundwater supply is 132 mg/L which varies slightly depending on which wells are running. Staff only conducted one day of the annual river survey due to high flow and current virus threats.

SYSTEM OPERATIONS

Northern Division: Installation of a new overhead crane was completed at Pumping Plant 2. Preventative maintenance was performed on flowmeters on the Main and East Aqueducts. Replacement of a deep well anode bed was completed on the 54" groundwater line near Pump Station 22. The Intake Tower gates were operated/exercised. Assisted the Lubbock field office with the central system inspection. All valves and appurtenances were exercised on the East Aqueduct between Pumping Plant 5 and Borger Reservoir. Dirt work was completed on all clamp sites on the Main Aqueduct. Prairie dog treatment has continued at the Amarillo Reservoir. Erosion control has continued in the wellfields. Several personnel attended mandatory dam tender training hosted by the Bureau of Reclamation.

Southern Division: Participated in dewatering and internal pipeline survey of 9 miles of the Central Main Aqueduct from south of Tulia to north of Kress. Dewatering the line allowed for an opportunity to replace blow-off and air valve structures, gate valves, gaskets, hardware & spool piping, and all air valves. All crews performed preparatory work for the shutdown and dewatering of North Lubbock Lateral to replace the 42-inch butterfly valve used for flow control at the North Lubbock Terminal structure. Due to the current COVID-19 pandemic, the City of Lubbock halted this project and plans are to reassess in the fall.

CURRENT OPERATIONS (CRMWA's response to COVID-19):

All field personnel go directly from home to work locations, performing maintenance and monitoring the system. They are assigned to different locations and not working together. Group messaging apps are used with all employees to assign work and other communications needs.

Control Room operations (1 operator 24/7/365) are essentially unchanged. Care is taken to sanitize the workstation both after and before each 12-hour shift.

Office staff is working from home when possible and utilizing multiple communication methods including good old telephones (well, smart phones really).

CRMWA is operating at full capacity with all employees fully engaged. We have seen no issues that haven't been easily dealt with so far.

Respectfully submitted,

A handwritten signature in blue ink that reads "Kent Satterwhite". The signature is written in a cursive, flowing style.

Kent Satterwhite, P.E.
General Manager

CANADIAN RIVER MUNICIPAL WATER AUTHORITY

Summary of Deliveries 12/31/19 through 3/30/20

CITY	CY 2020 ALLOCATION (ACRE FEET)	TOTAL DELIVERED TO DATE (ACRE FEET)	% OF ALLOCATION DELIVERED
Levelland	2,483.10	327.64	13.19%
Brownfield	1,956.22	257.22	13.15%
Lamesa	1,939.31	212.53	10.96%
O'Donnell	247.42	18.94	7.65%
Tahoka	409.40	54.03	13.20%
Slaton	1,402.64	163.60	11.66%
Lubbock	32,981.62	4461.36	13.53%
Plainview	3,284.99	423.03	12.88%
Amarillo	35,440.09	5264.08	14.85%
Pampa	3,916.60	471.23	12.03%
Borger	4,938.61	742.35	15.03%
TOTALS	89,000.00	12,396.01	13.93%
Deliveries through first three months 2009 =		15,467.10 Acre Feet	
Deliveries through first three months 2010 =		13,004.07 Acre Feet	
Deliveries through first three months 2011 =		12,571.05 Acre Feet	
Deliveries through first three months 2012 =		12,266.55 Acre Feet	
Deliveries through first three months 2013 =		12,206.20 Acre Feet	
Deliveries through first three months 2014 =		13,013.64 Acre Feet	
Deliveries through first three months 2015 =		13,970.46 Acre Feet	
Deliveries through first three months 2016 =		7,837.55 Acre Feet	
Deliveries through first three months 2017 =		12,775.08 Acre Feet	
Deliveries through first three months 2018 =		13,124.19 Acre Feet	
Deliveries through first three months 2019 =		10,285.07 Acre Feet	

CRMWA Corp.

CANADIAN RIVER MUNICIPAL WATER AUTHORITY CORPORATION

REGULAR BOARD OF DIRECTORS MEETING

Date/Time: **April 8, 2020** *(Immediately following Canadian River Municipal Water Authority Regular Meeting)*

Place: **Online Meeting**

Note: One or more Directors may participate by teleconference.

