

BYLAWS OF THE BOARD OF DIRECTORS

OF

**WEST TRAVIS COUNTY
PUBLIC UTILITY AGENCY**

(Updated December 15, 2016)

I. AUTHORITY

All functions and actions of the Board of Directors shall be conducted in accordance with applicable provisions of the concurrent ordinance creating the West Travis County Public Utility Agency (the “Agency”) and adopted by Hays County, the City of Bee Cave and West Travis County Municipal Utility District No. 5 (the “Concurrent Ordinance”, attached), the Texas Local Government Code, the Texas Administrative Code, the Texas Open Meetings Act (Government Code Chapter 551), and any other applicable state statute or agency regulation.

The Agency has all the powers, other than the power to tax, that a municipality has with respect to a facility owned by the municipality. Such powers include contracting and acquisition powers conferred by Chapter 1502 of the Texas Government Code.

II. CONCURRENT ORDINANCE CONTROLS

All Agency rules or policies, including these Bylaws, must be consistent with the Concurrent Ordinance. The Agency Board of Directors may not adopt any amendment to these Bylaws that conflicts with any provision contained in the Concurrent Ordinance. If any bylaw, rule or policy of the Agency is in conflict with the Concurrent Ordinance, the provisions in the Concurrent Ordinance will be the controlling authority.

III. MISSION and VISION

The following is the mission and vision of the Agency Board of Directors:

- (1) To acquire ownership of the West Travis County Water and Wastewater System (the “System”) from the Lower Colorado River Authority (the “LCRA”).
- (2) To provide reliable and cost-efficient water and wastewater services to customers in the Agency’s service area through excellence in operations, customer service, environmental compliance, and organizational development.
- (3) To plan and manage the Agency’s systems in a manner that ensures growth and sustainability, pays for itself to the greatest extent possible, and achieves future system demands to the extent possible through (2) above.

IV. RESPONSIBILITIES

A. General

The Board of Directors will manage and control all of the affairs of the Agency. The Board is endowed with all powers, authority, and rights that permit it to accomplish its statutory purposes which include the collection, transportation, treatment or disposal of wastewater, or the conservation, storage, transportation, treatment or distribution of water. The Board is responsible for defining

objectives, setting policy, and providing management oversight and direction over all aspects of Agency operations.

B. Policy

The Board will establish rules and policies for the governance of the Agency.

C. Personnel

The Board will employ professional personnel in accordance with the requirements of the position. The Board will in its sole discretion review and establish personnel policies and be responsible for annual reviews of the General Manager.

D. Budget/Finance

The Board will adopt the budget, and set service rates, and other fees and charges. The Board will also set policy regarding financial procedures and reports, bond issuance and investment policy.

E. Facilities Planning

The Board will adopt policies for construction of new capital projects and maintenance of existing facilities

F. Delegation

The Board may in its sole discretion and as allowed by state statute, regulations and/or the Concurrent Ordinance, delegate any responsibilities of the Board to Agency consultants.

V. FINANCIAL

A. Installment Purchase Agreement Payment Obligations

1. The Agency has agreed to purchase the System from the LCRA pursuant to the Installment Purchase Agreement by making periodic payments to the LCRA beginning in 2012 and ending in 2019, unless prepaid at the option of the Agency. Under the terms of the Installment Purchase Agreement, periodic payments will consist of Equity Payments and Contract Payments:

- a. Equity Payments are to be paid from the proceeds of bonds issued by the Agency. In exchange for each Equity Payment, the LCRA will convey title to and interest in the retail distribution and collection portion of the System together with capacity in the

System's treatment facilities to the Agency in an amount that is proportionate to the ratio of such Equity Payment to the aggregate amount of all Equity Payments. Additionally, in exchange for the first Equity Payment, the LCRA will convey the System's retail distribution and collection facilities to the Agency for operation, maintenance and expansion.

- b. Contract Payments will be paid from current revenues of the Agency received from each of the following: Hays County, the City of Bee Cave and West Travis County Municipal Utility District No. 5 (individually a "Public Entity" or collectively the "Public Entities"), pursuant to the Participant Agreements (defined below). Contract Payments will cover the cost of water and wastewater services provided by the LCRA.
2. The Agency anticipates four Equity Payments to be financed by the Agency through the issuance of its contract revenue bonds, which were paid in 2012, 2014, and 2015, with one final installment payment in 2019.
3. Agency payment obligations to the LCRA will constitute a current operating and maintenance expense of the Agency. Pursuant to Chapter 572 of the Texas Local Government Code, operation and maintenance expenses are a first lien on and charge against pledged revenues.
4. Payment obligations of the Public Entities, pursuant to their respective Participant Agreements will constitute current operation and maintenance expenses of the respective utility systems of the Public Entities.

B. Participant Agreements

The Agency will enter into supply and service contracts (the "Participant Agreements," attached) with each Public Entity to secure the Agency's pecuniary obligations under the Installment Purchase Agreement. The Participant Agreements will contain the following terms:

1. The Public Entities will agree to conditional purchase, and the Agency will agree to conditional sale, of each Public Entity's water distribution and sanitary sewer collection facilities pursuant to the authority conferred under statute applicable to the respective Public Entity.
2. The Public Entities will obtain water and wastewater services from the Agency.
3. The Agency will retain the System water supply and wastewater treatment facilities.

4. Each Public Entity will agree to pay annual payments to the Agency in an amount sufficient to cover (i) the Agency's payments to the LCRA under the Installment Purchase Agreement; (ii) debt service and related bond requirements on Agency bonds issued to finance Equity Payments and any additional bonds issued to finance Agency System improvements; and (iii) water supply services and wastewater treatment services from the Agency System.

C. Issuance of Contract Revenue Bonds

To finance the acquisition of the System from the LCRA, the Agency will issue contract revenue bonds pursuant to Chapter 572 of the Texas Local Government Code. Such contract revenue bonds will be secured by payments from each of the Public Entities pursuant to the Participant Agreements.

Payments by the Agency of debt service on any Agency bonds shall be paid only after payment of operation and maintenance expenses, including any annual installments of the purchase price required under the Installment Purchase Agreement.

D. Operational Control and Ratemaking Authority

Pursuant to the Installment Purchase Agreement, the LCRA transferred to the Agency and the Public Entities operational control and ratemaking authority with respect to the System on March 19, 2012.

VI. BOARD MEMBERS

A. Concurrent Ordinance

The appointment of the Agency Board of Directors, term of office of Agency Directors, and designation of Ex-Officio Board members are governed solely by the Concurrent Ordinance.

B. Appointment of Directors

The Board of Directors shall initially consist of three (3) places (the "Initial Directors"), with one director appointed from each of the Public Entities. Two additional places on the Board may be created by an affirmative vote of each of the participating entities that appointed the Initial Directors, and shall be performed simultaneously (the "Additional Directors"). The first of the two Additional Directors shall reside in Hays County and shall be recommended by Hays County. The second of the two Additional Directors shall reside in Travis County and shall be recommended by the City of Bee Cave. The Additional Directors shall be considered duly appointed as Directors at the time the last of each of the Public Entities that appointed one of the Initial Directors affirms the

appointment of the Additional Directors.

C. Term of Office

Initial Directors shall serve an initial term until the end of the fiscal year ending September 30, 2016. The initial term for each Additional Director shall last until the end of the fiscal year ending September 30, 2014. Following the initial terms of the Initial Directors and Additional Directors, the term of office for each Director shall be four years, and the term for each Director position shall begin on the date a Director is first appointed to the position.

Any Initial Director may be removed from the Board of Directors at any time, with or without cause, by the Public Entity that appointed such Initial Director. Any Additional Director may be removed by an affirmative vote of the Public Entity that recommended the Additional Director.

D. Ex-Officio Board Members

If any of the following representatives of a Public Entity are not serving as a Director on the Agency Board of Directors, he or she, or their designee, shall be entitled to serve as an ex-officio, non-voting member of the Board of Directors: (1) the Hays County Judge; (2) the City of Bee Cave City Administrator; and (3) the Chair of the Board of Directors of West Travis County Municipal Utility District No. 5.

Any person designated as an ex-officio member of the Board of Directors is entitled to notice of, and to attend, any meeting of the Board of Directors.

E. Board Officers

1. Officers. The Board shall elect a President, Vice President, Secretary, and a Treasurer who shall be members of the Board. Officers shall be elected by a majority of the Board members. A majority of the Board members may call for an election of officers at any time; provided, however, the Board, at a minimum, shall elect officers at the regular October Board meeting of even numbered years.
2. Duties. Board officers shall not hold more than one office at a time, except that the Board Secretary may also serve as Board Treasurer. A vacancy among officers of the Board shall be filled by action of the Board.
 - a. President: The Chief Executive Officer of the Agency who presides over all Board meetings and provides leadership and direction in all matters. His/her duties include but are not limited to:

- Ensuring Directors act in accordance with applicable laws and regulations and Agency rules and policies.
- Conducting meetings smoothly and expeditiously ensuring adherence to the agenda; limiting discussions to a reasonable time; encouraging participation; and striving for punctuality.
- Acting as Agency spokesperson.

b. Vice President

- Carries out all duties of the President in his/her absence.

c. Secretary/Treasurer

- Records, amends, and maintains meeting minutes.
- Is responsible for seeing that all records and books of the Agency are properly kept.

F. Expenses

Each Director is also entitled to receive reimbursement of actual expenses reasonably and necessarily incurred while engaging in activities on behalf of the Agency, subject to approval by the Board.

G. Vacancies, Resignation and Disqualification

1. Vacancies

Any vacancy on the Board of Directors shall be filled pursuant to the appointment procedures set out in the Concurrent Ordinance.

2. Resignation

Board members may resign their positions at any time. Any Board member desiring to resign shall submit his/her resignation in writing to the President of the Board.

3. Disqualification

It is the responsibility of an individual Board member to notify the President of the Board if for any reason he/she becomes unqualified to serve pursuant to the Agency Code of Ethics or any other applicable law or regulation.

H. Conduct

Board members will conduct themselves in accordance with the Agency's adopted Code of Ethics.

VII. MEETINGS

A. General

The President shall call meetings of the Board as necessary for the conduct of business. The District's regular meeting shall occur on the third Thursday of each month at 9:00 a.m. at the location designated in the posted notice. All meetings shall be conducted in accordance with the Open Meetings Act Chapter 551, Texas Government Code.

B. Quorum

A majority of the membership of the Board constitutes a quorum for any meeting, and a concurrence of a majority of the entire membership of the Board is sufficient for transacting any business of the Agency.

C. Agenda

The President will set the agenda for each meeting of the Board. The agenda will be prepared, filed, and posted as required by law.

The following agenda requests shall be granted:

1. Agenda items requested by the President;
2. Agenda items presented in writing or submitted via electronic mail by a Director;
3. Agenda items requested by the General Manager or Legal Counsel;
5. Agenda items requested by third parties (i.e. by parties who are not officers or consultants of the Agency) will be granted at the discretion of the President.

Board members will receive a copy of the agenda in advance of each meeting. Factual information on other subjects may be provided in response to inquiries made by a Board member or a member of the general public. Deliberation on these subjects, however, is limited to placing a subject on the agenda for a subsequent meeting for which notice will be posted in advance.

D. Minutes

The Board shall keep a true and complete account of all meetings and proceedings, and verify and maintain minutes of these meetings on file permanently. Minutes may be taken by a member of the Board or by a staff member, and the final copy will be verified by majority vote at a regularly scheduled meeting. Minutes will contain at a minimum:

- Date, time, and location of the meeting;
- Names of the presiding officer and other members present;
- Names of the Board members who are absent;
- Names of visitors, special guests of the Board, and guests present;
- A brief summary of all business discussed or considered;
- A record of all motions and their disposition, including: person making the motion, person seconding the motion, and the outcome of the vote; and
- Copies of orders or other evidence of official action will be attached to the minutes unless indexed records are kept of such actions.

E. Special Meetings

Special Meetings may be scheduled to review and address key issues of the Agency. Meetings will be held according to, and in compliance with, the requirements set forth in the Texas Open Meetings Act (Texas Government Code Chapter 551). In order to promote public involvement, the Board will provide notice of at 72 hours prior to the meeting and also provide a meeting agenda.

F. Emergency Meetings

Emergency meetings will be permitted only in instances of imminent threats to public health and safety or reasonably unforeseeable situations requiring immediate action by the Board. Emergency meetings will be held according to, and in compliance with, the requirements set forth in the Texas Open Meetings Act (Texas Government Code Chapter 551). The Board will call an emergency meeting only when absolutely necessary. In order to promote public involvement, the Board will provide notice at least 2 hours prior to the meeting and will clearly identify the reason for the meeting.

G. Meeting Procedures

The Board President or (Vice President in his/her absence) will preside over all meetings and ensure that they are conducted in accordance with these Bylaws and the Texas Open Meetings Act. The rules contained in "Roberts Rules of Order Newly Revised" 1990 Edition shall govern the meetings in all cases to which they are applicable and in which they are not inconsistent with these Bylaws and any other special rules the Board shall adopt.

H. Executive Sessions

A meeting may be closed to the public under certain limited circumstances. Generally, these circumstances include certain negotiations, consultation with the Board's attorney, and consideration of personnel matters, real property transactions, and security deployment. If a closed or executive session is held, the following procedures will be followed:

- The Board will first convene in open session.
- The presiding officer will announce that an executive session is to be held and identify the section of the Open Meetings Act that authorizes the executive session. For example, the President states, "The Board of Directors will now meet in executive session as authorized under Section 551.072 of the Texas Government Code, to discuss the purchase, exchange, lease, or value of real property."
- No action will be taken during an executive session.
- At the conclusion of an executive session, the Board will reconvene in open session. The Board will be in open session before taking any final action, decision, or vote, even on matters considered in an executive session.

VIII. DISSOLUTION

The Agency is a constituted authority and public instrumentality within the meaning of the regulations and rulings promulgated by the Internal Revenue Service pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is authorized to issue bonds on behalf of the Public Entities. No part of the net earnings of the Agency may inure to the benefit of any private entity (except that reasonable compensation may be paid for personal services rendered to or for the Agency in effecting one or more of its purposes). **Upon dissolution of the Agency, after paying its debts and other obligations, all assets of the Agency shall be distributed only to a conservation and reclamation district or other political subdivision to be created as a successor in interest to the Agency, or in the absence of such a successor in interest, to the Public Entities in the manner to be determined by the Board.**

IX. AMENDMENTS TO BYLAWS

To the extent that no amendment conflicts with any provision of the Concurrent Ordinance, these Bylaws may be amended at any regular meeting at which the change is listed on the agenda by a vote of the majority of the entire membership of the Board. In making such amendment, the members shall specify the exact wording of any changes to be made.

**WEST TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 5
ORDER NO. 2011-12-13**

AN ORDER OF THE BOARD OF DIRECTORS OF WEST TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 5, CREATING THE WEST TRAVIS COUNTY PUBLIC UTILITY AGENCY ("PUA"); MAKING FINDINGS OF FACT; APPROVING THE DIRECTORS NAMED HEREIN; PROVIDING FOR RELATED MATTERS; PROVIDING FOR AN EFFECTIVE DATE AND PROPER NOTICE AND MEETING.

Whereas, the City of Bee Cave, Texas (the "City"), Hays County (the "County"), and West Travis County Municipal Utility District No. 5 (the "District") are participating in a coalition of local governments and communities of interest in response to the Lower Colorado River Authority ("LCRA") effort to transfer, sell and convey the local water and wastewater utilities, systems and facilities that provide water service, wastewater service, or both to various local governments and communities (the "LCRA Water and Wastewater Systems");

Whereas, the coalition of local governments and communities has formed the Coalition of Central Texas Utilities Development Corporation (the "UDC"), which corporation has submitted its indicative bid to the LCRA for acquisition of the LCRA Water and Wastewater Systems;

Whereas, it is the goal and purpose of the UDC to acquire the LCRA Water and Wastewater Systems, but then to further transfer and convey various portions of the LCRA Water and Wastewater Systems to the various coalition members and other third parties who desire to acquire such portions of the LCRA Water and Wastewater System;

Whereas, "Public Entities" are authorized pursuant to Texas Local Government Code Chapter 572 to join together to create a public utility agency to engage in the collection, transportation, treatment, or disposal of sewage or the conservation, storage, transportation, treatment, or distribution of water and may join together as cotenants or co-owners to plan, finance, acquire, construct, own, operate, or maintain water and wastewater facilities;

Whereas, the City, the County, and the District are Public Entities whose citizens are currently served with water service, wastewater service, or both by the portion of the LCRA Water and Wastewater System known as the West Travis County Water and Wastewater System ("West Travis County System") and whose boundaries and facilities are described in Attachment "A," which is attached hereto and incorporated herein by reference;

Whereas, the City, the County, and the District believe that it is in the best interest of the citizens served by the West Travis County System to acquire, or to provide for acquisition, of the West Travis County System so that the West Travis County System is owned and managed by public entities that are elected by the citizens who receive the water and/or wastewater service;

Whereas, the PUA can serve as a vehicle and instrument to acquire the West Travis County System and can acquire on behalf of some or all of the sponsoring local governments, and local communities that participate by contract or inter-local agreement to preserve local control of the West Travis County System; and

Whereas, the PUA has published notice as required by law;

Whereas, the PUA will be governed by a board of directors appointed by the sponsoring local governments named herein, and will not have authority to create any debt or financial obligation for or on behalf of any of the members and of any sponsoring local government until such time as each participating entity enters into a separate agreement or approval for such purpose;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF WEST TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 5, THAT:

Section 1. Finding of Facts. The above and foregoing recitals are incorporated herein as findings of fact.

Section 2. Acceptance of Application. The West Travis County Public Utility Agency is hereby created and approved.

Section 3. Agency Rules. The Agency may adopt and enforce rules reasonably required to exercise all of the Agency's powers granted under Chapter 572 of the Texas Local Government Code or otherwise authorize by law and to implement this order. Unless otherwise indicated by this Order or Ordinance, or by Agency Rules duly adopted by the Board, matters shall be resolved by a majority vote of the Board present. A proposal to alter, amend, or repeal Agency Rules related to the organization or procedures of the Directors shall be made by the affirmative vote of a 2/3 majority of the entire Board. However, any proposed change or amendment regarding the appointment method, number, or term of Directors shall require an Amendment to this Order or Ordinance as described in Section 11 below.

Section 4. Initial Directors. The following directors are hereby named as the initial directors of the West Travis County Utility Agency.

- | | |
|---------|---|
| Place 1 | Ray Whisenant, Jr., representing Hays County; |
| Place 2 | Mike Murphy, representing the City of Bee Cave; and |
| Place 3 | Larry Fox, representing West Travis County MUD No. 5. |

Section 5. Number of Directors. All powers of the Agency shall be vested in the Board of Directors (the "Board"). The Board shall initially consist of three (3) places. The Board shall consist of one Director for each participating Public Entity named herein. Directors of the Agency for Places 1, 2, and 3 shall be appointed each participating public entity, respectively. Each Director shall have one vote in all matters presented to or considered by the Board.

After creation of the Agency, two (2) additional places may be created by an affirmative vote of each of the Public Entities that appointed the three (3) Initial Directors. Appointment of the two

(2) additional Directors to fill the additional places shall be performed simultaneously. The first of the two (2) additional Directors (Place 4) shall reside in Hays County and shall be recommended by the County. The second of the two (2) additional Directors (Place 5) shall reside in Travis County and shall be recommended by the City. The two (2) additional places shall be considered duly appointed as Directors at the time the last of each of the Public Entities that appointed one of the original three (3) Directors affirms their appointment.

