

SCHEDULE 3.1(e)

BALANCE SHEET AND STATEMENT OF INCOME

1. See attached.

Owen E. Barnett

Certified Public Accountant
2902 Carlisle Street, Suite 104
Dallas, Texas 75204-1072

Telephone: (214) 855-0670

Fax: (214) 855-0783

Board of Directors
D & K Development Corp.
Fort Worth, Texas

Accountant's Compilation Report

I have compiled the accompanying statement of assets, liabilities, and stockholder's equity – income tax basis of D & K Development Corp. as of December 31, 2012, the related statement of revenues and expenses – income tax basis for the year then ended, and the related statement of retained earnings – income tax basis for the year then ended. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with the income tax basis of accounting. The financial statements have been prepared on the accounting basis used by the Company for federal income tax purposes, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the income tax basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements. During my compilation, I did become aware of certain departures from the income tax basis of accounting that are described in the following paragraphs.

The income tax basis of accounting requires that the Company record a federal income tax provision. The Company has not recorded such a provision, and the effects of this departure from the income tax basis of accounting on the accompanying financial statements have not been determined.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared on the income tax basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's assets, liabilities, stockholder's equity, revenues and expenses. Accordingly, these financial statements are not designed for those who are not informed about such matters.

I am not independent with respect to D & K Development Corp.

Owen E. Barnett
Certified Public Accountant

March 6, 2013

D & K Development Corp.
 Assets, Liabilities and Stockholder's Equity - Income Tax Basis
 As of December 31, 2012

ASSETS

Current Assets

Cash - Checking	\$	44,256.87
Cash - Savings		<u>14,769.70</u>

Total Current Assets	\$	59,026.57
----------------------	----	-----------

Property, Plant & Equipment

Office Equipment	\$	6,317.09
Treatment Plant - equipment		6,094.48
Treatment Plant		21,933.98
Treatment Plant - expansion		<u>288,550.83</u>

Total Cost	\$	322,896.38
Less Accumulated Depreciation		<u>194,138.00</u>

Net Book Value		128,758.38
----------------	--	------------

Other Assets

Land	\$	<u>6,412.00</u>
------	----	-----------------

Total Other Assets		<u>6,412.00</u>
--------------------	--	-----------------

Total Assets	\$	<u><u>194,196.95</u></u>
--------------	----	--------------------------

LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities

Due On Outfall Line	\$	7,138.40
Note Payables - Frost Bank		<u>261,247.29</u>

Total Current Term Liabilities	\$	268,385.69
--------------------------------	----	------------

Long Term Liabilities

Loan-Druon Die Products, Inc.	\$	32,010.60
Loan from Stockholder		<u>101,969.00</u>

Total Long Term Liabilities		<u>133,979.60</u>
-----------------------------	--	-------------------

Total Liabilities	\$	402,365.29
-------------------	----	------------

Stockholder's Equity

Capital Stock	\$	3,090.00
Retained Earnings (Deficit)		<u>(211,258.34)</u>

Total Stockholder's Equity		<u>(208,168.34)</u>
----------------------------	--	---------------------

Total Liabilities and Stockholder's Equity	\$	<u><u>194,196.95</u></u>
--	----	--------------------------

See Accountant's Compilation Report

D & K Development Corp.
 Revenues and Expenses - Income Tax Basis
 For the year ended December 31, 2012

		<u>% of Revenue</u>
Revenues:		
	\$ 162,317.98	95.50%
Sewer fees	7,500.00	4.41%
Contributions in Aid to Construction	147.67	0.09%
Miscellaneous income	5.39	0.00%
Interest income	<u> </u>	<u> </u>
Total Revenues	\$ 169,971.04	100.00%
Expenses:		
	\$ 119.08	0.07%
Advertising	1,160.80	0.68%
Bank fees	9,600.00	5.65%
Collection fees	12,058.00	7.09%
Damages	20,206.00	11.89%
Depreciation expense	235.55	0.14%
Engineering expense	4,027.45	2.37%
Insurance	5,519.28	3.25%
Interest expense	304.54	0.18%
Landscaping	29,470.46	17.34%
Licenses, fees	125.00	0.07%
Miscellaneous	76.00	0.04%
Office, postage		
Professional fees:	\$ 2,000.00	
Accounting	<u>5,224.00</u>	4.25%
Legal	40,050.00	23.56%
Repairs, maintenance, operating expense	1,158.80	0.68%
Taxes - property and other	1,831.37	1.08%
Telephone		
Travel and entertainment	\$ 272.95	
Meals	<u>1,415.17</u>	0.99%
Travel	1,688.12	
Utilities:	\$ 11,767.62	
Electricity	<u>597.62</u>	7.27%
Water	4,424.00	2.60%
Water quality assessment		
Total Expenses	\$ 151,643.69	89.22%
Excess (Deficit) of Revenues Over Expenses	\$ 18,327.35	10.78%

See Accountant's Compilation Report

D & K Development Corp.
Statement of Retained Earnings - Income Tax Basis
For the year ended December 31, 2012

Retained earnings (deficit), January 1, 2012	\$ (229,585.69)
Excess (deficit) of revenues over expenses for the year ended December 31, 2012	<u>18,327.35</u>
Retained earnings (deficit), December 31, 2012	<u>\$ (211,258.34)</u>

See Accountant's Compilation Report

Owen E. Barnett

Certified Public Accountant
2902 Carlisle Street, Suite 104
Dallas, Texas 75204-1072

Telephone: (214) 855-0670

Fax: (214) 855-0783

Board of Directors
D & K Development Corp.
Fort Worth, Texas

Accountant's Compilation Report

I have compiled the accompanying statement of assets, liabilities, and stockholder's equity – income tax basis of D & K Development Corp. as of March 31, 2013, the related statement of revenues and expenses – income tax basis for the three months then ended, and the related statement of retained earnings – income tax basis for the three months then ended. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with the income tax basis of accounting. The financial statements have been prepared on the accounting basis used by the Company for federal income tax purposes, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the income tax basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements. During my compilation, I did become aware of certain departures from the income tax basis of accounting that are described in the following paragraphs.

The income tax basis of accounting requires that the Company record a federal income tax provision. The Company has not recorded such a provision, and the effects of this departure from the income tax basis of accounting on the accompanying financial statements have not been determined.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared on the income tax basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's assets, liabilities, stockholder's equity, revenues and expenses. Accordingly, these financial statements are not designed for those who are not informed about such matters.

I am not independent with respect to D & K Development Corp.



