

## RECORD OF PROCEEDINGS

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### MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE GREATROCK NORTH WATER AND SANITATION DISTRICT HELD MARCH 5, 2013

A regular meeting of the Board of Directors (referred to hereafter as "Board") of the Greatrock North Water and Sanitation District (referred to hereafter as "District") was convened on Tuesday, March 5, 2013 at 5:30 P.M., at United Power, 500 Cooperative Way, Brighton, Colorado. The meeting was open to the public.

#### ATTENDANCE

#### Directors In Attendance Were:

Terry Krayenhagen  
Robert William Fleck  
Jeffrey Polliard  
Brian K. Rogers  
John D. Wyckoff

#### Also In Attendance Were:

Lisa A. Johnson; Special District Management Services, Inc.

Jennifer Gruber Tanaka, Esq.; White Bear & Ankele, P.C.

Andrea Bollinger and Dave Krickbaum; Olsson Associates, Inc.

Other members of the public as referenced on the attached sign in sheet.

#### DISCLOSURE OF POTENTIAL CONFLICTS OF INTEREST

Disclosures of Potential Conflicts of Interest: Attorney Tanaka advised the Board that, pursuant to Colorado law, certain disclosures may be required prior to taking official action at the meeting. The Board reviewed the Agenda for the meeting, following which Directors Krayenhagen, Fleck, Polliard, and Wyckoff each confirmed that they had no conflicts of interest in connection with any of the matters listed on the Agenda. It was noted that Director Rogers is an owner of Rogers & Sons, Inc., and that he will abstain from the discussion and proposed vote on the Independent Contractor Agreement for Installation of Air Vent Covers at the Greatrock North and Rocking Horse Farms Facilities between the District and Rogers & Sons, Inc.

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### ADMINISTRATIVE MATTERS

**Agenda:** Ms. Johnson distributed for the Board's review and approval a proposed Agenda for the District's regular meeting.

Following discussion, upon motion duly made by Director Fleck, seconded by Director Polliard and, upon vote, unanimously carried, the Agenda was approved.

**Board of Directors' Report:** Director Rogers shared with the Board that his dog has recently had health issues that the veterinarian has attributed to Crystalluria ("Crystals"). He discussed that the veterinarian told him that the Crystals may be caused from the dog's drinking water chemistry. Ms. Bollinger reported that she will research this matter in detail and report back to the Board.

**Manager's Report:** Ms. Johnson presented and the Board reviewed the March Manager's Report. A copy of the Report is attached hereto and is incorporated herein by this reference.

**Pay Portal Service through Statewide Internet Portal Authority ("SIPA"):** Ms. Johnson reported that the pay portal system through SIPA is now live and residents may log onto the site from their home computers at <https://www.colorado.gov/payment/greatrocknorth> and pay their bill via credit card or electronic check or may come into the District office and pay via credit card. It was noted that residents may also continue to pay their fees by forwarding or delivering their payments to the District office as in the past.

### CONSENT AGENDA

The Board considered the following actions:

- Approval of the Minutes from the February 5, 2013 regular meeting.
- Ratify approval of payment of claims through the period ending February 14, 2013, as follows:

General Fund	\$ 29,964.75
Debt Service Fund	\$ 180.00
<u>Capital Projects Fund</u>	<u>\$ 3,052.99</u>
<b>Total Claims:</b>	<b>\$ <u>33,197.74</u></b>

- Ratify acceptance of cash position schedule and unaudited financial statements through the period ending January 31, 2013.
- Ratify approval of the Independent Contractor Agreement for Installation of Air Vent Covers at the Greatrock North and Rocking Horse Farms Facilities between the District and Rogers & Sons, Inc.

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- Ratify approval of proposal from Ramey Environmental Compliance, Inc. for the repair and maintenance of Booster Pump No. 2 at the Box Elder Creek Ranch Facility.

Following discussion, upon motion duly made by Director Wyckoff, seconded by Director Polliard and, carried with Directors Krayenhagen, Fleck, Polliard and Wyckoff voting "Yes" and Director Rogers abstaining from the approval of the contract with Rogers & Sons, Inc., the Board approved the consent agenda items.

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### ENGINEER'S REPORT

**Engineer's Report:** Ms. Bollinger presented the March 5, 2013 Engineer's Report to the Board. A copy of the Report is attached hereto and is incorporated herein by this reference.

**Evaporation Ponds:** Mr. Krickbaum presented to the Board information related to the Letter of Map Revision and the Conditional Letter of Map Revision and he discussed why both of the letters are necessary as the District proceeds with the third evaporation pond project.

**Location and Costs to Acquire Land for Third Evaporation Pond:** This matter was discussed in Executive Session at the end of the meeting.

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### CAPITAL IMPROVEMENT PROJECTS OPERATIONS AND MAINTENANCE MATTERS

**Capital Improvement Projects:** There was nothing new to discuss.

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**Operations and Maintenance Update:** The Board reviewed the Monthly Activities Report and operations and maintenance update. A copy of the report is attached hereto and incorporated herein by this reference.

**Monthly Flow Report:** The Board reviewed the monthly flow reports covering December 5, 2012 through January 5, 2013 and January 5, 2013 through February 5, 2013.

**Water Quality Issues in Box Elder Creek Ranch and Rocking Horse Farms:** The Board reviewed the monthly water quality report.