Section 6. Term of Directors. The terms of the Initial Directors last until the end of the fiscal year ending September 30, 2016. The initial term of any director appointed to Places 4 and 5 shall last until the end of the fiscal year ending September 30, 2014. Thereafter, the term of office of each Director shall be four years, and the term for each Director position shall begin on the date a Director is first appointed to the position. Any Director may be removed from office at any time, with or without cause, by the Public Entity that appointed such Director. In the event two (2) additional persons have been appointed as Directors of the Board pursuant to Section 5, above, either of those Directors may be removed by an affirmative vote of the Local Government that recommended the additional Director. A replacement shall be appointed by the method cited in Section 5, above.

If any of the following persons of a Public Entity are not serving as a member of the Board, he or she, or their designee shall be entitled to serve as an ex-officio, non-voting member of the Board: (1) the Hays County Judge; (2) the City of Bee Cave City Administrator; or (3) the President of West Travis County MUD No. 5.

Any person designated as an ex-officio member of the Board is entitled to notice of, and to attend, meetings of the Board.

Section 7. Open Meetings. It is hereby officially found and determined that the meeting at which this resolution is adopted was open to the public as required and that public notice of the time, place, and purpose of said meeting was given as required by the Open Meetings Act, *Ch. 551, Tex. Gov't. Code.*

Section 8. General Powers and Authority. The Agency is formed pursuant to the provisions of Chapter 572 of the Texas Local Government Code (the "Act") to assist and act on behalf of the Public Entities and to engage in activities in the furtherance of the purposes of its creation, and it shall have and may exercise all of the rights, powers, privileges, authority and functions given to local government authorities under Subchapter C of the Act, together with all the other powers, privileges, authority and functions given by State law. The Agency is organized and created by the City of Bee Cave (the "City"), Hays County, Texas (the "County"), and West Travis County Municipal Utility District No. 5 (the "District") (collectively, the "Public Entities"). The term "Public Entities" shall have the meaning given in Subchapter C of the Act, and the defined term "Public Entities" shall mean and include the three above named Public Entities and each additional Public Entity that becomes a member of the Agency.

Section 9. Additional Powers and Authority. The Agency shall have all other powers of a like or different nature not prohibited by law that are available to governmental entities in Texas and which are necessary or useful to enable the Agency to perform the purposes for which it is

created, including the power to issue bonds, notes, or other obligations, and otherwise exercise its borrowing power to accomplish the purposes set forth above; provided the Agency shall not issue bonds, notes, or any debt obligation, or by contract undertake a financial obligation, that will not to be funded by funds available, or revenues of the purchased water and wastewater utilities, systems, and facilities purchases, or by binding contractual commitments made by Public Entities and legal entities to purchase increments or portions of the water and wastewater utilities, systems and facilities that are purchased.

Section 10. Governmental Body. The Agency is created as a local government entity pursuant to the Act and shall be a governmental unit within the meaning of Subdivision (2), Sec. 101.001, Tex. Civ. Prac. & Rem. Code. The operations of the Agency are governmental and not proprietary functions for purposes of the Texas Tort Claims Act, Sec. 101.001 et seq., Tex. Civ. Prac. & Rem. Code.

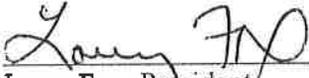
Section 11. Amendment. Amendment to any provision within this Order or Ordinance requires each Public Entity to adopt a concurrent Order or Ordinance that includes the amendment.

Section 12. Fiscal Year. The fiscal year of the Agency shall begin October 1st of each year; provided the first fiscal year shall begin upon the effective date of the Agency, and end September 30, 2012.

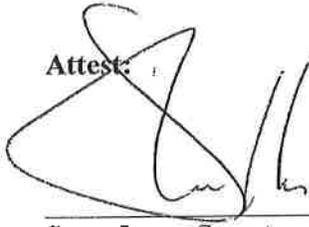
Section 13. Effective Date. This Order or Ordinance shall take effect immediately upon adoption and the Effective Date for creation of the PUA shall be the date that the last public entity named herein shall approve of an Order or Ordinance substantially identical to this Order or Ordinance.

PASSED AND ADOPTED this the 13th day of December 2011.

West Travis County MUD No. 5


Larry Fox, President

Attest:



Steve Leon, Secretary

**WEST TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 5
ORDER NO. 2012-03-28**

AN ORDER OF THE BOARD OF DIRECTORS OF WEST TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 5, RESTATING AND AFFIRMING THE CREATION OF THE WEST TRAVIS COUNTY PUBLIC UTILITY AGENCY ("PUA"); MAKING FINDINGS OF FACT; APPROVING THE DIRECTORS NAMED HEREIN; PROVIDING FOR RELATED MATTERS; PROVIDING FOR AN EFFECTIVE DATE AND PROPER NOTICE AND MEETING.

Whereas, the City of Bee Cave, Texas (the "City"), Hays County (the "County"), and West Travis County Municipal Utility District No. 5 (the "District") are participating in a coalition of local governments and communities of interest in response to the Lower Colorado River Authority ("LCRA") effort to transfer, sell and convey the local water and wastewater utilities, systems and facilities that provide water service, wastewater service, or both to various local governments and communities (the "LCRA Water and Wastewater Systems");

Whereas, the coalition of local governments and communities has formed the Coalition of Central Texas Utilities Development Corporation (the "UDC"), which corporation has submitted its indicative bid to the LCRA for acquisition of the LCRA Water and Wastewater Systems;

Whereas, it is the goal and purpose of the UDC to acquire the LCRA Water and Wastewater Systems, but then to further transfer and convey various portions of the LCRA Water and Wastewater Systems to the various coalition members and other third parties who desire to acquire such portions of the LCRA Water and Wastewater System;

Whereas, "Public Entities" are authorized pursuant to Texas Local Government Code Chapter 572 to join together to create a public utility agency to engage in the collection, transportation, treatment, or disposal of sewage or the conservation, storage, transportation, treatment, or distribution of water and may join together as cotenants or co-owners to plan, finance, acquire, construct, own, operate, or maintain water and wastewater facilities.

Whereas, the City, the County, and the District are Public Entities whose citizens are currently served with water service, wastewater service, or both by the portion of the LCRA Water and Wastewater System known as the West Travis County Water and Wastewater System ("West Travis County System") and whose boundaries and facilities are described in Attachment "A," which is attached hereto and incorporated herein by reference;

Whereas, the City, the County, and the District believe that it is in the best interest of the citizens served by the West Travis County System to acquire, or to provide for acquisition, of the West Travis County System so that the West Travis County System is owned and managed by public entities that are elected by the citizens who receive the water and/or wastewater service;

Whereas, the PUA can serve as a vehicle and instrument to acquire the West Travis County System and can acquire on behalf of some or all of the sponsoring local governments, and local communities that participate by contract or inter-local agreement to preserve local control of the West Travis County System;

Whereas, the PUA will be governed by a board of directors appointed by the sponsoring local governments named herein, and will not have authority to create any debt or financial obligation for or on behalf of any of the members and of any sponsoring local government until such time as each participating entity enters into a separate agreement or approval for such purpose;

Whereas, the District has previously adopted that certain "West Travis County Municipal Utility District Order No. 2011-12-13" evidencing the District's intent to create the PUA at its public meeting on December 13, 2011 ("Original Order") after publication of notice on November 24, 2011;

Whereas, the District desires to restate and affirm the Original Order after confirming that proper notice has been given pursuant to Chapter 572 of the Local Government Code; and

Whereas, proper notice of the District's consideration of this Order was provided in accordance with applicable law on March 8, 2012, and March 15, 2012.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF WEST TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 5, THAT:

Section 1. Finding of Facts. The above and foregoing recitals are incorporated herein as findings of fact.

Section 2. Acceptance of Application. The West Travis County Public Utility Agency is hereby created and approved and restated and affirmed.

Section 3. Agency Rules. The Agency may adopt and enforce rules reasonably required to exercise all of the Agency's powers granted under Chapter 572 of the Texas Local Government Code or otherwise authorize by law and to implement this Order. Unless otherwise indicated by this Order or Ordinance, or by Agency Rules duly adopted by the Board, matters shall be resolved by a majority vote of the Board present. A proposal to alter, amend, or repeal Agency Rules related to the organization or procedures of the Directors shall be made by the affirmative vote of a 2/3 majority of the entire Board. However, any proposed change or amendment regarding the appointment method, number, or term of Directors shall require an Amendment to this Order or Ordinance as described in Section 11 below.

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After creation of the Agency, two (2) additional places may be created by an affirmative vote of each of the Public Entities that appointed the three (3) Initial Directors. Appointment of the two (2) additional Directors to fill the additional places shall be performed simultaneously. The first of the two (2) additional Directors (Place 4) shall reside in Hays County and shall be recommended by the County. The second of the two (2) additional Directors (Place 5) shall reside in Travis County and shall be recommended by the City. The two (2) additional places shall be considered duly appointed as Directors at the time the last of each of the Public Entities that appointed one of the original three (3) Directors affirms their appointment.

Section 6. Term of Directors. The terms of the Initial Directors last until the end of the fiscal year ending September 30, 2016. The initial term of any director appointed to Places 4 and 5 shall last until the end of the fiscal year ending September 30, 2014. Thereafter, the term of office of each Director shall be four years, and the term for each Director position shall begin on the date a Director is first appointed to the position. Any Director may be removed from office at any time, with or without cause, by the Public Entity that appointed such Director. In the event two (2) additional persons have been appointed as Directors of the Board pursuant to Section 5, above, either of those Directors may be removed by an affirmative vote of the Local Government that recommended the additional Director. A replacement shall be appointed by the method cited in Section 5, above.

If any of the following persons of a Public Entity are not serving as a member of the Board, he or she, or their designee shall be entitled to serve as an ex-officio, non-voting member of the Board: (1) the Hays County Judge; (2) the City of Bee Cave City Administrator; or (3) the President of West Travis County MUD No. 5.

Any person designated as an ex-officio member of the Board is entitled to notice of, and to attend, meetings of the Board.

Section 7. Open Meetings. It is hereby officially found and determined that the meeting at which this resolution is adopted was open to the public as required and that public notice of the time, place, and purpose of said meeting was given as required by the Open Meetings Act, *Ch. 551, Tex. Gov't. Code*.

Section 8. General Powers and Authority. The Agency is formed pursuant to the provisions of Chapter 572 of the Texas Local Government Code (the "Act") to assist and act on behalf of the Public Entities and to engage in activities in the furtherance of the purposes of its creation, and it shall have and may exercise all of the rights, powers, privileges, authority and functions given to local government authorities under Subchapter C of the Act, together with all the other powers, privileges, authority and functions given by State law. The Agency is

organized and created by the City of Bee Cave (the "City"), Hays County, Texas (the "County"), and West Travis County Municipal Utility District No. 5 (the "District") (collectively, the "Public Entities"). The term "Public Entities" shall have the meaning given in Subchapter C of the Act, and the defined term "Public Entities" shall mean and include the three above named Public Entities and each additional Public Entity that becomes a member of the Agency.

Section 9. Additional Powers and Authority. The Agency shall have all other powers of a like or different nature not prohibited by law that are available to governmental entities in Texas and which are necessary or useful to enable the Agency to perform the purposes for which it is created, including the power to issue bonds, notes, or other obligations, and otherwise exercise its borrowing power to accomplish the purposes set forth above; provided the Agency shall not issue bonds, notes, or any debt obligation, or by contract undertake a financial obligation, that will not to be funded by funds available, or revenues of the purchased water and wastewater utilities, systems, and facilities purchases, or by binding contractual commitments made by Public Entities and legal entities to purchase increments or portions of the water and wastewater utilities, systems and facilities that are purchased.

Section 10. Governmental Body. The Agency is created as a local government entity pursuant to the Act and shall be a governmental unit within the meaning of Subdivision (2), Sec. 101.001, Tex. Civ. Prac. & Rem. Code. The operations of the Agency are governmental and not proprietary functions for purposes of the Texas Tort Claims Act, Sec. 101.001 et seq., Tex. Civ. Prac. & Rem. Code.

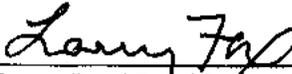
Section 11. Amendment. Amendment to any provision within this Order or Ordinance requires each Public Entity to adopt a concurrent Order or Ordinance that includes the amendment.

Section 12. Fiscal Year. The fiscal year of the Agency shall begin October 1st of each year; provided the first fiscal year shall begin upon the effective date of the Agency, and end September 30, 2012.

Section 13. Effective Date. This Order or Ordinance shall take effect immediately upon adoption and the Effective Date for creation of the PUA shall be the date that the last public entity named herein approved an Order or Ordinance substantially identical to the Original Order.

PASSED AND ADOPTED this the 28th day of March 2012.

West Travis County MUD No. 5



Larry Fox, President

Attest:



Steve Leon, Secretary

ORDINANCE (ORDER) No. 104

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF BEE CAVE, TEXAS, CREATING THE WEST TRAVIS COUNTY PUBLIC UTILITY AGENCY ("PUA"); MAKING FINDINGS OF FACT; APPROVING THE BYLAWS OF THE PUA; APPROVING THE DIRECTORS NAMED HEREIN; PROVIDING FOR RELATED MATTERS; PROVIDING FOR AN EFFECTIVE DATE AND PROPER NOTICE AND MEETING.

Whereas, the City of Bee Cave, Texas (the "City"), Hays County (the "County"), and West Travis County Municipal Utility District No. 5 (the "District") are participating in a coalition of local governments and communities of interest in response to the Lower Colorado River Authority ("LCRA") effort to transfer, sell and convey the local water and wastewater utilities, systems and facilities that provide water service, wastewater service, or both to various local governments and communities (the "LCRA Water and Wastewater Systems");

Whereas, the coalition of local governments and communities has formed the Coalition of Central Texas Utilities Development Corporation (the "UDC"), which corporation has submitted its indicative bid to the LCRA for acquisition of the LCRA Water and Wastewater Systems;

Whereas, it is the goal and purpose of the UDC to acquire the LCRA Water and Wastewater Systems, but then to further transfer and convey various portions of the LCRA Water and Wastewater Systems to the various coalition members and other third parties who desire to acquire such portions of the LCRA Water and Wastewater System;

Whereas, "Public Entities" are authorized pursuant to Texas Local Government Code Chapter 572 to join together to create a public utility agency to engage in the collection, transportation, treatment, or disposal of sewage or the conservation, storage, transportation, treatment, or distribution of water and may join together as cotenants or co-owners to plan, finance, acquire, construct, own, operate, or maintain water and wastewater facilities;

Whereas, the City, the County, and the District are Public Entities whose citizens are currently served with water service, wastewater service, or both by the portion of the LCRA Water and Wastewater System known as the West Travis County Water and Wastewater System ("West Travis County System") and whose boundaries and facilities are described in Attachment "A," which is attached hereto and incorporated herein by reference;

Whereas, the City, the County, and the District believe that it is in the best interest of the citizens served by the West Travis County System to acquire, or to provide for acquisition, of the West Travis County System so that the West Travis County System is owned and managed by public entities that are elected by the citizens who receive the water and/or wastewater service;

Whereas, the PUA can serve as a vehicle and instrument to acquire the West Travis County System and can acquire on behalf of some or all of the sponsoring local governments, and local communities that participate by contract or inter-local agreement to preserve local control of the West Travis County System; and

Whereas, the PUA has published notice as required by law;

Whereas, the PUA will be governed by a board of directors appointed by the sponsoring local governments named herein, and will not have authority to create any debt or financial obligation for or on behalf of any of the members and of any sponsoring local government until such time as each participating entity enters into a separate agreement or approval for such purpose;

NOW, THEREFORE, BE IT RESOLVED BY ..., THAT:

Section 1. Finding of Facts. The above and foregoing recitals are incorporated herein as findings of fact.

Section 2. Acceptance of Application. The West Travis County Public Utility Agency is hereby created and approved.

Section 3. Agency Rules. The Agency may adopt and enforce rules reasonably required to exercise all of the Agency's powers granted under Chapter 572 of the Texas Local Government Code or as otherwise authorized by law and to implement this order. Unless otherwise indicated by this Order or Ordinance, or by Agency Rules duly adopted by the Board, matters shall be resolved by a majority vote of the Board present. A proposal to alter, amend, or repeal Agency Rules related to the organization or procedures of the Directors shall be made by the affirmative vote of a 2/3 majority of the entire Board. However, any proposed change or amendment regarding the appointment method, number, or term of Directors shall require an Amendment to this Order or Ordinance as described in Section 11 below.

Section 4. Initial Directors. The following directors are hereby named as the initial directors of the West Travis County Utility Agency.

Place 1	Ray Whisenant, Jr., representing Hays County;
Place 2	Mike Murphy, representing the City of Bee Cave; and
Place 3	Larry Fox, representing West Travis County MUD No. 5.

Section 5. Number of Directors. All powers of the Agency shall be vested in the Board of Directors (the "Board"). The Board shall initially consist of three (3) places. The Board shall consist of one Director for each participating Public Entity named herein. Directors of the Agency for Places 1, 2, and 3 shall be appointed by each participating public entity, respectively. Each Director shall have one vote in all matters presented to or considered by the Board.

After creation of the Agency, two (2) additional places may be created by an affirmative vote of each of the Public Entities that appointed the three (3) Initial Directors. Appointment of the two (2) additional Directors to fill the additional places shall be performed simultaneously. The first

of the two (2) additional Directors (Place 4) shall reside in Hays County and shall be recommended by the County. The second of the two (2) additional Directors (Place 5) shall reside in Travis County and shall be recommended by the City. The two (2) additional places shall be considered duly appointed as Directors at the time the last of each of the Public Entities that appointed one of the original three (3) Directors affirms their appointment.

Section 6. Term of Directors. The terms of the Initial Directors shall last until the end of the fiscal year ending September 30, 2016. The initial term of any director appointed to Places 4 and 5 shall last until the end of the fiscal year ending September 30, 2014. Thereafter, the term of office of each Director shall be four years, and the term for each Director position shall begin on the date a Director is first appointed to the position. Any Director may be removed from office at any time, with or without cause, by the Public Entity that appointed such Director. In the event two (2) additional persons have been appointed as Directors of the Board pursuant to Section 5, above, either of those Directors may be removed by an affirmative vote of the Local Government that recommended the additional Director. A replacement shall be appointed by the method cited in Section 5, above.

If any of the following persons of a Public Entity are not serving as a member of the Board, he or she, or their designee shall be entitled to serve as an ex-officio, non-voting member of the Board: (1) the Hays County Judge; (2) the City of Bee Cave City Administrator; or (3) the President of West Travis County MUD No. 5.

Any person designated as an ex-officio member of the Board is entitled to notice of, and to attend, meetings of the Board.

Section 7. Open Meetings. It is hereby officially found and determined that the meeting at which this resolution is adopted was open to the public as required and that public notice of the time, place, and purpose of said meeting was given as required by the Open Meetings Act, *Ch. 551, Tex. Gov't. Code.*

Section 8. General Powers and Authority. The Agency is formed pursuant to the provisions of Chapter 572 of the Texas Local Government Code (the "Act") to assist and act on behalf of the Public Entities and to engage in activities in the furtherance of the purposes of its creation, and it shall have and may exercise all of the rights, powers, privileges, authority and functions given to Public Entities under Subchapter C of the Act, together with all the other powers, privileges, authority and functions given by State law. The Agency is organized and created by the City of Bee Cave (the "City"), Hays County, Texas (the "County"), and West Travis County Municipal Utility District No. 5 (the "District") (collectively, the "Public Entities"). The term "Public Entities" shall have the meaning given in Subchapter C of the Act, and the defined term "Public Entities" shall mean and include the three above named Public Entities and each additional Public Entity that becomes a member of the Agency.