Certified Public Accountant

April 29, 2013

D & K Development Corp.
 Assets, Liabilities and Stockholder's Equity - Income Tax Basis
 As of March 31, 2013

ASSETS

Current Assets

Cash - Checking	\$	26,134.66
Cash - Savings		<u>14,771.04</u>

Total Current Assets	\$	40,905.70
----------------------	----	-----------

Property, Plant & Equipment

Office Equipment	\$	6,317.09
Treatment Plant - equipment		6,094.48
Treatment Plant		21,933.98
Treatment Plant - expansion		<u>288,550.83</u>

Total Cost	\$	322,896.38
Less Accumulated Depreciation		<u>199,132.49</u>

Net Book Value		123,763.89
----------------	--	------------

Other Assets

Land	\$	<u>6,412.00</u>
------	----	-----------------

Total Other Assets		<u>6,412.00</u>
--------------------	--	-----------------

Total Assets	\$	<u><u>171,081.59</u></u>
--------------	----	--------------------------

LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities

Due On Outfall Line	\$	7,138.40
Note Payables - Frost Bank		<u>261,247.29</u>

Total Current Term Liabilities	\$	268,385.69
--------------------------------	----	------------

Long Term Liabilities

Loan-Druon Die Products, Inc.	\$	32,010.60
Loan from Stockholder		<u>101,969.00</u>

Total Long Term Liabilities		<u>133,979.60</u>
-----------------------------	--	-------------------

Total Liabilities	\$	402,365.29
-------------------	----	------------

Stockholder's Equity

Capital Stock	\$	3,090.00
Retained Earnings (Deficit)		<u>(234,373.70)</u>

Total Stockholder's Equity		<u>(231,283.70)</u>
----------------------------	--	---------------------

Total Liabilities and Stockholder's Equity	\$	<u><u>171,081.59</u></u>
--	----	--------------------------

See Accountant's Compilation Report

D & K Development Corp.
 Revenues and Expenses - Income Tax Basis
 For the three months ended March 31, 2013

		<u>% of Revenue</u>
Revenues:		
Sewer fees	\$ 42,066.50	100.00%
Interest income	<u>1.34</u>	<u>0.00%</u>
Total Revenues	\$ <u>42,067.84</u>	<u>100.00%</u>
Expenses:		
Collection fees	2,430.00	5.78%
Depreciation expense	4,994.49	11.87%
Insurance	1,387.14	3.30%
Interest expense	1,514.76	3.60%
Licenses, fees	3,205.10	7.62%
Miscellaneous	1,569.28	3.73%
Office, postage	78.00	0.19%
Repairs, maintenance, operating expense	45,000.00	106.97%
Telephone	425.38	1.01%
Utilities:		
Electricity	\$ 3,185.04	
Water	<u>170.01</u>	
Water quality assessment	<u>1,224.00</u>	<u>2.91%</u>
Total Expenses	\$ <u>65,183.20</u>	<u>154.95%</u>
Excess (Deficit) of Revenues Over Expenses	\$ <u><u>(23,115.36)</u></u>	<u><u>-54.95%</u></u>

See Accountant's Compilation Report

D & K Development Corp.
Statement of Retained Earnings - Income Tax Basis
For the three months ended March 31, 2013

Retained earnings (deficit), January 1, 2013	\$ (211,258.34)
Excess (deficit) of revenues over expenses for the three months ended March 31, 2013	<u>(23,115.36)</u>
Retained earnings (deficit), March 31, 2013	<u>\$ (234,373.70)</u>

See Accountant's Compilation Report

SCHEDULE 3.1(f)

REAL PROPERTY

1. See attached metes and bounds description. Property owned in fee simple.

D & K Development Plant Site

FIELD NOTES FOR:

24,400 S.F. Tract

Harvey Foster Survey, Abstract No. 517

And A Castillo Survey, Abstract No. 271

Tarrant County, Texas

Being a 24,400 square foot tract of land out of the Harvey Foster Survey, Abstract No. 517, and the A. Castello Survey, Abstract No. 271, a portion of which is in Lot A, Block 1, Mayfair Addition to Tarrant County, Texas according to Plat recorded in Cabinet A, Slide 429 of the Tarrant County Plat Records and being all of a tract conveyed to D & K Development Corp. by Doug Leavitt Custom Homes Inc. by Deed recorded in Volume 14003, Page 0325 of the Tarrant County Deed Records and a tract conveyed to D & K Development Corp. by Deed recorded in Volume 10991, Page 2084 of the Tarrant County Deed Records and being further described by metes and bounds as follows:

BEGINNING at a point in the west line of right-of-way for Hulen Street according to said Plat for Mayfair Addition, said Point of Beginning being north 00 degrees 21 minutes 43 seconds east a distance of 105.21 feet from the southeast corner of said Lot A, Block 1, Mayfair Addition;

THENCE north 89 degrees 20 minutes 37 seconds west a distance of 110.26 feet to a point in the east line of a tract conveyed to Carlos Alfaro by deed recorded as instrument# D 10008225 in the Tarrant County Deed Records;

THENCE north 00 degrees 39 minutes 37 seconds east for a distance of 80.41 feet to the southwest corner of said tract conveyed to D & K Development by Doug Leavitt Custom Homes, Inc.;

THENCE north 00 degrees 53 minutes 27 seconds east for a distance of 141.48 feet to a point in the south line of right-of-way for Farm to Market Road 1187;

THENCE south 89 degrees 31 minutes 36 seconds east along said south right-of-way for FM 1187 for a distance of 109.19 feet to a point in the west line of said right-of-way for Hulen Street;

THENCE south 00 degrees 29 minutes 54 seconds west along the common line between said D & K Development Tract and right-of-way for Hulen Street for a distance of 141.58 feet to a point;

THENCE south 00 degrees 21 minutes 43 seconds west continuing along said Hulen Street right-of-way for a distance of 81.20 feet to the Point of Beginning and containing 24,400 square feet of land.

SCHEDULE 3.1(g)

VIOLATIONS OF ENVIRONMENTAL, HEALTH AND SAFETY LAWS

1. None
-

SCHEDULE 3.1(i)

CONTRACTS

1. See attached contracts with:
 - a. Environmental Monitoring Laboratory, L.L.C.;
 - b. Bowman Environmental Enterprises, LLC; and
 - c. Johnson County Special Utility District.



ENVIRONMENTAL MONITORING LABORATORY, L.L.C.

BIOLOGICAL & CHEMICAL ANALYSIS / UTILITIES MANAGEMENT & OPERATION / WATERWELL DRILLING & SERVICE / GEOLOGICAL INVESTIGATION

May 14, 2012

DK Development
Attn: Dusty Drury
P. O. Box 172081
Arlington Texas 76003-2081



T104704247-11-3

Bid Proposal For DK Development – Crowley/Mayfair

MISSION AND INTRODUCTION

EML offers a full range of laboratory capabilities for biological and chemical analyses on water, wastewater, sludge, and soil, with "Operator Friendly" and flexible sampling, to meet any routine and special environmental requirements and needs. Serving the greater Texas region and beyond for over 24 years, our newly completed 6,400 sq. ft. state-of-the-art facility is staffed with Chemists, Biologists, Environmental Scientists as well as water and wastewater operators with a combined experience of over 70 years.

Final Effluent: BOD, TSS, pH, DO	\$ 51.00*
NH3N	\$ 30.00*
E-Coli	\$19.00*
Fuel Charge	\$ 21.00*

*Prices shown above are per week. All prices are guaranteed for one year from the date of the accepted proposal.

ENVIRONMENTAL SCIENTIST
C.C. "Chuck" Blair, M.S. P.G.