**Correspondence from the Colorado Department of Public Health and Environment ("CDPHE") Regarding Sanitary Survey:** The Board reviewed the correspondence dated February 12, 2013 from the CDPHE regarding the Sanitary Survey of the District. The Board then reviewed the Memorandum dated February 25, 2013 from Ramey Environmental Compliance, Inc. in response to the correspondence from the CDPHE regarding the Sanitary Survey. No action was taken by the Board.

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**Proposal for Exterior Painting of Box Elder Creek Ranch Facilities:** The Board reviewed the Bid Summary and proposals from CertaPro Painters, Dunrite Painting, Co. and Forbes Painting Company, Inc. for exterior painting of the Box Elder Creek Ranch facilities.

Following discussion, upon motion duly made by Director Rogers, seconded by Director Polliard and, upon vote, unanimously carried, the Board approved the proposal from CertaPro Painters for exterior painting of the Box Elder Creek Ranch facilities in an amount not to exceed \$2,320.00.

**Resolution No. 2013-03-01; Resolution Authorizing, Adopting and Implementing Post-Issuance Tax Compliance and Remedial Actions Procedures (“Resolution No. 2013-03-01”):** Attorney Tanaka reviewed Resolution No. 2013-03-01 with the Board.

Following discussion, upon motion duly made by Director Rogers, seconded by Director Fleck and, upon vote, unanimously carried, the Board approved Resolution No. 2013-03-01. A copy of the adopted Resolution is attached hereto and is incorporated herein by this reference.

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### **WATER MATTERS**

**Water Matters:** There was nothing new to discuss.

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### **OTHER BUSINESS**

**Other Business:** There was no other business to discuss.

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### **COMMUNITY COMMENTS**

**Community Comments:** Mr. Klott, a District resident, inquired into whether the District has approached Meadow Homes regarding the land that is to be acquired for the third evaporation pond project. Staff confirmed that they are currently in discussions with Meadow Homes to acquire an easement over the land needed to construct a 3<sup>rd</sup> evaporation pond.

Mr. Klott then inquired into whether the District is a governmental entity. Staff confirmed that the District is a governmental entity.

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### **EXECUTIVE SESSION**

**Location and Costs to Acquire Land for Third Evaporation Pond:**  
**EXECUTIVE SESSION:** Pursuant to Sections 24-6-402(4) (b) and (e), C.R.S., upon motion duly made by Director Rogers, seconded by Director Wyckoff and, upon an affirmative vote of at least two-thirds of the quorum present, the Board convened in executive session at 6:50 p.m. for the purpose of discussions relating to negotiations with third parties and receiving legal advice as authorized by Sections 24-6-402(4)(b) and (e), C.R.S.

**RECORD OF PROCEEDINGS**

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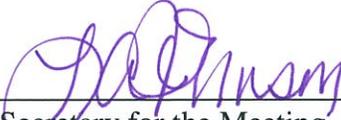
Furthermore, pursuant to Section 24-6-402(2)(d.5) (II)(B), C.R.S., no record will be kept of those portions of the executive session that, in the opinion of the District's attorney, constitute privileged attorney-client communication pursuant to Section 24-6-402(4)(b), C.R.S.

The Board reconvened in regular session at 7:38 p.m.

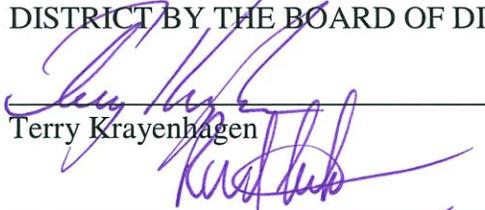
**ADJOURNMENT**

There being no further business to come before the Board at this time, upon motion duly made, seconded and, upon vote, unanimously carried, the meeting was adjourned.

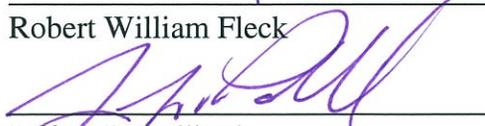
Respectfully submitted,

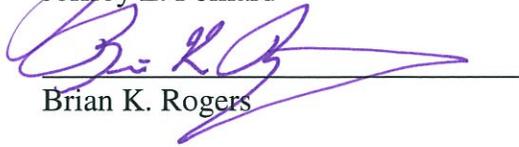
By  \_\_\_\_\_  
Secretary for the Meeting

THESE MINUTES APPROVED AS THE OFFICIAL MARCH 5, 2013 MINUTES OF THE GREATROCK NORTH WATER AND SANITATION DISTRICT BY THE BOARD OF DIRECTORS SIGNING BELOW:

  
\_\_\_\_\_  
Terry Krayenhagen

  
\_\_\_\_\_  
Robert William Fleck

  
\_\_\_\_\_  
Jeffrey L. Polliard

  
\_\_\_\_\_  
Brian K. Rogers

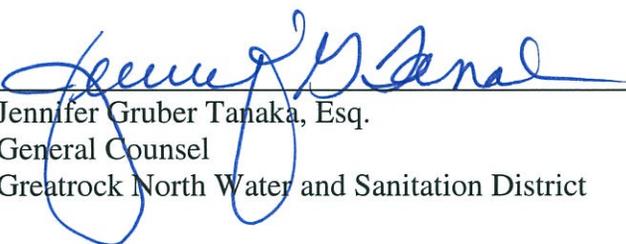
\_\_\_\_\_  
John D. Wyckoff

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### ATTORNEY STATEMENT

Pursuant to §24-6-402(2)(d.5)(II)(B), C.R.S., I attest that, in my capacity as the attorney representing the Greatrock North Water and Sanitation District, I attended the executive session convened on March 5, 2013 for the sole purpose of discussing matters subject to negotiation with third parties and matters seeking legal advice, as authorized by §§24-6-402(4)(b) and (e), C.R.S. I further attest that it is my opinion that a portion of the executive session discussion constituted attorney-client privileged communication as provided by §24-6-402(4)(b), C.R.S., and, based on that opinion, no further record, written or electronic, was kept or required by be kept pursuant to §24-6-402(2)(d.5)(II)(B), C.R.S.