Section 9. Additional Powers and Authority. The Agency shall have all other powers of a like or different nature not prohibited by law that are available to governmental entities in Texas and which are necessary or useful to enable the Agency to perform the purposes for which it is created, including the power to issue bonds, notes, or other obligations, and otherwise exercise

its borrowing power to accomplish the purposes set forth above; provided the Agency shall not issue bonds, notes, or any debt obligation, or by contract undertake a financial obligation, that will not to be funded by funds available, or revenues of the purchased water and wastewater utilities, systems, and facilities purchases, or by binding contractual commitments made by Public Entities and legal entities to purchase increments or portions of the water and wastewater utilities, systems and facilities that are purchased.

Section 10. Governmental Body. The Agency is created as a Public Entity pursuant to the Act and shall be a governmental unit within the meaning of Subdivision (2), Sec. 101.001, Tex. Civ. Prac. & Rem. Code. The operations of the Agency are governmental and not proprietary functions for purposes of the Texas Tort Claims Act, Sec. 101.001 et seq., Tex. Civ. Prac. & Rem. Code.

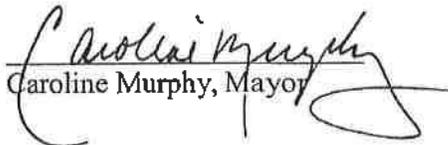
Section 11. Amendment. Amendment to any provision within this Order or Ordinance requires each Public Entity to adopt a concurrent Order or Ordinance that includes the amendment.

Section 12. Fiscal Year. The fiscal year of the Agency shall begin October 1st of each year; provided the first fiscal year shall begin upon the effective date of the Agency, and end September 30, 2012.

Section 13. Effective Date. This Order or Ordinance shall take effect immediately upon adoption and the Effective Date for creation of the PUA shall be the date that the last public entity named herein shall approve of an Order or Ordinance substantially identical to this Order or Ordinance.

ADOPTED, APPROVED AND PASSED by the City Council of the City of Bee Cave, Texas on the 13th day of December, 2011.

CITY OF BEE CAVE, TEXAS


Caroline Murphy, Mayor

ATTEST:


Kaylynn Holloway, City Secretary

APPROVED AS TO FORM:


Patty L. Akers, City Attorney
City of Bee Cave, Texas



**CONCURRENT ORDINANCE CREATING
THE WEST TRAVIS COUNTY PUBLIC UTILITY AGENCY**

Whereas, the City of Bee Cave, Texas (the "City"), Hays County (the "County"), and West Travis County Municipal Utility District No. 5 (the "District") are participating in a coalition of local governments and communities of interest in response to the Lower Colorado River Authority ("LCRA") effort to transfer, sell and convey the local water and wastewater utilities, systems and facilities that provide water service, wastewater service, or both to various local governments and communities (the "LCRA Water and Wastewater Systems");

Whereas, the coalition of local governments and communities has formed the Coalition of Central Texas Utilities Development Corporation (the "UDC"), which corporation has submitted its indicative bid to the LCRA for acquisition of the LCRA Water and Wastewater Systems;

Whereas, it is the goal and purpose of the UDC to acquire the LCRA Water and Wastewater Systems, but then to further transfer and convey various portions of the LCRA Water and Wastewater Systems to the various coalition members and other third parties who desire to acquire such portions of the LCRA Water and Wastewater System;

Whereas, "Public Entities" are authorized pursuant to Texas Local Government Code Chapter 572 to join together to create a public utility agency to engage in the collection, transportation, treatment, or disposal of sewage or the conservation, storage, transportation, treatment, or distribution of water and may join together as cotenants or co-owners to plan, finance, acquire, construct, own, operate, or maintain water and wastewater facilities;

Whereas, the City, the County, and the District are Public Entities whose citizens are currently served with water service, wastewater service, or both by the portion of the LCRA Water and Wastewater System known as the West Travis County Water and Wastewater System ("West Travis County System") and whose boundaries and facilities are described in Attachment "A," which is attached hereto and incorporated herein by reference;

Whereas, the City, the County, and the District believe that it is in the best interest of the citizens served by the West Travis County System to acquire, or to provide for acquisition, of the West Travis County System so that the West Travis County System is owned and managed by public entities that are elected by the citizens who receive the water and/or wastewater service;

Whereas, the PUA can serve as a vehicle and instrument to acquire the West Travis County System and can acquire on behalf of some or all of the sponsoring local governments, and local communities that participate by contract or inter-local agreement to preserve local control of the West Travis County System; and

Whereas, the PUA has published notice as required by law;

Whereas, the PUA will be governed by a board of directors appointed by the sponsoring local governments named herein, and will not have authority to create any debt or financial obligation for or on behalf of any of the members and of any sponsoring local government until such time as each participating entity enters into a separate agreement or approval for such purpose;

NOW, THEREFORE, BE IT RESOLVED BY THE HAYS COUNTY COMMISSIONERS COURT THAT:

Section 1. Finding of Facts. The above and foregoing recitals are incorporated herein as findings of fact.

Section 2. Acceptance of Application. The West Travis County Public Utility Agency is hereby created and approved.

Section 3. Agency Rules. The Agency may adopt and enforce rules reasonably required to exercise all of the Agency's powers granted under Chapter 572 of the Texas Local Government Code or as otherwise authorized by law and to implement this order. Unless otherwise indicated by this Order or Ordinance, or by Agency Rules duly adopted by the Board, matters shall be resolved by a majority vote of the Board present. A proposal to alter, amend, or repeal Agency Rules related to the organization or procedures of the Directors shall be made by the affirmative vote of a 2/3 majority of the entire Board. However, any proposed change or amendment regarding the appointment method, number, or term of Directors shall require an Amendment to this Order or Ordinance as described in Section 11 below.

Section 4. Initial Directors. The following directors are hereby named as the initial directors of the West Travis County Utility Agency.

Place 1	Ray Whisenant, Jr., representing Hays County;
Place 2	Mike Murphy, representing the City of Bee Cave; and
Place 3	Larry Fox, representing West Travis County MUD No. 5.

Section 5. Number of Directors. All powers of the Agency shall be vested in the Board of Directors (the "Board"). The Board shall initially consist of three (3) places. The Board shall consist of one Director for each participating Public Entity named herein. Directors of the Agency for Places 1, 2, and 3 shall be appointed by each participating public entity, respectively. Each Director shall have one vote in all matters presented to or considered by the Board.

After creation of the Agency, two (2) additional places may be created by an affirmative vote of each of the Public Entities that appointed the three (3) Initial Directors. Appointment of the two (2) additional Directors to fill the additional places shall be performed simultaneously. The first of the two (2) additional Directors (Place 4) shall reside in Hays County and shall be recommended by the County. The second of the two (2) additional Directors (Place 5) shall reside in Travis County and shall be recommended by the City. The two (2) additional places shall be considered duly appointed as Directors at the time the last of each of the Public Entities that appointed one of the original three (3) Directors affirms their appointment.

Section 6. Term of Directors. The terms of the Initial Directors shall last until the end of the fiscal year ending September 30, 2016. The initial term of any director appointed to Places 4 and 5 shall last until the end of the fiscal year ending September 30, 2014. Thereafter, the term of office of each Director shall be four years, and the term for each Director position shall begin on the date a Director is first appointed to the position. Any Director may be removed from office at any time, with or without cause, by the Public Entity that appointed such Director. In the event two (2) additional persons have been appointed as Directors of the Board pursuant to Section 5, above, either of those Directors may be removed by an affirmative vote of the Local Government that recommended the additional Director. A replacement shall be appointed by the method cited in Section 5, above.

If any of the following persons of a Public Entity are not serving as a member of the Board, he or she, or their designee shall be entitled to serve as an ex-officio, non-voting member of the Board: (1) the Hays County Judge; (2) the City of Bee Cave City Administrator; or (3) the President of West Travis County MUD No. 5.

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Section 7. Open Meetings. It is hereby officially found and determined that the meeting at which this resolution is adopted was open to the public as required and that public notice of the time, place, and purpose of said meeting was given as required by the Open Meetings Act, *Ch. 551, Tex. Gov't. Code*.

Section 8. General Powers and Authority. The Agency is formed pursuant to the provisions of Chapter 572 of the Texas Local Government Code (the "Act") to assist and act on behalf of the Public Entities and to engage in activities in the furtherance of the purposes of its creation, and it shall have and may exercise all of the rights, powers, privileges, authority and functions given to Public Entities under Subchapter C of the Act, together with all the other powers, privileges, authority and functions given by State law. The Agency is organized and created by the City of Bee Cave (the "City"), Hays County, Texas (the "County"), and West Travis County Municipal Utility District No. 5 (the "District") (collectively, the "Public Entities"). The term "Public Entities" shall have the meaning given in Subchapter C of the Act, and the defined term "Public Entities" shall mean and include the three above named Public Entities and each additional Public Entity that becomes a member of the Agency.

Section 9. Additional Powers and Authority. The Agency shall have all other powers of a like or different nature not prohibited by law that are available to governmental entities in Texas and which are necessary or useful to enable the Agency to perform the purposes for which it is created, including the power to issue bonds, notes, or other obligations, and otherwise exercise its borrowing power to accomplish the purposes set forth above; provided the Agency shall not issue bonds, notes, or any debt obligation, or by contract undertake a financial obligation, that will not to be funded by funds available, or revenues of the purchased water and wastewater utilities, systems, and facilities purchases, or by binding contractual commitments made by Public Entities and legal entities to purchase increments or portions of the water and wastewater utilities, systems and facilities that are purchased.

Section 10. Governmental Body. The Agency is created as a Public Entity pursuant to the Act and shall be a governmental unit within the meaning of Subdivision (2), Sec. 101.001, Tex. Civ. Prac. & Rem. Code. The operations of the Agency are governmental and not proprietary functions for purposes of the Texas Tort Claims Act, Sec. 101.001 et seq., Tex. Civ. Prac. & Rem. Code.

Section 11. Amendment. Amendment to any provision within this Order or Ordinance requires each Public Entity to adopt a concurrent Order or Ordinance that includes the amendment.

Section 12. Fiscal Year. The fiscal year of the Agency shall begin October 1st of each year; provided the first fiscal year shall begin upon the effective date of the Agency, and end September 30, 2012.

Section 13. Effective Date. This Order or Ordinance shall take effect immediately upon adoption and the Effective Date for creation of the PUA shall be the date that the last public entity named herein shall approve of an Order or Ordinance substantially identical to this Order or Ordinance.

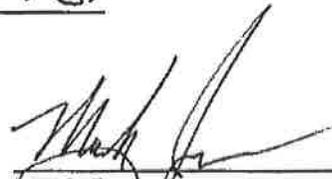
PASSED AND ADOPTED this the 21st day of December 2011.



Bert Cobb
Hays County Judge



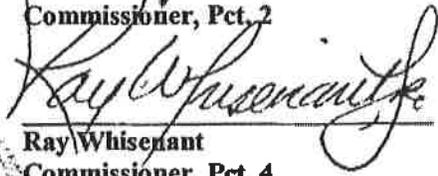
Debbie Gonzales Ingalsbe
Commissioner, Pct. 1



Mark Jones
Commissioner, Pct. 2



Will Conley
Commissioner, Pct. 3



Ray Whisenant
Commissioner, Pct. 4



ATTEST:



Liz Q. Gonzalez
Hays County Clerk

ACQUISITION, WATER SUPPLY, WASTEWATER TREATMENT AND CONDITIONAL PURCHASE AGREEMENT

THIS ACQUISITION, WATER SUPPLY, WASTEWATER TREATMENT AND CONDITIONAL PURCHASE AGREEMENT (this "Agreement") is dated and entered into to be effective as of March 19, 2012 ("Effective Date"), by and among the West Travis County Public Utility Agency (the "PUA"), a public utility agency and political subdivision of the State of Texas (the "State"), created and existing under the laws of the State, including Chapter 572, Texas Local Government Code, as amended; the City of Bee Cave, Texas, a Type A general law municipality of the State (the "City"); Hays County, Texas, a political subdivision of the State (the "County"); and West Travis County Municipal Utility District No. 5, a municipal utility district and political subdivision of the State ("MUD 5").

RECITALS

WHEREAS, Subchapter C of Chapter 572, Local Government Code, as amended (the "PUA Act"), authorizes certain public entities to create a public utility agency for the collection, transportation, treatment, or disposal of sewage or the conservation, storage, transportation, treatment, or distribution of water for such public entities; and

WHEREAS, the governing bodies of the City, the County and MUD 5 (collectively, the "Participants") have created the PUA as their constituted authority, instrumentality and agent to plan, finance, acquire, construct, own, operate, or maintain facilities necessary for the collection, transportation, treatment, and disposal of sewage and the conservation, storage, transportation, treatment, and distribution of water for the Participants pursuant to the PUA Act; and

WHEREAS, the Participants expect to pursue legislative changes to the PUA Act for the purpose of enabling the PUA to serve end users directly, with the goal of creating a combined utility system owned and operated by the PUA and providing water supply and wastewater treatment services from the PUA directly to the current customers of the Participants; and

WHEREAS, the Participants are entering into this Agreement to provide for water supply and wastewater treatment services to the Participants and their customers until such time as such legislative changes to the PUA Act are accomplished, with the intent that at such time all outstanding Bonds (as defined herein) of the PUA will be paid in full and this Agreement will terminate; and

WHEREAS, pursuant to Section 572.058, Local Government Code, and that certain Utilities Installment Purchase Agreement (the "Purchase Contract"), dated as of January 17, 2012, by and between the PUA and the Lower Colorado River Authority (the "LCRA"), the PUA has agreed to purchase and the LCRA has agreed to sell certain water supply and wastewater treatment facilities (the "Supply and Treatment Components") and water distribution and sanitary sewer collection facilities (the "Distribution and Collection Components") and, together with the Supply and Treatment Components, the "System") and to operate the System as a single system for the purpose of providing water and wastewater services to the Participants; and

WHEREAS, pursuant to the PUA Act, the PUA will (i) own the Supply and Treatment Components, (ii) convey by conditional sale the Distribution and Collection Components within the service area of each Participant to each such Participant, and (iii) operate the System, all for the benefit of the Participants; and

WHEREAS, the Participants wish to enter into this Agreement to (i) obtain water services for the City, the County and MUD 5 (collectively, the "Water Participants") pursuant to Sections 552.018 and 562.016, Local Government Code, and Section 49.213, Water Code, respectively; (ii) obtain wastewater treatment services for the City and MUD 5 (together, the "Wastewater Participants") both pursuant to Section 791.026, Local Government Code; and (iii) acquire by conditional sale the Distribution and Collection Components of the System within the service area of each Participant pursuant to Sections 552.001 and 562.016, Local Government Code, and Section 49.213, Water Code, respectively; and

WHEREAS, it is expected by the PUA and the Participants that from time to time the PUA will issue its Bonds (as hereinafter defined), payable from and secured solely by payments to be made by the Participants under this Agreement for water and wastewater services and for the acquisition of the Distribution and Collection Components of the System; and

WHEREAS, the PUA, to the best of its ability, shall do or cause to be done all such things as may be required for the financing, acquisition, maintenance and operation of the System;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the sufficiency of which are hereby acknowledged, and upon and subject to the terms and conditions hereinafter set forth, the Participants and the PUA mutually undertake, promise, and agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATIONS

Section 1.01 Definitions. In addition to the terms defined above, the following terms shall have the meanings assigned to them below wherever they are used in this Agreement, unless the context clearly requires otherwise:

"Accountant" means a nationally recognized independent certified public accountant, or an independent firm of certified public accountants, selected by the PUA.

"Annual Payments" means the amount of money, constituting the sum of the Installment Payments, the Bond Payment and the Operation and Maintenance Expenses, to be paid to the PUA by the Participants, on a several basis, as described in Section 4.04 hereof.

"Authorized Representative" means any person to whom has been delegated the authority to act on behalf of a Participant or the PUA, as the case may be, which (i) for the City shall be the City Administrator of the City or such other officers or employees of the City authorized to act during his absence or incapacity, (ii) for the County shall be Hays County Commissioner,

Precinct 4, or such other officers or employees of the County authorized to act during his absence or incapacity, (iii) for MUD 5 shall be the President of the Board of Directors of MUD 5 or such other officers or employees of MUD 5 authorized to act during his absence or incapacity, and (iv) for the PUA shall be the President of the Board of Directors of the PUA or such other officer or employee of the PUA authorized to act on behalf of the PUA during the President's absence or incapacity, unless a party notifies the other party in writing of a change in its Authorized Representative.

“Bond Payment” means the portion of the Annual Payments calculated by reference to the Bonds, including payments of principal of and interest on the Bonds and deposits to funds related thereto.

“Bond Resolution” means any resolution adopted by the Board of Directors of the PUA authorizing the issuance of and securing the Bonds and all amendments and supplements thereto.

“Bonds” means all bonds, notes, or other obligations hereafter issued by the PUA, whether in one or more series or issues, to acquire the System and to pay other costs of the System (including any bonds or notes issued to repair, replace, or improve the System) or to refund any Bonds or to refund any such refunding Bonds.

“City” means the City of Bee Cave, Texas.

“Claim,” as used in Section 10.13 of this Agreement, means claims, demands, and expenses, including reasonable attorney's fees.

“Code” means the Internal Revenue Code of 1986, and any amendments thereto, as in force and effect on the date of delivery of any series of Bonds.

“County” means Hays County, Texas.

“Delivery Point” means the place, whether one or more, to which the PUA will deliver water to each Water Participant pursuant to this Agreement, as more fully described in Exhibit B.

“Distribution and Collection Components” means the facilities, lines, booster pumps, and other appurtenances sufficient to deliver the water to the Water Participants and collect the Wastewater from the Wastewater Participants pursuant to this Agreement, all as more fully described in Exhibit B, and any improvements, additions, or extensions to such components.

“Facilities Fund” means the fund established by the PUA to which amounts may be transferred from the Rate Stabilization Fund from time to time for payment of capital additions and improvements to the System.

“Fiscal Year” means the Participants' fiscal years, which currently begin on October 1 of each year, as may be changed from time to time with notice to the PUA.

“Force Majeure” means such term as it is defined in Section 10.03 of this Agreement.

“Installment Payments” has the meaning given such term in the Purchase Contract.

“LCRA” means the Lower Colorado River Authority, a conservation and reclamation district and political subdivision of the State.

“Local Government Code” means Texas Local Government Code, as amended.

“MSRB” means the Municipal Securities Rulemaking Board and any successor to its duties.

“MUD 5” means West Travis County Municipal Utility District No. 5.

“Operation and Maintenance Expenses” means all costs and expenses of operation and maintenance of the System, including (for greater certainty but without limiting the generality of the foregoing) amounts payable under any contract with any person, including, but not limited to any federal, state, or local agency for the right to any source of water; any contribution or payment in lieu of taxes or any fee or charge by any government authority relating to the PUA’s production of water or sale of treated water hereunder; fees and charges to be paid to TCEQ or any other federal, state or local agency for regulatory purposes or for services rendered; the costs of operating personnel, utilities, supervision, engineering, accounting, auditing, legal services, insurance premiums, supplies, services, and administration of the System; Overhead Expenses; costs of operating, repairing, maintaining, and replacing equipment for proper operation and maintenance of the System; and payments made in satisfaction of judgments resulting from claims not covered by insurance arising in connection with the acquisition, operation and maintenance of the System. The term “Operation and Maintenance Expenses” does not include depreciation charges or such portion of the above-described costs to the extent such costs are paid pursuant to an agreement other than this Agreement.