LABORATORY
Dr. Gene Newton, PhD
Chemist / Biologist
John Scott, B.S. D/D
General Manager / Chief Analyst
Serassa Beck, A.A. D/D
Lab Manager / Chief Analyst
Clint Blair, S.A. - Analyst, D/D
Heather Wagner
Data Manager / Lab Tech II
Kristen Rader -
Assistant Data Manager / Lab Tech IV
Natalie Kirk, A.A.
Lab Analyst
Ruth Walters - Lab Tech I

FIELD OPERATIONS
Jim Scott, A.S., C/C
Jennifer Gresham, D/D
Glenn Tidwell, Jr. D/D

SPECIAL PROJECT MANAGER
Machell Meeks Plummer

ACCREDITATION

EML is an EPA and TCEQ approved laboratory with exemplary audits, ERA proficiency / quality standards program, *NELAP certified No. T104704247 and hold a Certificate of Registered Water and Wastewater Operation Company. EML is approved for the U.S. Army Corps of Engineers, TXDOT, and the State of Texas sampling programs. *NELAP - National Environmental Laboratory Accreditation Program

Thank You For Your Consideration,

Chuck Blair, M.S.
Environmental Scientist

Bowman Environmental Enterprises, LLC

801 S. Files St
Itasca, TX 76055
254.687.2642
bowmanenv@gmail.com

June 20, 2012

D&K Development Corp (Mayfair)
P.O. Box 172081
Arlington, TX 76003-2081

We hereby submit specifications and estimates for the monthly operation of the Wastewater Treatment Plant under the following terms and conditions during the period of 7-01-12 to 7-01-13 in the amount of \$1600.00 monthly. An additional \$90.00 per day will apply for work on weekends and holidays.

1. Provide licensed employees.
2. Maintain Workers Compensation Insurance.
3. Inspect and service the plant at least five days a week to provide the best possible effluent.
4. Provide preventative maintenance on all equipment.
5. Maintain operational log of plant and file monthly and yearly reports with TCEQ.
6. Emergency repairs shall be billed on the basis of manpower and equipment.
7. Non-emergency repairs, renovation and improvements shall have prior owner's approval.
8. Major repairs including those due to natural disasters will be bid out at owner's expense
9. Owner to be responsible for all parts and supplies necessary for the proper operation and maintenance of the plant.
10. Owner to be responsible for the cost of all testing required by TCEQ and EPA.
11. Owner to be responsible for the hauling and disposal of sludge.
12. The terms and conditions of the contract shall renew annually, unless provisions are changed.
13. This contract may be cancelled at any time by either party with a 30 day written notice.

Authorized Signature: _____

David Bowman

Date: _____

June 20, 2012

Accepted By: _____

Dewey Johnson

Date: _____

June 21, 2012

AMENDMENT

SEWER SERVICE BILLING AGREEMENT

Section 8 – Fees. For each sanitary sewer service account collected by Johnson County Special Utility District (JCSUD), D & K agrees to pay JCSUD a rate of \$ 5.00 for each account as an initial set-up fee for establishing JCSUD's billing and collection procedures. This set-up fee is also to be paid when D & K notifies JCSUD that a new account is to be collected by JCSUD. In addition, D & K agrees for JCSUD to receive a monthly fee in the amount of \$ 5.00 per connection billed to be retained as explained in Section 2. If D & K requests JCSUD to reinstate an account which has been removed from the sewer service customer list, a reinstatement fee of \$ 5.00 per account will be paid to JCSUD by D & K.

EXECUTED ON THE 26 DAY OF AUGUST 2008 AND WILL BE IN EFFECT AS OF THE 1 st. DAY OF SEPTEMBER, 2008.

JOHNSON COUNTY SPECIAL UTILITY DISTRICT

By: Terry Kelley
Terry Kelley

Mailing Address:
P. O. Box 509
Cleburne, TX 76033

ATTEST:

Linda Ireland

D & K DEVELOPMENT CORP.

By: William L. Boomer
William L. Boomer
Attorney-In-Fact

Mailing Address:
P. O. Box 172081
Arlington, Texas 76003

ATTEST:

April 11, 1996

SEWER SERVICE BILLING AGREEMENT

WHEREAS, D&K Development Corp., (hereinafter "D&K"), is a public utility holding Conversation Commission Certificate of Convenience and Necessity No. _____ from the Texas Natural Resource Conservation Commission (hereinafter "TNRCC"), supplying sewer service to the Mayfair Addition in Johnson County, Texas, (hereinafter "Mayfair"); and

WHEREAS, Johnson County Rural Water Supply Corporation, (hereinafter "JCRWSC"), is a non-profit water supply corporation organized pursuant to Tex. Rev. Civ. Stat. Art. 1434a; and

WHEREAS, JCRWSC provides retail water utility service to Mayfair, pursuant to Texas Natural Resource Conservation Commission Certificate of Convenience and Necessity No. 10081; and

WHEREAS, D&K provides sanitary sewer service for Mayfair, some of whom are provided water utility service by JCRWSC; and

WHEREAS, it is recognized that the provision of sanitary sewer service to the residents in Mayfair is integrally related to JCRWSC's separate provision of water service to the same customers such that joint billing and collection practices are in the public interest; and

WHEREAS, it is the public interest for an Agreement to be entered into to facilitate the billing and collection charges from residents in Mayfair for sanitary sewer service.

1. Agency of JCRWSC. JCRWSC hereby agrees to serve as the agent for D&K for the purposes of billing and collecting sanitary sewer service fees from customers of JCRWSC who: (1) are located in the Mayfair Addition in Tarrant County, Texas, and are recipients of sanitary sewer services from D&K; and (2) have executed a copy of the application for sanitary sewer service or an application in substantially similar form. During the term of this Agreement, D&K will be solely responsible for providing to JCRWSC, and at all times maintaining, a current list of its customers to be billed by JCRWSC, which list shall contain the following information for each customer: (a) the customer's name and address; (b) the type of sanitary sewer service to be billed by JCRWSC on D&K's behalf; and (c) the amount to be billed.

2. Payment Based on Sewer Rate Ordinance for Sewer Collection. JCRWSC agrees to add the fees due to D&K in the amounts indicated by D&K, to its monthly bills to customers. Each fee for sanitary sewer service will be stated separately on such bills. D&K agrees to coordinate with JCRWSC so that the payment for the sanitary sewer services billed by JCRWSC on D&K's behalf shall be due at the same time and

under the same terms as the payment billed by JCRWSC for water utility services. Upon receipt of payment due D&K for sanitary sewer services, JCRWSC will deposit such sums in an account in JCRWSC's depository bank, commingled with payments made for JCRWSC water utility services. The funds, less unpaid fees charged by JCRWSC for services, shall be forwarded to D&K no less frequently than once a month. The funds shall be sent to D&K in the amounts due reflected on the monthly bills to the customers, less JCRWSC's unpaid fees. ~~JCRWSC will forward an accounting of the customers from whom payment has been received, the period and type of services, and the fees retained by JCRWSC periodically or upon request with reasonable notice.~~

3. **Priority.** When payment for water and sewer collection by any customer is made, JCRWSC shall apply the funds paid first to any indebtedness of the customer and then to the payment of any indebtedness.