AGENDA

1. APPROVE MINUTES

- a. Regular Meeting of 01/8/2020

2. PUBLIC COMMENT

3. REVIEW FINANCIAL INFORMATION

- a. Financial Statements
- b. Investment Summary

4. APPROVE BUDGET FOR GENERAL FY 2020/2021

- a. Report of Personnel Committee
- b. Report of Finance and Budget Committee
- c. Approve Overall Budget for FY 2020/2021

5. RESERVE FUND BILLING

Consider and possible action approving temporary suspension of the Injection Well Reserve fund contributions from Member Cities for the remainder of FY 19/20

6. PROJECT STATUS REPORT

7. ADJOURNMENT

Done by order of: Richard Ellis, President

Attest: Kent Satterwhite
(Secretary)

Item 1

Approve Minutes

CANADIAN RIVER MUNICIPAL WATER AUTHORITY CORPORATION

**Plainview Country Club/Convention Center
2902 West 4th Street
Plainview, Texas**

January 8, 2020

Directors Present:	City of Amarillo:	Bill Hallerberg Roy Urrutia
	City of Borger:	Glendon Jett Charles Gillingham
	City of Brownfield:	Rickey Dunn
	City of Lamesa:	Cris Norris
	City of Levelland:	Richard Ellis
	City of O'Donnell:	Charles Vaughn
	City of Pampa:	Jerry Carlson
	City of Plainview:	Tyke Dipprey Donnie Brumley
	City of Slaton:	Chad Wilson
	City of Tahoka:	Jay Dee House

Directors via Conference Call:	City of Lubbock:	Jim Collins Jay House
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Directors Absent:	City of Levelland:	Scott Wade
	City of Pampa:	Mac Smith

General Manager: Kent Satterwhite
General Counsel: Doug Caroom

Others participating were: Julie Allegretti – City of Amarillo; Eddie Edwards – City of Borger; Erik Rejino, Jose Cavazos, Andreia Corly – City of Lamesa; Landon Durham – City of Levelland; Aubrey Spear, Malcom Laing - City of Lubbock; Gary Turley – City of Pampa; Paul Kite, Time Crosswhite – City of Plainview; Mike Young – Doshier, Pickens and Francis; George Williford – Hilltop Securities; Scott Honeyfield, Zane Edwards, Kyle Krueger – Parkhill, Smith & Cooper; Chad Pernell, Darren Schick, Michelle McKinney, Meagan Sanchez, Jessica Hajjar, Phil Grove, Reggie Jackson, Kevin Withers, and Tammy Hamby - Canadian River Municipal Water Authority.

President Richard Ellis called the meeting of the Board of Directors of the Canadian River Municipal Water Authority Corporation to order at 2:09 p.m.

Item 1 – Approve Minutes

Director Cris Norris made the motion to approve the minutes. Director Tyke Dipprey seconded the motion and it passed unanimously.

Item 2 – Elect Officers for 2019

President Ellis asked Director Jerry Carlson to conduct the election of officers. Director Carlson stated that CRMWA Corporation customarily has the same officers as CRMWA and listed the current officers as Richard Ellis as President, Tyke Dipprey as Vice-President, and Kent Satterwhite as Secretary/Treasurer. Director Bill Hallerberg made the motion to elect the listed officers. Director Chad Wilson seconded the motion and it passed unanimously.

Item 3 – Review of Financial Information

a. Financial Statements

Michelle McKinney reported that currently the budget is tracking to be under budget due to capital expenditures being purchased in FY 18/19. She asked if there were any questions. There were none.

b. Investment Summary

Mrs. McKinney reported that CRMWA Corp.'s Investment Summary can be reviewed under tab 3b.

Item 4 – Project Status Report

Kent Satterwhite briefly explained the history of the Salinity Control Project for the new directors. Chad Pernell reported that 6 out of the 7 production wells were operational and noted there was a small brine water leak that overflowed into the yard. The incident was reported to the New Mexico Environmental Department per procedure.