  
\_\_\_\_\_  
Jennifer Gruber Tanaka, Esq.  
General Counsel  
Greatrock North Water and Sanitation District

GREATROCK NORTH WATER & SANITATION DISTRICT

MARCH 5, 2013 BOARD MEETING

Please print your name, address and phone number, and the issue(s) you are interested in addressing at this meeting.

NAME	ADDRESS (Postal and Email)	TELEPHONE	ISSUES TO BE ADDRESSED
George KOTY	16421 Tree Haven St	3-659-1917	-0-



Date: February 26, 2013  
To: Greatrock North Water and Sanitation District, Board of Directors  
From: Lisa A. Johnson, District Manager  
Re: March 5, 2013 Manager's Report

**Agenda Action Items**

**II. A. Consent Agenda**

1. February 5, 2013 Regular Meeting Minutes.
2. February 14, 2013 claims.
3. Financial statements ending January 31, 2013.
4. Ratify approval of Agreement with Rogers & Sons, Inc. to furnish and install window covers at GRN and RHF facilities.
5. Ratify approval of a Proposal from REC for replacement of the mechanical shaft seal, volute gasket, retaining ring and shaft sleeve on Booster Pump No. 2 at the BECR Pump Station.

**I recommend approval of the consent agenda items.**

**Updates on Other District Related Items**

**Kremer Property** – Payment was received in the amount of \$2,504.33 on February 21, 2013.

**Update on SCADA Computer and Software** – SCADA computer has been installed. Training is to be scheduled in March.

**Update on Request from Box Elder Creek Properties, LLC Regarding Inclusion of District Water Rights in their Water Sourcing Operation at Box Elder Farm** – Mr. Kettelapper sent correspondence to Mr. Sanchez requesting water quality data on the District’s Denver Basin wells. He is in the process of drafting his augmentation plan and substitute water supply plan and may need additional information from the District as he prepares the plans.

**Potential Land Acquisition for 3<sup>rd</sup> Evaporation Pond**

**Summary of Discussions from mid-month meeting with Directors Fleck and Wyckoff** – Ms. Bollinger and I met with Directors Fleck and Wyckoff on February 15, 2013. Discussions centered on the location of the 3<sup>rd</sup> evaporation pond. Staff presented information on the size of pond needed to treat a blend at 70/30, 60/40, 50/50 and 100% RO. Directors Wyckoff and Fleck gave direction to staff to size the pond for a 50/50 blend allowing flexibility for treatment in the future.

Ms. Bollinger prepared a map indicating the area needed for a 3<sup>rd</sup> evaporation pond with access. I transmitted this information to Mr. Rye for his consideration in granting the District an easement. Mr. Rye has provided a response to the District’s request which will be presented to the Board at the meeting and discussed in executive session.

**Box Elder Creek Ranch Facility Painting** – SDMS staff solicited proposals from three contractors to paint the facilities at Box Elder Creek Ranch. Proposals are included in the e-packet for review.

Total Water Production from December 5, 2012 through January 5, 2013 = 1,688,158

Total Usage billed from December 5, 2012 through January 5, 2013 = 1,802,966

Total Water Production from January 5, 2013 through February 5, 2013 = 1,459,253

Total Usage billed from January 5, 2013 through February 5, 2013 = 1,902,998

## MEMO

TO: Lisa Johnson, District Manager

FROM: Andrea Bollinger

RE: March 5, 2013 Meeting Agenda Items

DATE: February 25, 2013

PROJECT: 013-0055

### Item IV.A. – Evaporation Ponds:

1. Third evaporation pond:
  - Based on discussions at the February board meeting, the third evaporation pond size was evaluated for the following blending ratios, see first attached exhibit.
    - Blend / Treat
    - 70 / 30,
    - 60 / 40,
    - 50 / 50, and
    - 0 / 100
  - Based on conversations with John Wyckoff and Rob Fleck on 2/15/2013, a pond sized for 50/50 blending was selected because of the minimal increase in overall pond size. However, it is important to reiterate operating at a continuous 50/50 blending ratio is not advised as it is not sustainable and would potentially produce more concentrate than could be evaporated.
    - The second attached exhibit shows a potential layout for a 50/50 blend evaporation pond and access road.
  - The third exhibit, attached, outlines the area of land to be requested for the evaporation pond and access road. The exhibit was sent to Lisa Johnson for her discussions with Dave Rye.
  - Attached is a preliminary schedule for a third evaporation pond. Design, permitting, and construction times are included. Funding timelines will be incorporated as additional funding options are identified.
  - Dave Krickbaum, with Olsson Associates, will be in attendance at the board meeting to discuss the CLOMR and LOMR process and to address any

questions the board may have on the subject. Below is a brief overview on CLOMR's and LOMR's:

- CLOMR- Conditional Letter of Map revision
  - CLOMRs are for proposed projects
  - CLOMR's are required for proposed projects that:
    - Encroach upon the floodway and cause an increase >0.00ft.
    - Encroach upon a floodplain when a floodway has not been established and causes an increase of >1ft.
    - An increase is defined as a comparison between pre-project (existing conditions) and post project (proposed conditions) model
- LOMR- Letter of Map Revision
  - Required- Any change (increase or decrease) in base flood elevation resulting from physical changes.
  - Revised the effective map to show changes in base flood elevation, floodplains, and floodways.