4. **Delinquency/Disconnection.** JCRWSC agrees to use its best efforts to collect amounts due to D&K from customers for sanitary sewer service. If at any time any customer fails to pay any amounts collectible by JCRWSC pursuant to the terms of this Agreement, JCRWSC is authorized to terminate water utility services to the customer as deemed appropriate by JCRWSC in accordance with the procedure specified in any applicable water tariff and service regulations of JCRWSC then in effect. JCRWSC shall notify D&K of all customer accounts which are delinquent and have been disconnected.

5. **Disconnection For Ill Customers.** Service will not be disconnected to any delinquent residential customer when it has been established that some person residing at that residence will become seriously ill, or more seriously ill, if service is disconnected. To avoid disconnection under these circumstances, the customer must provide a written statement from a physician to the utility prior to the stated date of disconnection. Service may be disconnected in accordance with Section 4 if the next month's bill, and the past due bill, are not paid by the due date of the next month's bill, unless the customer enters into a deferred payment plan with the utility.

6. **Reconnection.** In the event water service is disconnected for nonpayment of sanitary sewer service charges, except as otherwise required by law or as agreed to by D&K, JCRWSC agrees not to provide water services to that customer until JCRWSC's receipt of payment of all delinquent sewer collection charges, plus any applicable charges which are then collectible in accordance with D&K's tariff or other applicable law.

7. **Effect on Provision of Water.** This Agreement shall not affect or in any way impair JCRWSC's rights and obligations with respect to its customers or the provision of water utility services, except as specifically and expressly set forth in this Agreement, and as allowed by law.

8. **Fees.** For each sanitary sewer service account collected by JCRWSC, D&K agrees to pay JCRWSC a rate of \$5.00 for each account as an initial set-up fee for establishing JCRWSC's billing and collection procedures. This set-up fee is also to be paid when D&K notifies JCRWSC that a new account is to be collected by JCRWSC.

In addition, D&K agrees for JCRWSC to receive a fee of \$2.00 per account per month to be retained as explained in Section 2. The monthly fee will be paid until the end of the month in which D&K removes the account from the customer list provided to JCRWSC under paragraph 1 of this Agreement. If D&K subsequently requests JCRWSC to reinstate an account which has been removed from the sewer service customer list, a reinstatement fee of \$5.00 per account will be paid to JCRWSC by D&K.

9. Purpose of Order/Indemnity. This Agreement is made for the purpose of facilitating the billing and collection of fees for sanitary sewer services provided by D&K. No partnership or joint venture is intended to be created hereby. JCRWSC's sole responsibility is that of D&K's agent for billing and collection purposes and JCRWSC shall have no responsibility for, and D&K shall indemnify, defend and hold JCRWSC harmless from any damage, claims, or causes of action arising from: (1) the construction, operation, maintenance, repair or existence of the sewer collection system; (2) the provision of sewer collection service; (3) any act or omission relating to such services; or (4) any act or omission of JCRWSC or D&K, their agents, employees, or representatives, in the performance or nonperformance of their obligations under this Agreement, specifically including the negligence or breach of this Agreement by JCRWSC or by D&K which does not amount to gross negligence or willful misconduct on the part of D&K, its agents, employees, or representatives. This indemnity shall also extend to, but shall not be limited to, any cost, expense or fee, including attorney's fees, cost of court or expert fee, incurred by JCRWSC relating to or arising from any damages, claims, demands or causes of action. Further, by way of indemnity, D&K shall at all times carry general liability insurance coverage in a form satisfactory to JCRWSC, with JCRWSC named as an additional named insured, covering all acts of JCRWSC on D&K's behalf.

10. Termination and Attorney Fees. Either party to this Agreement may cancel same at any time for any reason by giving the other party 30 days written notice of cancellation. Such notice may be given by hand delivery or by certified mail, postage prepaid, return receipt requested, to the address shown on the signature page of this agreement. If any provision of the Agreement is determined by any regulatory or judicial body to be invalid, in violation of any law, or to be contrary to the rules, regulations, or orders of such body, or if any party to the Agreement is ordered or required by such body not to comply with any provision of this Agreement, the Agreement automatically and without notice terminates without penalty at the time such order becomes final and subject to appeal. The prevailing party in any legal proceeding against any other part to this Agreement brought under or which relates to the Agreement or a breach thereof shall, in addition to its damages, shall be entitled to recover its costs and reasonable attorneys fees.

11. Notices. Any notice or communication required or permitted to be given hereunder shall be sufficiently given when received by any other party and must be: (1) delivered by hand delivery; or (2) mailed by certified mail, postage prepaid, return receipt requested, to the addresses indicated below, or at such other addresses as may hereafter be furnished in writing by any party to all other parties, such notice shall be deemed to have been given as of the date so delivered or mailed.

EXECUTED ON THE _____ DAY OF _____, 1996 AND WILL BE
IN EFFECT AS OF THE _____ DAY OF _____, 1996.

JOHNSON COUNTY RURAL WATER SUPPLY CORPORATION

By: _____

Mailing Address:
P. O. Box 509
Cleburne, Texas 76033

ATTEST:

Secretary

D&K DEVELOPMENT CORP.

By:  _____

Mailing Address:
P. O. Box 523
Godley, Texas 76044

ATTEST:

Secretary

SCHEDULE 3.1(D)

MATERIAL TANGIBLE PROPERTY

1. See attached list of assets from last rate case.
-

B. ORIGINAL COST & DEPRECIATION SCHEDULE - SEWER

Please provide the following inventory of the water utility plant being used to provide water service at the end of the test year. You will be responsible for supporting this information with invoices or other documentation. Round your figures to the nearest dollar. Amounts should be computed as of the end of the test year.

Table III. B.

[A] Item	[B] Date of Installation	[C] Service Life (yrs)		[D] Original Cost when installed (\$)	Years in Service			Depreciation		[G] = [D]-[F] Net Book Value (\$)
		*	**		Yrs	Mos	Days	[E] = [D]/[C] Annual (\$)	[F] Accumulated (\$)	
Land	Various	n/a		11,412						11,412
Collection Sewers										
Gravity	4/4/1998***	50		416,210	11	7	26	8,324	97,108	319,102
Force	5/2/2003***	50		43,520	6	6	29	870	5,733	37,787
Pumping Equipment	2/25/2006***	5		47,274	3	10	3	9,455	36,395	10,879
	3/17/2010	5		6,094	0	9	14	1,219	965	5,129
Treatment and Disposal Equipment	1/1/1995	25		15,390	17	0	0	616	10,472	4,918
	11/1/1999	25		4,715	11	2	0	189	2,108	2,607
	1/1/2004	25		224,341	7	0	0	8,974	62,865	161,476
	6/4/2004	25		2,565	6	6	26	103	675	1,890
Structures:										
Wood		15								
Masonry	7/18/1998	30		1,125	12	5	13	38	467	658
Plant Sewers		50								
Outfall Sewer Lines	12/20/2006	50		33,900	4	0	11	678	2,732	31,168
Laboratory Equipment		10								
Meters and Services (taps not covered by tap fees)		50								
Office Equipment	5/15/1997	10		1,840	13	7	16	184	1,840	0
	7/7/2006	10		4,477	4	5	24	448	2,009	2,468
Vehicles		5								
Shop Tools		15								
Heavy Equipment	11/16/2006	10		22,540	4	1	14	2,254	9,300	13,240
Fencing	2/12/1998	20		704	12	10	16	35	454	250
	3/23/2004	20		3,575	6	9	8	179	1,212	2,363
	10/29/2006	20		1,630	4	2	2	82	340	1,290
Other: (please list)										
Total				841,312				33,645	234,674	606,638

* TNRCC Suggested Service Life ** Other Service Life *** Average in service date

€ Enter this number in Table VI. A., Line [O], Column € € If [F] is greater than [D], enter the total for [D]

∠ Enter this number in Table IV. E., Line [A]

- Attach additional sheet(s) if necessary -

SCHEDULE 3.1(m)

PERMITS

1. See attached copies of:
 - a. Certificate of Convenience and Necessity, Certificate No. 20816;
 - b. Utilities Company Permit, related to road borings; and
 - c. Texas Pollutant Discharge Elimination System permit.