“Operations Transfer Date” means March 19, 2012.

“Outstanding” means, as of a particular date, all Bonds theretofore and thereupon delivered pursuant to the Bond Resolution except: (a) any Bonds canceled by or on behalf of the PUA at or before such date; (b) any Bonds defeased pursuant to the defeasance provisions of the Bond Resolution or otherwise defeased as permitted by applicable law; and (c) any Bonds in lieu of or in substitution for which a replacement Bond shall have been delivered pursuant to the Bond Resolution.

“Overhead Expenses” means the PUA’s reasonable and necessary costs and expenses incurred at any time directly related to the issuance and servicing of the Bonds, the permitting, financing, acquisition and ownership of the System and any other activities required of or involving the PUA in connection with or attributable to the System or the Bonds, including, but not limited to:

- (a) per diem and reimbursable expenses incurred by the Directors of the PUA for special meetings of the PUA’s Board of Directors related to the System;

(b) services of the professional, technical, skilled and unskilled persons and firms engaged by or associated with the PUA, other than PUA staff personnel, together with their reimbursable expenses paid or required to be paid by the PUA;

(c) salaries of the PUA's staff attributable to the System or the Bonds based on time expended, as documented or reasonably estimated by the President of the Board of Directors of the PUA;

(d) the costs of preparing applications for and obtaining all approvals and authorizations required for the System or the Bonds from the regulatory authorities having jurisdiction;

(e) the cost of property casualty and public liability insurance, including any insurance deductible charged to or required to be paid by the PUA;

(f) all costs incurred in litigation involving or relating to the System; and

(g) any and all other costs and expenses, including out-of-pocket expenses, incurred by the PUA attributable to the System or the Bonds, whether enumerated above or not.

"Participant's Account" shall mean the account held by the PUA on behalf of each Participant for deposit of payments received from such Participant's customers.

"Participants" means any public entities that may participate in the PUA from time to time, after adoption of the Concurrent Ordinance or Order in accordance with Section 572.053, Local Government Code, including the City, the County and MUD 5.

"Participant's System" means and includes (i) a Water Participant's waterworks distribution system or combined water distribution and wastewater collection system, (ii) a Wastewater Participant's wastewater collection system or combined water distribution and wastewater collection system, and (iii) all future extensions, improvements, enlargements, and additions thereto, including, to the extent permitted by law, reclaimed water systems within such Participants' waterworks distribution system or wastewater disposal system, and all replacements thereof; provided that, notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term Participant's System shall not include any waterworks distribution facilities or wastewater collection facilities which are hereafter acquired or constructed by such Participant with the proceeds from the issuance of "special facilities obligations" and which are declared by a Participant not to be a part of such Participant's System, which are hereby defined as being special revenue obligations of such Participant which are not secured by or payable from the net revenues of the Participant's System, but which are secured by and are payable solely from special contract revenues, or payments received by the Participant, or any combination thereof, in connection with such facilities; and such revenues or payments shall not be considered as or constitute gross revenues of the Participant's System, unless and to the extent otherwise provided in the order, ordinance or resolution authorizing the issuance of such "special facilities obligations;" and provided further that, except with the prior

approval of the Board of Directors of the PUA, no such facilities may be connected to the System.

“Participant’s Utility Bonds” means the appropriate Participant’s bonds and notes outstanding from time to time, if any, secured by a lien on and pledge of the net revenues of the Participant’s System or any part thereof, regardless of lien priority.

“Permitted Liens” means:

(a) the rights reserved to LCRA in the System and its revenues in the Purchase Contract;

(b) minor irregularities, charges, liens, encumbrances, defects, easements, licenses, rights-of-way, servitudes, restrictions, mineral rights, and clouds on title which, in the opinion of counsel to the PUA, a copy of which shall be forwarded to each of the Participants, do not materially impair the use of the System for the purposes for which it is designed;

(c) easements for roads (as used in this Agreement, the term “roads” shall include, without limitation, streets, curbs, gutters, drains, ditches, sewers, conduits, canals, mains, aqueducts, aerators, connections, ramps, docks, viaducts, alleys, driveways, parking areas, walkways, and trackage), utilities (which for purposes of this Agreement shall include, without limitation, water, sewer, electricity, gas, telephone, pipeline, railroad, and other collection, transportation, light, heat, power, and communication systems) and similar easements and other easements, rights-of-way, rights of flowage, flooding, diversion or outfall, licenses, restrictions, and obligations relating to the operation of the System which, in the opinion of counsel to the PUA, a copy of which shall be forwarded to each of the Participants, do not materially impair the use of the System for the purposes for which it is designed; and

(d) rights of the United States or any state or political subdivision thereof, or other public or governmental authority or agency or any other entity vested with the power of eminent domain to take or control property or to terminate any right, power, franchise, grant, license, or permit previously in force.

“Point(s) of Entry” means the point(s) designated in Exhibit B to this Agreement where wastewater will be received from Wastewater Participants into the System.

“Proportionate Share of the Annual Payment” shall be determined in accordance with the procedures described in Exhibit A hereto.

“Prudent Utility Practice” means any of the practices, methods, and acts, in the exercise of reasonable judgment, in the light of the facts, including but not limited to the practices, methods, and acts engaged in or approved by a significant portion of the public utility industry prior thereto, known at the time the decision was made, that would have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety, and expedition. It is recognized that Prudent Utility Practice is not intended to be limited to the

optimum practice, method, or act at the exclusion of all others, but rather is a spectrum of possible practices, methods, or acts which could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety, and expedition. In the case of any facility included in a Participant's System which is owned in common with one or more other entities, the term "Prudent Utility Practice," as applied to such facility, shall have the meaning set forth in the agreement governing the operation of such facility.

"PUA" means the West Travis County Public Utility Agency and its lawful successors and assigns.

"PUA Act" means Chapter 572, Texas Local Government Code, as amended, or any successor statute.

"Purchase Contract" means that certain Utilities Installment Purchase Agreement, dated as of January 17, 2012, by and between the PUA and the LCRA, and any authorized amendments thereto.

"Rate Stabilization Fund" means the fund described in Section 4.05.

"Rule" means SEC Rule 15c2-12, as amended from time to time.

"Sale and Offering Documents" means any official notice of sale, official bid form, preliminary official statement, official statement, or other offering document for the Bonds.

"SEC" means the United States Securities and Exchange Commission and any successor to its duties.

"Supply and Treatment Components" means the portions of the System other than the Distribution and Collection Components.

"System" means the Supply and Treatment Components and the Distribution and Collection Components purchased from LCRA pursuant to the Purchase Contract, and all future extensions, improvements, enlargements, and additions thereto approved by the PUA Board.

"TCEQ" means the Texas Commission on Environmental Quality or its successors or assigns.

"Trustee" means any trustee named under a trust indenture or the paying agent/registrars named in a paying agent/registrars agreement entered into by the PUA securing the payment of the Bonds and authorized by a Bond Resolution.

"Wastewater" means liquid and water-carried waste discharged from sanitary conveniences of dwellings, business buildings, institutions and the like including garbage which has been shredded to such degree that all particles will be carried freely under flow conditions normally prevailing in public sewers, with no particle greater than one-half (1/2) inch in any dimension and the liquid wastes from industrial processes, and includes any infiltration of water

that has migrated from the ground into the System, or inflow water from above the ground entering the System.

“Wastewater Participants” means any Participant who contracts with the PUA for treatment of wastewater, initially the City and MUD 5.

“Water Code” means Texas Water Code, as amended.

“Water Participants” means any Participant who contracts with the PUA for water service, initially the City, the County and MUD 5.

Section 1.02 Interpretation. The table of contents and caption headings of this Agreement are for reference purposes only and shall not affect its interpretation in any respect. Unless the context otherwise requires, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa. This Contract and all the terms and provisions shall be liberally construed to effectuate the purpose set forth herein and to sustain the validity of this Agreement.

ARTICLE II

ACQUISITION OF THE SYSTEM; FINANCING OF INSTALLMENT PAYMENTS

Section 2.01 General. Subject to the terms and provisions of this Agreement, the PUA agrees to acquire the System pursuant to the terms of the Purchase Contract and to issue the Bonds to finance the Installment Payments due thereunder. It is expressly understood and agreed that any obligations on the part of the PUA to acquire the System and issue its Bonds to finance the Installment Payments, to provide water to the Water Participants and treat wastewater of the Wastewater Participants, and to conditionally sell the Distribution and Collection Components to the Participants shall be (i) conditioned upon the PUA’s ability to obtain all necessary permits, material, labor, and equipment, and upon the ability of the PUA to (A) finance the cost of the System through the actual sale of the Bonds, (B) provide water to the Water Participants and (C) treat wastewater of the Wastewater Participants, and (ii) subject to all present and future valid laws, orders, rules, and regulations of the United States of America, the State, and any regulatory body having jurisdiction.

Section 2.02 Acquisition. The PUA has executed the Purchase Contract to effect the acquisition of the System and shall, as soon as possible, undertake to make, execute, deliver, and prosecute such other contracts, orders, receipts, writings, and instructions with or to other persons, and in general do or cause to be done all such other things, as may be required for the proper acquisition of the System. If such other contracts, orders, receipts, writings and instructions with or to other persons would cause a material modification to the terms and conditions of this Agreement, then this Agreement shall be modified pursuant to Section 10.06 below prior to the effectiveness of such other contracts, orders, receipts writings or instructions.

Section 2.03 Obligation to Pay Annual Payments. It is acknowledged and agreed that payments to be made under this Agreement will be the sole source of revenue available to the

PUA to provide the money necessary for the PUA to satisfy its payment obligations with respect to the Purchase Contract and the Bonds. Each Participant therefore agrees to pay, on a several basis, its Proportionate Share of the Annual Payments in full when due as provided in this Agreement; **provided, however, that each Participant's obligation to make such payments shall be limited solely to the extent of revenues of each such Participant's System.**

Section 2.04 Liens. Neither the Participants nor the PUA will create or permit or suffer to exist any lien, encumbrance, or charge upon the System or any interest therein at any time, except Permitted Liens.

Section 2.05 Approvals. Unless otherwise required by law, each consent, approval, or other official action required of the Participants or the PUA by any provision of this Agreement shall be deemed in compliance with this Agreement when written evidence of such action, signed by the respective Authorized Representative, is delivered to the party who is to receive evidence of such action. All contracts to be entered into by the PUA shall be authorized by the PUA's Board of Directors. The Participants will cooperate with the PUA in the acquisition, financing, maintenance and operation of the System and, following the adoption of each Bond Resolution by the PUA's Board of Directors, will take all such actions as are necessary to effect the acquisition of the System and any other purpose for which Bonds may be issued and will not take any action or fail to take any action (including, without limitation, any exercise or denial of its consent or approval of any action proposed to be taken by the PUA or any of its agents hereunder), if taking or failing to take such action, respectively, would unreasonably delay or obstruct the acquisition of the System by the PUA or any other purpose for which Bonds may be issued.

Section 2.06 Issuance of Bonds. (a) The PUA's payment of the Installment Payments pursuant to the Purchase Contract will be financed by the PUA through the issuance of one or more series or issues of its Bonds payable from and secured solely by an assignment of the Annual Payments made under this Agreement. In consideration of the covenants and agreements set forth in this Agreement, and to enable the PUA to carry out the intents and purposes hereof, including the issuance of the Bonds, this Agreement is executed to assure the acquisition of the System and the issuance of the Bonds and to provide for and guarantee the due and punctual payment by the Participants to the PUA, or to the Trustee under the trust indenture (or paying agent/registrars agreement) securing the Bonds, of the Annual Payments. Each of the Participants hereby agrees to make, or cause to be made, its Proportionate Share of the Annual Payment, as and when due, for the benefit of the owners of the Bonds, as provided in the Bonds and the Bond Resolution.

(b) Except for Bonds issued pursuant to Section 10.22 hereof, the proceeds from the sale of the Bonds will be used for (i) payment of the Installment Payments as defined in and payable by the PUA pursuant to the Purchase Contract, (ii) funding capital improvements to the System; and (iii) funding any required funds and paying any expenses related to the Bonds and the System described in the Bond Resolution, as determined by the Board of Directors of the PUA. The Bonds will be issued by the PUA in the amounts required to pay the Installment Payments and to fund debt service reserve or other funds, costs of issuance of the Bonds and any other expenses related to the Bonds, to the extent deemed advisable by the PUA.

- (c) (1) Each Bond Resolution of the PUA shall specify the maximum principal amount of the Bonds to be issued thereunder. The Bonds shall mature not more than forty (40) years from the date of such Bonds and shall bear interest at not to exceed the maximum legal rate then permitted by law, and the Bond Resolution may create and provide for the maintenance of a revenue fund, an interest and sinking fund, a debt service reserve fund, and any other funds deemed prudent by the PUA, all in the manner and amounts as provided in such Bond Resolution.
- (2) All covenants and provisions in the Bond Resolution affecting, or purporting to bind, the Participants shall, upon the delivery of the Bonds, become absolute, unconditional, valid, and binding covenants and obligations of the Participants so long as the Bonds and interest thereon are Outstanding, and may be enforced as provided in this Agreement and the Bond Resolution. Particularly, the obligation of each of the Participants to pay, promptly when due, all Annual Payments specified in this Agreement shall be absolute and unconditional, and said obligation may be enforced as provided in this Agreement.

Section 2.07 Proceeds of Bonds. Subject to the terms and provisions of this Agreement (and excluding Bonds issued in accordance with Section 10.22), the proceeds of the Bonds shall be used by the PUA for the purposes described in Section 2.06. The PUA shall use its best efforts to issue its Bonds, in one or more series, in amounts which will be sufficient to accomplish such purpose. A trust indenture may be entered into between the PUA and a corporate trustee for the purpose of securing the payment of the Bonds. It is anticipated that the Bonds will be issued pursuant to the Bond Resolution and that a paying agent/registrars agreement will be executed between the PUA and/or the Trustee concerning the payment procedures with respect to the Bonds.

Section 2.08 Refunding of Bonds. The PUA reserves the right to issue refunding bonds in accordance with the laws of the State.

Section 2.09 Redemption of Bonds. The PUA, in its sole discretion or upon the written request of all of the Participants (and provided that the affected Bonds are subject to redemption or prepayment prior to maturity at the option of the PUA, and provided that such request is received in sufficient time prior to the date upon which such redemption or prepayment is proposed), forthwith shall take or cause to be taken all action that may be necessary under the applicable redemption provisions of affected Bonds to redeem such Bonds or any part thereof, to the full extent of funds that are either made available for such purpose by the Participants or already on deposit under the Bond Resolution and available for such purpose. The redemption of any outstanding Bonds prior to maturity at any time shall not relieve the Participants of their absolute and unconditional obligation to pay each remaining Annual Payment with respect to any remaining Outstanding Bonds, as specified in the Bond Resolution.

Section 2.10 PUA Rights Assigned to Trustee. The Participants are advised and recognize that as security for the payment of the Bonds, the PUA may assign to the Trustee,

pursuant to one or more trust indentures (or paying agent/registrars agreements) to be authorized by the Bond Resolution, the PUA's rights under this Agreement to receive the Annual Payments hereunder. The Participants herewith consent to such assignment and will make the Annual Payments directly to the Trustee without defense or set-off by reason of any dispute between one or both of the Participants and the PUA or the Trustee. All rights against the Participants arising under this Agreement or the Bond Resolution and assigned to the Trustee may be enforced by the Trustee, or the owners of the Bonds, to the extent provided in the Bond Resolution, and the Trustee, or the owners of the Bonds, shall be entitled to bring any suit, action, or proceeding against the Participants, to the extent provided in the Bond Resolution, for the enforcement of this Agreement, and it shall not be necessary in any such suit, action, or proceeding to make the PUA a party thereto.

Section 2.11 Tax-Exempt Bonds. The parties hereto understand and agree that the PUA will use its best efforts to provide for, but will not be liable for a failure to produce, the lowest overall debt service cost for the Bonds. In connection therewith, the parties intend that the PUA will issue Bonds the interest on which is excludable from the gross income of the owners thereof for federal income tax purposes. The parties hereto acknowledge their understanding that the federal income tax laws impose certain restrictions on the use and investment of proceeds of such tax-exempt bonds and on the use of the property financed therewith and the output produced therefrom. Accordingly, the parties agree and covenant that if the Bonds are offered to investors with the understanding that the interest will be exempt from federal income taxation, then the parties, their assigns and agents, will take such action to assure, and refrain from such action which will adversely affect the treatment of such Bonds as obligations described in section 103 of the Code. Should any party fail to comply with such covenant, the effect of which being that the Bonds no longer qualify as obligations described in the Code, such defaulting party shall be liable for all costs resulting from the loss of the tax-exempt status of the Bonds. The parties hereby agree and covenant to comply with all of the representations and covenants relating to such exemption which are set out in any Bond Resolution. The parties further agree and covenant that in the event the Bonds issued are to be tax-exempt, they will modify such agreements, make such filings, restrict the yield on investments, and take such other action necessary to fulfill the applicable provisions of the Code. For these purposes, the parties may rely on the opinion of any firm of nationally-recognized bond attorneys selected by them.

Section 2.12 Payment to Rebate Fund. In the event that tax-exempt Bonds are issued as provided in Section 2.11, the PUA hereby covenants and agrees to make the determinations and to pay any deficiency into a rebate fund at the times and as described in the Bond Resolution to comply with the provisions of section 148(f)(2) of the Code. In any event, if the amount of cash held in the rebate fund shall be insufficient to permit the Trustee to make payment to the United States of America of any amount due on any date under section 148(f)(2) of the Code, each of the Participants forthwith shall pay its proportionate share of the amount of such insufficiency (calculated in the same proportion as each such Participant's Proportionate Share of the Annual Payment is calculated) on such date to the Trustee in immediately available funds for such purpose. The obligations of the Participants under this Section 2.12 are direct obligations of each Participant, acting under the authorization of, and on behalf of, the PUA and the PUA shall have no further obligation or duty with respect to the rebate fund.

Section 2.13 Sale and Offering Documents. At the request of the PUA, each of the Participants shall provide to the PUA current and historical information concerning the Participants' Systems, the financial conditions, results, and prospects of the Participants, and such other information concerning the Participants as the PUA shall deem advisable for inclusion in the Sale and Offering Documents for the Bonds of each series and shall certify to the PUA and the underwriters of any offering of Bonds to be made by means of such Sale and Offering Documents when and if the Participant deems such Sale and Offering Documents to be complete and final for purposes of the Rule. Each of the Participants represents and warrants that all statements concerning it (including, without limitation, its financial condition, results, and prospects, its portion of the Participants' Systems, and any demographic and economic information concerning the area served by its portion of the Participants' Systems) that are contained in any Sale and Offering Document shall be true in all material respects and shall not omit to state any material fact necessary to make the statements made in such Sale and Offering Document, in the light of the circumstances in which they are made, not misleading.

Section 2.14 Right of Participants to Prepay. The Participants shall have the right at any time to prepay all or any portion of its Proportionate Share of the Annual Payments. Subject to the provisions of Section 2.11, such prepaid Proportionate Share of the Annual Payments shall be used by the PUA as directed by the Participant which prepaid (i) as a credit against future Proportionate Share of the Annual Payment obligations of such Participant, (ii) to redeem Bonds pursuant to the provisions of Section 2.09, or (iii) to provide for the defeasance of Bonds pursuant to the provisions of the Bond Resolution. Such prepaid amounts shall be invested by the PUA with the concurrence of the prepaying Participant. Any such prepayment shall not cause a termination of this Agreement with respect to such Participant until all other amounts owed or to be incurred by the PUA or any other person under the provisions of the Bond Resolution and hereunder (including Section 10.05 hereof) have been paid in full or waived by such person.