#### Additional Engineering Items

- Evaporation Pond EDOP:
  - Extension request sent to the State 2/1/2013.
- Reserve Analysis:
  - Work is in progress.
- Rules and Regulations- Standard Details:
  - Work is complete and copies will be brought to the Board meeting on 3/5/2013.

I will attend the March 5th, 2013 Board Meeting and will be prepared to address any of these items, as well as any additional items that may arise.

#### Attachments:

- Pond sizing for various blending ratios
- Pond layout for 50/50 blending
- Pond and access road layout for Dave Rye
- Preliminary Schedule for 3<sup>rd</sup> Pond

#### File Location:

G:\Office\Teams\WaterWastewater\Denver Team Folder\Greatrock North Water and Sanitation District\Board Meetings\2013\02-2013\2013-01-25\_Engineering Report.docx







GNWSD: Third Evaporation Pond- Preliminary Schedule

	1	2	3	4	5	6	7	8	9	10	11	12-19	20-36	37-45	46-49	50	51	52-71	72-75	76-83	84-90							
	Weeks												20-45		46-49		50		51		52-71		72-75		76-83		84-90	
Planning																												
Survey																												
Geotechnical																												
Fill Sources																												
Design																												
Grading/Details																												
Model/CLOMR																												
LOMR- post const.																												
Funding																												
DOLA- EMA (1)																												
Intended Use Plan (2)																												
USDA- Rural Development																												
Permitting																												
County- CLOMR																												
County- LOMR																												
State																												
FEMA- CLOMR																												
FEMA- LOMR																												
Bidding																												
Invitation To Bidders																												
Pre-Bid Meeting																												
Bid Opening																												
Notice of Award																												
Construction																												
Notice to Proceed																												
Construction																												

Notes:

- (1) Energy Mineral Impact Assistance Program: Apr 1, Aug 1, Dec 1 submittal deadlines- have 6 months (24 weeks) from award to begin construction
- (2) State of Colorado Drinking Water Revolving Fund: Intended use Plan: Grants applications will be accepted between January 1 and January 31 of each year. Starting February 1, all applications will be prioritized according to the criteria set forth below and awards will be made in rank order until all grants have been expended. If there are more grants than applications, additional application deadlines will be solicited. If the entity does not seek funding through the DWRP, they may be requested to repay the grant or seek a waiver of the repayment requirement from the Authority Board.
- (3) Based on conversations with the State, the regulations do not outline a specific timeline for review. However, the State strives to follow the timeline outlined for Certificate of Designation which allows for a 30 day completeness review and 150 days for a technical review. A Construction Quality Assurance (COA) and Engineering Design and Operations Plan (EDOP) will need to be submitted and approved by the State.



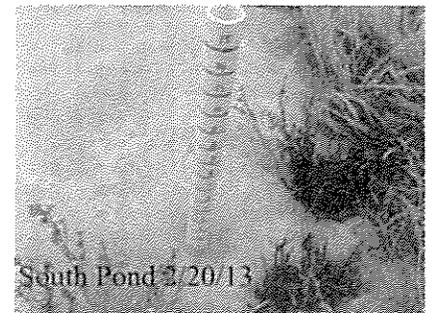
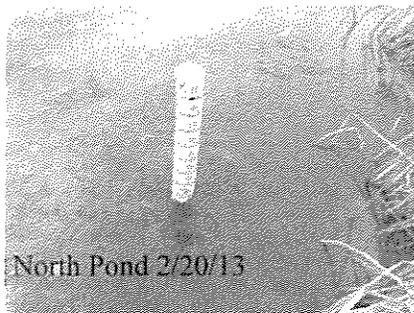
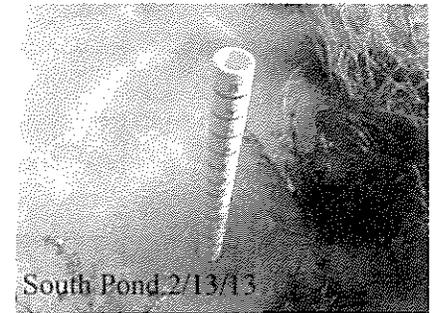
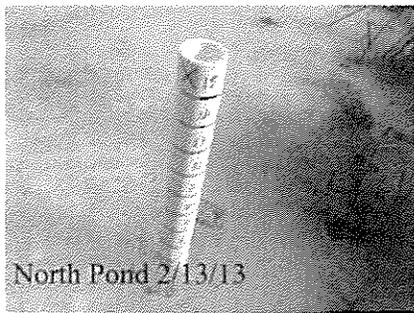
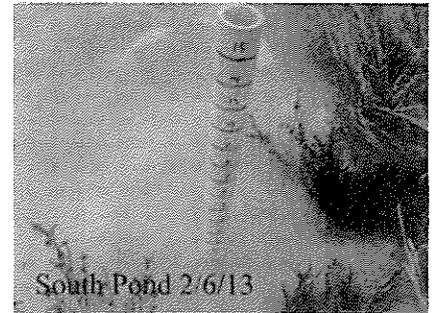
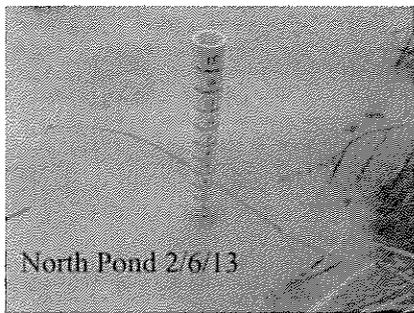
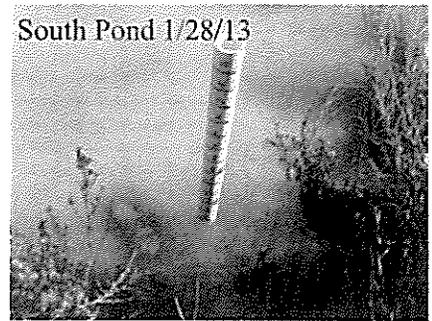
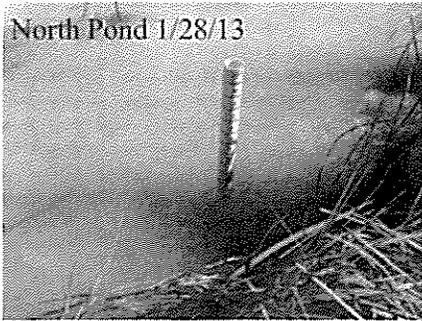
**Ramey Environmental Compliance, Inc.**  
Management and Operation Solutions for  
Water and Wastewater Treatment  
303-833-5505

