

MINUTES OF A SPECIAL MEETING OF THE BOARD OF DIRECTORS
OF TARRANT COUNTY WATER CONTROL AND IMPROVEMENT

DISTRICT NUMBER ONE

November 17, 1977

A special meeting of the Board of Directors of Tarrant County Water Control and Improvement District Number One was convened at the office of the District in Fort Worth, Texas on November 17, 1977 at 10:00 o'clock a.m., by the call to order issued by the President of the Board of Directors Mr. Wayne E. Newton.

The Secretary Mr. Oliver Shannon announced that all members of the Board of Directors were present, there being four Directors presently serving and one vacancy in the Board of five Directors which vacancy had not yet been filled. The Secretary stated that the four Directors present constituted a quorum of the Board of Directors under the By-laws and statutes applicable to the actions of the Board;

The President then requested the Secretary, Director Oliver Shannon, to state whether or not the law requiring the posting of notices and commonly known as the "open meeting law" had been met and complied with, and Mr. Shannon stated that he had ascertained that the staff of the District had in accordance with the law, given all notices required thereunder.

President Newton called upon the General Counsel of the District, Mr. John M. Scott, to make a general statement respecting the matters to come before the Board of Directors at this special meeting. In response Mr. Scott stated:

"The District has before it today consideration of the final action requisite to the refunding and defeasance of \$49,250,000.00 of tax and revenue bonds being the outstanding unlimited tax and revenue bonds for the Cedar Creek project and the issuing of refunding bonds to accomplish the above purpose."

"In connection with the proposed action of the District, you have employed the firm of First Southwest Company of Dallas, Texas, as your bond advisors and that firm is considered by me and by others cognizant of the situation to be outstanding in the field of bond advisors to municipal authorities. You have also chosen and employed as your special bond counsel the firm of McCall, Parkhurst & Horton of Dallas, Texas and that legal firm is considered by the bond market and by myself as specialists who are capable and outstanding in the field of their legal expertise and specialty. You have also employed Arthur Young and Comapny, as independent accountants who are nationally accepted as qualified for such purposes."

"In addition to these consultants your staff under the direction of Mr. Hickey and Mr. Doby has made a very careful and thorough review of all of the documents which are before you today; Mr. Doby has carefully verified the numerous figures which enter into this transaction, and we as your Counsel have reviewed all of the legal documents and have approved them as to form. In addition we have requested the consultants which we have mentioned to give you certain assurances. The assurance of responsibility assumed by the firm of First Southwest Company is contained in the document entitled "Advance Refunding Proposal" prepared for you by First Southwest Company, and more particularly insofar as the assurances we have requested is concerned, appears on Pages 2 and 3 of that document."

"We have requested Messrs. McCall, Parkhurst & Horton to give an appropriate legal opinion to this District respecting its functions and responsibilities as bond counsel, and we have inspected a form of opinion which Mr. Horton states will be issued to you and other parties by that firm under date of December 8, 1977. That opinion is satisfactory to us as to form and content."

"The law of Texas provide that any Director who votes in accordance with the legal advice of Counsel for the corporation shall not be personally responsible for any legal ommissions or commissions which result from following that advice."

"In order to comply with that statute I advise each of you that in my judgment as your Counsel, you have the full legal authority to take the action which is before you today if you see fit to do so and that such action is predicated upon your due diligence and the utmost good faith on your part personally, so that no persona liability will accrue from contrary claims asserted against any individual Director. Of course, notwithstanding this opinion, if any individual Director participated in the transaction to his personal financial advantage, then this immunity of the statute would not apply. However from my personal acquaintance with each of you I am confident that no

such contentions can arise."

Following the statement made by General Counsel, Mr. Frank Medanich, of First Southwest Company, made a statement and explanation of the entire transaction pending before the Board and assured the Board that his firm had exercised all due caution in the preparation of the documents, the use of the figures prepared by the independent certified public accountants, and that it was the judgment of First Southwest Company that the action before the Board today was in all things in the best interest of the District, and was due and legal and, subject to the judgment and discretion of the Board as the final authority that the action proposed should be taken.

Following the statement of Mr. Medanich, Mr. Paul Horton of McCall, Parkhurst & Horton Bond Counsel, made a statement respecting each of the resolutions which was to be presented to the Board for its action on this day and date.

Thereafter President Newton announced that it was proper for the Board now to consider the adopting or the rejecting of each and every of the five resolutions presented to it today.

On motion of Mr. Shannon, seconded by Mr. Thornton, the resoltuion authorizing the issuance of \$49,250,000.00 Tarrant County Water Control and Improvement District Number One combined Water Revenue and Unlimited Tax Refunding Bonds, series 1977, was unanimously adopted in words and figures appearing as follows:

WHEREAS, Tarrant County Water Control and Improvement District Number One (the "District") is a water control and improvement district (a conservation and reclamation district) and political subdivision of the State of Texas created and functioning, under Article 16, Section 59, of the Texas Constitution, pursuant to the general laws of the State of Texas, including Chapter 51, Texas Water

Code, and which is authorized to issue bonds under the provisions of Vernon's Ann. Tex. Civ. St. Art. 8280-207 (the "Act"); and

WHEREAS, the following series or issues of Water Supply Bonds (combined water revenue and unlimited tax bonds) of the District issued pursuant to the Act are presently outstanding (being all of the outstanding combined water revenue and unlimited tax bonds of the District):

Tarrant County Water Control and Improvement
District Number One Water Supply Bonds, Series 1960, dated March 1, 1960, now outstanding
in the aggregate principal amount of \$ 4,680,000

Tarrant County Water Control and Improvement
District Number One Water Supply Bonds, Series 1962, dated June 1, 1962, now outstanding
in the aggregate principal amount of \$10,875,000

Tarrant County Water Control and Improvement
District Number One Water Supply Bonds, Series 1970, dated September 1, 1970, now outstanding in the aggregate principal amount
of \$19,900,000

Tarrant County Water Control and Improvement
District Number One Water Supply Bonds, Series 1971, dated June 1, 1971, now outstanding
in the aggregate principal amount of \$13,800,000

(collectively the "Outstanding Bonds"); and

WHEREAS, the refunding bonds hereinafter authorized are to be issued and delivered pursuant to the Act for the purpose of refunding all of the Outstanding Bonds.
THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF TARRANT COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NUMBER ONE:

Section 1. BONDS AUTHORIZED. That the District's bonds are hereby authorized to be issued in the principal amount of \$49,250,000, FOR THE PURPOSE OF REFUNDING THE OUTSTANDING WATER SUPPLY BONDS OF TARRANT COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NUMBER ONE.

Section 2. BONDS DESIGNATED. That said bonds shall be designated as the: "TARRANT COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NUMBER ONE COMBINED WATER REVENUE AND UNLIMITED TAX REFUNDING BONDS, SERIES 1977" (the "Bonds").

Section 3. DATE AND MATURITIES. That the Bonds shall be dated DECEMBER 1, 1977, shall be in the denomination of \$5,000 each, shall be numbered consecutively from one upward, and shall mature

serially on the maturity date, in each of the years, and in the amounts, respectively, as set forth in the following schedule:

MATURITY DATE: MARCH 1

<u>YEARS</u>	<u>AMOUNTS</u>	<u>YEARS</u>	<u>AMOUNTS</u>
1978	\$ 110,000	1990	\$3,600,000
1979	1,430,000	1991	3,800,000
1980	1,660,000	1992	4,000,000
1981	1,845,000	1993	2,600,000
1982	2,020,000	1994	2,710,000
1983	2,235,000	1995	740,000
1984	2,435,000	1996	780,000
1985	2,650,000	1997	820,000
1986	2,905,000	1998	350,000
1987	3,100,000	1999	900,000
1988	3,320,000	2000	625,000
1989	3,455,000	2001	660,000

Section 4. INTEREST. That the Bonds scheduled to mature during the years, respectively, set forth as follows shall bear interest from the date thereof to maturity or redemption at the following rates per annum:

maturities 1978, 6.00%;	maturities 1990, 4.70%;
maturities 1979, 6.00%;	maturities 1991, 4.75%;
maturities 1980, 6.00%;	maturities 1992, 4.80%;
maturities 1981, 6.00%;	maturities 1993, 4.85%;
maturities 1982, 6.00%;	maturities 1994, 4.90%;
maturities 1983, 5.80%;	maturities 1995, 4.95%;
maturities 1984, 4.20%;	maturities 1996, 5.00%;
maturities 1985, 4.30%;	maturities 1997, 5.00%;
maturities 1986, 4.40%;	maturities 1998, 5.05%;
maturities 1987, 4.50%;	maturities 1999, 5.10%;
maturities 1988, 4.55%;	maturities 2000, 5.10%;
maturities 1989, 4.60%;	maturities 2001, 5.10%.

Said interest shall be evidenced by interest coupons which shall appertain to the Bonds, and which shall be payable in the manner provided and on the dates stated in the FORM OF BOND set forth in this Resolution.

Section 5. GENERAL CHARACTERISTICS. That the Bonds and interest coupons shall be issued, shall be payable, may be redeemed prior to their scheduled maturities, shall have the characteristics, and shall be signed and executed (and the Bonds shall be sealed), all as provided, and in the manner indicated, in the FORM OF BOND set forth in this Resolution.

Section 6. FORMS. That the form of the Bonds, includ-

ing the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be printed and endorsed on each of the Bonds, and the form of the aforesaid interest coupons which shall appertain and be attached initially to each of the Bonds, shall be, respectively, substantially as follows:

FORM OF BOND:

NO. _____

\$5,000

UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTY OF TARRANT
TARRANT COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NUMBER ONE
COMBINED WATER REVENUE AND UNLIMITED TAX REFUNDING BOND
SERIES 1977
(A MUNICIPAL BOND)

ON MARCH 1, _____, TARRANT COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NUMBER ONE (the "District"), a conservation and reclamation district and political subdivision of the State of Texas, created and functioning, under Article 16, Section 59, of the Texas Constitution, pursuant to the general laws of the State of Texas, including Chapter 51, Texas Water Code, and which is authorized to issue bonds under the provisions of Vernon's Ann. Tex. Civ. St. Art. 8280-207, hereby promises to pay to bearer hereof the principal amount of

FIVE THOUSAND DOLLARS

and to pay interest thereon, from date hereof, at the rate of _____% per annum, evidenced by interest coupons payable on MARCH 1, 1978, and semiannually thereafter on each SEPTEMBER 1 and MARCH 1 while this Bond is outstanding.

THE PRINCIPAL of this Bond and the interest coupons appertaining hereto shall be payable to bearer, in lawful money of the United States of America, without exchange or collection charges to the bearer, upon presentation and surrender of this Bond or proper interest coupon, at the following, which collectively shall constitute and be defined as the "Paying Agent" for this Series of Bonds.

THE FORT WORTH NATIONAL BANK, FORT WORTH, TEXAS,
OR, AT THE OPTION OF THE BEARER, AT THE
FIRST NATIONAL BANK IN DALLAS, DALLAS, TEXAS.

THIS BOND is one of a Series dated as of DECEMBER 1, 1977, authorized and issued in the principal amount of \$49,250,000, FOR THE PURPOSE OF REFUNDING THE OUTSTANDING WATER SUPPLY BONDS OF TARRANT COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NUMBER ONE.

ON MARCH 1, 1988,

or on any interest payment date thereafter, the outstanding Bonds of

this Series may be redeemed prior to their scheduled maturities, at the option of the District, in whole, or in part, for the principal amount thereof and accrued interest thereon to the date fixed for redemption, plus a redemption premium on the principal amount of each of such Bonds so redeemed, as follows:

3%	if redeemed on March 1, 1988 or September 1, 1988;
2-1/2%	if redeemed on March 1, 1989 or September 1, 1989;
2%	if redeemed on March 1, 1990 or September 1, 1990;
1-1/2%	if redeemed on March 1, 1991 or September 1, 1991;
1%	if redeemed on March 1, 1992 or September 1, 1992;
0%	if redeemed on March 1, 1993, or thereafter.

AT LEAST thirty days prior to the date fixed for any such redemption the District shall cause a written notice of such redemption to be published at least once in a financial publication published in The City of New York, New York. By the date fixed for any such redemption due provision shall be made with the "Paying Agent" for the payment of the principal amount of the Bonds which are to be so redeemed and accrued interest thereon to the date fixed for redemption, plus any required premium. If such written notice of redemption is published and due provision for such payment is made, all as provided above, the Bonds which are so designated to be redeemed thereby automatically shall be redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the bearer to receive the redemption price from the "Paying Agent", out of the funds provided for such payment.

IT IS HEREBY certified, recited, and covenanted that this Bond has been duly and validly authorized, issued, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law; that this Bond and the Series of which it is a part, and the interest coupons appertaining hereto, are combined revenue and general obligations of the District issued on the full faith and credit of the District; that annual ad valorem taxes sufficient to provide for the payment of the interest on and principal of this Bond and the Series of which it is a part, as such interest comes due and principal matures, have been levied and ordered to be levied against all taxable property in the District, and have been pledged irrevocably for such payment, without limit as to rate or amount (provided that such tax need not be levied to the extent "Pledged Revenues", as hereinafter described, are available for such payment); and this Bond, and the Series of which it is a part, and the interest coupons appertaining thereto, are additionally secured by and payable from an irrevocable first lien on and pledge of the "Pledged Revenues", as defined in the Resolution authorizing this Series of Bonds (the "Bond Resolution"), which include the "Net Revenues of the District's Water System", as defined in the Bond Resolution, which specifically include certain amounts to be received by the District pursuant to

water supply contracts with the City of Fort Worth, in Tarrant County, Texas, and other water customers of the District.

THE DISTRICT has reserved the right, subject to the restrictions stated in the Bond Resolution, to issue Additional Bonds payable from and secured by an irrevocable first lien on and pledge of the "Pledged Revenues", and such Additional Bonds shall be payable from and secured by either (1) an irrevocable first lien on and pledge of the "Pledged Revenues" on a parity with the Bonds, or (2) an irrevocable first lien on and pledge of the "Pledged Revenues" on a parity with the Bonds, and additionally by a pledge of unlimited ad valorem taxes, and no Additional Bonds shall be payable from or secured by any other revenues.

THE DISTRICT also has reserved the right to amend the Bond Resolution, with the approval of the holders of 51% of the outstanding Bonds and additional parity bonds, subject to the restrictions stated in the Bond Resolution.

IN WITNESS WHEREOF, this Bond and the interest coupons appertaining hereto have been signed with the facsimile signature of the President of the Board of Directors of the District and countersigned with the facsimile signature of the Secretary of said Board of Directors, and the official seal of the District has been duly impressed, or placed in facsimile, on this Bond.