ARTICLE III

CONDITIONAL PURCHASE AND SALE OF DISTRIBUTION AND COLLECTION COMPONENTS

Section 3.01 Conditional Purchase and Sale. The PUA hereby sells to the Participants, and the Participants hereby purchase from the PUA, each Participant's respective Distribution and Collection Components; provided, however, that in the event that a Participant shall for any reason fail to fully discharge its pecuniary obligations to the PUA throughout the term of this Agreement, then title to such Participant's Distribution and Collection Components shall immediately and automatically revert to the PUA without any requirement of further action.

ARTICLE IV

OPERATION AND MAINTENANCE OF SYSTEM; PAYMENT COLLECTION

Section 4.01 Operation and Maintenance of System. The PUA covenants to operate and maintain the System, including the Distribution and Collection Components, on behalf of the

Participants, in accordance with Prudent Utility Practices and in accordance with applicable regulatory requirements. The PUA will establish and set customer service rules and policies for customers served by the System, wholesale and retail rates for service, and other related fees and charges necessary for the proper management and operation of the System and as necessary to make the Annual Payments by each Participant under this Agreement and allow for the repayment of the Bonds. In setting wholesale and retail rates for service, and other related fees and charges as necessary to comply with the terms of this Agreement, the PUA is acting as agent of each of the Participants. Each Participant hereby agrees that, if the PUA shall fail, for any reason, to set rates and charges necessary to comply with the terms hereof, it will take immediate action to set such rates and charges in its service area as necessary to comply with the terms hereof.

Section 4.02 Impact Fees. To the extent allowed by law, the Participants agree to adopt and assess impact fees, if necessary, in accordance with Chapter 395 of the Local Government Code to fund capital expansions of the System provided that such Participant approves the land use assumptions, ten year capital improvements plan, and impact fee calculations supporting the adoption of such fees. Any impact fees adopted and assessed for the System shall be collected by the PUA and used only for the purposes as authorized by Chapter 395 of the Local Government Code.

Section 4.03 Billing. The PUA will render bills to, and collect and receive payments from, the customers of the Participants not more than once each month, for service commencing on the Operations Transfer Date. As such term is defined in the Purchase Agreement. All payments received shall be deposited in the appropriate Participant's Account.

Section 4.04 Deductions for Proportionate Share of Annual Payments. On the 15th day of each month, commencing as of the Operations Transfer Date, the PUA shall debit each Participant's Account in the amount of one-twelfth of its Proportionate Share of the Annual Payment.

Section 4.05 Disbursement of Additional Revenues. On the 15th day of each month, commencing as of the Operations Transfer Date, the PUA shall transfer from each Participant's Account to the Rate Stabilization Fund all amounts remaining therein after all deductions therefrom pursuant to Sections 4.03 and 4.04 for such month. Funds in the Rate Stabilization Fund may be used at the discretion of the PUA for any lawful purpose, including capital additions and improvements to the System and to enable the PUA to manage rates and charges recommended to the Participants pursuant to Section 7.03(b); provided, however, that such funds shall be used in the following order of priority:

(a) First, for funding of operating and maintenance reserves and payment of principal of and interest on the Bonds, in accordance with Prudent Utility Practice;

(b) Second, for redemption or defeasance of outstanding Bonds, if economically advantageous in the discretion of the Board of the PUA; and

(c) Third, for transfer to the Facilities Fund for payment of costs of any capital additions and improvements to the System, including reimbursement of any Participant for payment of such costs, upon request of such Participant and at the discretion of the Board of the PUA. At the discretion of the Board of the PUA, amounts on deposit in the Facilities Fund may be transferred to the Rate Stabilization Fund from time to time and used for any lawful purpose.

ARTICLE V

WATER MATTERS

Section 5.01 Title to Water. Title to the water delivered by the System shall be in the PUA.

Section 5.02 Access to Water Participants. Should any facilities, pipelines, or appurtenances owned by the PUA be installed in any street, alley, or public way within the jurisdiction of the Water Participants, as same are now constituted or as may hereafter be extended, the Water Participants hereby grant to the PUA the right, privilege and franchise of using such streets, alleys and public ways for the purposes of maintaining, operating, laying, repairing, or removing such facilities, pipelines, and appurtenances.

Section 5.03 Easements. The Water Participants hereby agree to grant to the PUA such easements as may be reasonably necessary for the purposes of placing, constructing, operating, repairing, maintaining, rebuilding, replacing, relocating, and removing water facilities upon, over, across and through the Water Participants' property and giving to the PUA, and its successors and assigns, all of the rights and benefits necessary or appropriate for the full enjoyment and use of the easement, including but without limiting the same to the free right of ingress and egress to and from the Water Participants' property. Such rights shall be subject to applicable ordinances and regulations of the Participants.

Section 5.04 Lake Pointe Preserve. Notwithstanding anything to the contrary contained herein, access, use, placement, construction, operation, repair, maintenance, rebuilding, replacement, relocation, or removal of any PUA facilities (collectively the "Preserve Work") within the habitat conserved for the Golden-cheeked Warbler ("GCW") owned or managed by MUD 5 (the "Lake Pointe Preserve") must comply with Permit, PRT-782186, and the following related permit documents: Agreement with Respect to the Lake Pointe Habitat Conservation Plan (the "Implementing Agreement"), the Habitat Conservation Plan for the Lake Pointe Development ("HCP"), and the biological opinion issued by the U.S. Fish and Wildlife Service. Prior to any Preserve Work, the PUA shall receive written authorization from MUD 5 that the proposed Preserve Work is covered by the terms and conditions of the PRT-782186, the related permit documents, and the operation and maintenance provision of the Implementing Agreement, Section V.D.

Section 5.05 Cross-Utilization of Lines. Each Water Participant acknowledges that it may be necessary for certain of its transmission lines to be utilized in order for the PUA to transmit treated water to another Water Participant or other entity and each Water Participant hereby agrees to permit the PUA to so utilize its transmission lines in accordance with Section

5.02 and Section 5.03. In such case, the Water Participant involved agrees to inform the PUA of any special requirements with respect to pressure or other matters relating to the transmitting Water Participant's lines.

Section 5.06 Delivery Points. The PUA will deliver water to the Delivery Point(s) for each Water Participant at the location(s) depicted in Exhibit B.

Section 5.07 Quantity. During any period of time that the treated water produced by the System is insufficient to satisfy 100% of the needs of all Water Participants, then each Water Participant's proportionate share of the available treated water produced by the System shall be equal to each Participant's Proportionate Share of the Annual Payment as determined in Exhibit A.

Section 5.08 Other Contracts. The PUA shall not enter into contracts with other persons for the supply of water outside of its service area (as more fully described in Exhibit C) without the prior consent of Water Participants and any Water Participant may withhold its consent in its sole and absolute discretion. The Water Participants may not resell water that they purchase from the PUA to third party wholesalers without obtaining the written consent of the PUA and the other Water Participants. The Water Participants shall not enter into contracts with any entity other than the PUA for supply of water during the term of this Agreement.

Section 5.09 Quality. The water to be delivered by the PUA and received by the Water Participants shall be surface water produced from and treated by the System. Each of the Water Participants has satisfied itself that such water is suitable for its needs. The PUA and each of the Water Participants shall cooperate, each within its legal powers, in preventing possible pollution and contamination of the sources from which the water is obtained.

ARTICLE VI

WASTEWATER MATTERS

Section 6.01 Wastewater Flow. The PUA agrees to receive, transport and treat Wastewater of each Wastewater Participant, respectively, at its Point(s) of Entry in accordance with this Article. The PUA agrees to provide adequate facilities and processes to meet volume and peaking requirements of the Wastewater Participants as provided herein.

Section 6.02 Flow Rates.

A. Each Wastewater Participant agrees that during each Fiscal Year while the System is in operation, it shall be obligated to transport and discharge into the System at its respective Point(s) of Entry, all of the Wastewater which is generated and collected within its service area, subject to the restrictions hereinafter stated.

B. The total quantity of Wastewater discharge into the System shall never exceed the amount which the System is capable of receiving, treating, and disposing, unless approved by the PUA, subject to the terms and conditions to be established by the PUA. Notwithstanding the foregoing, no Wastewater Participant shall ever make any discharge into the System which

would cause the System to be overloaded or be in violation of its permits from the State and/or the United States of America.

C. Wastewater will be received into the System at the Point(s) of Entry for each respective Wastewater Participant, as shown on Exhibit B attached hereto and incorporated herein for all purposes, or at such other points of entry that may be established by mutual agreement between the PUA and Wastewater Participant, if such other points of entry are determined by the PUA to be economical and beneficial to the System.

Section 6.03 Access.

A. Each Wastewater Participant agrees to provide ingress and egress for PUA employees and agents to all its premises inside Wastewater Participants' service area to install, operate, inspect, test, and maintain facilities owned or maintained by PUA within corporate or jurisdictional limits of Wastewater Participant or to make such inspections or tests authorized by this Agreement.

B. The PUA agrees to provide ingress and egress for Wastewater Participant employees and agents to all premises under control of the PUA to install, operate, inspect, test, and maintain facilities, and read meters owned or maintained by Wastewater Participant.

Section 6.04 Resale. Wastewater Participants hereby agree not to accept and transport to their respective Point(s) of Entry any Wastewater from outside such Wastewater Participant's corporate boundaries or prescribed service area (as may be adjusted from time to time).

Section 6.05 Other Contracts. The PUA shall not enter into contracts with other persons for the treatment of Wastewater outside of its service area (as more fully described in Exhibit D) without the prior consent of Wastewater Participants and any Wastewater Participant may withhold its consent in its sole and absolute discretion. The Wastewater Participants shall not enter into contracts with any entity other than the PUA for treatment of Wastewater during the term of this Agreement.

ARTICLE VII

ANNUAL PAYMENTS COVENANTS

Section 7.01 Annual Estimate of Annual Payments. Not less than ninety (90) days prior to the beginning of each Fiscal Year, the PUA shall furnish to the Participants an estimate and schedule of the Annual Payments required to be paid by the Participants in such Fiscal Year.

Section 7.02 Annual Payments by the Participants. (a) Each of the Participants hereby agrees that it will make payments of its Proportionate Share of the Annual Payments to the PUA, or to the Trustee on behalf of the PUA, as provided in the Bond Resolution and in accordance with the procedures established in Section 4.03 hereof. If a Participant at any time disputes the amount to be paid by it to the PUA, deductions shall nevertheless promptly be made from such Participant's Account, but if it is subsequently determined by agreement or court decision that such disputed payments should have been less, or more, the PUA shall promptly revise the

charges for such Participant in such manner that a Participant will recover its overpayment or the PUA will recover the amount due it. The PUA shall pursue all legal remedies against the Participants to enforce and protect the rights of the PUA and the owners of the Bonds, and the Participants shall not be relieved of the liability to the PUA for the payment of all amounts which are due by them hereunder.

(b) The PUA shall redetermine the estimate and schedule of Annual Payments due in any Fiscal Year at any time during such Fiscal Year, as and to the extent deemed necessary or advisable by the PUA to accurately forecast the amount and date of Annual Payments to be made by the Participants, if (i) the PUA issues Bonds to refund any Bonds, (ii) actual interest rates on any variable interest rate Bonds differ from those projected by the PUA, or (iii) any other event occurs which results in an increase or decrease in the Annual Payments required to be made by the Participants in such Fiscal Year.

(c) If, during any Fiscal Year, the Annual Payment is redetermined in any manner as provided or required in this Section, the PUA will promptly furnish the Participants with an updated schedule of payments reflecting such redetermination.

(d) Notwithstanding anything herein to the contrary, no failure of the PUA to estimate, and no mistake by the PUA in any estimate of, the amount of or schedule for Annual Payments due from the Participants in any Fiscal Year shall relieve the Participants from (or defer) their absolute and unconditional obligation to make all Annual Payments in full when due.

Section 7.03 Source of Payment. (a) Each of the Participants represents and covenants that all payments to be made by them under this Agreement shall constitute reasonable and necessary "operating expenses" (as defined in Section 572.061(c), Local Government Code) of the Participants' Systems, but only to the extent of each Participant's Proportionate Share of the Annual Payment, **and the Participants shall not be obligated to make any payments under this Agreement from any source other than the gross revenues of the Participants' Systems.** Each of the Participants further represents that the governing bodies of the Participants have determined that the services to be provided by the System are absolutely necessary and essential to provide the water to the Water Participants and, with respect to the Wastewater Participants to treat the wastewater of the Wastewater Participants, contemplated by this Agreement.

(b) Each of the Participants agrees throughout the term of this Agreement to (i) implement such rates and charges for services to be supplied by such Participant's System as shall be set by the PUA as will produce gross revenues at all times during the term of this Agreement in an amount at least equal to all of the expenses of operation and maintenance of such Participant's System, including specifically its payments under this Agreement and (ii) fix and collect such rates and charges for services to be supplied by such Participant's System all other amounts as required by law and the provisions of the ordinances or resolutions authorizing the Participant's Utility Bonds, if any, or other obligations now or hereafter outstanding payable, in whole or in part, from the net revenues of such Participant's System, including the amounts required to pay all principal of and interest on such Participants Utility Bonds, if any, and other obligations. Each of the Participants further agrees throughout the term of this Agreement to fix

and collect such rates and charges for services to be supplied by such Participant's System sufficient to satisfy clause (i) above if the PUA shall for any reason fail to do so.

(c) No ad valorem tax revenues of any of the Participants shall be pledged to the payment of any amounts to be paid by the Participants to the PUA under this Agreement, nor shall the PUA have the right to demand payment of any amounts to be paid by the Participants under this Agreement be paid from funds raised or to be raised from ad valorem taxation from the Participants and the obligations under this Agreement shall never be construed to be a debt or pecuniary obligation of the Participants of such kind as to require the Participants to levy and collect an ad valorem tax to discharge their obligations.

Section 7.04 Installment Payments. Each Participant hereby acknowledges and agrees that the Annual Payments due hereunder initially include the Installment Payments owed by the PUA to the LCRA pursuant to the Purchase Contract. Each Participant further acknowledges and agrees that upon issuance of each series of Bonds hereunder and application of the proceeds thereof by the PUA to payment of Installment Payments under the Purchase Contract, (i) the amount of the Annual Payments owed by the Participants hereunder will be reduced by the amount of the Installment Payments funded by such series of Bonds, and (ii) the amount of the Annual Payments owed by the Participants hereunder will be increased by the amount of the Bond Payment related to such series of Bonds.

Section 7.05 Annual Budgeting by the Participants. The Participants shall make provision in each of their annual budgets and shall appropriate an amount sufficient, at a minimum, for the payment of all amounts required to be paid by the Participants under this Agreement.

Section 7.06 Revenue Sources Pledged. Each of the Participants hereby pledges the gross revenues of such Participant's System to the payment of its obligations under this Agreement and recognizes that the PUA will, and authorizes the PUA to, pledge the Annual Payments owing to it by the Participants under this Agreement to the payment of the Installment Payments and the Bonds. The PUA agrees to make the payments for the Installment Payments and Bonds when and as required by the Purchase Contract, the Bond Resolution and this Agreement, from Annual Payments made by the Participants. The PUA and the Participants hereby agree and acknowledge that, pursuant to and in accordance with the PUA Act, the Installment Payments payable to LCRA pursuant to the Purchase Contract constitute an operating and maintenance expense of the PUA and a first lien on the revenues of the PUA, payable prior to payment of principal of and interest on the Bonds.

Section 7.07 General Covenants. Each Participant further represents, covenants and agrees that in accordance with and to the extent permitted by law:

(a) Performance. It will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in each ordinance or resolution authorizing the issuance of its Participants Utility Bonds, if any; and it will, at the time and in the manner prescribed, deposit or cause to be deposited the amounts required to be deposited into the fund and accounts created by said ordinances or resolutions, but only

from and to the extent of the sources of funds and after satisfaction of all prior obligations described therein.

(b) Legal Formation and Existence. It is duly created and existing under the laws of the State and is duly authorized under the laws of the State to enter into this Agreement; that all action on its part for the execution and delivery of this Agreement has been duly and effectively taken; and that this Agreement is a valid and enforceable special obligation of the Participants in accordance with its terms.

(c) Title. It has or will obtain lawful title, whether such title is in fee or lesser interest, to the lands, buildings, structures, and facilities constituting such Participant's System; it will defend the title to all the aforesaid lands, buildings, structures, and facilities, and every part thereof against the claims and demands of all persons whomsoever, and it is lawfully qualified to pledge the gross revenues of such Participant's System to the payment of the payments required by this Agreement in the manner prescribed herein, and has lawfully exercised such rights.

(d) Liens. It will from time to time and before the same become delinquent pay and discharge all taxes, assessments, and governmental charges, if any, which shall be lawfully imposed upon such Participant's System; it will pay all lawful claims for rents, royalties, labor, materials, and supplies which if unpaid might by law become a lien or charge thereon, the lien of which would be prior to or interfere with the liens hereof, so that the priority of the lien granted hereunder shall be fully preserved in the manner provided herein; and it will not create or suffer to be created any mechanic's, laborer's, materialman's, or other lien or charge which might or could be prior to the liens hereof, or do or suffer any matter or thing whereby the lien hereof might or could be impaired; provided however, that no such tax, assessment, or charge, and that no such claims which might be used as the basis of a mechanic's, laborer's, materialman's, or other lien or charge, shall be required to be paid so long as the validity of the same shall be contested in good faith by such Participant.

(e) Books, Records, and Accounts. The PUA shall keep proper books, records, and accounts separate and apart from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to each Participant's System, and shall cause said books and accounts to be audited annually as of the close of each Fiscal Year by the Accountant. Such annual audit report shall be open to the inspection of the Trustee, if any, and the owners of the Bonds at all reasonable times. At the request of a Participant, the PUA shall allow such Participant to audit such books, records, and accounts at any reasonable time and from time to time.

(f) Insurance.

(1) Except as otherwise permitted in clause (2) below, it shall cause to be insured such parts of the Participant's System as would usually be insured by corporations operating like properties, with a responsible insurance company or companies, against risks, accidents, or casualties against which and to the extent

insurance is usually carried by corporations operating like properties, including, to the extent reasonably obtainable, fire and extended coverage insurance, insurance against damage by floods, and use and occupancy insurance. Public liability and property damage insurance shall also be carried unless counsel to the Participant gives a written opinion to the effect that the Participant is not liable for claims which would be protected by such insurance. At any time while any contractor engaged in construction work shall be fully responsible therefor, the Participants shall not be required to carry insurance on the work being constructed if the contractor is required to carry appropriate insurance. All such policies shall be open to the inspection of the PUA at all reasonable times.

(2) In lieu of obtaining policies for insurance as provided above, the Participants may self-insure against risks, accidents, claims, or casualties described in clause (1) above.

(3) The annual audit hereinafter required shall contain a section commenting on whether or not the Participant has complied with the requirements of this Section with respect to the maintenance of insurance, and listing the areas of insurance for which the Participant is self-insuring, all policies carried, and whether or not all insurance premiums upon the insurance policies to which reference is hereinbefore made have been paid.

(g) Governmental Agencies. It will comply with all of the terms and conditions of any and all franchises, permits, and authorizations applicable to or necessary with respect to such Participant's System, and which have been obtained from any governmental agency; and each Participant has or will obtain and keep in full force and effect all franchises, permits, authorizations, and other requirements applicable to or necessary with respect to the acquisition, construction, equipment, operation, and maintenance of such Participant's System.