PO Box 99, Firestone, Colorado 80520  
email: [contact.us@RECinc.net](mailto:contact.us@RECinc.net)  
[www.RECinc.net](http://www.RECinc.net)

**Greatrock North W & S District  
Monthly Activities  
January 28<sup>th</sup> – February 25<sup>th</sup>**

- 1/28/13:** Regular checks and readings. North pond = 3 ¾" and south pond = 2 ¾".
- 1/30/13:** Regular checks and readings. Mixed RO Anti-Scalient.
- 2/1/13:** Regular checks and readings.
- 2/4/13:** Regular checks and readings. Added chlorine to the day tank. The SCADA wasn't working.
- 2/6/13:** Regular checks and readings. North pond increased to 5 ½" and south pond to 3".
- 2/8/13:** Regular checks and readings.
- 2/13/13:** Regular checks and readings. Collected monthly samples, nitrate and VOC and delivered to the lab.
- 2/15/13:** Regular checks and readings.
- 2/18/13:** Regular checks and readings. Timberline onsite to install new computer at Boxelder.
- 2/20/13:** Regular checks and readings. Flushed the fire hydrant on Kenuli Ct. Checked oil and fuel in all generators. Cleaned the filters on the VFD's. Mixed the RO antiscalient. Pond levels: north = 7 ½"; south = 1".
- 2/22/13:** Regular checks and readings. Shut off Laramie Fox Hills #2.
- 2/25/13:** Regular checks and readings. Collected and delivered monthly samples.

**CONCENTRATE PONDS:**



Completed Work Order List Report

Completed	Equipment Number	Task	Priority	WO#	Type
1/9/2013	Water Sampling	Bacti Bacti Sampling	1	137.00	Scheduled

**RESOLUTION OF  
GREATROCK NORTH WATER AND SANITATION DISTRICT  
AUTHORIZING, ADOPTING AND IMPLEMENTING  
POST-ISSUANCE TAX COMPLIANCE AND REMEDIAL ACTION  
PROCEDURES**

WHEREAS, Greatrock North Water and Sanitation District, Adams County, Colorado (the "District"), is a quasi-municipal corporation duly organized and existing as a metropolitan district under the constitution and laws of the State of Colorado; and

WHEREAS, the members of the Board of Directors of the District (the "Board") have been duly elected or appointed and qualified; and

WHEREAS, pursuant to a resolution of the Board, adopted on June 21, 2007, the District issued its \$4,420,000 General Obligation and Improvement Refunding Bonds, Series 2007 (the "Series 2007 Bonds"); and

WHEREAS, pursuant to a resolution of the Board, adopted on October 5, 2010, the District issued its \$2,700,000 General Obligation and Improvement Refunding Bonds, Series 2010 (the "Series 2010 Bonds"), for the purposes of refunding a portion of the Series 2007 Bonds and providing additional funding for new public improvements; and

WHEREAS, in connection with the Series 2007 Bonds; the Series 2010 Bonds; and any other tax-advantaged bonds, notes, leases, certificates of participation or similar obligations heretofore or hereafter issued or executed and delivered by the District or in its behalf, the Board desires to authorize, adopt and implement post issuance tax compliance and remedial action procedures in the form attached as Exhibit A hereto (the "Post Issuance Tax Compliance Procedures").

THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF GREATROCK NORTH WATER AND SANITATION DISTRICT, ADAMS COUNTY, COLORADO:

1. The Post Issuance Tax Compliance Procedures are hereby adopted as the District's written procedures for post-issuance compliance and remedial action applicable to tax-advantaged bonds, notes, leases, certificates of participation or similar obligations heretofore and hereafter issued or executed and delivered by it or on its behalf, including the Series 2007 Bonds and the Series 2010 Bonds (collectively, the "Obligations").

2. The Post Issuance Tax Compliance Procedures are intended to supplement any previous post-issuance compliance and remedial action procedures that may have been adopted by the District and any procedures evidenced in writing by any tax document for any Obligations heretofore or hereafter issued, entered into or executed and delivered on its behalf, the related information returns filed in connection with any Obligations and the instructions to such information returns.

Adopted this 5 day of March, 2013.

GREATROCK NORTH WATER AND  
SANITATION DISTRICT

A handwritten signature in cursive script, appearing to read "Greg Kuyper", written over a horizontal line.