XXXXXXXXXXXXXXXXX
Secretary, Board of Directors,
Tarrant County Water Control
and Improvement District
Number One

XXXXXXXXXXXXXXXXX
President, Board of Directors,
Tarrant County Water Control
and Improvement District
Number One

FORM OF REGISTRATION CERTIFICATE

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO.

I hereby certify that this Bond has been examined, certified as to validity, and approved by the Attorney General of the State of Texas, and that this Bond has been registered by the Comptroller of Public Accounts of the State of Texas.

Witness my signature and seal this

XXXXXXXXXXXXXXXXX
Comptroller of Public Accounts of the
State of Texas

FORM OF INTEREST COUPON:

NO. _____

\$ _____

ON _____ 1, 19__ ,

TARRANT COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NUMBER ONE, IN TARRANT COUNTY, TEXAS, promises to pay to bearer the amount shown on this interest coupon, in lawful money of the United States of America, without exchange or collection charges to the bearer, unless due provision has been made for the redemption prior to maturity of the Bond to which this interest coupon appertains, upon presentation and surrender of this interest coupon, at the

THE FORT WORTH NATIONAL BANK, FORT WORTH, TEXAS,
OR, AT THE OPTION OF THE BEARER, AT THE
FIRST NATIONAL BANK IN DALLAS, DALLAS, TEXAS,

said amount being interest due that day on the Bond, bearing the number hereinafter designated, of that issue of TARRANT COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NUMBER ONE COMBINED WATER REVENUE AND UNLIMITED TAX REFUNDING BONDS, SERIES 1977, DATED DECEMBER 1, 1977. Bond No. _____.

XXXXXXXXXXXXXXXXXXXX
Secretary, Board of Directors,
Tarrant County Water Control
and Improvement District
Number One

XXXXXXXXXXXXXXXXXXXX
President, Board of Directors,
Tarrant County Water Control
and Improvement District
Number One

Section 7. DEFINITIONS. That as used in this Resolution the following terms shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

The term "District" shall mean Tarrant County Water Control and Improvement District Number One.

The term "Board" shall mean the Board of Directors of the District, being the governing body of the District, and it is further resolved that the declarations and covenants of the District contained in this Resolution are made by, and for and on behalf of, the Board and the District, and are binding upon the Board and the District for all purposes.

The term "Outstanding Bonds" shall mean the presently outstanding Water Supply Bonds of the District, Series 1960, 1962, 1970, and 1971, described in the preamble to this Resolution.

The term "Bonds" shall mean the Tarrant County Water Control and Improvement District Number One Combined Water Revenue and Unlimited Tax Refunding Bonds, Series 1977, authorized by this Resolution.

The term "Additional Bonds" shall have the meaning assigned to it in Sections 20 and 21 of this Resolution.

The term "District's Water System" or "Systems" shall mean all of the District's existing water storage, treatment, transportation,

distribution, and supply facilities, including all dams, reservoirs, and other properties, wherever located, (a) which are currently being used for water supply purposes and, to the extent financed with the proceeds from the sale of Additional Bonds or moneys from the Contingency Fund (hereinafter created), all facilities acquired or constructed in the future and all improvements to any of the foregoing, and (b) all other facilities which in the future are deliberately and specifically, at the option of the Board, made a part of the System by resolution of the Board, but such term does not include any oil, gas, and other mineral properties owned by the District or property disposed of from time to time in accordance with the provisions of Section 22(g) of this Resolution, provided that any property acquired in substitution therefor shall be included in the System, along with all repairs to and other replacements of the System. In particular such term includes all of the District's Cedar Creek Project, a dam and reservoir on Cedar Creek in Henderson and Kaufman Counties, Texas, and Eagle Mountain Dam and Reservoir and Bridgeport Dam and Reservoir, which are water supply facilities of the District on the West Fork of the Trinity River, and all transportation and storage facilities related to all of the foregoing. Unless deliberately added to the System by the Board, at its option, in the manner prescribed above, said term does not include any District flood control facilities or facilities which provide waste treatment or other wastewater services of any kind. Said term does not include any facilities acquired or constructed by the District with the proceeds from the issuance of "Special Facilities Bonds", which are hereby defined as being revenue obligations of the District which are not issued as Additional Bonds, and which are payable from any source, contract, or revenues whatsoever other than the Pledged Revenues; and Special Facilities Bonds may be issued for any lawful purpose and made payable from any source, contract, or revenues whatsoever other than the Pledged Revenues.

The term "Contracts" shall mean collectively: (a) the water supply contract between the District and the City of Fort Worth, in Tarrant County, Texas, authorized at an election held in Fort Worth on December 2, 1959, as amended on March 4, 1968, and all water supply contracts heretofore or hereafter executed between the District and other cities and customers in connection with the District's Water System, other than the following:

(1) Contract with Texas Electric Service Company dated May 6, 1952, as amended and supplemented by an agreement dated August 4, 1959, to increase the payments for raw water.

(2) Contract with Texas Electric Service Company dated December 11, 1953, as amended and supplemented by an agreement dated August 4, 1959, to increase the payments for raw water.

(3) Contract with the Town of Westover Hills dated December 11, 1953, as amended and supplemented by an agreement dated August 19, 1959, to increase the payments for raw water.

(4) Contract with the City of River Oaks dated March 30, 1954, as amended and supplemented by agreement between DISTRICT and City of River Oaks dated September 18, 1959, to increase the payments for raw water.

(5) Contract with J. M. Leonard dated March 21, 1957, whereby a minimum standby charge of \$350 per year is paid to DISTRICT and water used is paid for at the going rate as established by DISTRICT.

The term "Gross Revenues of the System" shall mean all of the revenues, income, rentals, rates, fees, and charges of every nature derived by the Board or the District from the operation and/or ownership of the System (except as hereinafter provided), including specifically all payments and amounts received by the Board or the District from Contracts, and any interest income from the investment of money in any Funds created by this Resolution. There is excepted from such term, and such term does not include (i) the revenues and income from the contracts excluded from the definition of the term "Contracts", above, (ii) revenues derived by the District from the production of oil, gas, and other minerals owned by the District, or the revenues derived from the granting, sale, or lease of the right to explore for and produce same, or (iii) the royalties, rentals, license fees, and other income (other than from water sales) derived by the District from (a) lands and assets owned by the District as flood control facilities or (b) property of the District at Eagle Mountain Dam and Reservoir and Bridgeport Dam and Reservoir on the West Fork of the Trinity River.

The term "Operation and maintenance Expenses of the System" or "Current Expenses" shall mean all reasonable and necessary current costs of operation and maintenance of the System including, but not limited to, repairs and replacements, operating personnel, utilities, supervision, engineering, accounting, auditing, legal services, insurance premiums, paying agents fees, and any other supplies and services, administration of the System, and equipment necessary for proper operation and maintenance of the System, as well as payments made for the use or operation of any property, and payments made by District in satisfaction of judgments or other liabilities resulting from claims not covered by District's insurance. Neither depreciation nor any other expense which does not represent a cash expenditure shall be considered an item of Operation and Maintenance Expense.

The terms "Net Revenues of the District's Water System", "Net Revenues of the System", and "Net Revenues" shall mean the Gross Revenues of the System less the Operation and Maintenance Expenses of the System.

The term "pledged Revenues" shall mean: (a) the Net Revenues of the System and (b) any additional revenues, income, receipts, grants, donations, or other resources, received or to be received from any public or private source, whether pursuant to an

agreement or otherwise, which in the future may, at the option of the District, be pledged to the payment of the Bonds or the Additional Bonds.

The terms "year" and "fiscal year" shall mean the Districts fiscal year, which initially shall be the calendar year, but which subsequently may be any other 12 month period hereafter established by the District as a fiscal year for the purposes of the System and this Resolution.

Section 8. PLEDGE. That the Bonds and any Additional Bonds, and the interest coupons appertaining thereto, are and shall be secured by and payable from an irrevocable first lien on and pledge of the Pledged Revenues, and the Bonds are additionally secured by a pledge of ad valorem taxes as provided for in Section 17 hereof.

Section 9. REVENUE FUND. That there is hereby created and there shall be established and maintained on the books of the District, and accounted for separate and apart from all other funds of the District, a special fund to be entitled the "Tarrant County Water Control and Improvement District Number One Water Supply Bonds Revenue Fund" (hereinafter called the "Revenue Fund"). All Gross Revenues of the System (except investment interest and income from the other Funds created by this Resolution) shall be credited to the Revenue Fund immediately upon receipt. All Operation and Maintenance Expenses of the System shall be paid from such Gross Revenues credited to the Revenue Fund, as a first charge against same.

Section 10. INTEREST AND REDEMPTION FUND. That for the sole purpose of paying the principal of and interest on all Bonds and any Additional Bonds, as the same come due, there is hereby created and there shall be established and maintained, at an official depository bank of the District, a separate fund to be entitled the "Tarrant County Water Control and Improvement District Number One Water Supply Bonds Interest and Redemption Fund" (hereinafter called the "Interest and Redemption Fund").

Section 11. THE SPECIAL RESERVE FUND AND THE CONTINGENCY AND IMPROVEMENT FUND. (a) That there is hereby created and there shall be established and maintained at an official depository bank of the District a separate fund to be entitled the "Tarrant County Water Control and Improvement District Number One Water Supply Bonds Special Reserve Fund" (hereinafter called the "Special Reserve Fund"), solely for the further security and benefit of the Bonds and any Additional Bonds which are payable from and secured by a first lien on and pledge of the Pledged Revenues as well as the levy of unlimited ad valorem taxes (hereinafter in this Section called "combined Revenue and Tax Bonds"). The Special Reserve Fund shall be used solely for the purpose of (i) finally retiring the last of the Bonds and any Additional Bonds which are Combined Revenue and Tax Bonds, and (ii) paying principal of and interest on any Bonds or Additional Bonds which are Combined Revenue and Tax Bonds when and to the extent the

amounts in the Interest and Redemption Fund and Contingency Fund are insufficient for such purpose. Promptly after the delivery of the Bonds the District shall cause to be deposited to the credit of the Special Reserve Fund, from funds now on hand and which will be available for such purpose, not less than \$1,000,000. No additional amounts are required to be deposited in or credited to the Special Reserve Fund except for investment interest and income. All investment interest and income from the Special Reserve Fund shall be retained in the Special Reserve Fund and become a part thereof. The Special Reserve Fund shall not be used to pay Additional Bonds which are payable solely from Pledged Revenues.

(b) That there is hereby created and there shall be established and maintained, at an official depository bank of the District, a separate fund to be entitled the "Tarrant County Water Control and Improvement District Number One Water Supply Bonds Contingency and Improvement Fund" (hereinafter called the "Contingency Fund"). The Contingency Fund shall be used solely for the purpose of paying the costs of improvements, enlargements, extensions, additions, or other capital expenditures relating to the System, and unexpected or extraordinary replacements of the System, for which System funds are not otherwise available, or for paying unexpected or extraordinary Operation and Maintenance Expenses of the System for which System funds are not otherwise available, or for paying principal of and interest on any Bonds or Additional Bonds, when and to the extent the amount in the Interest and Redemption Fund is insufficient for such purpose.

Section 12. DEPOSITS OF PLEDGED REVENUES: INVESTMENTS.

(a) The Pledged Revenues shall be deposited into the Interest and Redemption Fund, any Reserve Fund, and the Contingency Fund, when and as required by this Resolution.

(b) That money in any Fund established pursuant to this Resolution may, at the option of the District, be placed in time deposits or certificates of deposit secured by obligations of the type hereinafter described, or be invested in direct obligations of the United States of America, obligations guaranteed or insured by the United States of America, which in the opinion of the Attorney General of the United States, are backed by its full faith and credit or represent its general obligations, or invested in indirect obligations of the United States of America, including, but not limited to, evidences of indebtedness issued, insured, or guaranteed by such governmental agencies as the Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Home Loan Banks, Government National Mortgage Association, United States Postal Service, Farmers Home Administration, Federal Home Loan Mortgage Association, Small Business Administration, Federal Housing Association, or Participation Certificates in the Federal Assets Financing Trust; provided that all such deposits and investments shall be made in such manner that the money required to be expended from any Fund will be available at the proper time or times. Such investments shall be valued by the

District in terms of current market value as of the 20th day of February of each year. All interest and income derived from such deposits and investments immediately shall be credited to, and any losses debited to, the Fund from which the deposit or investment was made, and surpluses in any Fund shall or may be disposed of as herein-after provided. Such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds or Additional Bonds.

Section 13. FUNDS SECURED. That money in all Funds created by this Resolution shall be secured in the manner prescribed by law for securing funds of the District.

Section 14. DEBT SERVICE REQUIREMENTS. (a) That promptly after the delivery of the Bonds the District shall cause to be deposited to the credit of the Interest and Redemption Fund any accrued interest received from the sale and delivery of the Bonds, and any such deposit shall be used to pay part of the interest coming due on the Bonds on March 1, 1978.

(b) That the District shall transfer from the Pledged Revenues and deposit to the credit of the Interest and Redemption Fund the amounts, at the times, as follows:

(1) such amounts, deposited on or before the 25th day of February, 1978, and semiannually on or before the 25th days of each August and February thereafter, as will be sufficient, together with other amounts, if any, then on hand in the Interest and Redemption Fund and available for such purpose, to pay the interest scheduled to accrue and come due on the Bonds and any Additional Bonds on the next succeeding interest payment date; and

(2) such amounts, deposited on or before the 25th day of February, 1978, and annually on or before the 25th day of each February thereafter, as will be sufficient, together with other amounts, if any, then on hand in the Interest and Redemption Fund and available for such purpose, to pay the principal scheduled to mature and come due on the Bonds and any Additional Bonds on the next succeeding principal payment date.

Section 15. CONTINGENCY REQUIREMENTS. That promptly after the delivery of the Bonds the District shall cause to be deposited to the credit of the Contingency Fund, from funds now on hand and which will be available for such purpose, the sum of \$1,100,000. No additional deposits are required to be made to the credit of the Contingency Fund unless and until such amount therein is reduced or depleted. If and when such amount in the Contingency Fund is reduced or depleted then, subject and subordinate to making the required deposits to the credit of the Interest and Redemption Fund (and any Reserve Fund for Additional Bonds payable solely from revenues as hereinafter provided), such

reduction or depletion shall be restored from amounts which shall be provided for such purpose in the District's Annual Budget for the next ensuing fiscal year or years; provided that the District is not required to budget more than \$100,000 for such purpose during any one fiscal year, but the District shall have the right to budget additional amounts for such purpose if it is deemed necessary or advisable by the Board. So long as the Contingency Fund contains money and investments not less than the amount of \$1,100,000 in market value, any surplus in the Contingency Fund over said amount shall, semiannually on or before February 15 and August 15 of each year, be withdrawn, deposited to the credit of the Revenue Fund, commingled with other revenues from operation of the System, and used for any lawful purpose for which Gross Revenues of the System may be used.