TEXAS NATURAL RESOURCE CONSERVATION COMMISSION



CERTIFICATE OF CONVENIENCE AND NECESSITY

To Provide Sewer Service Under V.T.C.A., Water Code
and Texas Natural Resource Conservation Commission Substantive Rules

Certificate No. 20816

I. Certificate Holder:

Name: D & K Development Corp.

Address: P.O. Box 523
Godley, Texas 76044

II. General Description and Location of Service Area:

The area covered by this certificate is located approximately 13 miles south of downtown Fort Worth, Texas on Farm to Market Road 1187. The service area is generally bounded on the north by Farm to Market Road 1187 and on the east by Pherson Road in Tarrant County, Texas.

III. Certificate Maps:

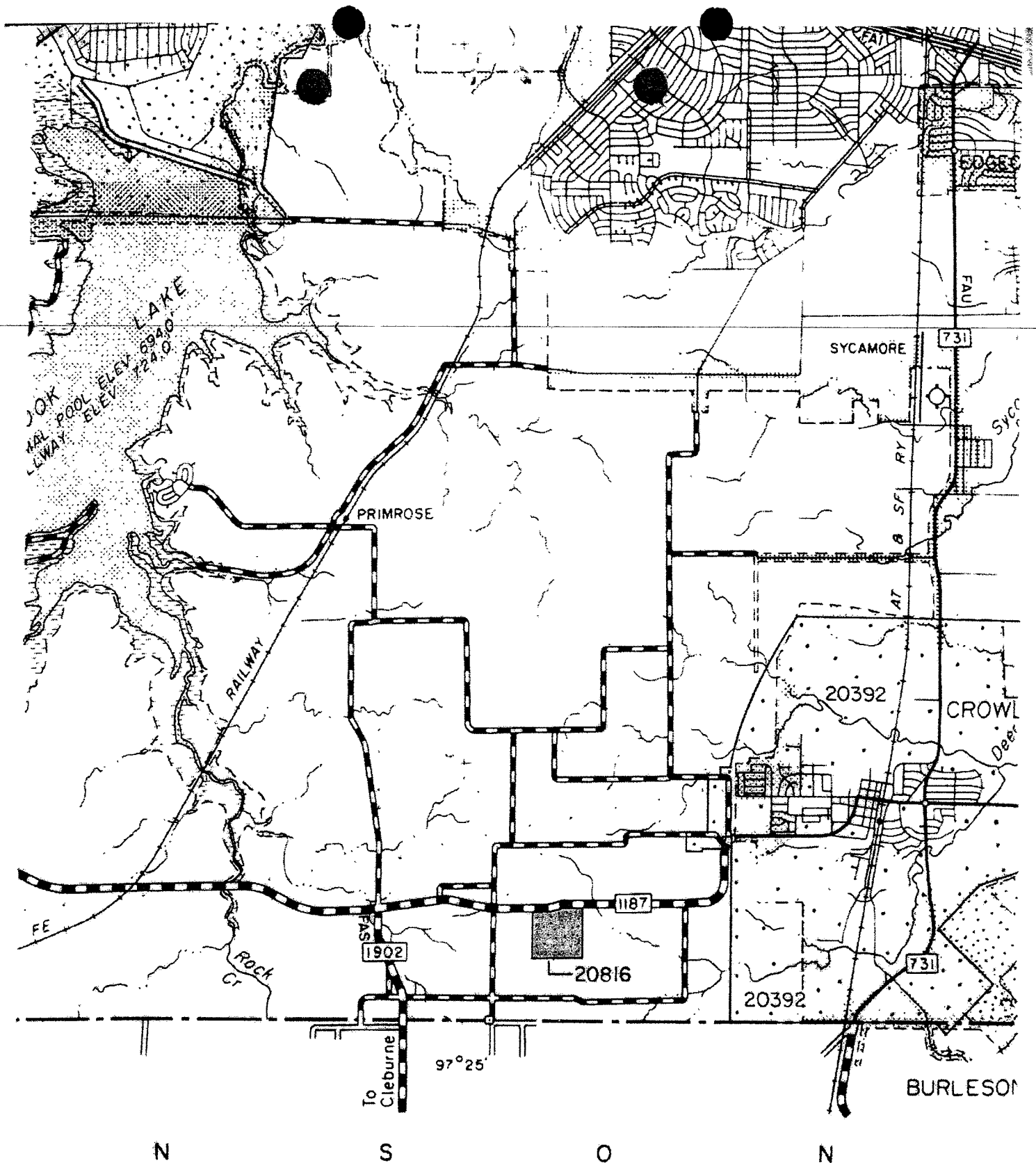
The certificate holder is authorized to provide sewer service in the area identified on the Commission's official sewer service area map, WRS-220, maintained in the offices of the Texas Natural Resource Conservation Commission, 12015 Park 35 Circle, Austin, Texas with all attendant privileges and obligations.

This certificate is issued under Application No. 31239-C and subject to the rules and orders of the Commission, the laws of the State of Texas, conditions contained herein and may be revoked for violations thereof. The certificate is valid until amended or revoked by the Commission.

Issued Date: SEP 13 1996

ATTEST: Mamie M. Black

Jan Gunn
For the Commission



WRS-220
TARRANT COUNTY

D & K Development Corporation
Sewer Service Area
CCN No. 20816

Scale: 1" = 1 mile

Precinct # 1

UTILITIES COMPANY PERMIT

Date 10-24-06

Permit # 06-115

✓ Firm Name: D & K DEVELOPMENT COOP.
 ✓ Address: P.O. Box 126306
BELBROOK, TX 76126
 ✓ Phone: 817-475-3186 ✓ FAX: 817-346-0520

✓ Is hereby permitted to bore under (alongside) road name and number:
CRYSTAL LANE Mapsco 117T

✓ for the purpose of installing a 6" sanitary
sewer (WTP Effluent Line)

This permit is granted on the condition that the road or street will be bored or repaired in strict accordance with the Tarrant County Transportation Services Department's provisions and specifications governing same (attached).

SPECIAL INSTRUCTIONS:

1. Roads are to be bored and not open cut.
2. Contact Lonnie Kemp at (817) 229-3217, 24 hrs prior to working in the County right-of-way.