ATTEST:

A handwritten signature in cursive script, appearing to read "J. L. Hansen", written over a horizontal line.

EXHIBIT A

**POST-ISSUANCE COMPLIANCE AND REMEDIAL ACTION PROCEDURES  
("PROCEDURES")**

1. **Responsible Person.** The District has assigned to the Secretary/Treasurer of the District (the "Responsible Person") the responsibility for ensuring post-issuance and remedial action compliance with the requirements of any tax and financing documents for tax-advantaged bonds, notes, leases, certificates of participation or similar obligations heretofore and hereafter issued or executed and delivered by it or on its behalf, including the Series 2007 Bonds and the Series 2010 Bonds (collectively, the "Obligations"). This responsibility is included in the job description for the Responsible Person, and such person has or will review any prior post-issuance compliance and remedial action procedures, these Post-Issuance Compliance and Remedial Action Procedures ("Procedures"), any tax documents for any Obligations heretofore or hereafter issued, entered into or executed and delivered on its behalf, the related information returns, if any, filed in connection with any Obligations (such as IRS Forms 8038 or 8038-G) and the instructions to such information returns, and consult with bond counsel (bond counsel for the Series 2007 Bonds and the Series 2010 Bonds was Kutak Rock LLP) and other professionals as needed.

2. **Succession Planning.** The District will ensure that, when the current Responsible Person leaves, such person's current position at the District and the responsibility for financing and tax covenant compliance will be explained in detail to his or her successor, such successor will be provided compliance training.

3. **Procedures for Timely Expenditure of Proceeds.** The District understands that at least 85% of the net sale proceeds of new money Obligations must be spent to carry out the projects financed with the proceeds of the Obligations within three years of the date such Obligations are originally issued, entered into or executed and delivered. The District will treat as "sale proceeds" any amounts actually or constructively received by the District from issuance or execution and delivery of the Obligations, including amounts used to pay accrued interest other than pre-issuance accrued interest. "Net sale proceeds" means the sale proceeds less any amounts deposited into reasonably required reserve or replacement or base rental reserve funds. The District has established or will establish reasonable accounting procedures for tracking and reporting to the Responsible Person the expenditure of net sale proceeds.

4. **Compliance with Arbitrage Yield Restriction and Rebate Requirements.** The Responsible Person will create a system to ensure that, not less than six months prior to each five-year anniversary of the closing date for Obligations, the District will retain an arbitrage rebate consultant to prepare a report determining the yield of the Obligations under the Internal Revenue Code of 1986, as amended (the "Code"), and whether there is any amount owed to the Internal Revenue Service under Section 148 of the Code.

5. **Procedures to Comply with Remediation Requirements.** The Responsible Person will establish and maintain a system for tracking and monitoring the use of the facilities financed or

refinanced with the proceeds of Obligations to ensure that the use of all of such facilities will not violate the private business tests or the private loan financing test under Section 141 of the Code. If, after the issuance or execution and delivery of Obligations, the use of the facilities financed or refinanced with the proceeds of Obligations changes so that the private business tests or the private loan financing test would be met, or if another violation of these procedures occurs which requires correction, the District will, in connection with consulting bond counsel, undertake a closing agreement through the Voluntary Closing Agreement Program of the Internal Revenue Service or take one of the actions permitted by the Code and associated regulations, which are described generally on Attachment I hereto.

6. **Ongoing Procedures.** The Responsible Person will review any prior procedures, these Procedures, tax and financing documents relating to Obligations, information returns for obligations and related instructions to such information returns, and the status and use of the obligation-financed or refinanced facilities on at least an annual basis and at the following intervals: (a) six months prior to each five-year anniversary of the issue or execution and delivery date of the Obligations; (b) within 30 days of the date the Obligations are finally retired, defeased, refunded or terminated; (c) when any rebate payment is made; (d) when a facility financed or refinanced with proceeds of Obligations is placed in service; (e) if the District determines that a facility planned to be financed or refinanced with proceeds of Obligations will not be completed; and (f) if any of the representations, statements, circumstances or expectations of the District that are set forth in the tax or financing documents for Obligations are no longer true, have changed or have not come to pass as described in such documents. This review will be made for the purposes of identifying any possible violation of federal tax requirements related to Obligations and to ensure the timely correction of those violations pursuant to the remedial action provisions outlined above or through the Voluntary Closing Agreement Program. If any possible violation is identified, the Responsible Person will notify the District and the District's counsel so that any existing or expected violation can be corrected.

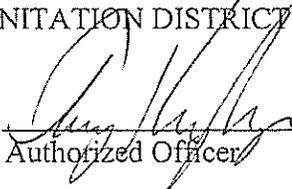
7. **Recordkeeping.** The Responsible Person will develop and implement a system for maintaining records relating to these Procedures. Such records must be kept and maintained for the life of the related Obligations, and any Obligations that refund or refinance such obligations, plus at least four years (or such longer period as may be required in related tax documents for such obligations). These records may be maintained on paper, by electronic media or by any combination thereof.

Acknowledged this 5<sup>th</sup> day of March 2013.

3/5/13

GREATROCK NORTH WATER AND  
SANITATION DISTRICT

By

  
Authorized Officer

**ATTACHMENT I TO EXHIBIT A**  
**REMEDIAL ACTION PROCEDURES**

Capitalized terms used herein but not defined have the meaning assigned thereto in Section 5 below and in the Post-Issuance Compliance and Remedial Action Procedures to which these Remedial Action Procedures are attached. This attachment describes written procedures that may be required to be taken by, or on behalf of, an issuer of Obligations.