Section 16. DEFICIENCIES; EXCESS PLEDGED REVENUED.

(a) That if on any occasion there shall not be sufficient Pledged Revenues to make the required deposits into the Interest and Redemption Fund, any Reserve Fund, and the Contingency Fund, then such deficiency shall be made up as soon as possible from the next available Pledged Revenues, or from any other sources available for such purposes.

(b) That, subject to making the required deposits to the credit of the Interest and Redemption Fund, any Reserve Fund, and the Contingency Fund, when and as required by this Resolution, or any resolution authorizing the issuance of Additional Bonds, the excess Pledged Revenues may be used for any lawful purpose.

Section 17. TAX LEVY. (a) For the current year and during each year while any of the Bonds or interest coupons appertaining thereto are outstanding and unpaid, the Board shall compute and ascertain a rate and amount of ad valorem tax which will be sufficient to raise and produce the money required to pay the interest on the Bonds as such interest comes due, and to provide and maintain a sinking fund adequate to pay the principal of the Bonds as such principal matures, and said tax shall be based on the latest approved tax rolls of the District, with full allowance being made for tax delinquencies and the cost of tax collection. Said rate and amount of ad valorem tax is hereby levied, and is hereby ordered to be levied, against all taxable property in the District for each year while any of said Bonds or interest coupons appertaining thereto are outstanding and unpaid; and said tax shall be assessed and collected each such year and used to pay the principal of and interest on the Bonds. Said ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Bonds, as such interest comes due and such principal matures, are hereby pledged irrevocably for such payment, without limit as to rate or amount.

(b) It is specifically provided, however, notwithstanding the provisions of Section 17(a), above, that if, prior to August 1 of any calendar year, the Board shall prepare an estimate based on anticipated revenues from Contracts and other sources of Pledged Revenues, and shall prepare and adopt the Annual Budget for the

District on before October 1 of such calendar year based on such anticipated revenues, then the amount of ad valorem taxes which otherwise would be required to be levied for such year by Section 17(a) may be reduced or eliminated to the extent that Pledged Revenues are estimated to be available to the District for paying the principal of and interest on the Bonds coming due during said next year. Notwithstanding any other provisions of this Section 17(b), if during any year any default has occurred with respect to the payment of the principal of or interest on the Bonds, then the provisions of this Section 17(b) shall not be applicable to the next year, and the full amount of ad valorem tax required by Section 17(a) shall be levied, assessed, and collected for the next year.

Section 18. PAYMENT OF BONDS. On or before March 1, 1978, and semiannually on or before each September 1 and March 1 thereafter while any of the Bonds are outstanding and unpaid, the District shall make available to the paying agents therefor, out of the Interest and Redemption Fund, or from taxes levied as provided in Section 17 thereof, money sufficient to pay such interest on and such principal of the Bonds as will accrue or mature on each such March 1 and September 1, respectively. The paying agents shall destroy all paid Bonds, and the coupons appertaining thereto, and furnish the District with an appropriate certificate of cancellation or destruction.

Section 19. FINAL DEPOSITS; GOVERNMENTAL OBLIGATIONS,

(a) That any Bond or Additional Bond shall be deemed to be paid, retired, and no longer outstanding within the meaning of this Resolution when payment of the principal of, redemption premium, if any, on such Bond or Additional Bond, and interest thereon to the due date thereof (whether such due date be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption), or (ii) shall have been provided by irrevocably depositing with, or making available to, a paying agent therefor, in trust and irrevocably set aside exclusively for such payment, (1) money sufficient to make such payment or (2) Government Obligations, as hereinafter defined in this Section, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation, and expenses of such paying agent pertaining to the Bonds and Additional Bonds and with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of such paying agent. At such time as a Bond or Additional Bond shall be deemed to be paid hereunder, as aforesaid, it shall no longer be secured by or entitled to the benefits of this Resolution or a lien on and pledge of the Pledged Revenues, or the ad valorem taxes herein levied, and shall be entitled to payment solely from such money or Government Obligations.

(b) That any moneys so deposited with a paying agent may at the direction of the District also be invested in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from all Government Obligations in the hands of the paying agent pursuant to this Section which is not required for the payment of the Bonds and Additional Bonds, the redemption premium, if any, and interest thereon, with respect to which such money has been so deposited, shall be turned over to the District or deposited as directed by the District.

(c) That the District covenants that no deposit will be made or accepted under clause (a)(ii) of this Section and no use made of any such deposit which would cause the Bonds or any Additional Bonds to be treated as arbitrage bonds within the meaning of Section 103(c) (2) of the Internal Revenue Code of 1954, as amended.

(d) That for the purpose of this Section, the term "Government Obligations" shall mean direct general obligations of the United States of America that are not subject to redemption prior to maturity except at the option of the holder or owner thereof, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, and which may be United States Treasury obligations such as its State and Local Government Series, and may be in book-entry form.

(e) That notwithstanding any other provisions of this Resolution, all money or Government Obligations set aside and held in trust pursuant to the provisions of this Section for the payment of Bonds and Additional Bonds, the redemption premium, if any, and interest thereon, shall be applied to and used for the payment of such Bonds and Additional Bonds, the redemption premium, if any, and interest thereon.

Section 20. ADDITIONAL BONDS. (a) That the District shall have the right and power at any time and from time to time, and in one or more Series or issues, to authorize, issue, and deliver additional bonds (herein called "Additional Bonds:), which may be either (1) payable from and secured by a first lien on and pledge of the Pledged Revenues only, or (2) payable from and secured by a first lien on and pledge of the Pledged Revenues as well as the levy of unlimited ad valorem taxes, all as hereinafter provided. No Additional Bonds shall be payable from or secured by any other revenues.

(b) Additional Bonds, if and when authorized, issued, and delivered in accordance with this Resolution, shall be payable from the Interest and Redemption Fund, and shall be payable from and secured by an irrevocable first lien on and pledge of the Pledged Revenues, equally and ratably on a parity with the Bonds and all other outstanding Additional Bonds. Also, the Additional Bonds, at the option of the District, additionally may be made payable from and secured by the levy of unlimited ad valorem taxes, if and to the extent

authorized or permitted by, and subject to all requirements (including voting requirements, if any) of, the then applicable provisions of the Constitution and Statutes of the State of Texas.

(c) That the principal of all Additional Bonds must be scheduled to be paid or mature on March 1 of the years in which such principal is scheduled to be paid or mature; and all interest thereon must be payable on March 1 and September 1.

Section 21. FURTHER REQUIREMENTS FOR ADDITIONAL BONDS.

(a) That Additional Bonds shall be issued only in accordance with this Resolution, and then applicable laws, and may be issued in any amounts, for any lawful purpose relating to the System, including the refunding of any Bonds or Additional Bonds. No installment, Series, or issue of Additional Bonds shall be issued or delivered unless the President and the Secretary of the Board sign a written certificate to the effect (i) that the District is not in default as to any covenant, condition, or obligation in connection with all outstanding Bonds and Additional Bonds, and the resolutions authorizing the same, (ii) that the Interest and Redemption Fund and any Reserve Fund (disregarding and not including the Special Reserve Fund) contain the amount then required to be therein, and (iii) if, but only if, the then proposed Additional Bonds are to be payable solely from Pledged Revenues or a parity with the Bonds and any outstanding Additional Bonds (and not from ad valorem taxes) that either (1) the Pledged Revenues in each fiscal year, commencing (A) with the third complete fiscal year following the execution of such certificate or report, or (B) with the fiscal year following the estimated completion date of any project for which the then proposed Additional Bonds are being issued (whichever of (A) or (B) is later) are estimated, based on a report of an independent engineer or firm of engineers, to be at least equal to 1.25 times the average annual principal and interest requirements of all Bonds and Additional Bonds to be outstanding after the delivery of the then proposed Additional Bonds, or (2) based upon an opinion of legal counsel to the District, there are Contracts then in effect pursuant to which parties to such Contracts are obligated to make minimum payments to the District on a "take or pay" basis at such times and in such amounts as shall be necessary to provide to the District Pledged Revenues sufficient to pay when due all principal of and interest on all Bonds and Additional Bonds.

(b) That each resolution authorizing the issuance of Additional Bonds payable solely from Pledged Revenues (and not from ad valorem taxes) shall establish or confirm a debt service reserve fund (the "Reserve Fund"), as additional security for all such revenue bonds payable solely from Pledged Revenues, in an amount not less than the average annual principal and interest requirements on all such revenue bonds payable solely from Pledged Revenues (or any other amount provided for in any resolution authorizing the issuance of any such revenue bonds payable solely from Pledged Revenues), and shall make provision for funding such Reserve Fund from Pledged Revenues, or

at the option of the District, from bond proceeds or other available sources. Such Reserve Fund may be funded in whole or in part initially, or may be funded in whole or in part from Pledged Revenues by approximately equal periodic payments, not less than annual, and within not more than five years from the date of the then proposed Additional Bonds.

Section 22. GENERAL COVENANTS, REPRESENTATIONS, AND WARRANTIES. That the District further covenants, represents, warrants, and agrees that:

(a) PERFORMANCE. It will faithfully person at all times any and all covenants, undertakings, stipulations, and provisions contained in this Resolution and each resolution authorizing the issuance of Additional Bonds, and in each and every Bond and Additional Bond; that it will promptly pay or cause to be paid the principal of and interest on every bond and Additional Bond, on the dates and in the places and manner prescribed in such resolutions and Bonds or Additional Bonds; and that it will, at the time and in the manner prescribed, deposit or cause to be deposited the amounts required to be deposited into the Interest and Redemption Fund; and any holder of the Bonds or Additional Bonds may require the District, its Board, and its officials and employees, to carry out, respect, or enforce the covenants and obligations of this Resolution or any resolution authorizing the issuance of Additional Bonds, by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings, in any court of competent jurisdiction, against the District, its Board, and its officials and employees.

(b) DISTRICT'S LEGAL AUTHORITY. It is a duly created and existing conservation and reclamation district of the State of Texas pursuant to Article 16, Section 59, of the Texas Constitution, and the laws of the State of Texas, and is duly authorized under the laws of the State of Texas to create and issue the Bonds; that all action on its part for the creation and issuance of the Bonds has been duly and effectively taken, and that the Bonds in the hands of the holders and owners thereof are and will be valid and enforceable obligations of the District in accordance with their terms.

(c) TITLE. It has and will obtain lawful title to, or the lawful right to use and operate, the lands, buildings, and facilities constituting the System, that it warrants that it will defend the title to or lawful right to use and operate, all of the aforesaid lands, buildings, and facilities, and every part thereof, for the benefit of the holders and owners of the Bonds and Additional Bonds against the claims and demands of all persons whomsoever, and is lawfully qualified to pledge the Pledged Revenues to the payment of the Bonds and Additional Bonds 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 it, or the System, that 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 liens granted hereunder shall be fully preserved in the manner provided herein, and that 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 liens hereof might or could be impaired; provided, however, that no such tax, assessment, or charge, and that no such claims which might be used as the basis of a mechanic's, laborer's, materialman's, or other lien or charge, shall be required to be paid so long as the validity of the same shall be contested in good faith by the District.

(e) OPERATION OF THE SYSTEM. While the Bonds or any Additional Bonds are outstanding and unpaid it will cause the System to be continuously and efficiently operated and maintained in good condition, repair, and working order, and at a reasonable cost.

(f) FURTHER ENCUMBRANCE. While the Bonds or any Additional Bonds are outstanding and unpaid, it will not additionally encumber the Pledged Revenues in any manner, except as permitted in this Resolution in connection with Additional Bonds, unless said encumbrance is made junior and subordinate in all respects to the liens, pledges, covenants, and agreements of this Resolution and any resolution authorizing the issuance of Additional Bonds; but the right of the District and the Board to issue revenue bonds for any lawful purpose payable from a subordinate lien on the Pledged Revenues is specifically recognized and retained. This Resolution does not and is not intended to affect, limit, or prohibit the issuance of bonds payable solely from ad valorem taxes.

(g) SALE OF PROPERTY. While the Bonds or any Additional Bonds, are outstanding and unpaid, it will maintain its current legal corporate status as a conservation and reclamation district, and it will not sell, convey, mortgage, or in any manner transfer title to, or lease or otherwise dispose of the entire System, or any significant or substantial part thereof; provided that whenever the District deems it necessary to dispose of any real or personal property, machinery, fixtures, or equipment, it may sell or otherwise dispose of such real or personal property, machinery, fixtures, or equipment when it has made arrangements to replace the same or provide substitutes therefor, unless it is determined by resolution of the Board that no such replacement or substitute is necessary; and all proceeds from the sale thereof shall be credited to the Revenue Fund.

(h) INSURANCE. (1) It will carry or cause to be carried such insurance as usually would be carried by corporations or other business entities operating like properties and engaged in similar

activities, with a responsible insurance company or companies; provided that no insurance shall be required to the extent that the Board determines, based on the advice of legal counsel, that no substantial liability can or will arise under a particular hazard. At any time while any contractor engaged in construction work shall be fully responsible therefor, the District shall not be required to carry insurance on the works being constructed, if the contractor is required to carry appropriate insurance. All such policies shall be open to the inspection of the owners or holders of the Bonds and Additional Bonds and their representatives at all reasonable times.

(2) Upon the happening of any loss or damage covered by insurance from one or more of said causes, the District shall make due proof of loss and shall do all things necessary or desirable to cause the insuring companies to make payment in full directly to the District. The proceeds of insurance covering such property, together with any other funds necessary and available for such purpose, shall be used forthwith by the District for repairing the property damaged or replacing the property destroyed; provided, however, that if said insurance proceeds and other funds are insufficient for such purpose, then said insurance proceeds pertaining to the System shall be used promptly as follows:

(a) for the redemption prior to maturity of the Bonds and Additional Bonds, if any, ratably in the proportion that the outstanding principal of each Series or issue of Bonds or Additional Bonds bears to the total outstanding principal of all Bonds and Additional Bonds; provided that if on any such occasion the principal of any such Series or issue is not subject to redemption, it shall not be regarded as outstanding in making the foregoing computation; or

(b) if none of the outstanding Bonds or Additional Bonds is subject to redemption, then for the purchase on the open market and retirement of said Bonds and Additional Bonds, in the same proportion as prescribed in the foregoing clause (a), to the extent practicable; provided that the purchase price for any such Bond or Additional Bonds shall not exceed the redemption price of such Bond or Additional Bond on the first date upon which it becomes subject to redemption; or

(c) to the extent that the foregoing clauses (a) and (b) cannot be complied with at the time, the insurance proceeds, or the remainder thereof, shall be deposited in a special and separate trust fund, at an official depository of the District, to be designated the Insurance Account. The Insurance Account shall be held until such time as the foregoing clauses (a) and/or (b) can be complied with, or until other funds become available which, together with the Insurance Account, will be sufficient to make the repairs or replacements originally required, whichever of said events occurs first.