Item 5 – Adjournment

President Ellis declared the meeting adjourned at 2:16 p.m.

Certificate of Secretary

I hereby certify that the above and foregoing is a correct and complete minute of the proceedings of the Board of Directors of the Canadian River Municipal Water Authority Corporation at their Regular Board of Directors Meeting.



Kent Satterwhite, Secretary

ITEM 5

Reserve Fund Billing

In light of recent developments and potential economic impacts to our Member Cities, it is recommended that we temporarily suspend monthly collections for and funding of the following Reserves for the remainder of FY 2019/2020:

General Reserve contributions to be reduced by \$41,660

Well Replacement Reserve contributions to be reduced by \$583,320

Salinity Control Injection Well Reserve contributions to be reduced by \$93,750

The total reduction in reserve fund contributions for FY2019/2020 would be \$718,730.

Not funding these reserves for the balance of this fiscal year and all of next will not affect operations and will not require a catchup.

CANADIAN RIVER MUNICIPAL WATER AUTHORITY
Revised Reserve Fund Projections due to Reduced FY1920 Funding

RESERVE FUND	Original FY1920 Reserve Projections	Revised FY1920 Reserve Projections	Savings to Member Cities	Revised FY2021 Reserve Projections
GENERAL RESERVE				
Starting Balance	\$ 8,323,327	\$ 8,341,132		\$ 8,559,472
Contributions	\$ 100,000	\$ 58,340	\$ 41,660	\$ -
Estimated Usage	\$ -	\$ -		\$ -
Estimated Interest Earned	\$ 200,000	\$ 160,000		\$ 160,000
Projected Ending Balance	\$ 8,623,327	\$ 8,559,472		\$ 8,719,472
WELL MAINTENANCE RESERVE				
Starting Balance	\$ 1,099,616	\$ 1,158,949		\$ 984,949
Contributions	\$ 500,000	\$ 500,000		\$ 600,000
Estimated Usage	\$ (900,000)	\$ (700,000)		\$ (900,000)
Estimated Interest Earned	\$ 30,000	\$ 26,000		\$ 26,000
Projected Ending Balance	\$ 729,616	\$ 984,949		\$ 710,949
WELL REPLACEMENT RESERVE				
Starting Balance	\$ 3,462,588	\$ 3,483,275		\$ 4,374,955
Contributions	\$ 1,400,000	\$ 816,680	\$ 583,320	\$ -
Estimated Usage	\$ -	\$ -		\$ -
Estimated Interest Earned	\$ 75,000	\$ 75,000		\$ 80,000
Projected Ending Balance	\$ 4,937,588	\$ 4,374,955		\$ 4,454,955
SALINITY CONTROL INJECTION WELL RESERVE				
Starting Balance	\$ 4,034,089	\$ 4,036,974		\$ 4,253,224
Contributions	\$ 225,000	\$ 131,250	\$ 93,750	\$ -
Estimated Usage	\$ -	\$ -		\$ -
Estimated Interest Earned	\$ 110,000	\$ 85,000		\$ 85,000
Projected Ending Balance	\$ 4,369,089	\$ 4,253,224		\$ 4,338,224
TOTAL RESERVE ACTIVITY				
TOTAL RESERVE CONTRIBUTIONS	\$ 2,225,000	\$ 1,506,270	\$ 718,730	\$ 600,000
TOTAL ESTIMATED INTEREST EARNINGS	\$ 415,000	\$ 346,000		\$ 351,000
TOTAL ESTIMATED RESERVE USAGE	\$ (900,000)	\$ (700,000)		\$ (900,000)
NET RESERVE INCREASE	\$ 1,740,000	\$ 1,152,270		\$ 51,000

ITEM 6

Project Status Report

Currently six out of seven production wells are operational allowing over 12 million gallons of brine water to be injected/disposed of this quarter.

Staff prepared for and began our annual River Survey. The day after starting, New Mexico “locked down” so the survey was postponed/cancelled. A few miles downstream from Ute Reservoir, staff began cleaning the Canadian River of an overgrowth of cattails and bulrush. This invasive vegetation is restricting flow in the River causing it to flood outside the original channel.