1. **Background.** The maintenance of the tax status of the Obligations (e.g., as tax-exempt obligations under federal tax law) depends upon the compliance with the requirements set forth in the Internal Revenue Code of 1986, as amended (the "Code"). *The purpose of this attachment is to set forth written procedures to be used in the event that any deliberate actions are taken that are not in compliance with the tax requirements of the Code (each, a "Deliberate Action") with respect to the Obligations, the proceeds thereof or the facilities financed or refinanced by the Obligations (the "Facilities").*

2. **Consultation with Bond Counsel.** If Deliberate Action is taken with respect to the Obligations and the Facilities subsequent to the issuance or execution and delivery of the Obligations, then the District must consult with Kutak Rock LLP or other nationally recognized bond counsel ("Bond Counsel") regarding permissible Remedial Actions that may be taken to remediate the effect of any such Deliberate Action upon the federal tax status of the Obligations. Note that remedial actions or corrective actions other than those described in this attachment may be available with respect to the Obligations and the Facilities, including remedial actions or corrective actions that may be permitted by the Commissioner through the voluntary closing agreement programs (VCAP) provided by the Internal Revenue Service from time to time.

3. **Conditions to Availability of Remedial Actions.** None of the Remedial Actions described in this attachment are available to remediate the effect of any Deliberate Action with respect to the Obligations and the Facilities unless the following conditions have been satisfied and unless Bond Counsel advises otherwise:

(a) The District reasonably expected on the date the Obligations were originally issued or executed and delivered that the Obligations would meet neither the Private Business Tests nor the Private Loan Financing Test of Section 141 of the Code and the Treasury Regulations thereunder for the entire term of the Obligations;

(b) The average weighted maturity of the Obligations did not, as of such date, exceed 120% of the Average Economic Life of the Facilities;

(c) Unless otherwise excepted under the Treasury Regulations, the District delivers a certificate, instrument or other written records satisfactory to Bond Counsel demonstrating that the terms of the arrangement pursuant to which the Deliberate Action is taken is bona fide and arm's-length, and that the non-exempt person using either the Facilities or the proceeds of

the Obligations as a result of the relevant Deliberate Action will pay fair market value for the use thereof;

(d) Any disposition must be made at fair market value and any Disposition Proceeds actually or constructively received by the District as a result of the Deliberate Action must be treated as gross proceeds of the Obligations and may not be invested in obligations bearing a yield in excess of the yield on the Obligations subsequent to the date of the Deliberate Action; and

(e) Proceeds of the Obligations affected by the Remedial Action must have been allocated to expenditures for the Facilities or other allowable governmental purposes before the date on which the Deliberate Action occurs (except to the extent that redemption or defeasance, if permitted, is undertaken, as further described in Section 4(A) below).

4. **Types of Remedial Action.** Subject to the conditions described above, and only if the District obtains an opinion of Bond Counsel prior to taking any of the actions below to the effect that such actions will not affect the federal tax status of the Obligations, the following types of Remedial Actions may be available to remediate a Deliberate Action subsequent to the issuance of the Obligations:

(a) Redemption or Defeasance of Obligations.

(i) If the Deliberate Action causing either the Private Business Use Test or the Private Loan Financing Test to be satisfied consists of a fair market value disposition of any portion of the Facilities exclusively for cash, then the District may allocate the Disposition Proceeds to the redemption of Nonqualified Obligations pro rata across all of the then-outstanding maturities of the Obligations at the earliest call date of such maturities of the Obligations after the taking of the Deliberate Action. If any of the maturities of the Obligations outstanding at the time of the taking of the Deliberate Action are not callable within 90 days of the date of the Deliberate Action, the District may (subject generally to the limitations described in (iii) below) allocate the Disposition Proceeds to the establishment of a Defeasance Escrow for any such maturities of the Obligations within 90 days of the taking of such Deliberate Action.

(ii) If the Deliberate Action consists of a fair market value disposition of any portion of the Facilities for other than exclusively cash, then the District may use any funds (other than proceeds of the Obligations the interest on which is excludable from the gross income of the registered owners thereof for federal income tax purposes) for the redemption of all Nonqualified Obligations within 90 days of the date that such Deliberate Action was taken. In the event that insufficient maturities of the Obligations are callable by the date which is within 90 days after the date of the Deliberate Action, then such funds may be used for the establishment of a Defeasance Escrow within 90 days of the date of the Deliberate Action for all of the maturities of the Nonqualified Obligations not callable within 90 days of the date of the Deliberate Action.

(iii) If a Defeasance Escrow is established for any maturities of Nonqualified Obligations that are not callable within 90 days of the date of the Deliberate Action,

written notice must be provided to the Commissioner of Internal Revenue Service at the times and places as may be specified by applicable regulations, rulings or other guidance issued by the Department of the Treasury or the Internal Revenue Service. Note that the ability to create a Defeasance Escrow applies only if the Obligations to be defeased and redeemed all mature or are callable within ten and one-half (10.5) years of the date the Obligations are originally issued or executed and delivered. If the Obligations are not callable within ten and one-half years, and none of the other remedial actions described below are applicable, the remainder of this attachment is for general information only, and Bond Counsel must be contacted to discuss other available options.