(3) The annual audit hereinafter required shall contain a list of all such insurance policies carried, together with a statement as to whether or not all insurance premiums upon such policies have

been paid.

(i) RATE COVENANT. It will fix, establish, maintain, revise (if and when necessary), and collect such rates, charges, and fees for the sale of water from the System and for the use and availability of the System as are necessary to produce Gross Revenues of the System sufficient, together with any other Pledged Revenues and any taxes as may be levied by the District for such purpose, (1) to pay all Operation and Maintenance Expenses of the System, and (2) to produce Pledged Revenues adequate to provide for all payments and deposits required to be made into the Interest and Redemption Fund, any Reserve Fund, and the Contingency Fund, when and as required by the resolutions authorizing all Bonds and Additional Bonds.

(j) RECORDS. It will keep proper books of records and account in which full, true, and correct entries will be made of all dealings, activities, and transactions relating to the System, the Pledged Revenues, and all Funds created pursuant to this Resolution; and all books, documents, and vouchers relating thereto shall at all reasonable times be made available for inspection upon request of any bondholder.

(k) AUDITS. Each year while any of the Bonds or Additional Bonds are outstanding, an audit will be made of its books and accounts relating to the System and the Pledged Revenues by an independent certified public accountant or an independent firm of certified public accountants. As soon as practicable after the close of each year, and when said audit has been completed and made available to the District, a copy of such audit for the preceding year shall be mailed to the Municipal Advisory Council of Texas and to any bondholders who shall so request in writing. Such annual audit reports shall be open to the inspection of the owners or holders of the Bonds and Additional Bonds and their agents and representatives at all reasonable times.

(l) GOVERNMENTAL AGENCIES. It will comply with all of the terms and conditions of any and all franchises, permits, and agreements applicable to the System and the Bonds or Additional Bonds entered into between the District and any governmental agency, and the District will take all action necessary to enforce said terms and conditions; and the District will obtain and keep in full force and effect all franchises, permits, and other requirements necessary with respect to the acquisition, construction, operation, and maintenance of the System.

(m) CONTRACTS. It will comply with the terms and conditions of the Contracts and will cause the other parties to the Contracts to comply with all of their obligations thereunder by all lawful means; and the Contracts will not be rescinded, modified, or amended in any way which would have a materially adverse effect on the operation of the System or the rights of the owners of the Bonds and Additional Bonds.

(n) ANNUAL BUDGET. On or before August 1 of each calendar

year, it will prepare the preliminary Annual Budget of Operation and Maintenance Expenses of the System for the ensuing fiscal year, and such budget shall include a showing as to the proposed expenditures for such ensuing fiscal year, and shall show the estimated amount of Net Revenues of the System for such year. If the owners or holders of 25% in aggregate principal amount of the Bonds and Additional Bonds then outstanding shall so request on or before the 15th day of the aforesaid month, the Board shall hold a public hearing on or before the 15th day of the following month, at which any bondholder may appear in person or by agent or attorney and present any objections he may have to the final adoption of such budget. Notice of the time and place of such hearing shall be published twice, once in each of two successive weeks, in a newspaper of general circulation published in the District, with the date of the first publication to be at least fourteen days before the date fixed for the hearing; and copies of such notice shall be mailed at least ten days before the hearing to each bondholder who shall have filed his name and address with the Secretary of the Board for such purpose. The District further covenants that on or before October 1 of each calendar year it will finally adopt the Annual Budget of Operation and Maintenance Expenses of the System for such fiscal year (hereinafter sometimes called the "Annual Budget"). If for any reason the Board shall not have adopted the Annual Budget before the first day of any fiscal year, the budget for the preceding fiscal year shall be deemed to be in force until the adoption of the Annual Budget. The Operation and Maintenance Expenses of the System incurred in any fiscal year will not exceed the reasonable and necessary amount thereof. The District may, as any time deemed necessary by the Board, adopt an Amended or Supplemental Budget for the remainder of the then current fiscal year.

(o) NO ARBITRAGE. The District covenants to and with the purchasers of the Bonds that it will make no use of the proceeds of the Bonds at any time throughout the term of the Bonds which, if such use had been reasonably expected on the date of delivery of the Bonds to and payment for the Bonds by the purchasers, would have caused the Bonds to be arbitrage bonds within the meaning of Section 103(c) of the Internal Revenue Code of 1954, as amended, or any regulations or rulings pertaining thereto; and by this covenant the District is obligated to comply with the requirements of the aforesaid Section 103(c) and all applicable and pertinent Department of the Treasury regulations relating to arbitrage bonds. The District further covenants that the proceeds of the Bonds will not otherwise be used directly or indirectly so as to cause all or any part of the Bonds to be or become arbitrage bonds within the meaning of the aforesaid Section 103(c), or any regulations pertaining thereto.

Section 23. AMENDMENT OF RESOLUTION. (a) The holders of Bonds and Additional Bonds aggregating 51% in principal amount of the aggregate principal amount of then outstanding Bonds and Additional Bonds shall have the right from time to time to approve any amendment to this Resolution or any resolution authorizing the issuance of Additional Bonds, which may be deemed necessary or desirable by the

District, provided, however, that nothing herein contained shall permit or be construed to permit the amendment of the terms and conditions in said resolutions or in the Bonds or Additional Bonds so as to:

- (1) Make any change in the maturity of the outstanding Bonds or Additional Bonds;
- (2) Reduce the rate of interest borne by any of the outstanding Bonds or Additional Bonds;
- (3) Reduce the amount of the principal payable on the outstanding Bonds or Additional Bonds;
- (4) Modify the terms of payment of principal of or interest on the outstanding Bonds or Additional Bonds, or impose any conditions with respect to such payment;
- (5) Effect any change in the rights of the holders of the Bonds and Additional Bonds then outstanding, other than a change which similarly affects all such holders;
- (6) Change the minimum percentage of the principal amount of Bonds and Additional Bonds necessary for consent to such amendment.

(b) If at any time the District shall desire to amend a resolution under this Section, the District shall cause notice of the proposed amendment to be published in a financial newspaper or journal published in The City of New York, New York, once during each calendar week for at least two successive calendar weeks. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of The Fort Worth National Bank, Fort Worth, Texas, or its successor, for inspection by all holders of Bonds and Additional Bonds. Such publication is not required, however, if notice in writing is given to each holder of Bonds and Additional Bonds.

(c) Whenever at any time not less than thirty days, and within one year, from the date of the first publication of said notice or other service of written notice the District shall receive an instrument or instruments executed by the holders of at least 51% in aggregate principal amount of all Bonds and Additional Bonds then outstanding, which instrument or instruments shall refer to the proposed amendment described in said notice and which specifically consent to and approve such amendment in substantially the form of the copy thereof on file as aforesaid, the District may adopt the amendatory resolution in substantially the same form.

(d) Upon the adoption of any amendatory resolution pursuant to the provisions of this Section, the resolution being amended shall

be deemed to be amended in accordance with amendatory resolution, and the respective rights, duties, and obligations of the District and all the holders of then outstanding Bonds and Additional Bonds and all future Additional Bonds shall thereafter be determined, exercised, and enforced hereunder, subject in all respects to such amendment.

(e) Any consent given by the holder of a Bond or Additional Bonds pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the first publication of the notice provided for in this Section, and shall be conclusive and binding upon all future holders of the same Bond or Additional Bond during such period. Such consent may be revoked at any time after six months from the date of the first publication of such notice by the holder who gave such consent, or by a successor in title, by filing notice thereof with The Fort Worth National Bank, Fort Worth, Texas, or its successor, and the District, but such revocation shall not be effective if the holders of 51% in aggregate principal amount of the then outstanding Bonds and Additional Bonds as in this Section defined have, prior to the attempted revocation, consented to and approved the amendment.

(f) For the purpose of this Section, the fact of the holding of Bonds or Additional Bonds by any bondholder and the amount and numbers of such Bonds and Additional Bonds, and the date of their holding same, may be provided by the affidavit of the person claiming to be such holder, or by a certificate executed by any trust company, bank, banker, or any other depository wherever situated showing that at the date therein mentioned such person had on deposit with such trust company, bank, banker, or other depository, the Bonds or Additional Bonds described in such certificate. The District may conclusively assume that such ownership continues until written notice to the contrary is served upon the District.

Section 24. APPROVAL AND REGISTRATION OF BONDS. That the President of the Board is hereby authorized to have control of the Bonds and all necessary records and proceedings pertaining to the Bonds pending their delivery and their investigation, examination, and approval by the Attorney General of the State of Texas, and their registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Bonds, said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate printed and endorsed on the Bonds, and the seal of said Comptroller shall be impressed, or placed in facsimile, on each of the Bonds.

Section 25. SALE OF BONDS. That the Bonds are hereby sold and shall be delivered to an underwriting syndicate headed or managed by Goldman, Sachs & Co. and Merrill Lynch, Pierce, Fenner & Smith, in accordance with the Underwriting Agreement in form and substance approved by another resolution of the Board of even date herewith, and it is hereby found and determined by the Board that the price and terms specified in such Underwriting Agreement are the most advantageous

reasonably obtainable by the District.

Section 26. APPROVAL OF OFFICIAL STATEMENT. That an Official Statement dated November 17, 1977, relating to the Bonds, in substantially the form as submitted to this meeting, is hereby approved and authorized to be distributed to prospective investors and other interested parties in connection with the underwriting and sale of the Bonds, with such changes therein as shall be approved by the President or the General Manager of the District. It is further officially found, determined, and declared that the statements and representations contained in said Official Statement are true and correct in all material respects, to the best knowledge and belief of the Board.

Section 27. PROCEEDS OF SALE. That promptly after the delivery of the Bonds all of the proceeds from the sale and delivery of the Bonds shall be deposited in The Fort Worth National Bank, Fort Worth, Texas, which is a bank where the principal of the interest on all of the Outstanding Bonds are payable, and such proceeds (less any accrued interest on the Bonds, which shall be deposited to the credit of the Interest and Redemption Fund) shall be used for the purpose of refunding, discharging, and retiring all of the Outstanding Bonds, and paying the costs and expenses of insurance of the Bonds. By another resolution of the Board of even date herewith the Board has authorized the execution of a "Special Escrow Fund Agreement" between the District and The Fort Worth National Bank, Fort Worth, Texas, as Trustee (the "Trustee") under the Trust Indenture dated March 1, 1960 (the "Trust Indenture") securing the Outstanding Bonds. The "Special Escrow Fund Agreement" provides for the deposit with the Trustee, as "Escrow Agent", of all of the foregoing proceeds, the proper disposition of accrued interest, the investment of part of said proceeds in "Federal Securities", the defeasance, discharge, and release of the Trust Indenture by the Trustee, the payment of all costs and expenses of issuance of the Bonds, and other matters relating to the transaction.

Section 28. REASONS FOR REFUNDING. That it is specifically found and determined by the District and the Board that the Trust Indenture contains restrictive covenants which prevent the adequate and economical financing of water supply projects which are expected to be required by the District in the near future through the issuance of Special Facilities Bonds and bonds payable solely from Pledged Revenues (without an election and not payable from taxes). It is further specifically found and determined by the District and the Board that the refunding of the Outstanding Bonds by the issuance of the Bonds will result in a beneficial savings and reduction in the aggregate amount of principal and interest which the District otherwise would be required to pay from the Pledged Revenues. Therefore, for the reasons stated in this Section 28, the District and the Board have found it to be necessary and essential in the best interests of the District that such refunding be accomplished, and the Trust Indenture and the Outstanding Bonds be defeased, discharged, and released thereby.

On motion of Mr. Penry, seconded by Mr. Thornton, the resolution authorizing execution of an underwriting agreement between Tarrant County Water Control and Improvement District Number One and Goldman, Sachs and Company and Merrill Lynch, Pierce, Fenner and Smith, Incorporated, was unanimously adopted in words and figures appearing as follows:

WHEREAS, it is necessary and advisable that the Tarrant County Water Control and Improvement District Number One (the "District") enter into an Underwriting Agreement with Goldman, Sachs & Co., and Merrill Lynch, Pierce, Fenner & Smith Incorporated with respect to certain bonds.

THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF TARRANT COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NUMBER ONE:

Section 1. That the President and the Secretary of the Board of Directors of the District are authorized and directed, for and on behalf of the District, to date, sign, seal, and otherwise execute an Underwriting Agreement between the District and Goldman, Sachs & Co. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, in substantially the form and substance attached hereto and made a part hereof. Upon execution and delivery, such Underwriting Agreement shall constitute a binding and enforceable agreement of the District in accordance with its terms.

Section 2. The President and the Secretary of the Board of Directors of the District, the General Manager of the District, the Manager-Fiscal Affairs of the District, and all other officers of the District are hereby authorized to execute and deliver such other instruments, certificates, documents, or papers, and approve changes in the Underwriting Agreement and the Official Statement relating to the bonds described therein, as they may deem advisable, and to take such further action as such officers may deem advisable or appropriate in connection with the matters and transactions referred to in or contemplated by the Underwriting Agreement.

On motion of Mr. Thornton, seconded by Mr. Shannon, the resolution authorizing execution of a special escrow fund agreement, was unanimously adopted in words and figures appearing as follows:

WHEREAS, it is necessary and advisable that the District enter into the Special Escrow Fund Agreement hereinafter authorized with The Fort Worth National Bank, Fort Worth, Texas.

\$49,250,000

**TARRANT COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NUMBER ONE**

(Fort Worth, Texas)

**Combined Water Revenue and
Unlimited Tax Refunding Bonds, Series 1977**

Underwriting Agreement

UNDERWRITING AGREEMENT dated November 17, 1977 between the Tarrant County Water Control and Improvement District Number One (the "District") and the Underwriters named in Schedule I hereto (the "Underwriters"), for whom GOLDMAN, SACHS & Co., and MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED will serve as the managers (the "Managers") and for whom, under certain circumstances, GOLDMAN, SACHS & Co. may serve as the representatives (the "Representatives").