(h) No Competition. To the extent permitted by law, it will not grant any franchise or permit for the acquisition, construction, or operation of any competing facilities which might be used as a substitute for such Participant's System's facilities, and, to the extent permitted by law, each Participant will prohibit any such competing facilities.

(i) Rights of Inspection. The PUA, the Trustee, and the owners of 10% or more in principal amount of the Bonds of any series shall have the right at all reasonable times to inspect each Participant's System and all records, accounts, and data of the Participant relating thereto, and upon request each Participant shall furnish to the PUA, the Trustee, and such owners of Bonds such financial statements, reports, and other information relating to the Participant and such Participant's System as any such person may from time to time reasonably request.

(j) Sale, Lease, or Disposal of Property by the Participants. No part of the Participant's System shall be sold, leased, mortgaged, demolished, removed, or otherwise disposed of, except as follows:

(1) To the extent permitted by law, a Participant may sell or exchange at any time and from time to time any property or facilities constituting such Participant's System only if (i) it shall determine such property or facilities are not useful in the operation of such Participant's System, or (ii) the proceeds of such are \$250,000 or less, or it shall have received a certificate executed by the Authorized Representative stating, in their opinion, that the fair market value of the property or facilities exchanged is \$250,000 or less, or (iii) if such proceeds or fair market value exceeds \$250,000 it shall have received a certificate executed by the Authorized Representative stating in their opinion, that the sale or exchange of such property or facilities will not impair the ability of such Participant to comply during the current or any future year with the provisions of this Agreement. The proceeds of any such sale or exchange not used to acquire other property necessary or desirable for the safe or efficient operation of such Participant's System shall forthwith, at the option of such Participant, be used as provided in the ordinances or resolutions its Participants Utility Bonds, if any.

(2) To the extent permitted by law, a Participant may lease or make arrangements for the use of, or grant easements or other rights with respect to, any part of its portion of the Participant's System, provided that any such arrangement, easement or right (i) does not impede the operation by the PUA of the System and (ii) does not in any manner impair or adversely affect the rights or security of the PUA under this Agreement; and provided, further, that if the depreciated cost of the property to be covered by any such arrangement, easement, or other right is in excess of \$500,000, the PUA shall have received a certificate executed by the Authorized Representative that the action of the Participant with respect thereto does not result in a breach of the conditions under this subsection (2). Any payments received by a Participant under or in connection with any such arrangement, easement or right in respect of the Participant's System or any part thereof shall constitute gross revenues of the Participant's System.

ARTICLE VIII

CONTINUING DISCLOSURE

Section 8.01 Annual Reports. Following the issuance of Bonds of any series, the offer or sale of which is not exempt from the Rule and, until the Participants are no longer obligated, contingently or otherwise, to make Annual Payments in respect of the Bonds of such series, the Participants undertake to and shall provide annually to the MSRB, within six months after the end of each Fiscal Year, (1) financial information and operating data of the general type included in the Sale and Offering Documents for the Bonds of such series, and (2) audited general purpose financial statements of the Participants, if then available. Any financial statements so to be

provided shall be (1) prepared in accordance with generally accepted accounting principles for governmental agencies or such other accounting principles as the Participants may be required to employ from time to time pursuant to state law or regulation, and (2) audited, if the Participants commission an audit of such statements and the audit is completed within the period during which it must be provided. If the audit of such financial statements is not complete within such period, then the Participants shall provide unaudited financial statements within the required period, and shall provide audited financial statements for the applicable Fiscal Year to the MSRB, when and if the audit report on such statements become available.

If the Participants change their Fiscal Year, they will notify the Trustee and the MSRB in writing of the change (and of the date of the new Fiscal Year end) prior to the next date by which the Participants otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be incorporated by specific reference to any document or specific part thereby (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to the MSRB or filed with the SEC. Copies of such information and operating data shall be furnished to the PUA at the same time the information and data are furnished to the MSRB.

Section 8.02 Certain Event Notices.

(a) The following are events which the PUA must agree to disclose in a timely manner (not to exceed ten (10) business days) pursuant to the Rule:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of holders of the Bonds, if material;

- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the PUA or a Participant;
- (13) The consummation of a merger, consolidation, or acquisition involving the PUA or a Participant or the sale of all or substantially all of the assets of the PUA or a Participant 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 Trustee, if material.

(b) For the purposes of the event identified in clause (12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the PUA or a Participant in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the PUA or a Participant, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the PUA or a Participant.

(c) The Participants shall, promptly after obtaining actual knowledge of the occurrence of any of the events enumerated in (a) above, notify the PUA of such event and provide all information in the format required to satisfy the requirements of the Rule. Further, the Participants shall provide, in a timely manner (not to exceed ten (10) business days), notice of any failure by the Participants to provide audited financial statements, financial information, and operating data in accordance with Section 8.01 hereof to the MSRB.

Section 8.03 Limitations, Disclaimers, and Amendments. The Participants shall be obligated to observe and perform the covenants specified in this Article in respect of the Bonds of any series for so long as, but only for so long as, the Participant remains an “obligated person” with respect to the Bonds of such series within the meaning of the Rule, except that the

Participants in any event will give notice of any deposit made in accordance with the Bond Resolution that causes Bonds of such series no longer to be outstanding.

The provisions of this Article are for the sole benefit of (and may be enforced by) the owners and beneficial owners of the Bonds, and nothing in this Article, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Participants undertake to provide only the financial information, operating data, financial statements, and notices which they have expressly agreed to provide pursuant to this Article and do not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Participants' financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Article or otherwise, except as expressly provided herein. The Participants make no representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

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

No default by the Participants in observing or performing its obligations under this Article shall comprise a breach of or default under this Agreement for purposes of any other provision of this Agreement.

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

The provisions of this Article may be amended by the PUA and the Participants from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the PUA or the Participants, but only if (1) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell Bonds of the applicable series in the primary offering of the Bonds of such series in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances, and (2) either (a) the owners of a majority in aggregate principal amount (or any greater amount required by any other provision of this Agreement that authorizes such an amendment) of the outstanding Bonds of each such series affected consent to such amendment or (b) an entity that is unaffiliated with the PUA or the Participants (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the owners and beneficial owners of the Bonds of such series and is permitted by the terms of the Article. If the PUA and the Participants so amend the provisions of this Article in connection with the financial or operating data which the Participants are required to disclose under Section 8.01 hereof, the Participants

shall provide a notice of such amendment to be filed in accordance with Section 8.02(b) hereof, together with an explanation, in narrative form, of the reason for the amendment and the impact of any change in the type of financial information or operating data to be so provided. The PUA and the Participants may also amend or repeal the provisions of this Article if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

ARTICLE IX

COMPLIANCE WITH FEDERAL, STATE AND LOCAL LAWS

Section 9.01 Compliance with Federal, State and Local Laws. In addition to the provisions of Section 10.08 hereof, this Agreement is subject to all applicable federal and State laws and any applicable permits, ordinances, rules, orders and regulations of any local, state or federal government authority having or asserting jurisdiction. This Agreement is specifically subject to the rules of the TCEQ and the PUA shall have the right to terminate this Agreement upon the Participants' noncompliance with the rules promulgated by the TCEQ. Pursuant to those rules the parties will comply with Section 9.02.

Section 9.02 Recordkeeping and Reporting. The Participants and the PUA shall maintain records on site for a period of five (5) years. Records to be maintained by the PUA include: (i) copies of notifications made to the TCEQ concerning water projects; (ii) as applicable, copies of contracts made with each Water Participant; (iii) records of volume of water delivered to each Water Participant per delivery; (iv) water quality analyses.

The foregoing requirements of this Article IX shall be amended as necessary to comply with the rules of the TCEQ.

All costs of compliance with the rules of the TCEQ shall be paid by the PUA, but such costs shall be considered an Operation and Maintenance Expense.

ARTICLE X

GENERAL PROVISIONS

Section 10.01 Participation by the Parties. The PUA and each of the Participants each represents to the others that it is empowered by law to participate in the acquisition and financing of the System, and to execute this Agreement and other agreements and documents as are or may hereafter be required to accomplish the same; and that its participation in the System and execution of this Agreement have been duly authorized by action of its governing body at a meeting conducted in accordance with the Texas Open Meetings Act, as amended, Chapter 551, Texas Government Code. The PUA and each of the Participants agree to furnish to the other such documentation or evidence of its authority to so participate and execute the contracts and other agreements as the other party may reasonably request, and to take and perform such other

and further actions and execute such other agreements and documents as may be reasonably required to carry out the provisions of this Agreement.

Section 10.02 Insurance. (a) The PUA agrees to carry public liability insurance on the System for purposes and in amounts which ordinarily would be carried by a privately owned utility company owning and operating such facilities, except that the PUA shall not be required to carry liability insurance except to insure itself against risk of loss due to claims for which it can, in the opinion of the PUA's legal counsel, be potentially liable considering relevant governmental immunities of the Participants and the PUA. The PUA shall also carry property casualty insurance in the amount of the replacement value of all improvements and personal property connected with the System (less a deductible comparable to the deductible on the Participants' property insurance for Participants property generally).

All premiums for such insurance shall constitute an Operation and Maintenance Expense of the System. In the event the PUA is required to pay a deductible with respect to a claim under any such policy, the amount of such deductible shall constitute an Operation and Maintenance Expense.

(b) The PUA shall require any contractor or contractors employed for construction of the System to carry insurance coverages throughout the construction period in at least the following amounts: (1) workers' compensation: State law limits; (2) general liability (including contractual liability) and automobile liability: one hundred thousand dollars (\$100,000) per person and per occurrence for bodily injury and one hundred thousand dollars (\$100,000) for property damage; (3) builder's risk: full replacement value of improvements; (4) performance and payment bond: full value of contract; (5) cost overrun insurance; and (6) timely completion insurance. The Participants shall be furnished with a certified copy of such effective policy of insurance prior to commencement of construction. Such insurance policies shall name the PUA and the Participants as additional insureds, and the PUA shall be provided with a certificate of insurance showing the required coverages and providing that the policies may not be canceled, changed, or not renewed until the PUA has been given thirty (30) days prior written notice of such event.

(c) The insurance required by this section may be modified by written agreement of the Participants and the PUA, in accordance with good business practice. The parties can agree to substitute an owner controlled insurance program for any of the above specified insurance requirements.

Section 10.03 Force Majeure. If by reason of Force Majeure any party hereto shall be rendered unable wholly or in part to carry out its obligations under this Agreement, other than the obligation of the Participants to make the payments required under Sections 4.03 and 4.04 of this Agreement, then if such party shall give notice and full particulars of such Force Majeure in writing to the other party within a reasonable time after the occurrence of the event or cause relied on, the obligation of the party giving such notice, so far as it is affected by such Force Majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period, and any such party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "Force Majeure" as employed herein shall mean acts of God,

strikes, lockouts or other industrial disturbances, acts of public enemy, orders of any kind of the Government of the United States or the State of Texas, or any civil or military authority, insurrection, riots, epidemics, landslides, lightning, earthquake, fires, hurricanes, blue northerns, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipelines or canals, partial or entire failure of water supply, inability on the part of the PUA to deliver water for any reason, or on account of any other causes not reasonably within the control of the party claiming such inability.

Section 10.04 Unconditional Obligation to Make Payment. Recognizing the fact that the Participants urgently require the facilities and services of the System, and that such facilities and services are essential and necessary for actual use and for standby purposes, and recognizing the fact that the Annual Payments to be received from each of the Participants will be the sole source of funds available to the PUA and the Trustee to pay the Bonds, and recognizing the fact that purchasers of Bonds will rely on the obligation of the Participants to make Annual Payments in accordance with the provisions of this Agreement, each of the Participants hereby waives all rights of set-off, recoupment, counterclaim, suspension, deferment, reduction, and amendment, with respect to making the Annual Payments against the PUA, the Trustee, and any other direct or indirect recipients of Annual Payments, and the Participants agree that, if the Bonds are issued, they shall be unconditionally obligated to pay the Annual Payments as provided and determined by this Agreement, regardless of whether or not the PUA actually acquires, the System or breaches any obligation on its part hereunder, and whether or not the Participants actually use the System, whether due to Force Majeure or any other reason whatsoever, regardless of any other provisions of this Agreement, any other contract or agreement between any of the parties hereto. This covenant by each of the Participants shall be for the benefit of and enforceable by the owners of the Bonds, the Trustee and/or the PUA.

By entering into this Agreement and performing its obligations under any Section of this Agreement, the Participants do not release any persons from or waive any claims against such persons that the Participants may have resulting from actions by such persons contrary to that person's legal obligations.

Section 10.05 Term of Contract. This Agreement shall be effective from and after its date, and shall continue in full force and effect until the principal of and interest on all Bonds shall have been paid or provision for the payment of all of the Bonds has been made in accordance with the terms of the Bond Resolution (by legal defeasance or otherwise). When the principal of and interest on all Bonds shall have been paid or provision for the payment of all of the Bonds has been made in accordance with the terms of the Bond Resolution (by legal defeasance or otherwise) and all amounts owed to the PUA, the Trustee, or any other person hereunder have been paid, all money held by the Trustee or the PUA pursuant to the terms of the Bond Resolution shall be paid to the PUA.

Section 10.06 Modification. No change, amendment, or modification of this Agreement shall be made or be effective which will affect adversely the prompt payment when due of all money required to be paid by the Participants under the terms of this Agreement and no such

change, amendment, or modification shall be made or be effective which would cause a violation of any provisions of any Bond Resolution.

Section 10.07 Addresses and Notice. Unless otherwise provided herein, any notice, communication, request, reply, or advice (herein severally and collectively, for convenience, called "Notice") herein provided or permitted to be given, made, or accepted by any party to the other parties must be in writing and may be given or be served by depositing the same in the United States mail postpaid and registered or certified and addressed to the party to be notified, with return receipt requested, or by delivering the same to an officer of such party, or by prepaid telegram when appropriate, addressed to the party to be notified. Notice deposited in the mail in the manner hereinabove described shall be conclusively deemed to be effective, unless otherwise stated herein, from and after the expiration of three days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the party to be notified. For the purposes of notice, the addresses of the parties shall, until changed as hereinafter provided, be as follows:

- If to the PUA: West Travis County Public Utility Agency
12215 Bee Cave Road
Bee Cave, TX 78738
Attn: General Manager

- With a copy to: Lauren Kalisek
Lloyd Gosselink Rochelle & Townsend, P.C.
816 Congress Ave Suite 1900
Austin, Texas 78701

- If to the County: Judge Bert Cobb, M.D. (or successor)
Hays County Judge
111 E. San Antonio St., Suite 300
San Marcos, TX 78666

- with copy to: Mark Kennedy (or successor)
A.D.A. - Chief - Civil Division
712 S. Stagecoach Trail, Suite 2057
San Marcos, TX 78666

- If to the City: Frank Salvato, City Administrator
4000 Galleria Parkway
Bee Cave, Texas 78738

- If to MUD 5: President, Board of Directors
West Travis County Municipal Utility District No. 5
P.O. Box 150068
Austin, Texas 78715

The PUA and the Participants hereto shall have the right from time to time and at any time to change their respective addresses and each shall have the right to specify as its address any other address by at least fifteen (15) days' written notice to the other parties.

Section 10.08 State or Federal Laws, Rules, Orders, or Regulations. This Agreement is subject to all applicable federal and State laws and any applicable permits, ordinances, rules, orders, and regulations of any local, state, or federal governmental authority having or asserting jurisdiction but nothing contained herein shall be construed as a waiver of any right to question or contest any such law, ordinance, order, rule, or regulation in any forum having jurisdiction and the Participants and the PUA represent that, to the best of their knowledge, no provisions of any applicable federal or State law, nor any permit, ordinance, rule, order, or regulation of either party will limit or restrict the ability of either party to carry out their respective obligations under or contemplated by this Agreement.

Section 10.09 Severability. The parties hereto specifically agree that in case any one or more of the sections, subsections, provisions, clauses, or words of this Agreement or the application of such sections, subsections, provisions, clauses, or words to any situation or circumstance should be, or should be held to be, for any reason, invalid or unconstitutional, under the laws or constitutions of the State or the United States of America, or in contravention of any such laws or constitutions, such invalidity, unconstitutionality, or contravention shall not affect any other sections, subsections, provisions, clauses, or words of this Agreement or the application of such actions, subsections, provisions, clauses, or words to any other situation or circumstance, and it is intended that this Agreement shall be severable and shall be construed and applied as if any such invalid or unconstitutional section, subsection, provision, clause, or word had not been included herein, and the rights and obligations of the parties hereto shall be construed and remain in force accordingly.

Section 10.10 Remedies Upon Default. It is not intended hereby to specify (and this Agreement shall not be considered as specifying) an exclusive remedy for any default, but all such other remedies (other than termination) existing at law or in equity may be availed of by any party hereto and shall be cumulative. Recognizing that failure in the performance of the Participants' obligations hereunder could not be adequately compensated in money damages alone, each of the Participants agrees in the event of any default on its part that the PUA and the owners of the Bonds as third-party beneficiaries shall have available to them the remedies of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available to them. Notwithstanding anything to the contrary contained in this Agreement, any right or remedy or any default hereunder, except the right of the PUA to receive the Annual Payments and the provisions of Section 2.11 hereof, which shall never be determined to be waived, shall be deemed to be conclusively waived unless asserted by a proper proceeding at law or in equity within two (2) years plus one (1) day after the occurrence of such default. No waiver or waivers of any breach or default (or any breaches or defaults) by any party hereto or of the performance by any other party of any duty or obligation hereunder shall be deemed a waiver thereof in the future, nor shall any such waiver or waivers be deemed or construed to be a waiver of subsequent breaches or defaults of any kind, character or description, under any circumstances.

Section 10.11 Venue. All amounts due under this Agreement, including, but not limited to, payments due under this Agreement or damages for the breach of this Agreement, shall be paid and be due in Travis County, Texas, which is the County in which the principal administrative offices of the PUA are located. It is specifically agreed among the parties to this Agreement that Travis County, Texas, is the place of performance of this Agreement; and in the event that any legal proceeding is brought to enforce this Agreement or any provision hereof, the same shall be brought in Travis County, Texas.

Section 10.12 Statutory Authority. In entering into this Agreement and performing all duties and obligations hereunder, the Participants and the PUA exercise their authority under and in accordance with the State Constitution and laws including, but not limited to, the PUA Act, Chapters 552 and 562, Local Government Code; Chapters 791 and 1502, Texas Government Code, as amended, and all other laws which may authorize this Agreement, all of which provisions and laws, cited or not cited herein, shall cumulatively provide the authority for this Agreement.