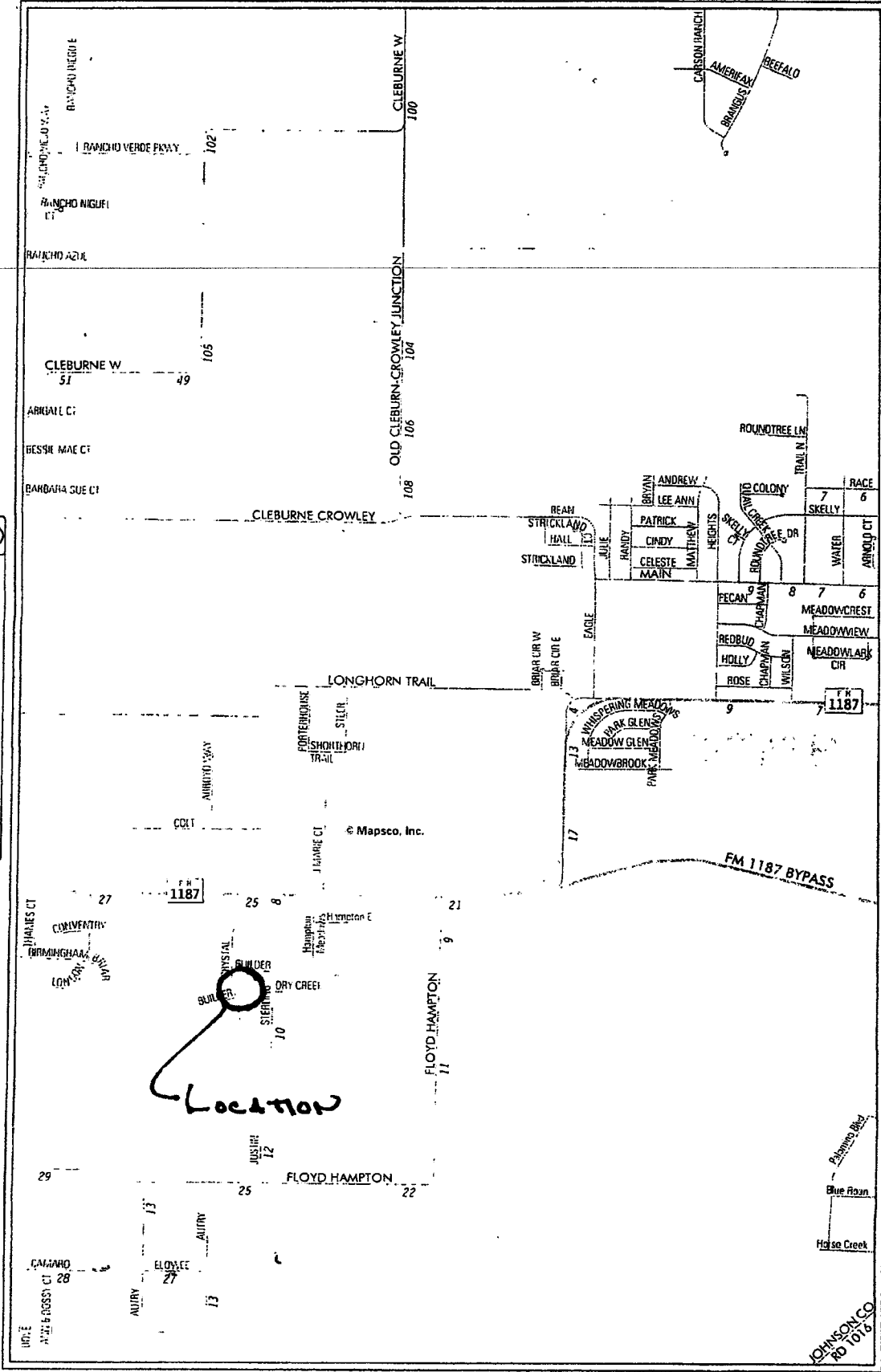
3. This permit

Joe L. Trammell
 Transportation Services Dept.

Bill Boomer
 Signature of Utility Company Representative

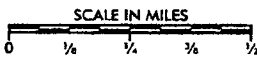
✓ Bill Boomer
 Printed name
Attorney-in-Fact

Tarrant County Transportation Services Department
 100 E. Weatherford, Room 401
 Fort Worth, TX 76196-0601
 Phone (817) 884-1250 FAX (817) 884-1178



CONTINUED ON MAP 116

CONTINUED ON MAP 118



CONTINUED IN ELLIS-JOHNSON MAPSCO ON MAP 966



COPYRIGHT 2003 by MAPSCO, INC. - ALL RIGHTS RESERVED

Location

JOHNSONCO RD 1016

IND. E

© Mapsco, Inc.

North

1A
9 AC

PROPOSED 6"
SEWER

EXIST. CULVERT

CRYSTAL CREEK

DISCHARGE

LOEP EXISTING
VE EMBEDMENT
NO.