This Underwriting Agreement is made and entered into in respect of the authorization, issuance and sale by the District, and the purchase by the Underwriters, of \$49,250,000 Combined Water Revenue and Unlimited Tax Refunding Bonds, Series 1977 (the "Refunding Bonds") of the District. Executed and dated as of the date of this Underwriting Agreement, and attached and made a part hereof, is the Official Statement, as such is hereinafter defined, relating to the Refunding Bonds.

1. Commitment.

(a) Upon execution of this Underwriting Agreement by the District and the Managers, on behalf of themselves and the other Underwriters (or by the Representatives, on behalf of themselves, the other Managers and the other Underwriters), this Underwriting Agreement shall be in full force and effect in accordance with its terms and shall be binding upon the District and the Underwriters. (The Underwriters, including the Managers, in respect of the Refunding Bonds are herein collectively referred to as the "Purchasers", but only insofar as their interests and obligations in respect of the Refunding Bonds shall occur or exist.)

(b) Concurrently with the execution of this Underwriting Agreement, the Representatives acting on behalf of the Purchasers of which they are one, have delivered to the District a certified or official bank check payable to the order of the District in the amount of \$492,500 as security for the performance by the Purchasers of their obligation to accept and pay for the Refunding Bonds at the Closing (as such terms are hereinafter defined) in accordance with the provisions of this Underwriting Agreement. Said check shall be held uncashed as security and concurrently with the delivery of and payment for the Refunding Bonds at the Closing shall be returned to the Representatives. Upon the failure to deliver the Refunding Bonds at the Closing or if the conditions to the obligations of the Purchasers contained herein are not satisfied, or if such obligations are terminated for any reason permitted by this Underwriting Agreement, such check shall be immediately returned to the Representatives. In the event the Purchasers fail (other than for a reason permitted pursuant to this Underwriting Agreement) to accept and pay for the Refunding Bonds at the Closing, such check shall be cashed by the District, and the amount thereof retained by the District as and for full liquidated damages for such failure and for any and all defaults hereunder on the part of the Purchasers, and the cashing of such check shall constitute a full release and discharge of all claims and rights hereunder against the Purchasers.

(d) The President of the District, auditors, counsel and advisors referred to in this Underwriting Agreement are:

President: Mr. Wayne E. Newton, President of the District
General Counsel: Brown, Herman, Scott, Dean & Miles, Fort Worth, Texas
Auditors: Arthur Young & Company
Bond Counsel: McCall, Parkhurst & Horton, Dallas, Texas
Financial Advisors: First Southwest Company, Dallas, Texas
Counsel to the Underwriters: Dewey, Ballantine, Bushby, Palmer & Wood, New York, New York

4. Representations of the District.

(a) The District acknowledges that the District will sell the Refunding Bonds to the Purchasers, and that the Purchasers will make a public offering of the Refunding Bonds in reliance upon the representations and covenants herein set forth.

(b) The District represents that:

(i) The District is and will be at the Closing duly organized and existing as a conservation and reclamation district and political subdivision of the State of Texas with the powers and authority, among others, set forth in the Act.

(ii) When delivered to and paid for by the Purchasers at the Closing, the Refunding Bonds (A) will have been duly authorized, executed, issued and delivered in conformity with the Act and the Resolution and will be entitled to the benefit and security thereof, and (B) will constitute valid and binding obligations of the District of the character referred to in the Act.

(iii) The adoption of the Resolution, the execution and delivery of the Underwriting Agreement, the Official Statement and the Escrow Agreement, and the execution and delivery of the Refunding Bonds and the consummation of the transactions contemplated thereby and hereby, and the compliance with the provisions thereof and hereof under the circumstances contemplated thereby and hereby, will not conflict with or constitute on the part of the District a breach of or a default under any agreement or instrument to which the District is a party or any existing law, administrative regulation, court order or consent decree to which the District is subject.

(iv) The water purchase contracts (including any amendments thereto) between the District and its customers referred to in the Official Statement, including the City of Fort Worth, the Resolution and the Escrow Agreement are and at the Closing will be in full force and effect in accordance with their terms, and, as of the Closing, will not have been amended, modified or supplemented except as the Official Statement shall disclose and as shall have been agreed to in writing by the Managers, and the District shall have duly adopted and there shall be in full force and effect such resolutions as, in the opinion of the General Counsel or Bond Counsel, shall be necessary in connection with the transactions contemplated hereby.

(v) Both at the time of the execution of this Underwriting Agreement by the District and at the Closing, subject, however, to the provisions of section 6(c) hereof, the statements and information contained in the Official Statement are and will be true, correct and complete in all material respects and the Official Statement does not and will not omit any statement or information which is necessary to make the statements and information therein, in the light of the circumstances under which they were made, not misleading in any material respect.

(vi) The financial statements included in the Official Statement have been prepared in all material respects on a consistent basis, and present fairly the financial position of the District and the results of the operation of the District and the District's Water System at the dates and for the periods indicated.

(vii) The District has, and at the time of the Closing will have, all federal, state, county or other governmental or public approvals, permits, consents or authorizations necessary for the lawful ownership, operation and functioning of its properties, facilities and Water System, and is not now, and at the time of the Closing will not be, in violation of any of the aforesaid approvals, permits, consents or authorizations. The District is not now, and at the time of the Closing will not be, in violation of any applicable

7. Conditions of the Purchasers' Obligations.

The obligations of the Purchasers to purchase the Refunding Bonds are subject to the fulfillment of the following conditions at or before the Closing. Should the following conditions not be fulfilled in respect of the Refunding Bonds, the obligations of all the Purchasers under this Underwriting Agreement shall terminate and neither the District nor the Purchasers shall have any further obligation hereunder, except that the check referred to in section 1(b) hereof shall be returned by the District to the Representatives.

(a) The District's representations contained in section 4 hereof shall be true on and as of the time of Closing, and shall be confirmed at the Closing by certificates, signed by the President of the District, in form and substance satisfactory to the Managers.

(b) There shall be delivered to the Managers at or prior to the Closing three duly executed copies of the Official Statement and the Escrow Agreement and three duly certified copies of the Resolution and the City of Fort Worth contract referred to in Section 4(b)(iv).

(c) The Purchasers shall receive at the Closing:

(i) Opinions of Bond Counsel, dated the date of the Closing, covering those points outlined in Exhibits A and B, and an opinion of the Attorney General of the State of Texas as to the validity of the Refunding Bonds.

(ii) An opinion of General Counsel to the District, dated the date of the Closing, covering those points outlined in Exhibit C.

(iii) Letters of the Auditors, dated as of the date hereof and dated as of the Closing, confirming that they are certified public accountants with respect to the District and otherwise in form and substance satisfactory to the Managers.

(iv) A letter or letters of the Auditors, dated as of the Closing, as to the accuracy of (1) the arithmetical computations of the adequacy of the maturing principal amounts of the Federal Securities described in the Official Statement to pay when due to the dates of redemption or maturity, the principal, premium and interest on the outstanding Water Supply Bonds of the District being refunded and (2) the mathematical computations supporting the conclusion of Bond Counsel that the Bonds are not "arbitrage bonds" under Section 103(c) of the Internal Revenue Code of 1954. Such verification of arithmetical and mathematical computations shall be based upon information and assumptions supplied by the District through the Financial Advisors and on interpretations of Section 103(c) of the Internal Revenue Code of 1954 provided by Bond Counsel.

(v) An opinion of Counsel to the Underwriters, dated the date of the Closing, in the form and substance as set forth in Exhibit D.

(d) The Purchasers shall have received such additional documentation as the Managers, Bond Counsel or Counsel to the Underwriters may reasonably request: (i) to evidence compliance with applicable law; (ii) to evidence the validity of the Refunding Bonds, the Resolution, the Escrow Agreement and the contracts referred to in Section 4(b)(iv); and (iii) to evidence the truth and accuracy, as of the time of Closing, of all representations herein contained and the due performance or satisfaction by the District at or prior to such time of all agreements then to be performed and all conditions then to be satisfied as contemplated under this Underwriting Agreement.

(e) At the Closing, there shall not have been any material adverse change in the affairs or financial condition of the District or the Water System of the District, taken as a whole, from that described in the Official Statement which, in the judgment of the Managers, makes it inadvisable to proceed with the sale of the Refunding Bonds; and the Purchasers shall have received a certificate of the District certifying that no material adverse change has occurred, or, if such a change has occurred, full information with respect thereto.

10. Notices and Other Actions.

All notices, demands and formal actions hereunder will be in writing, mailed, telegraphed or delivered to:
The District:

TARRANT COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NUMBER ONE
P. O. Box 4508
Fort Worth, Texas 76106

The Underwriters:

GOLDMAN, SACHS & Co.
MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED
Managers
c/o GOLDMAN, SACHS & Co.
Representatives
55 Broad Street
New York, New York 10004

11. Miscellaneous.

This Underwriting Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument. This Underwriting Agreement will inure to the benefit of and be binding upon the parties and their successors, and will not confer any rights upon any other person. All representations and agreements by the District in this Underwriting Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any of the Underwriters and shall survive the delivery of and payment for the Refunding Bonds. Time shall be of the essence of this Underwriting Agreement.

TARRANT COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NUMBER ONE

By

Wayne E. Newton
.....
President, Board of Directors

Attest:

J. D. Shannon
.....
Secretary, Board of Directors

GOLDMAN, SACHS & Co.
MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED
Managers

By: GOLDMAN, SACHS & Co.

Goldman Sachs & Co.
.....

**POINTS TO BE COVERED IN THE OPINION OF BOND COUNSEL
AS TO THE REFUNDING BONDS**

(Terms defined in Underwriting Agreement are used here with same meanings)

[Letterhead of McCall, Parkhurst & Horton]

[Closing Date]

1. The District is a conservation and reclamation district and political subdivision of the State of Texas.
2. The Resolution adopted by the Board of Directors of the District on _____, 1977, authorizing the issuance of the Refunding Bonds has been duly and lawfully adopted and constitutes a valid and binding obligation of the District; the Refunding Bonds and the interest coupons appertaining thereto have been authorized, issued, and delivered in accordance with law and constitute valid and legally binding general obligations of the District; and the Refunding Bonds, and the interest coupons appertaining thereto, are secured by and payable from an irrevocable first lien on the pledge of ad valorem taxes unlimited as to rate or amount and the pledge of the "Pledged Revenues", as defined in the Resolution, which include the "Net Revenues of the District's Water System", as defined in the Resolution.
3. The District may issue Additional Bonds within the terms, limitations and conditions of the Resolution on a parity and of equal dignity with the Refunding Bonds as to source of payment from and security in the ad valorem taxes and "Pledged Revenues".
4. Interest on the Refunding Bonds is exempt from present Federal income taxation under existing statutes, regulations, rulings and court decisions.

POINTS TO BE COVERED IN SUPPLEMENTARY OPINION OF BOND COUNSEL

(Terms defined in Underwriting Agreement are used here with same meanings)

[Letterhead of McCall, Parkhurst & Horton]

GOLDMAN, SACHS & Co.
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED
*as Managers for the Underwriters
named in Schedule I to the
Underwriting Agreement*
c/o GOLDMAN, SACHS & Co.
55 Broad Street
New York, New York 10004

1. The Underwriting Agreement has been duly authorized, executed and delivered by the District and constitutes a binding and enforceable agreement of the District in accordance with its terms.
2. In its capacity as Bond Counsel, such firm has reviewed the information in the Refunding Bonds Official Statement under the captions: "Refunding—Sources and Application of Funds," "Authority and Security for Refunding Bonds", "Description of Refunding Bonds," "City of Fort Worth Contract", "Summary of Certain Provisions of the Resolution", "Tax Exemption" and "Legal Matters" and such firm is of the opinion that such descriptions conform to the provisions of the laws and instruments therein described.
3. The Refunding Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and it is not necessary to qualify the Resolution as an indenture under the Trust Indenture Act of 1939, as amended.
4. The Escrow Agreement has been duly authorized, executed and delivered by the parties thereto and constitutes a binding and enforceable agreement of the parties thereto in accordance with its terms and the District's outstanding Water Supply Bonds, Series 1960, 1962, 1970 and 1971 are no longer outstanding under the Trust Indenture, dated March 1, 1960, and indentures supplemental thereto, by and between the District and The Fort Worth National Bank, and said Trust Indenture has been released and discharged.
5. The Refunding Bonds are not arbitrage bonds and based upon an examination of the law and review of the no-arbitrage certificate of the District, dated as of the closing date, and the verification of the arithmetical and mathematical computation by Arthur Young & Company, the facts, estimates and circumstances are sufficiently set forth in such no-arbitrage certificate and the above-mentioned verification to satisfy the criteria which are necessary under Section 103(c) of the Internal Revenue Code of 1954, as amended, and applicable Treasury Regulations, to support the conclusion that the Refunding Bonds will not be arbitrage bonds and no matters have come to the attention of such firm which make unreasonable or incorrect the representations made in said no-arbitrage certificate or the above-mentioned verification.

POINTS TO BE COVERED IN OPINION OF GENERAL COUNSEL TO THE DISTRICT

(Terms defined in Underwriting Agreement are used here with same meanings)

[Letterhead of BROWN, HERMAN, SCOTT, DEAN & MILES]

[Closing Date]

MCCALL, PARKHURST & HORTON
1400 Mercantile Bank Building
1704 Main Street
Dallas, Texas 75201

1. The District is duly organized and existing as a conservation and reclamation district and political subdivision of the State of Texas with the powers and authority set forth in the applicable laws thereof.

2. The adoption of the Resolution, the execution and delivery of the Underwriting Agreement, the Official Statement and the Escrow Agreement, and the execution and delivery of the Refunding Bonds and the consummation of the transactions contemplated thereby, and the compliance with the provisions thereof under the circumstances contemplated thereby, do not or will not, as the case may be, conflict with or constitute on the part of the District a breach of or a default under any agreement or instrument to which the District is a party or any existing law, administrative regulation, court order or consent decree to which the District is subject.

3. The water purchase contracts (including any amendments thereto) between the District and its customers (including the City of Fort Worth) referred to in the Official Statement and the Resolution are in full force and effect in accordance with their terms, and have not been amended, modified or supplemented except as provided in the Official Statement.

4. The District holds all federal, state, county or other governmental or public approvals, permits, consents or authorizations necessary for the lawful ownership, operation and functioning of its properties, facilities and Water System, and is not in violation of any of the aforesaid approvals, permits, consents or authorizations. The District is not in violation of any applicable air or water quality, use or other environmental protection laws, ordinances, rules, regulations or orders of any federal, state, county or other governmental or public authority.

5. The District has good and marketable fee simple title to, or the indefeasible right to use as now being used, all real property comprising a part of the District's Water System, and a valid and indefeasible interest in all other assets comprising a part of the District's Water System such as to permit the operation of the District's Water System as now operated.