Section 10.13 Indemnification. FOR SO LONG AS THE BONDS ARE OUTSTANDING AND UNPAID, AND ALSO WITH RESPECT TO ANY CLAIM THAT MAY ARISE OUT OF THE OFFER AND SALE OF THE BONDS OF ANY SERIES OR THE ALLEGED MISSTATEMENT OR OMISSION OF A MATERIAL FACT IN OR FROM ANY SALE AND OFFERING DOCUMENT RELATING TO ANY PARTICIPANT USED IN CONNECTION THEREWITH, TO THE EXTENT PERMITTED BY LAW, EACH PARTICIPANT AGREES TO INDEMNIFY AND SAVE AND HOLD HARMLESS THE PUA, AND THE OTHER PARTICIPANTS, ITS OFFICERS, DIRECTORS, AGENTS, FINANCIAL ADVISORS, ATTORNEYS, AND EMPLOYEES, AND THE UNDERWRITERS OF ANY SUCH OFFERING AND THEIR DIRECTORS, OFFICERS, EMPLOYEES, AND AGENTS, AND ALL PERSONS WHO CONTROL THE SAME WITHIN THE MEANING OF THE FEDERAL SECURITIES LAWS, FROM AND AGAINST ALL CLAIMS THAT MAY ARISE AS A RESULT OF ANY UNDERTAKING, ACT, OR OMISSION, WHETHER NEGLIGENT OR NOT, WHICH IS DONE OR OMITTED TO BE DONE BY THE PARTICIPANTS OR ANY OF THEIR OFFICERS, COUNCILMEN, AGENTS, ATTORNEYS, AND EMPLOYEES, RELATING TO THE SYSTEM OR PROVIDING INFORMATION FOR INCLUSION IN THE SALE AND OFFERING DOCUMENTS. IF ANY SUCH CLAIM IS BROUGHT AGAINST ANY SUCH INDEMNIFIED PERSON, THE PARTICIPANTS SHALL PAY ALL COSTS INCURRED BY SUCH PERSON IN DEFENDING AND (SUBJECT TO APPLICABLE RULES OF ATTORNEY CONDUCT) MAY CONTROL THE DEFENSE OF SUCH CLAIM.

Section 10.14 Agreement not for Benefit of Third Parties. This Agreement is made for the exclusive benefit of the Participants, the PUA, the Trustee, the owners of the Bonds, the underwriters of any offering of and remarketing agent and tender agent, if any, for any Bonds, and their respective successors and assigns herein permitted, and not for any third party or parties other than the PUA (including its officers, directors, employees, agents, and attorneys), the Trustee, the owners of the Bonds, the Participants, the underwriters of any offering of and remarketing agent and tender agent, if any, for any Bonds, the other persons indemnified by

Section 10.13 hereof, and their respective successors and assigns herein permitted, any rights or remedies under or by reason of this Agreement.

Section 10.15 Succession and Assignment. This Agreement is binding on and inures to the benefit of the parties hereto and their respective successors, representatives, and assigns. This Agreement may not be assigned by either party hereto without (i) complying with any provisions relating to the right of the parties to assign this Agreement contained in the Bond Resolution and (ii) prior written notice to and approval by the other parties, which consent may be withheld without cause. The provisions of this Section do not affect the assignment of the PUA's rights under this Agreement to the Trustee pursuant to the Bond Resolution.

Section 10.16 Incorporation of Preamble Recitals. The recitals contained in the preamble hereof are hereby found to be true, and such recitals are hereby made a part of this Agreement for all purposes and are adopted as a part of the judgment and findings of the PUA and the Participants.

Section 10.17 PUA as Independent Contractor. As among the parties, the PUA shall be solely responsible for the operation of the System to produce, withdraw, divert, obtain, treat, and transport water to the Water Participants and to collect, transport, treat and dispose of sewage received from the Wastewater Participants pursuant to this Agreement (except to the extent the PUA and the Participants enter into agreements for the Participants to operate parts of the System); and the PUA shall be an independent contractor of the Participants in the operation of the System.

Section 10.18 Financing Statement. Each of the Participants agrees at the request of the PUA they shall execute a financing statement in a form satisfactory to the PUA and meeting the requirements of the Texas Uniform Commercial Code to perfect any security interest created hereby. The Participants further agree to execute such continuation statements or other documents as may be necessary to maintain any such security interest.

Section 10.19 Entire Agreement. This Agreement constitutes the entire agreement among the parties with respect to the matters described herein.

Section 10.20 Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State, and the obligations, rights, and remedies of the parties hereunder shall be determined in accordance with such laws without reference to the laws of any other state or jurisdiction, except for applicable federal laws, rules, and regulations.

Section 10.21 Counterparts. This Contract may be executed in counterparts, each of which shall be an original and all of which together shall constitute but one and the same instrument.

Section 10.22 Additional Bonds. In addition to the Bonds issued to finance the payment of the Installment Payments, the PUA may issue additional bonds from time to time for the benefit of the System at the discretion of the Board.

Section 10.23 PUA Rules and Regulations. The Participants hereby acknowledge and agree that the PUA will adopt rules and regulations from time to time for the efficient operation of the System in accordance with Prudent Utility Practice. The Participants shall be bound by all such rules and regulations and shall participate with the PUA as necessary to enforce such rules and regulations.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto acting under authority of their respective governing bodies have caused this Agreement to be duly executed to be effective as of the Effective Date.

WEST TRAVIS COUNTY PUBLIC UTILITY
AGENCY

By: Larry Fox
Larry Fox, President
Board of Directors

Attest: Ray Whisenant, Jr.
Ray Whisenant, Secretary
Board of Directors

CITY OF BEE CAVE, TEXAS

By: Caroline Murphy
Caroline Murphy, Mayor

Attest:

Kayfynn Holloway
Kayfynn Holloway, City Secretary



HAYS COUNTY, TEXAS

By: Bert Cobb
Bert Cobb, Hays County Judge

Attest:

Liz Q. Gonzalez
Liz Q. Gonzalez, Hays County Clerk

WEST TRAVIS COUNTY MUNICIPAL
UTILITY DISTRICT NO. 5

By: Larry Fox
Larry Fox, President
Board of Directors

Attest: [Signature]
Steve Leon, Secretary
Board of Directors

EXHIBIT A

DETERMINATION OF PROPORTIONATE SHARES OF ANNUAL PAYMENT

The PUA will budget the amount of the Annual Payment for each Fiscal Year. Each Participant's Proportionate Share of the Annual Payment shall be determined by multiplying such Participant's Proportionate Share by the budgeted Annual Payment.

Proportionate Share of Annual Payment

1. During the period commencing with the Operations Transfer Date and ending on the last day of the month during which audited financial statements for the Fiscal Year ending September 30, 2012 become available, each Participant's Proportionate Share of the Annual Payment shall be as follows:

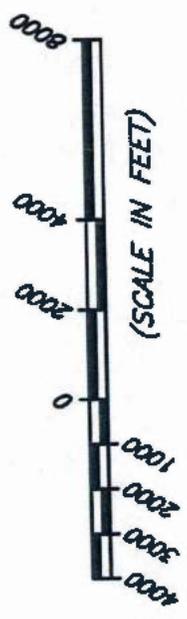
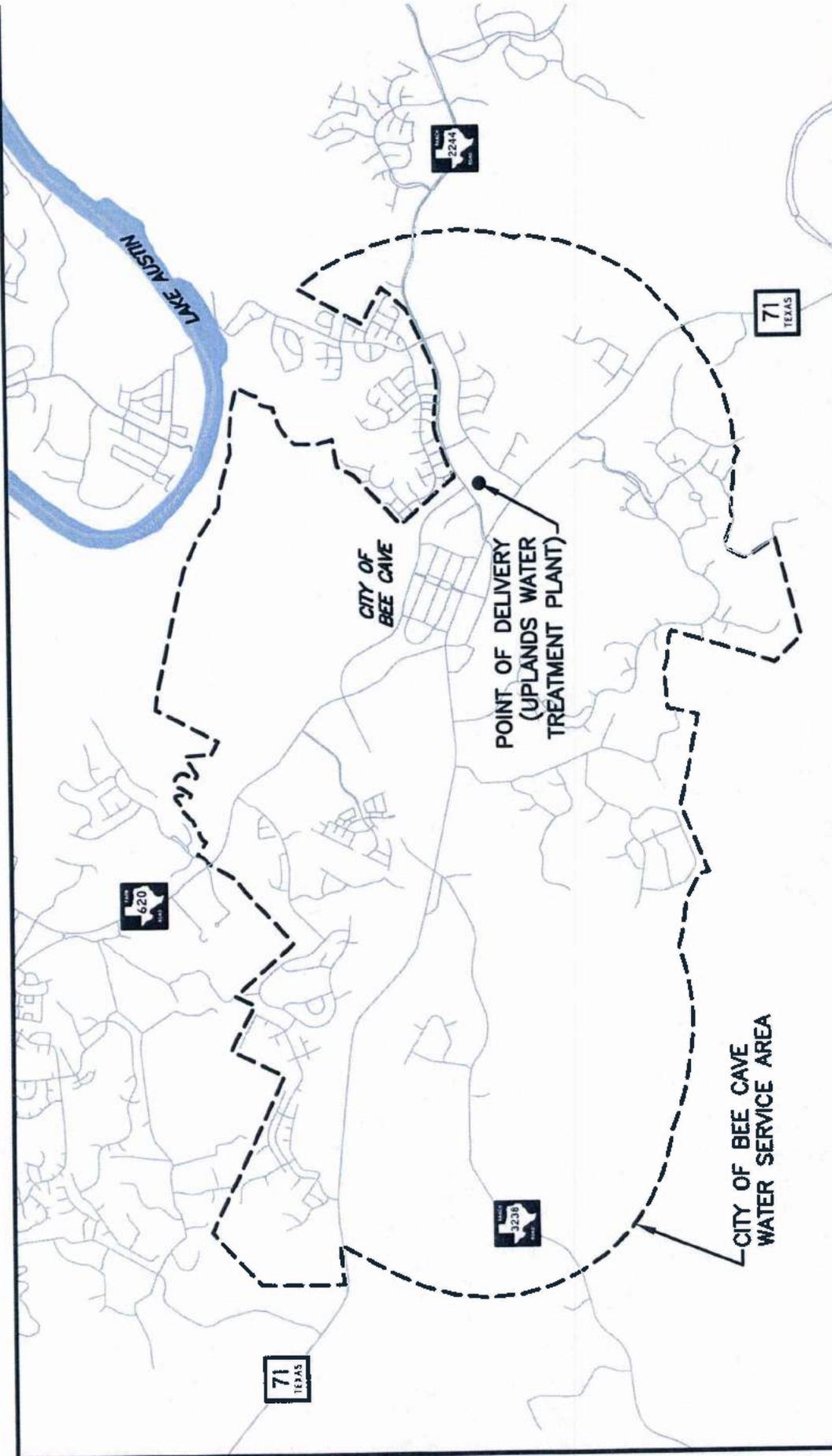
<u>Participant</u>	<u>Proportionate Share</u>
City of Bee Cave	27.3%
Hays County	35.1%
MUD 5	37.6%

2. Thereafter, each Participant's Proportionate Share of the Annual Payment shall be re-determined annually upon receipt of audited financial statements for the most recently completed Fiscal Year and shall be equal to each Participant's percentage of actual revenues of the System for the prior Fiscal Year, as follows:

$$\frac{\text{Actual Revenues collected on behalf of Participant for Prior Fiscal Year}}{\text{Actual Revenues collected on behalf of all Participants for Prior Fiscal Year}} = \text{Participant's Proportionate Share}$$

EXHIBIT B-1

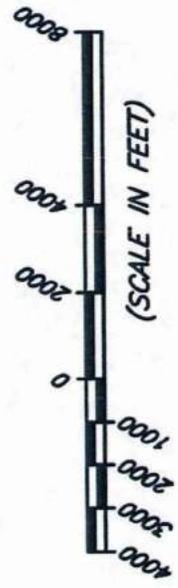
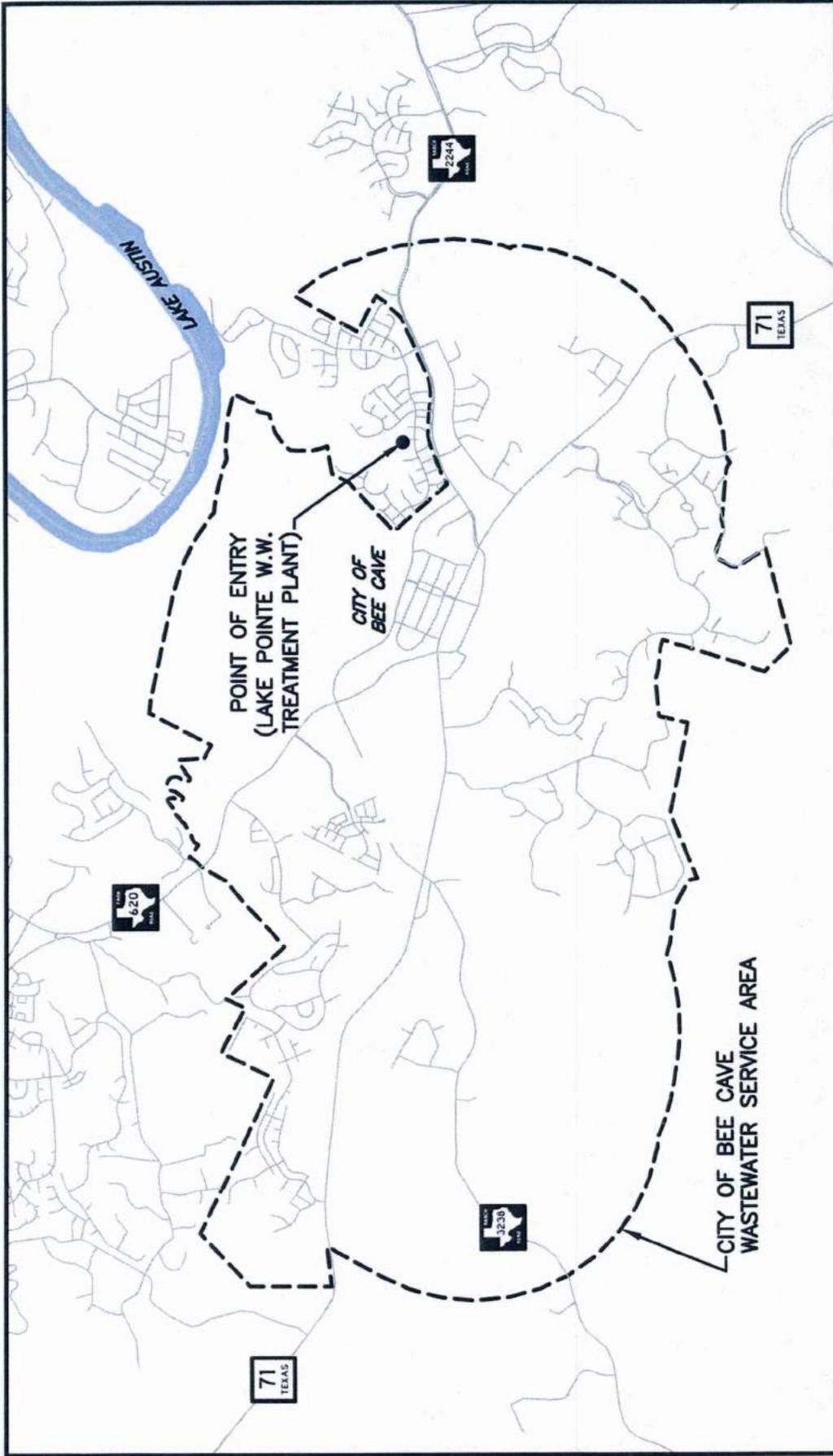
**CITY OF BEE CAVE WATER DISTRIBUTION COMPONENTS
AND POINT OF DELIVERY**



	
Murfree Engineering Company	
EXHIBIT B-1 CITY OF BEE CAVE WATER DISTRIBUTION COMPONENTS AND POINT OF DELIVERY	
1101 Capital of Texas Highway South, Building D, Suits 110, Austin, Texas 78746 (512) 327-9204	
Texas Registered Engineering Firm F-353	
FILE(LAYOUT): 0:11105:1EXH-B1.dwg(B-1)	DATE: 2/12/2015
DRAWN: RV	

EXHIBIT B-2

**CITY OF BEE CAVE WASTEWATER COLLECTION COMPONENTS
AND POINT OF ENTRY**



 Murfree Engineering Company	
EXHIBIT B-2 CITY OF BEE CAVE WASTEWATER COLLECTION COMPONENTS AND POINT OF ENTRY	
1101 Capital of Texas Highway South, Building D, Suite 110, Austin, Texas 78746 (512) 327-9204 Texas Registered Engineering Firm F-353	
FILE(LAYOUT): C:\11051\EXH-B1.dwg(B-2)	DATE: 2/12/2012 DRAWN: RWH

EXHIBIT B-3

**WEST TRAVIS COUNTY MUD NO. 5 WATER DISTRIBUTION COMPONENTS
AND POINT OF DELIVERY**

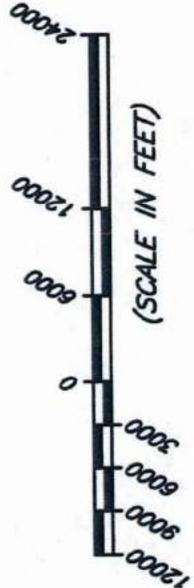
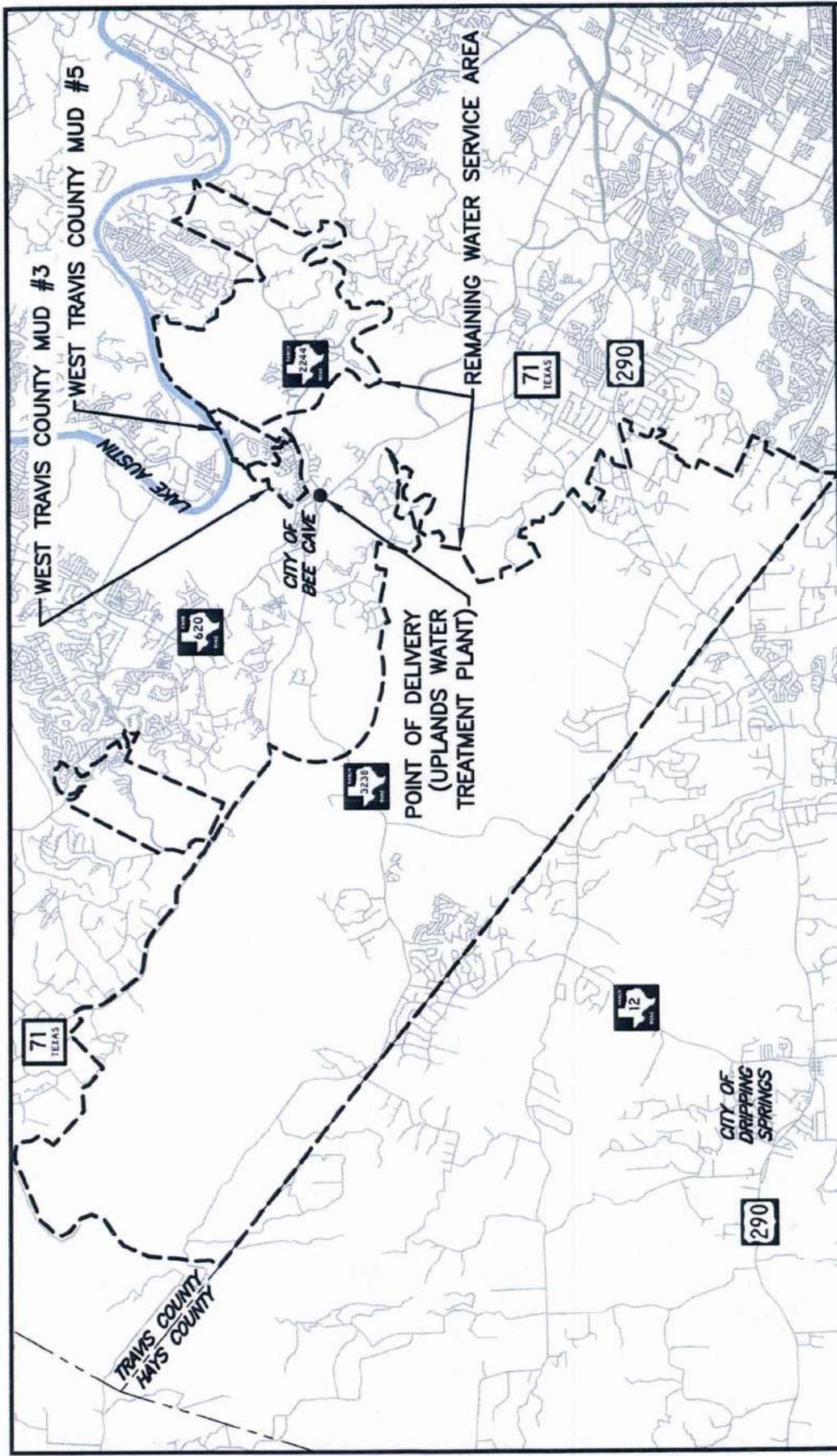