BUILDER RD

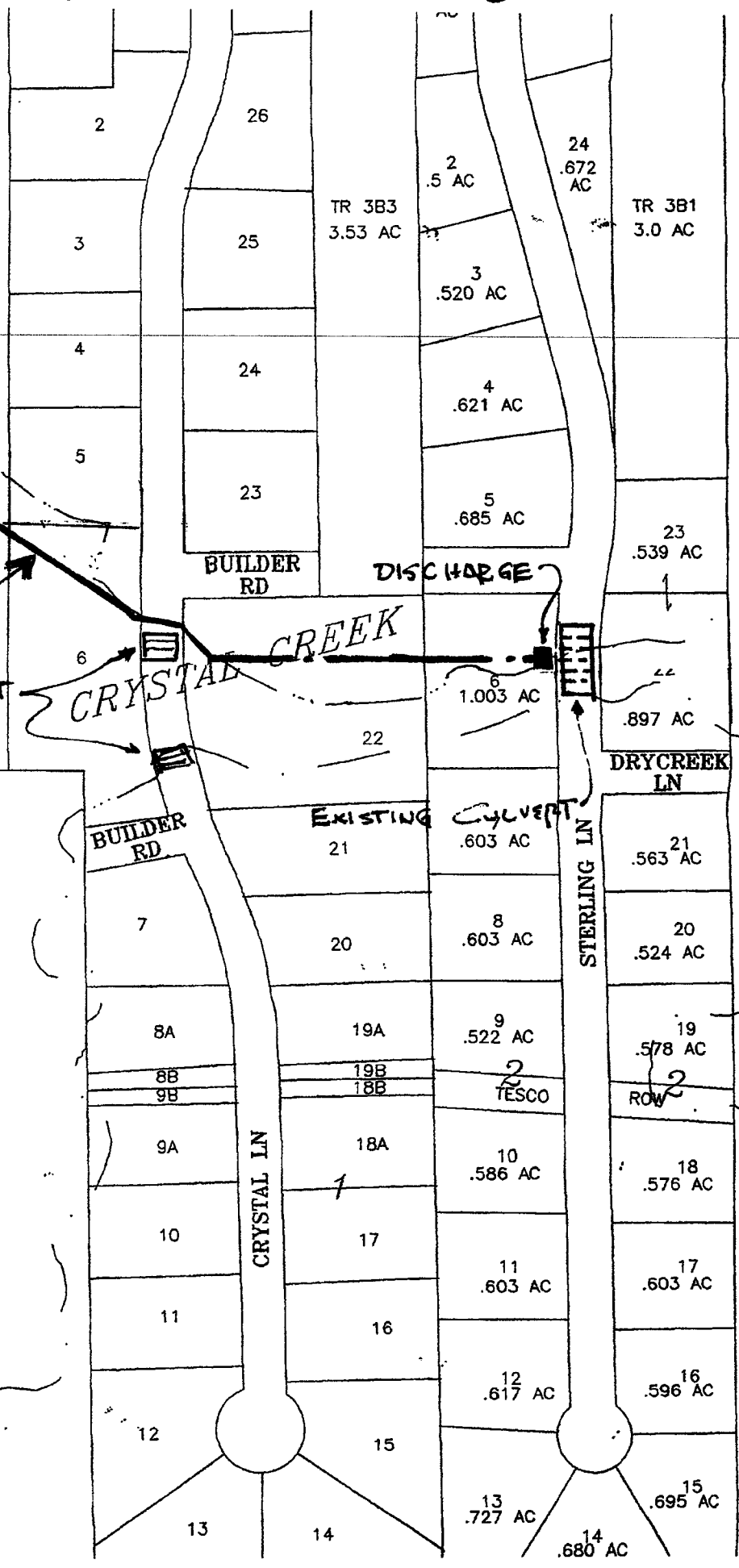
EXISTING CULVERT

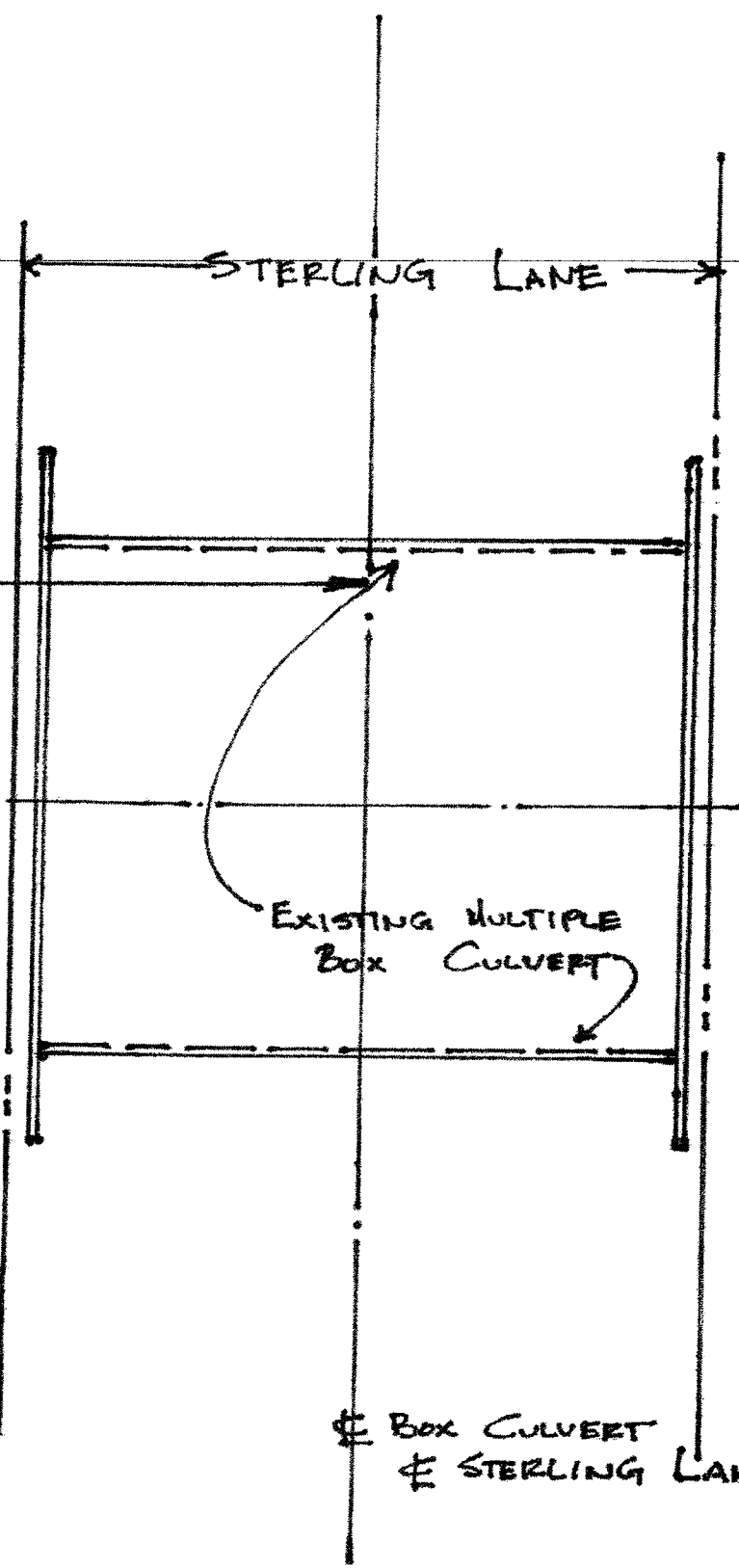
DRY CREEK LN

STERLING LN

CRYSTAL LN

A
PIN





DISCHARGE
STRUCTURE
MAYFAIR
SEWER
OUTFALL

40.0'

STERLING LANE

EXISTING MULTIPLE
BOX CULVERT

Box CULVERT
STERLING LANE

LOCATION
OUTFALL STRUCTURE
MAYFAIR SEWER

**CRYSTAL CREEK
HOME OWNERS ASSOCIATION**

1012 STERLING LANE □ CROWLEY, TX 76036 □ 817 □ 29604414

**TO: JOE TRAMMELL PE
COUNTY ENGINEER
TARRANT COUNTY
200 E. WEATHERFORD
FORT WORTH, TEXAS 76196-0601**

DEAR MR. TRAMMELL,

THE CRYSTAL CREEK HOME OWNERS ASSOCIATION DOES NOT OBJECT TO MAYFAIR SEWER PLANT DISCHARGE LINE TERMINATING IN THE COUNTY RIGHT-OF-WAY IN THE BOTTOM OF THE CREEK ON THE EAST SIDE OF STERLING LANE.

BEST REGARDS


CLAUDIA DECK
PRESIDENT

Bryan W. Shaw, Ph.D., *Chairman*
Buddy Garcia, *Commissioner*
Carlos Rubinstein, *Commissioner*
Mark R. Vickery, P.G., *Executive Director*

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

April 12, 2012

Mr. Dewey D. Drury
D & K Development Corp.
P.O. Box 172081
Arlington, Texas 76003-0281

Re: D & K Development Corp., TPDES Permit No. WQ0013518001
(RN102287109; CN600677470)

Dear Mr. Drury:

Enclosed is a copy of the above referenced permit for a wastewater treatment facility issued on behalf of the Executive Director pursuant to Chapter 26 of the Texas Water Code.