6. There are no legal, administrative or judicial proceedings pending against the District: (i) contesting the official existence or powers of the District; (ii) contesting or affecting the authority for the issuance of the Refunding Bonds, or seeking to restrain or enjoin the issuance or the delivery of the Refunding Bonds; (iii) contesting or affecting the validity of the Refunding Bonds, the Resolution, the contracts referred to in paragraph 3, above, or the Underwriting Agreement; or (iv) seeking to restrain or enjoin the collection of the income or revenues available or pledged under the Resolution.

FORM OF THE OPINION OF COUNSEL TO UNDERWRITERS

[Letterhead of DEWEY, BALLANTINE, BUSHBY, PALMER & WOOD]

[Closing Date]

GOLDMAN, SACHS & Co.
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED
*as Managers for the Underwriters
named in Schedule I to the
Underwriting Agreement*
c/o GOLDMAN, SACHS & Co.
55 Broad Street
New York, New York 10004

Gentlemen:

We have acted as your counsel in connection with the purchase by you, pursuant to the Underwriting Agreement, dated November 17, 1977 (the "Underwriting Agreement") between you and Tarrant County Water Control and Improvement District Number One (the "District"), of \$49,250,000 in aggregate principal amount of the District's Combined Water Revenue and Unlimited Tax Refunding Bonds, Series 1977, dated December 1, 1977 (the "Refunding Bonds") issued pursuant to a resolution of the District, adopted November 17, 1977 (the "Resolution"), for the purpose of making a public offering of the Refunding Bonds.

We have reviewed the Official Statement dated November , 1977, relating to the Refunding Bonds, the Resolution and the form of the Bonds contained in the Resolution.

Based on the foregoing, we are of the opinion that:

(1) The Refunding Bonds are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended, and Section 304(a)(4)(B) of the Trust Indenture Act of 1939 as amended; the Refunding Bonds are not required to be registered under the Securities Act of 1933 as amended; and the Resolution is not required to be qualified as an indenture under the Trust Indenture Act of 1939, as amended.

(2) The statements in the Official Statement under the headings "Description of Refunding Bonds" and "Summary of Certain Provisions of the Resolution", insofar as such statements constitute a summary of certain of the provisions of the documents referred to therein, fairly present the information purported to be shown.

Other than as stated in subparagraph (2) above, we have not verified the information contained in the Official Statement (including the Appendices thereto). However, we have participated in discussions with respect to the Official Statement among representatives of the Managers, the District and Bond Counsel, and, as stated above, we have reviewed the information included in the Official Statement. In the course of such discussions and review and of our review of the opinions and letter referred to below as being delivered to you at the closing, nothing has come to our attention which leads us to believe that the Official Statement (except with respect to financial statements and other financial data included therein, as to which we express no view) contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading.

We have reviewed the opinions of Messrs. McCall, Parkhurst & Horton, Bond Counsel, and Messrs. Brown, Herman, Scott, Dean & Miles, General Counsel to the District, and the letter of approval of the Attorney General of the State of Texas, which opinions are being delivered to you at the closing today, and they are satisfactory in form and scope to us.

The foregoing is subject to the tax-exempt status of interest on the Refunding Bonds under the Internal Revenue Code of 1954, as amended and now in effect, as to which you have received the opinion dated today of Messrs. McCall, Parkhurst & Horton.

This opinion is furnished solely for your benefit. The defined terms used herein, and not otherwise defined herein, have the meanings assigned to them in the Official Statement.

Very truly yours,

THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF TARRANT COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NUMBER ONE:

Section 1. That the President and Secretary of the Board of Directors of the District are authorized and directed, for and on behalf of the District, to date, sign, seal, and otherwise execute a Special Escrow Fund Agreement in substantially the form and substance attached hereto and made a part hereof for all purposes.

Section 2. That, upon execution, said Special Escrow Fund Agreement shall be binding upon the District for all purposes.

SPECIAL ESCROW FUND AGREEMENT

THE STATE OF TEXAS Ø
 Ø
COUNTY OF TARRANT Ø

TARRANT COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NUMBER ONE:

THIS SPECIAL ESCROW FUND AGREEMENT (the "Agreement") dated the 8th day of December, 1977, made by and between Tarrant County Water Control and Improvement District Number One (the "District"), a conservation and reclamation district and political subdivision of the State of Texas, created and functioning pursuant to Article 16, Section 59, of the Texas Constitution, under the general laws of the State of Texas, including Chapter 51, Texas Water Code, and which is authorized to issue bonds under the provisions of Vernon's Ann. Tex. Civil. St. Art. 8280-207 (the "Act"), and The Fort Worth National Bank, Fort Worth, Texas a national banking association, organized and existing under the laws of the United States of America, having its principal office in the City of Fort Worth, in Tarrant County, Texas (the "Escrow Agent"):

W I T N E S S E T H:

WHEREAS, the following series or issues of Water Supply Bonds (combined water revenue and unlimited tax bonds) of the District issued pursuant to the Act are presently outstanding (being all of the outstanding combined water revenue and unlimited tax bonds of the District):

Tarrant County Water Control and Improvement
District No. 1 Water Supply Bonds, Series
1960, dated March 1, 1960, now outstanding in
the aggregate principal amount of \$ 4,680,000
(the "Series 1960 Bonds")
Tarrant County Water Control and Improvement
District No. 1 Water Supply Bonds, Series
1962, dated June 1, 1962, now outstanding in
the aggregate principal amount of \$10,875,000
(the "Series 1962 Bonds")

Tarrant County Water Control and Improvement District No. 1 Water Supply Bonds, Series 1970, dated September 1, 1970, now outstanding in the aggregate principal amount of . . \$19,900,000 (the "Series 1970 Bonds")

Tarrant County Water Control and Improvement District No. 1 Water Supply Bonds, Series 1971, dated June 1, 1971, now outstanding in the aggregate principal amount of. . . . \$13,800,000 (the "Series 1972 Bonds")

(collectively the "Outstanding Bonds"); and

WHEREAS, the Escrow Agent is the Trustee under the Trust Indenture dated March 1, 1960, between the District and said Trustee securing all of the Outstanding Bonds (the "Trust Indenture"); and ;

WHEREAS, Section 12.01 of said Trust Indenture provides as follows:

"SECTION 12.01. If, when the bonds secured hereby shall have become due and payable in accordance with their terms or otherwise as provided in this Indenture or shall have been duly called for redemption and satisfactory evidence thereof shall have been furnished to the Trustee, the whole amount of the principal and the interest so due and payable upon all of the bonds and coupons then outstanding shall be paid or sufficient moneys shall be held by the Trustee for such purpose, and provisions shall also be made for paying all other sums payable hereunder by the District, then and in that case the right, title and interest of the Trustee shall thereupon cease, determine, and become void, and the Trustee in such case, on demand of the District, shall release this Indenture at the expense of the District and shall execute such documents to evidence such release as may be reasonably required by the District and shall turn over to the District or to such officer, board, or body as may then be entitled by law to receive the same, any surplus in the Interest and Sinking Fund and the Reserve Fund, and all balances remaining in any other funds; otherwise this Indenture shall be, continue and remain in full force and effect."; and

WHEREAS, by a bond resolution adopted on November 17, 1977, the Board of Directors of the District duly authorized issuance, sale, and delivery of an issue of refunding the Outstanding Bonds, to-wit:

Tarrant County Water Control and Improvement District Number One Combined Water Revenue and Unlimited Tax Refunding Bonds, Series 1977, dated December 1, 1977, in the principal amount of \$49,250,000 (the "Bonds"), authorized by a resolution hereinafter called the "Bond Resolution"; and

WHEREAS, a certified copy of the Bond Resolution has been filed with the Escrow Agent; and

WHEREAS, an executed copy of the Trust Indenture, and cer-

tified copies of each of the resolutions, respectively, authorizing the issuance of the Outstanding Bonds have been filed with the Escrow Agent; and

WHEREAS, a certified copy of the resolution adopted on November 17, 1977, by the Board of Directors of the District calling part of the Series 1970 Bonds and Series 1971 Bonds for redemption prior to maturity has been filed with the Escrow Agent; and

WHEREAS, proper notice of such redemption has been duly published and given as required; and

WHEREAS, the Series 1960 Bonds and Series 1962 Bonds, which have not been called for redemption prior to maturity, shall mature in accordance with their scheduled maturities specified in the resolutions authorizing their issuance, and the District covenants and agrees that hereafter it will not, and that it is not authorized to, call any such Outstanding Bonds for redemption prior to maturity; and

WHEREAS, it is necessary that this Agreement provide for the investment of certain proceeds from the sale of the Bonds initially deposited to the credit of the Escrow Fund in "Treasury Obligations", as hereinafter defined and provided, which (together with the "Treasury Notes"), as hereinafter defined and provided, initially deposited to the credit of the Escrow Fund) must provide funds to insure the payment of the principal of, redemption premium, and interest on the Outstanding Bonds as the same shall mature and become due, and are redeemed in accordance with their terms; and

WHEREAS, the District has made arrangements for the Escrow Agent to purchase Treasury Obligations with part of the proceeds from the sale and delivery of the Bonds which, together with the Treasury Notes, will produce the amounts sufficient to meet said principal, redemption premium, and interest payments on the Outstanding Bonds; and

WHEREAS, the Escrow Agent is a commercial bank which is a qualified depository and which possesses and is exercising full trust powers and is otherwise qualified and empowered to enter into this Agreement.

NOW, THEREFORE, in consideration of the mutual agreements herein contained and the sum duly paid by the District to the Escrow Agent hereunder, and in order to secure the payment of the principal of, redemption premium, and interest on the Outstanding Bonds, as the same shall mature and become due, and are redeemed in accordance with their terms, the parties hereto mutually undertake, promise, and agree for themselves, their respective representatives, successors, and assigns, as follows:

Section 1. (a) There is hereby created by the District with the Escrow Agent a special trust fund and separate trust account, designated the "Tarrant County Water Control and Improvement District

Number One Special Escrow Fund" (the "Escrow Fund"). The Escrow Agent hereby accepts the Escrow Fund, and acknowledges the receipt of, and the deposit to the credit of the Escrow Fund of, (i) the sum of \$49,103,402.09 in immediately available Federal Funds, representing all of the proceeds received by the District from the sale and delivery of the Bonds (the "Bond Proceeds"), and (ii) non-callable U.S. Treasury Notes in the aggregate principal amount of \$687,000, maturing on February 15, 1978, and bearing interest at the rate of 6-1/4% per annum (the "Treasury Notes"), which Treasury Notes are available to the District due to the release and discharge of the Trust Indenture by the Trustee as provided in this Agreement, and which Treasury Notes previously have been on hand as a investment of the "Reserve Fund" for the Outstanding Bonds. \$640,000 of the principal of the Treasury Notes maturing on February 15, 1978, shall be used solely to pay part of the principal maturing on the Outstanding Bonds on March 1, 1978, as provided in Section 1(b) of this Agreement. The Escrow Agent further represents and acknowledges that concurrently with said deposit, the Escrow Agent has used part of such deposit which is attributable to Bond Proceeds to purchase, on behalf and for the account of the District, from the United States Treasury, certain interest bearing United States Treasury Certificates, Notes, and Bonds - State and Local Government Series, which are direct obligations of The United States of America, in book-entry form, in the aggregate principal or par amount of \$48,386,200 , (the "Treasury Obligation") by payment of said principal or par amount to the Federal Reserve Bank at Dallas, Dallas, Texas, and that the Escrow Agent has received book-entry credit for the Treasury Obligations from the Federal Reserve Bank at Dallas, and has credited the Treasury Obligations (which are described in Exhibit A attached to this Agreement and made a part hereof) to the Escrow Fund.

(b) The Escrow Agent further represents and acknowledges that concurrently with the deposit made as described in (a), above, it has deposited an amount equal to the accrued interest received by the District from the sale and delivery of the Bonds to the credit of the Interest and Redemption Fund created, at the District's official depository bank, being the Continental National Bank of Fort Worth, pursuant to the Bond Resolution. The Escrow Agent further agrees to use the balance of said deposit attributable to Bond Proceeds to pay the costs and expenses of the issuance of the Bonds, and to use \$640,000 of the principal of the Treasury Notes maturing on February 15, 1978, as described in Section 1(a)(ii) of this Agreement, to pay part of the principal maturing on the Outstanding Bonds on March 1, 1978. The balance of \$47,000 of the maturing principal of the Treasury Notes, together with all interest accruing and coming due on the Treasury Notes on February 15, 1978, shall be returned to the District promptly, to be deposited by the District into the Construction Fund for improvements to its Cedar Creek Reservoir project.

(c) The District represents that the principal amounts successively maturing, and the interest accruing and coming due, on the Treasury Obligations and the Treasury Notes (hereinafter collectively

called "Federal Securities"), will assure that money will at all times be available to the Escrow Agent in amounts sufficient to pay at maturity, or redeem prior to maturity, the principal of, premium, if any, and interest on the Outstanding Bonds as the same mature, accrue, and become due, and are redeemed prior to maturity, all as shown in Exhibit B, which is attached to this Agreement and made a part hereof.

Section 2. The principal of, redemption premium, if any, and interest coupons on the Outstanding Bonds shall be paid to the respective bearers or registered owners thereof in accordance with the provisions thereof, in the following manner:

Interest

Interest coupons coming due on March 1, 1978, and semiannually thereafter shall be paid until each of the Outstanding Bonds matures or is redeemed prior to maturity.

Principal and Premium

Principal shall be paid on the Outstanding Bonds as it matures, or as it becomes payable, together with any redemption premium, on the redemption dates of the Outstanding Bonds which have been called for redemption prior to maturity.

Section 3. The Escrow Agent shall hold the book-entry credits of the Treasury Obligations, and shall hold the Treasury Notes, and all other amounts in the Escrow Fund, at all times as a special and separate trust fund for the benefit of the District and the owners of the Outstanding Bonds, wholly segregated from other funds and securities on deposit with it, shall never commingle and Federal Securities or such other amounts with other funds or securities owned or held by it, and shall never at any time use, loan, or borrow the same in any way other than as provided in this Agreement. Nothing herein contained shall be construed as requiring the Escrow Agent to keep the identical money, or any part thereof, received for the District's account in the Escrow Fund, if it is impractical, but money of an equal amount, except to the extent represented by the Federal Securities, must always be maintained on deposit in the Escrow Fund as trust funds belonging to the District, and held by the Escrow Agent as Trustee; and a special account for the Escrow Fund evidencing such facts shall at all times be maintained on the books of the Escrow Agent, together with such Federal Securities so purchased.