(b) Alternative Use of Disposition Proceeds. Use of any Disposition Proceeds in accordance with the following requirements may be treated as a Remedial Action with respect to the Obligations:

(i) the Deliberate Action consists of a disposition of all or any portion of the Facilities for not less than the fair market value thereof for cash;

(ii) the District reasonably expects to expend the Disposition Proceeds resulting from the Deliberate Action within two years of the date of the Deliberate Action;

(iii) the Disposition Proceeds are treated as Proceeds of the Obligations for purposes of Section 141 of the Code and the Regulations thereunder, and the use of the Disposition Proceeds in the manner in which such Disposition Proceeds are in fact so used would not cause the Disposition Proceeds to satisfy the Private Activity Bond Tests;

(iv) no action is taken after the date of the Deliberate Action to cause the Private Activity Bond Tests to be satisfied with respect to the Obligations, the Facilities or the Disposition Proceeds (other than any such use that may be permitted in accordance with the Treasury Regulations);

(v) Disposition Proceeds used in a manner that satisfies the Private Activity Bond Tests or which are not expended within two years of the date of the Deliberate Action must be used to redeem or defease Nonqualified Obligations in accordance with the requirements set forth in Section 4(a) hereof; and

(vi) In the event that Disposition Proceeds are to be used by any organization described in Section 501(c)(3) of the Code, the Nonqualified Obligations must be treated as reissued for certain purposes of the Code (for instance, a new TEFRA approval may need to be received). The District should consult with Bond Counsel as to any additional requirements that may be applicable in this case.

(c) Alternative Use of Facilities. The District may be considered to have taken sufficient Remedial Actions to cause the Obligations to continue their applicable treatment

under federal tax law if, subsequent to taking any Deliberate Action with respect to all or any portion of the Facilities:

(i) the portion of the Facilities subject to the Deliberate Action is used for a purpose that would be permitted for qualified tax-exempt obligations;

(ii) the disposition of the portion of the Facilities subject to the Deliberate Action is not financed by a person acquiring the Facilities with proceeds of any obligation the interest on which is exempt from the gross income of the registered owners thereof under Section 103 of the Code for purposes of federal income taxation or an obligation described in Sections 54A-54F, 54AA or 6431 of the Code; and

(iii) any Disposition Proceeds other than those arising from an agreement to provide services (including Disposition Proceeds arising from an installment sale) resulting from the Deliberate Action are used to pay the debt service on the Obligations on the next available payment date or, within 90 days of receipt thereof, are deposited into an escrow that is restricted as to the investment thereof to the yield on the Obligations to pay debt service on the Obligations on the next available payment date;

Absent an opinion of Bond Counsel, no Remedial Actions are available to remediate the satisfaction of the Private Security or Payment Test regarding the same with respect to the Obligations. Nothing herein is intended to prohibit Remedial Actions not described herein that may become available subsequent to the date the Obligations are originally issued or executed and delivered to remediate the effect of a Deliberate Action taken with respect to the Obligations, the proceeds thereof or the Facilities.

5. **Additional Defined Terms.** For purposes of this attachment, the following terms have the following meanings:

“*Commissioner*” means the Commissioner of Internal Revenue, including any successor person or body.

“*Defeasance Escrow*” means an irrevocable escrow established to redeem obligations on their earliest call date in an amount that, together with investment earnings thereon, is sufficient to pay all the principal of, and interest and call premium on, obligations from the date the escrow is established to the earliest call date. A Defeasance Escrow may not be invested in higher yielding investments or in any investment under which the obligor is a user of the proceeds of the obligations.

“*Deliberate Action*” means any action, occurrence or omission by the District that is within the control of the District which causes either (1) the Private Business Use Test to be satisfied with respect to the Obligations or the Facilities (without regard to the Private Security or Payment Test), or (2) the Private Loan Financing Test to be satisfied with respect to the Obligations or the proceeds thereof. An action, occurrence or omission is not a Deliberate Action if (1) the action, occurrence or omission would be treated as an involuntary or compulsory conversion under Section 1033 of the Code, or (2) the action, occurrence or omission is in response to a regulatory directive made by the government of the United States.

*“Disposition Proceeds”* means any amounts (including property, such as an agreement to provide services) derived from the sale, exchange or other disposition of property (other than Investments) financed with the proceeds of the Obligations.

*“Nonqualified Obligations”* means that portion of the Obligations outstanding at the time of a Deliberate Action in an amount that, if the outstanding Obligations were issued or executed and delivered on the date on which the Deliberate Action occurs, the outstanding Obligations would not satisfy the Private Business Use Test or the Private Loan Financing Test, as applicable. For this purpose, the amount of private business use is the greatest percentage of private business use in any one-year period commencing with the Deliberate Action.

*“Private Activity Bond Tests”* means, collectively, the Private Business Use Test, the Private Security or Payment Test and the Private Loan Financing Test.

*“Private Business Tests”* means the Private Business Use Test and the Private Security or Payment Test.

*“Private Business Use Test”* has the meaning set forth in Section 141(b)(1) of the Code.

*“Private Loan Financing Test”* has the meaning set forth in Section 141(c) of the Code.

*“Private Security or Payment Test”* has the meaning set forth in Section 141(b)(2) of the Code.

*“Remedial Action”* means any of the applicable actions described in Section 4 hereof, or such other actions as may be prescribed from time to time by the Department of the Treasury or the Internal Revenue Service, which generally have the effect of rectifying noncompliance by the District with certain provisions of Section 141 of the Code and the Regulations thereunder and are undertaken by the District to maintain the federal tax status of the Obligations.

6. **Change in Law.** This attachment is based on law in effect as of this date. Statutory or regulatory changes, including but not limited to clarifying Treasury Regulations, may affect the matters set forth in this attachment.