EXHIBIT B-3

WEST TRAVIS COUNTY MUD #5 WATER DISTRIBUTION COMPONENTS AND POINT OF DELIVERY

1101 Capital of Texas Highway South, Building D, Suite 110, Austin, Texas 78746 (512) 327-9204

Texas Registered Engineering Firm F-353

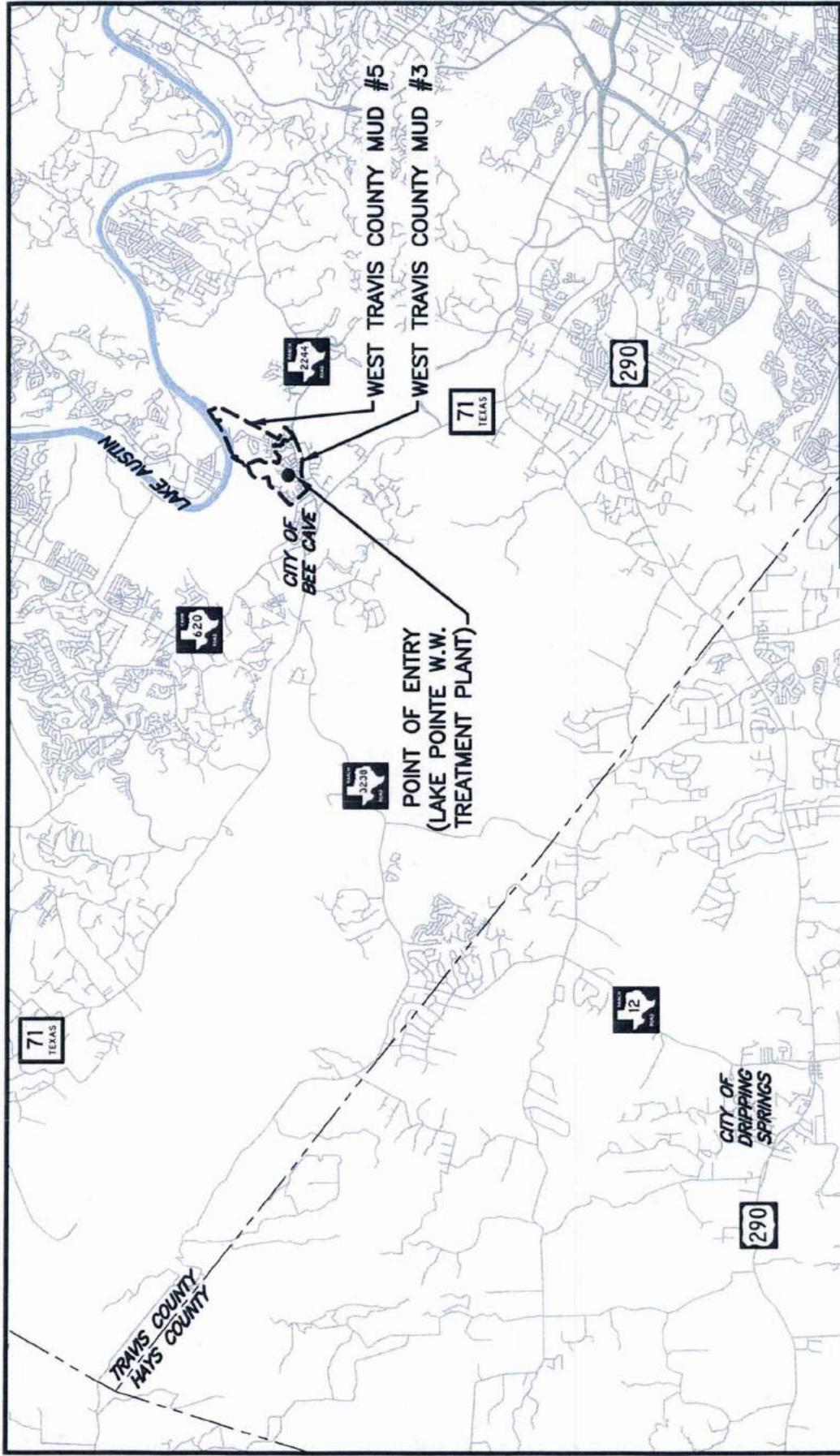
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DATE: 3/30/2012

DRAWN: RWH

EXHIBIT B-4

**WEST TRAVIS COUNTY MUD NO. 5 WASTEWATER COLLECTION
COMPONENTS AND POINT OF ENTRY**



 Murfee Engineering Company	EXHIBIT B-4	
	WEST TRAVIS COUNTY MUD #5 WASTEWATER COLLECTION COMPONENTS AND POINT OF ENTRY	
1101 Capital of Texas Highway South, Building D, Suite 110, Austin, Texas 78746 (512) 327-9204		
Texas Registered Engineering Firm F-353		
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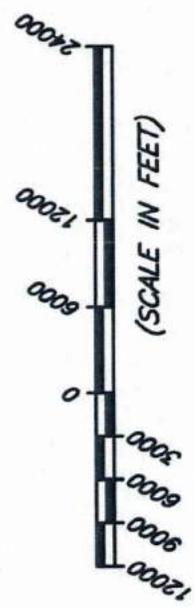
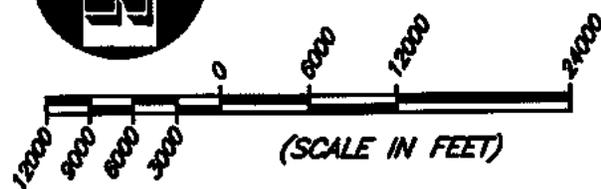
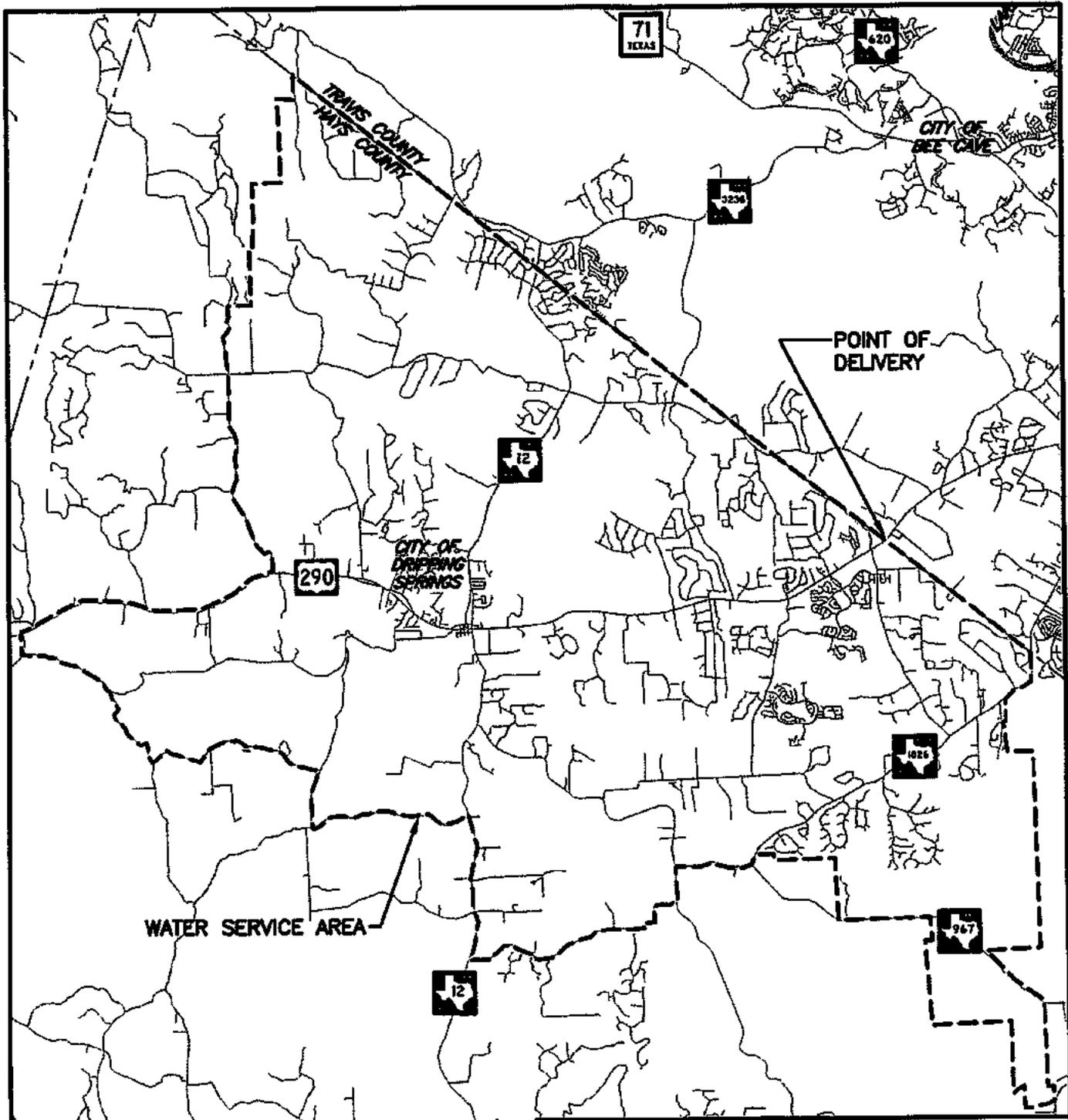


EXHIBIT B-5

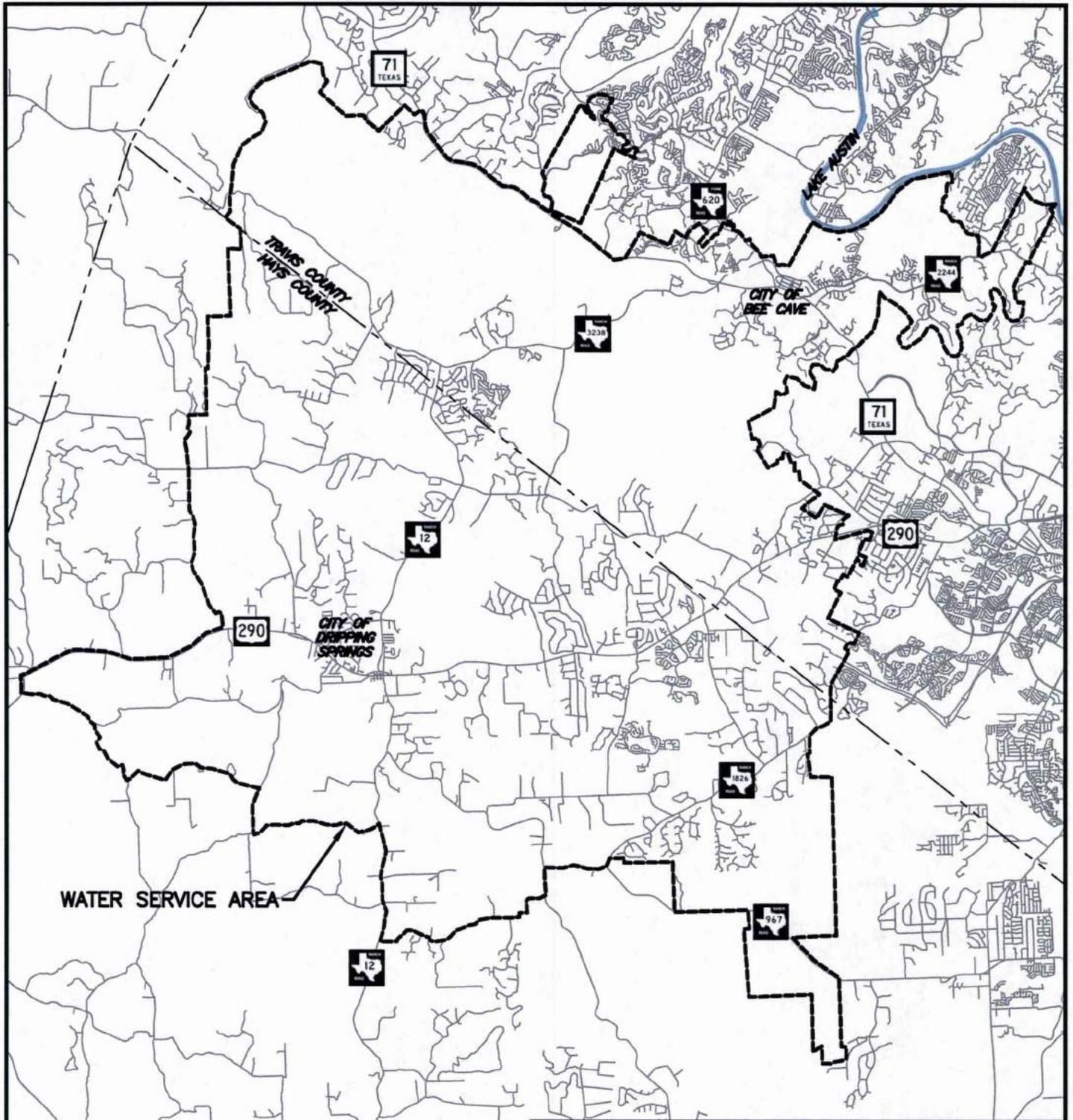
**HAYS COUNTY WATER DISTRIBUTION COMPONENTS
AND POINT OF DELIVERY**



Murree Engineering Company	
EXHIBIT B-5	
HAYS COUNTY WATER DISTRIBUTION COMPONENTS AND POINT OF DELIVERY	
<small>1101 Capital of Texas Highway South, Building D, Suite 110, Austin, Texas 78748 (512) 327-9364</small>	
<small>Texas Registered Engineering Firm F-353</small>	
<small>FILE/LAYOUT: C:\1106\EXH-B5.dwg (B-5)</small>	<small>DATE: 2/15/2012 DRAWN: RWH</small>

EXHIBIT C

PUA WATER SERVICE AREA

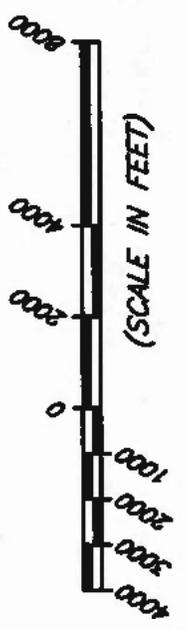
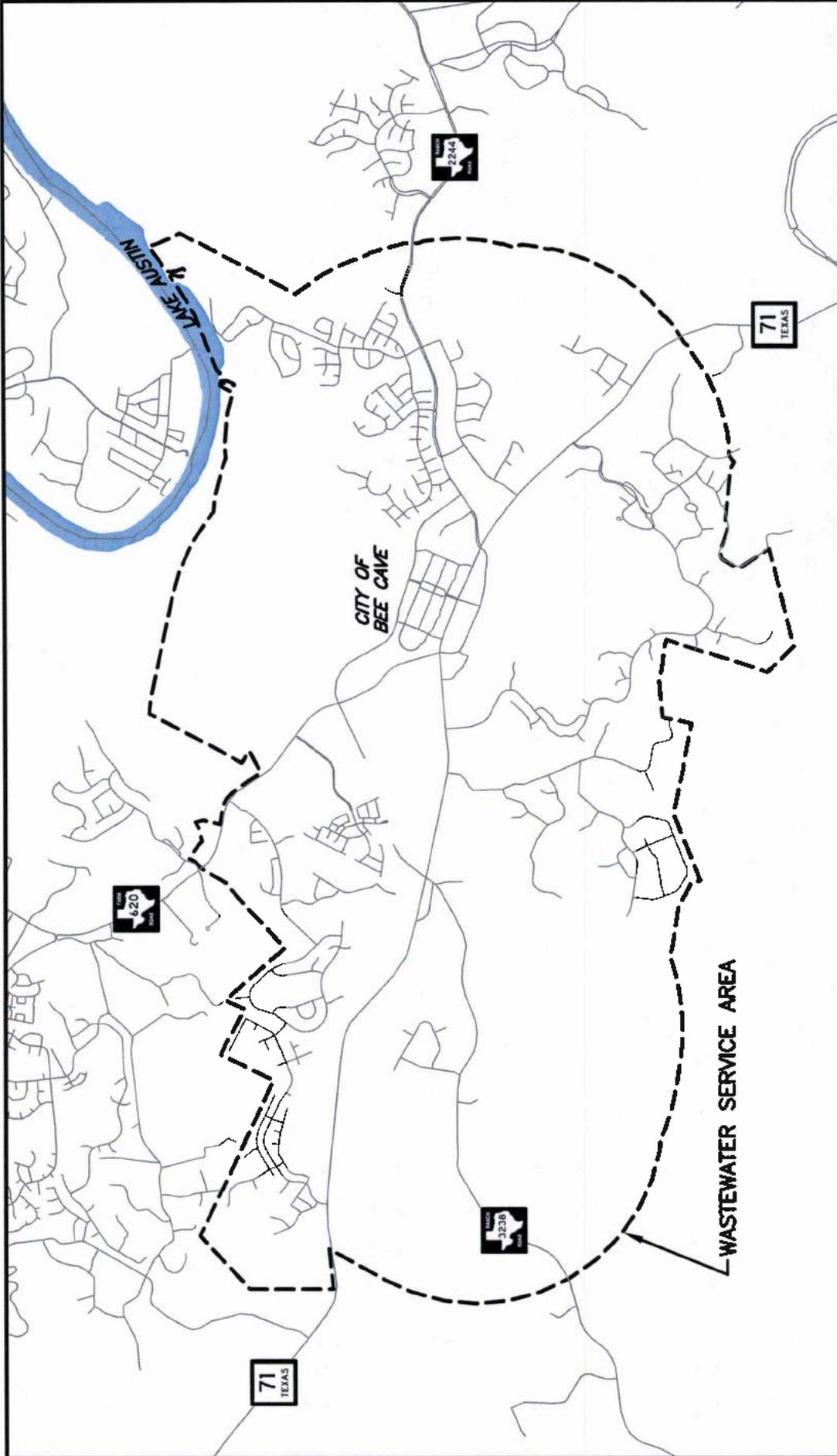


NOT TO SCALE

		
Murfee Engineering Company		
<h2>EXHIBIT C</h2> <h3>P.U.A. WATER SERVICE AREA</h3>		
1101 Capital of Texas Highway South, Building D, Suite 110, Austin, Texas 78746 (512) 327-9204		
Texas Registered Engineering Firm F-353		
FILE(LAYOUT): O:\11051\PUA-WTR-SVC.dwg(WTR)	DATE: 2/28/2012	DRAWN: RWH

EXHIBIT D

PUA WASTEWATER SERVICE AREA



 Murfee Engineering Company	<h1>EXHIBIT D</h1> <h2>P.U.A. WASTEWATER SERVICE AREA</h2>	
	<p>1101 Capital of Texas Highway South, Building D, Suite 110, Austin, Texas 78746 (512) 327-9204</p> <p>Texas Registered Engineering Firm F-353</p>	
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