Section 4. The Escrow Agent shall from time to time collect and receive the principal amounts maturing and the interest accruing and payable on the Federal Securities, as the same become due, and credit same to the Escrow Fund, so that the proceeds of the Federal Securities as such become due will be available to pay the principal of, redemption premium, in any, and interest on the Outstanding Bonds as the same mature and become due, and are redeemed prior to maturity.

Section 5. Money deposited in the Escrow Fund shall be invested only in the Federal Securities listed in Exhibit A, and neither the District nor the Escrow Agent shall otherwise invest or reinvest any money in the Escrow Fund. The Escrow Agent shall maintain the Escrow Fund until the date upon which said Outstanding Bonds are fully paid as to principal and interest, whereupon the Escrow Agent shall sell or redeem any remaining Federal Securities and shall remit to the District the proceeds thereof, together with all other money, if any, then remaining in the Escrow Fund.

Section 6. The Escrow Agent shall continuously secure all uninvested money in the Escrow Fund with direct obligations of the United States of America having market value at least equal to said uninvested money.

Section 7. The Escrow Agent shall not be liable or responsible for any loss resulting from any investment made in the Federal Securities.

Section 8. In the event of the Escrow Agent's failure to account for any funds received by it for the District's account under this Agreement, such funds shall be and remain the property of the Escrow Fund, and the District and the owners of the Outstanding Bonds shall be entitled to the preferred claim, and shall have the first lien, upon such funds enjoyed by a trust beneficiary. The funds received by the Escrow Agent under this Agreement shall not be considered as a banking deposit by the District, and the Escrow Agent shall have no right or title with respect thereto. The funds so received by the Escrow Agent as escrowee and trustee under this Agreement shall not be subject to checks or drafts drawn by the District.

Section 9. The Escrow Agent, as Trustee, and a paying agent (place of payment) for the Outstanding Bonds, under the Trust Indenture dated March 1, 1960, securing the Outstanding Bonds, shall, from time to time, as necessary, provide for the payment, when due, of the principal of, redemption premium, if any, and interest on the Outstanding Bonds on each interest and principal payment date for the Outstanding Bonds, and on the date or dates of redemption of the Outstanding Bonds prior to maturity. The Escrow Agent shall use the principal amounts maturing and the interest accruing and payable on the Federal Securities for such purposes, as provided in this Agreement. Also the Escrow Agent shall make such amounts available to the other paying agents (places of payment) for the Outstanding Bonds as are necessary to pay, when due, the principal of, redemption premium, if any, and interest on the Outstanding Bonds which are presented for payment at the other paying agents (place of payment), so that no default will occur in the prompt and timely payment of such amounts when due. The Escrow Agent or the other paying agents (place of payment) shall destroy all paid Bonds, and all paid interest coupons appertaining thereto, and shall furnish the District with an appropriate certificate of cancellation or destruction.

Section 10. Promptly after March 1, 1978, and semiannually

promptly after each September 1 and March 1 thereafter so long as the Escrow Fund is maintained under this Agreement, the Escrow Agent shall forward by letter to the District, to the attention of the General Manager of the District, a statement in detail of the Federal Securities held, and the income and maturities thereof, and withdrawals of money from the Escrow Fund during the preceding six-month period, including in said statement a balance sheet and a statement regarding the manner in which it has carried out the requirements of this Agreement.

Section 11. The Escrow Agent shall not be liable or responsible for any act done or step taken or omitted by it or any mistake of fact or law or for anything which it may do or refrain from doing, except for its negligence or its default or failure in the performance of any obligation imposed upon it hereunder. The Escrow Agent shall not be responsible in any manner whatsoever for the recitals or statements contained in the Bonds or the Outstanding Bonds, or any proceedings taken in connection therewith.

Section 12. The Escrow Agent shall have no responsibility to any persons in connection herewith except those specifically provided herein and shall not be responsible for anything done or omitted to be done by it except for its own negligence or default in the performance of any obligation imposed on it hereunder. The Escrow Agent, except as herein specifically provided for, is not a party to, nor is it bound by nor need it give consideration to the terms or provisions of any other agreement or undertaking between the District and other persons, or any agreement or undertaking which may be evidenced by or disclosed by any items included among the deposited property, and the Escrow Agent assents to and is to give consideration only to the terms and provisions of this Agreement. Unless it is specifically provided, Escrow Agent has no duty to determine or inquire into the happening or occurrence of any event or contingency or the performance or failure of performance of the District with respect to arrangements or contracts with others, with the Escrow Agent's sole duty hereunder being to safeguard the Escrow Fund and to dispose of and deliver the same in accordance with this Agreement. If, however, the Escrow Agent is called upon by the terms of this Agreement to determine the occurrence of any event or contingency, the Escrow Agent shall be obligated, in making such determination, only to exercise reasonable care and diligence, and in event of error in making such determination the Escrow Agent shall be liable only for its own misconduct or its negligence in the light of all the circumstances, taking into consideration the time and facilities available to the Escrow Agent in the ordinary conduct of its business. In determining the occurrence of any such event or contingency the Escrow Agent may request from the District or any other person such reasonable additional evidence as the Escrow Agent in its discretion may deem necessary to determine any fact relating to the occurrence of such event or contingency, and in this connection may inquire and consult, among others, with the District at any time, and the Escrow Agent shall not be liable for any damages resulting from its delay in acting hereunder pending its examination of the additional evidence requested by it, provided that these pro-

visions do not apply to facts and events which the Escrow Agent has acknowledged and agreed to in this Agreement.

Section 13. This Agreement is between the District and the Escrow Agent only and in connection therewith the Escrow Agent is authorized by the District to rely upon the representations, both actual and implied, of the District in connection with this Agreement and the Federal Securities, and the Escrow Agent shall not be liable to any person in any manner for such reliance. The duty of the Escrow Agent hereunder shall only be to the District and the owners of the Outstanding Bonds. Neither the District nor the Escrow Agent shall assign or attempt to assign or transfer their interest hereunder or any part hereof. Any such assignment or attempted assignment shall be in direct conflict with this Agreement and without effect.

Section 14. The Escrow Agent may act upon any written notice, request, waiver, consent, certificate, receipt, authorization, power of attorney, or other instrument or document which the Escrow Agent in good faith believes to be genuine and to be what it purports to be.

Section 15. In the event of any disagreement or controversy hereunder or if conflicting demands or notices are made upon Escrow Agent growing out of or relating to this Agreement or in the event that Escrow Agent in good faith is in doubt as to what action it should take hereunder, the District expressly agrees and consents that the Escrow Agent shall have the absolute right at its election to do either or both of the following things:

a. Withhold and stop all further proceedings in, and performance of, this Agreement and of all instructions received hereunder;

b. File a suit in interpleader and obtain an order from a court of appropriate jurisdiction requiring all persons involved to interplead and litigate in such court their several claims and rights among themselves;

providing that this Section shall not apply to the unconditional duty of the Escrow Agent to hold the Federal Securities and to timely collect and receive the principal of and interest on the Federal Securities, and to pay the principal of, redemption premium, if any, and interest on the Outstanding Bonds as the same come due and are payable, in accordance with this Agreement.

Section 16. Any notice, authorization, request, or demand required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when mailed by registered or certified mail, postage prepaid addressed as follows:

Tarrant County Water Control and
Improvement District Number One
800 E. North Side Drive
Fort Worth, Texas 76106

The Fort Worth National Bank
500 Throckmorton Street
Fort Worth, Texas 76102

The United States Post Office registered or certified mail receipt showing delivery of the aforesaid shall be conclusive evidence of the date and fact of delivery. Any party hereto may change the address to which notices are to be delivered by giving to the other parties not less than ten (10) days prior notice thereof.

Section 17. Upon the taking of all the actions as described herein by the Escrow Agent the Escrow Agent shall have no further obligations or responsibilities to the District or to any other person or persons in connection with this Agreement.

Section 18. Whenever under the terms of this Agreement the performance date of any provision hereof shall fall on a day which is not a legal banking day, and upon which the Escrow Agent is not open for business, the performance thereof on the next succeeding business day of Escrow Agent shall be deemed to be in full compliance. Whenever time is referred to in this Agreement it shall be the time recognized by Escrow Agent in the ordinary conduct of its normal business transactions.

Section 19. Time shall be of the essence in the performance of obligations from time to time imposed upon the Escrow Agent by this Agreement.

Section 20. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective personal representatives, successors, and assigns.

Section 21. The Escrow Agent hereby acknowledges that it has received, and will retain out of the Bond Proceeds deposited into the Escrow Fund, as a reasonable and proper cost of issuance of the Bonds (administrative costs), the sum of \$79,838, which is a lump-sum amount which will compensate it for, and has been determined to be equal to the present value of, all of its services and expenses as Escrow Agent, and the costs, charges, and expenses of all paying agents (places of payment) for the Outstanding Bonds (including the Escrow Agent, The First National Bank of Fort Worth, Fort Worth, Texas, the Continental National Bank of Fort Worth, Fort Worth, Texas, The Chase Manhattan Bank, N.A., New York, New York, Morgan Guaranty Trust Company of New York, New York, New York, The First National Bank of Chicago, Chicago, Illinois, and Harris Trust and Savings Bank, Chicago, Illinois) throughout the term of this Agreement; and it is agreed and understood that no additional moneys will be due the Escrow Agent or

any of the paying agents (places of payment) for any of its or their services, costs, charges, and expenses in connection with this Agreement, the Outstanding Bonds, and the Federal Securities. It is understood and agreed, however, that the paying agents fees in connection with the Bonds are not covered by this Agreement.

Section 22. That the Escrow Agent hereby acknowledges that it has received, pursuant to this Agreement, as Trustee, the full amount required by Section 12.01 of the Trust Indenture in order to cause the defeasance, release, and discharge of the Trust Indenture and all resolutions authorizing the issuance of the Outstanding Bonds, and that all of the rights, title, and interest of the owners of the Outstanding Bonds and the interest coupons appertaining thereto, and of the Escrow Agent, as Trustee under the Trust Indenture, have ceased, been terminated, and become void; and the Escrow Agent, as Trustee under the Trust Indenture, hereby releases the Trust Indenture and all resolutions authorizing the issuance of the Outstanding Bonds, and declares them to be discharged and defeased, and declares and agrees that the Outstanding Bonds are no longer secured by the Trust Indenture or the resolutions authorizing the issuance of the Outstanding Bonds, or by a pledge of any revenues thereunder. The Escrow Agent, as Trustee under the Trust Indenture, further releases to the District all amounts and investments now on hand in the various funds and accounts as defined and created pursuant to the Trust Indenture, and all resolutions authorizing the issuance of the Outstanding Bonds, including the Revenue Fund, Interest and Sinking Fund, Reserve Fund, and all Construction Funds, and all balances remaining in other funds and accounts relating to the Outstanding Bonds; and the Escrow Agent shall disburse and dispose of such amounts as directed by the District in the resolution adopted by the Board of Directors of the District on November 17, 1977, a certified copy of which has been filed with the Escrow Agent.

Section 23. In the event any Outstanding Bond shall not be presented for payment when the principal thereof becomes due, either at maturity, at the date fixed for redemption thereof, or otherwise, or in the event any coupon appertaining to any such bond shall not be presented for payment at the due date thereof, it shall be the duty of the Escrow Agent to hold funds sufficient to pay such bond or coupon, without liability for interest thereon, for the benefit of the owner of such bond or coupon, as the case may be, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part with respect to such bond or coupon; provided that any funds which shall be so held by the Escrow Agent and which remain unclaimed by the owner of the bond or coupon not presented for payment for a period of four years after the date on which such bond or coupon shall have become payable shall, to the extent permitted by law, upon request in writing by the District, be paid to the District and thereafter the owner of such bond or coupon shall look only to the District for payment, without any interest thereon, and the Escrow Agent shall have no responsibility with respect to such moneys.

Section 24. In case at any time the Escrow Agent or its

legal successor or successors should become unable, through operation of law or otherwise, to act as Escrow Agent, or if its property and affairs shall be taken under the control of any state or federal court or administrative body because of insolvency or bankruptcy or for any other reason, a vacancy shall forthwith and ipso facto exist in the office of Escrow Agent, and the District, by an instrument authorized by resolution of its Board of Directors, shall appoint an Escrow Agent to fill such vacancy. After any appointment by the District, it shall cause notice of such appointment to be published at least once a week for two consecutive calendar weeks in a financial publication of general circulation published in The City of New York, New York. If no successor Escrow Agent shall have been appointed by the District within 60 days, a successor may be appointed by the owners of a majority in principal amount of the Outstanding Bonds then outstanding by an instrument or instruments in writing filed with the General Manager of the District, signed by such owners or by their duly authorized attorneys-in-fact. If, in a proper case, no appointment of a successor Escrow Agent shall be made pursuant to the foregoing provisions of this Section within three months after a vacancy shall have occurred, the owner of any Outstanding Bond may apply to any court of competent jurisdiction to appoint a successor Escrow Agent. Such court may thereupon, after such notice, if any, as it may deem proper, prescribe and appoint a successor Escrow Agent. Every successor Escrow Agent appointed in pursuance of the provisions of this Section shall be a corporation or a national bank authorized to exercise corporate trust powers, having a combined capital and surplus of at least \$25,000,000, if there be such a trust corporation or national bank willing and able to accept the duties of Escrow Agent on reasonable and customary terms.

IN WITNESS WHEREOF, the District has caused this Agreement to be executed in multiple counterparts (each of which shall be deemed an original) by the President of the Board of Directors of the District, sealed with its corporate seal, and attested by the Secretary of the Board of Directors of the District, and The Fort Worth National Bank, Fort Worth, Texas, has caused this Agreement to be executed in multiple counterparts (each of which shall be deemed or original) by one of its Vice Presidents, sealed with its corporate seal, and attested by one of its Assistant Vice-Presidents and Trust Officers, all as of the date and year above written.

TARRANT COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NUMBER ONE

By _____
President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT
SEAL)

EXHIBIT A

SCHEDULE OF GOVERNMENT OBLIGATIONS NECESSARY
TO DEFEASE OUTSTANDING BONDS

Period Ending	Principal Amount of Government Bonds as Purchased	Government Rates	Interest Earnings	Total	Cumulative Excess Carry Forward
3-1-78	\$ 1,569,400	0%	\$ 315,114.38	\$ 1,884,514.38	\$ 91.88
9-1-78	557,000	0%	687,177.14	1,244,177.14	140.27
3-1-79	1,871,900	0%	687,177.14	2,559,077.14	88.66
9-1-79	519,900	0%	687,177.14	1,207,077.14	168.30
3-1-80	20,629,300	0%	687,177.14	21,316,477.14	147.94
9-1-80			687,177.14	687,177.14	64,183.83
3-1-81	877,000	0%	687,177.14	1,564,177.14	219.72
9-1-81			687,177.14	687,177.14	87,836.86
3-1-82	889,800	0%	687,177.14	1,576,977.14	254.00
9-1-82			687,177.14	687,177.14	113,483.64
3-1-83	12,068,200	5.475%	687,177.14	12,755,377.14	288.28
9-1-83			356,810.16	356,810.16	127,043.44
3-1-84	266,500	7.35 %	356,810.16	623,310.16	298.60
9-1-84			347,016.29	347,016.29	126,397.39
3-1-85	297,900	7.40 %	347,016.29	644,916.29	396.18
9-1-85			335,993.99	335,993.99	125,272.67
3-1-86	320,400	7.45 %	335,993.99	656,393.99	549.16
9-1-86			324,059.09	324,059.09	123,655.75
3-1-87	334,000	7.49 %	324,059.09	658,059.09	762.34
9-1-87			311,550.79	311,550.79	121,708.13
3-1-88	358,200	7.52 %	311,550.79	669,750.79	853.92
9-1-88			298,082.47	298,082.47	119,231.39
3-1-89	393,300	7.51%	298,082.47	691,382.47	908.86
9-1-89			283,314.05	283,314.05	115,962.91
3-1-90	424,800	7.52 %	283,314.05	708,114.05	816.96
9-1-90			267,341.57	267,241.57	111,801.03
3-1-91	458,100	7.53 %	267,341.57	725,441.57	885.10
9-1-91			250,094.11	250,094.11	106,971.71
3-1-92	497,800	7.54 %	250,094.11	747,894.11	858.32
9-1-92			231,327.05	231,327.05	101,082.87
3-1-93	544,500	7.55 %	231,327.05	775,827.05	807.42
9-1-93			210,772.17	210,772.17	94,397.09
3-1-94	582,900	7.56 %	210,772.17	793,672.17	886.76
9-1-94			188,738.55	188,738.55	86,822.81
3-1-95	633,100	7.58 %	188,738.55	821,838.55	858.86
9-1-95			164,744.06	164,744.06	77,840.42
3-1-96	681,000	7.60 %	164,744.06	845,744.06	821.98
9-1-96			138,866.06	138,866.06	67,250.54
3-1-97	737,200	7.63 %	138,866.06	876,066.06	879.10
9-1-97			110,741.88	110,741.88	55,145.98
3-1-98	786,400	7.66 %	110,741.88	897,141.88	812.86
9-1-98			80,622.76	80,622.76	41,373.12
3-1-99	848,900	7.70 %	80,622.76	929,522.76	833.38
9-1-99			47,940.11	47,940.11	25,760.99
3-1-00	595,100	7.73 %	47,940.11	643,040.11	788.60
9-1-00			24,939.50	24,939.50	14,003.10
3-1-01	643,600	7.75 %	24,939.50	668,539.50	817.60
	<u>\$48,386,200</u>		<u>\$15,132,795.10</u>	<u>\$63,518,995.10</u>	

THE FORT WORTH NATIONAL BANK
Fort Worth, Texas

By _____
Vice-President

ATTEST:

Assistant Vice-President and
Trust Officer

(BANK
SEAL)

On motion of Mr. Thornton, seconded by Mr. Penry, the resolution exercising option to redeem certain Outstanding Water Supply Bonds, was unanimously adopted in words and figures appearing as follows:

RESOLUTION EXERCISING OPTION TO REDEEM
CERTAIN OUTSTANDING WATER SUPPLY BONDS

THE STATE OF TEXAS Ø
COUNTY OF TARRANT Ø
TARRANT COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NUMBER ONE:

WHEREAS, certain bonds of Tarrant County Water Control and Improvement District No. 1 (the "District") are presently outstanding, and are subject to redemption prior to scheduled maturity, at the option of the District, on various dates, and at various prices, respectively, all as set forth in this Resolution; and

WHEREAS, the District has determined to exercise said options, as hereinafter set forth.

THEREFORE, BE IT RESOLVES BY THE BOARD OF DIRECTORS OF TARRANT COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NUMBER ONE:

1. That there is attached to this Resolution, and made a part hereof for all purposes, a separate NOTICE OF PRIOR REDEMPTION OF BONDS for each of two separate issues or series of the District's Water Supply Bonds, to-wit: Series 1970 and Series 1971.

2. That the bonds described and bearing the numbers set forth in each such NOTICE OF PRIOR REDEMPTION OF BONDS, respectively, are hereby called for redemption, and shall be redeemed, prior to maturity, on the dates, at the places, and at the prices set forth therein, respectively.

3. That prior to January 1, 1978, due provision shall be made with The Fort Worth National Bank, Fort Worth, Texas, for the payment of the redemption price of all of said bonds which have been so called for redemption, and The Fort Worth National Bank is hereby directed to make appropriate arrangements with Continental National Bank of Fort Worth, Fort Worth, Texas, Morgan Guaranty Trust Company of New York, New York, New York, and Harris Trust and Savings Bank, Chicago, Illinois, so that said bonds may be redeemed at any of said places on the respective applicable redemption dates.

4. That on or before January 1, 1978, a copy of each such NOTICE OF PRIOR REDEMPTION OF BONDS shall be published in a financial publication published in The City of New York, New York.

NOTICE OF PRIOR REDEMPTION OF BONDS

Tarrant County Water Control and Improvement District Number One Water Supply Bonds, Series 1971, dated March 1, 1971, Bonds Numbers 606 through 2800, in the denomination of \$5,000 each, aggregating \$10,975,000 in principal amount, and maturing serially March 1, 1984, through March 1, 1992.

Notice is hereby given that the bonds described and bearing the numbers set forth above (being all of the outstanding bonds of said Series which are subject to redemption prior to scheduled maturity) have been duly called for redemption, and will be redeemed, prior to maturity, on March 1, 1983, at The Fort Worth National Bank, Fort Worth, Texas, or, at the option of the holder, at Continental National Bank of Fort Worth, Fort Worth, Texas, or at the principal office of Morgan Guaranty Trust Company of New York, New York, New York, or at Harris Trust and Savings Bank, Chicago, Illinois, at the price of the par or principal amount of said bonds and accrued interest thereon to said date fixed for prior redemption, plus a premium of 1-1/2% of said par or principal amount. Said bonds shall not bear interest after March 1, 1983.

TARRANT COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NUMBER ONE

NOTICE OF PRIOR REDEMPTION OF BONDS

Tarrant County Water Control and Improvement District Number One Water Supply Bonds, Series 1970, dated March 1, 1970, Bonds Numbers 641 through 4300, in the denomination of \$5,000 each, aggregating \$18,300,000 in principal amount, and maturing serially March 1, 1981, through March 1, 1994.

Notice is hereby given that the bonds described and bearing the numbers set forth above (being all of the outstanding bonds of said Series which are subject to redemption prior to scheduled maturity) have been duly called for redemption, and will be redeemed, prior to maturity, on March 1, 1980, at The Fort Worth National Bank, Fort Worth, Texas, or, at the option of the holder, at Continental National Bank of Fort

Worth, Fort Worth, Texas, or at the principal office of Morgan Guaranty Trust Company of New York, New York, New York, or at Harris Trust and Savings Bank, Chicago, Illinois, at the price of the par or principal amount of said bonds and accrued interest thereon to said date fixed for prior redemption, plus a premium of 1-1/2% of said par or principal amount. Said bonds shall not bear interest after March 1, 1980.

TARRANT COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NUMBER ONE

On motion of Mr. Shannon, seconded by Mr. Penry, the resolution Authorizing the Disposition and Distribution of Funds, was unanimously adopted in words and figures appearing as follows:

RESOLUTION AUTHORIZING THE
DISPOSITION AND DISTRIBUTION OF FUNDS

THE STATE OF TEXAS §
COUNTY OF TARRANT §
TARRANT COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NUMBER ONE

WHEREAS, Tarrant County Water Control and Improvement District Number One (the "District") is a conservation and reclamation district and political subdivision of the State of Texas created and functioning, under Article 16, Section 59, of the Texas Constitution, pursuant to the general laws of the State of Texas, including Chapter 51, Texas Water Code, and which is authorized to issue bonds under the provisions of Vernon's Ann. Tex. Civ. St. Art. 8280-207 (the "Act"); and

WHEREAS, the following series or issues of Water Supply Bonds (combined water revenue and unlimited tax bonds) of the District issued pursuant to the Act are presently outstanding (being all of the outstanding combined water revenue and unlimited tax bonds of the District):

Tarrant County Water Control and Improvement
District Number One Water Supply Bonds, Series 1960, dated March 1, 1960, now outstanding
in the aggregate principal amount of \$ 4,680,000

Tarrant County Water Control and Improvement
District Number One Water Supply Bonds, Series 1962, dated June 1, 1962, now outstanding
in the aggregate principal amount of \$10,875,000

Tarrant County Water Control and Improvement
District Number One Water Supply Bonds, Series 1970, dated September 1, 1970, now outstanding in the aggregate principal amount
of \$19,900,000

Tarrant County Water Control and Improvement
District Number One Water Supply Bonds, Series 1971, dated June 1, 1971, now outstanding
in the aggregate principal amount of \$13,800,000

(collectively the "Outstanding Bonds"); and

WHEREAS, by a bond resolution adopted on November 17, 1977, the Board of Directors of the District duly authorized the issuance, sale, and delivery of an issue of refunding bonds, for the purpose of refunding the Outstanding Bonds, to-wit:

Tarrant County Water Control and Improvement District
Number One Combined Water Revenue and Unlimited Tax
Refunding Bonds, Series 1977, dated December 1, 1977,
in the principal amount of \$49,250,000 (the "Bonds"),
authorized by a resolution hereinafter called the "Bond
Resolution"; and

WHEREAS, a Special Escrow Fund Agreement (the "Escrow Agreement") has been duly authorized and will be executed and delivered, concurrently with the sale and delivery of the Bonds, between the District and The Fort Worth National Bank, Fort Worth, Texas (the "Trustee"), pursuant to which all of the proceeds from the sale and delivery of the Bonds will be deposited with the Trustee concurrently with the delivery of the Bonds; and

WHEREAS, the Outstanding Bonds are secured by a Trust Indenture dated as of March 1, 1960 (the "Trust Indenture") between the District and the Trustee; and

WHEREAS, it is the purpose of this Resolution to direct the Trustee to disburse and dispose of all amounts held in all funds and accounts pursuant to the Trust Indenture which will be defeased, discharged, and released concurrently with the execution and delivery of the Escrow Agreement, and to direct the Trustee to pay certain costs and expenses of the issuance of the Bonds (administrative costs) from the proceeds thereof as hereinafter provided.

THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF TARRANT COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NUMBER ONE:

Section 1. That the amounts in the funds and accounts held by the Trustee under the Trust Indenture, shall, concurrently with the release of the Trust Indenture, be deposited and disbursed by the Trustee as follows:

- (a) the Trustee shall transfer from the "Reserve Fund" held by the Trustee for the Outstanding Bonds under the Trust Indenture, and deposit to the credit of the "Special Reserve Fund" the amount of \$1,175,000, and to the credit of the "Contingency Fund" the amount

of \$1,100,000, both of which Funds have been created for the benefit of the Bonds by the Bond Resolution and established at the official depository bank of the District, being the Continental National Bank of Fort Worth, Fort Worth, Texas.

- (b) the Trustee shall transfer U. S. Treasury Notes in the aggregate principal amount of \$687,000, maturing February 15, 1978, from the "Reserve Fund" held by the Trustee for the Outstanding Bonds under the Trust Indenture and deposit same to the credit of the "Escrow Fund" held by the Trustee pursuant to the Escrow Agreement.
- (c) the Trustee shall transfer the balance of all District amounts held by the Trustee pursuant to the Trust Indenture and deposit same to the credit of the "Construction Fund" for the District's Cedar Creek Project, kept at the District's official depository bank, being the Continental National Bank of Fort Worth, Fort Worth, Texas.

Section 2. That the Trustee is authorized and directed to pay the costs and expenses of the issuance of the Bonds (administrative costs) from the deposit of bonds proceeds made with the Trustee as provided in the Escrow Agreement, as follows:

- (a) to First Southwest Company, the fiscal agent and financial consultant to the District, the sum of \$322,335, which amount will pay and cover the costs and expenses of printing the Bonds and the Official Statement pertaining thereto, the rating fees and recording fees, and the fees and expenses of First Southwest Company for services performed as fiscal agent and financial consultant in connection with the Bonds and Federal Securities (acquired obligations);
- (b) to McCall, Parkhurst & Horton, Attorneys at Law, Dallas, Texas, the Bond Counsel to the District, the sum of \$220,000, which amount will pay and cover the costs and expenses of printing or reproducing legal documents pertaining to the Bonds and the fees and expenses of McCall, Parkhurst & Horton for legal services performed as Bond Counsel in connection with the Bonds and Federal Securities (acquired obligations);
- (c) to Brown, Herman, Scott, Dean & Miles, Attorneys at Law, Fort Worth, Texas, the General Counsel to the District, the sum of \$30,000, which amount will pay and cover the fees and expenses of said law firm for legal services performed as General Counsel to the District in connection with the Bonds and Federal Securities (acquired obligations);

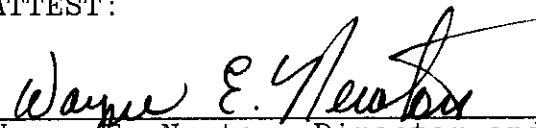
- (d) to Arthur Young & Company, a firm of Certified Public Accountants, the sum of \$18,000, which amount will cover the fees and expenses of said firm for accounting services performed in connection with the Bonds and Federal Securities (acquired obligations);
- (e) to The Fort Worth National Bank, Fort Worth, Texas, as Escrow Agent and Trustee, the sum of \$79,838, as provided in the Escrow Agreement, which amount will pay and cover the fees and expenses of said bank as Escrow Agent and Trustee in connection with the Escrow Agreement and the release of the Trust Indenture.

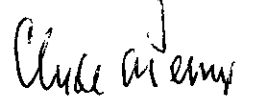
Section 3. That the Escrow Agent shall pay, deposit, and disburse the foregoing amounts, as directed above, concurrently with or immediately after the execution and delivery of the Escrow Agreement.

There being no further business to come before the Board, the meeting adjourned.


Oliver Shannon, Secretary and
Director

ATTEST:


Wayne E. Newton, Director and
President of Board


Clyde A. Penry, Director


C. Victor Thornton, Director