If you are receiving a Texas Pollutant Discharge Elimination System (TPDES) discharge permit and your system is a new facility or an existing facility that has been reporting to the Texas Commission on Environmental Quality (TCEQ), you may comply with self-reporting requirements by submitting discharge monitoring reports (DMR) electronically over the Web through STEERS (see enclosed flyer). Information about the electronic DMR (NetDMR) system is available at www.tceq.state.tx.us/goto/NetDMR. We encourage electronic reporting. Discharge facilities that do not use the NetDMR system will receive paper DMR forms and instructions from the TCEQ Enforcement Division or from the U.S. Environmental Protection Agency (EPA) if the facility has been submitting DMRs to EPA.

If you are receiving a land application (no discharge) permit and are required to report monitoring results, self-reporting forms and instructions will be forwarded to you by the TCEQ Enforcement Division.

Enclosed is a "Notification of Completion of Wastewater Treatment Facilities" form. Use this form when the facility begins to operate or goes into a new phase. The form notifies the agency when the proposed facility is completed or when it is placed in operation. This notification complies with the special provision incorporated into the permit. When the agency receives this form, the appropriate permit requirements will be activated in the compliance system database so that accurate monitoring and reporting can occur.



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
P.O. Box 13087
Austin, Texas 78711-3087

TPDES PERMIT NO. WQ0013518001
[For TCEQ office use only - EPA I.D.
No. TX0105872]

This is a renewal that replaces TPDES
Permit No. WQ0013518001 issued
November 30, 2007.

PERMIT TO DISCHARGE WASTES
under provisions of
Section 402 of the Clean Water Act
and Chapter 26 of the Texas Water Code

D & K Development Corp.

whose mailing address is

P. O. Box 172081
Arlington, Texas 76003-2081

is authorized to treat and discharge wastes from the Mayfair Addition Wastewater Treatment Facility,
SIC Code 4952

located at 2700 Highway 1187, on the southwest corner of the intersection of Farm-to-Market Road
1187 and South Hulén Street, approximately three miles southwest of the intersection of Farm-to-
Market Road 1187 and Farm-to-Market Road 731 in Tarrant County, Texas 76036

to an unnamed tributary of Deer Creek; thence to Deer Creek; thence to Village Creek; thence to Lake
Arlington in Segment No. 0828 of the Trinity River Basin

only according with effluent limitations, monitoring requirements and other conditions set forth in this
permit, as well as the rules of the Texas Commission on Environmental Quality (TCEQ), the laws of the
State of Texas, and other orders of the TCEQ. The issuance of this permit does not grant to the
permittee the right to use private or public property for conveyance of wastewater along the discharge
route described in this permit. This includes, but is not limited to, property belonging to any individual,
partnership, corporation or other entity. Neither does this permit authorize any invasion of personal
rights nor any violation of federal, state, or local laws or regulations. It is the responsibility of the
permittee to acquire property rights as may be necessary to use the discharge route.

This permit shall expire at midnight, **September 1, 2016**.

ISSUED DATE: April 5, 2012


For the Commission

D & K Development Corp.

TPDES Permit No. WQ0013518001

EFFLUENT LIMITATIONS AND MONITORING REQUIREMENTS

Outfall Number 001

1. During the period beginning upon the date of issuance and lasting through the date of expiration, the permittee is authorized to discharge subject to the following effluent limitations:

The daily average flow of effluent shall not exceed 0.0963 million gallons per day (MGD); nor shall the average discharge during any two-hour period (2-hour peak) exceed 133 gallons per minute (gpm).

<u>Effluent Characteristic</u>	<u>Discharge Limitations</u>			<u>Min. Self-Monitoring Requirements</u>		
	Daily Avg mg/l (lbs/day) Report	7-day Avg mg/l N/A	Daily Max mg/l Report	Single Grab mg/l N/A	Report Daily Avg. & Max. Measurement Frequency	Sample Type
Flow, MGD	10 (8.0)	N/A	25	N/A	Five/week	Instantaneous
Carbonaceous Biochemical Oxygen Demand (5-day)	15 (12)	15	25	35	One/week	Grab
Total Suspended Solids	15 (12)	25	40	60	One/week	Grab
Ammonia Nitrogen						
April - October	3 (2.4)	6	10	15	One/week	Grab
November - March	5 (4.0)	7	10	15	One/week	Grab
<i>E. coli</i> , CFU or MPN/100 ml	126	N/A	N/A	394	One/quarter	Grab

2. The effluent shall contain a chlorine residual of at least 1.0 mg/l and shall not exceed a chlorine residual of 4.0 mg/l after a detention time of at least 20 minutes (based on peak flow), and shall be monitored five times per week by grab sample. An equivalent method of disinfection may be substituted only with prior approval of the Executive Director.
3. The pH shall not be less than 6.0 standard units nor greater than 9.0 standard units and shall be monitored once per month by grab sample.
4. There shall be no discharge of floating solids or visible foam in other than trace amounts and no discharge of visible oil.
5. Effluent monitoring samples shall be taken at the following location(s): Following the final treatment unit.
6. The effluent shall contain minimum dissolved oxygen of 4.0 mg/l for both seasonal limitations, and shall be monitored once per week by grab sample.

- ii. For all other wastewater treatment plants - When four samples are not available in a calendar month, the arithmetic average (weighted by flow) of all values taken during the month shall be utilized as the daily average concentration.
- b. 7-day average concentration - the arithmetic average of all effluent samples, composite or grab as required by this permit, within a period of one calendar week, Sunday through Saturday.
- c. Daily maximum concentration - the maximum concentration measured on a single day, by the sample type specified in the permit, within a period of one calendar month.
- d. Daily discharge - the discharge of a pollutant measured during a calendar day or any 24-hour period that reasonably represents the calendar day for purposes of sampling. For pollutants with limitations expressed in terms of mass, the daily discharge is calculated as the total mass of the pollutant discharged over the sampling day. For pollutants with limitations expressed in other units of measurement, the daily discharge is calculated as the average measurement of the pollutant over the sampling day.

The daily discharge determination of concentration made using a composite sample shall be the concentration of the composite sample. When grab samples are used, the daily discharge determination of concentration shall be the arithmetic average (weighted by flow value) of all samples collected during that day.

- e. Bacteria concentration (*E. coli* or Enterococci) - Colony Forming Units (CFU) or Most Probable Number (MPN) of bacteria per 100 milliliters effluent. The daily average bacteria concentration is a geometric mean of the values for the effluent samples collected in a calendar month. The geometric mean shall be determined by calculating the n th root of the product of all measurements made in a calendar month, where n equals the number of measurements made; or, computed as the antilogarithm of the arithmetic mean of the logarithms of all measurements made in a calendar month. For any measurement of bacteria equaling zero, a substituted value of one shall be made for input into either computation method. If specified, the 7-day average for bacteria is the geometric mean of the values for all effluent samples collected during a calendar week.
 - f. Daily average loading (lbs/day) - the arithmetic average of all daily discharge loading calculations during a period of one calendar month. These calculations must be made for each day of the month that a parameter is analyzed. The daily discharge, in terms of mass (lbs/day), is calculated as $(\text{Flow, MGD} \times \text{Concentration, mg/l} \times 8.34)$.
 - g. Daily maximum loading (lbs/day) - the highest daily discharge, in terms of mass (lbs/day), within a period of one calendar month.
3. Sample Type
- a. Composite sample - For domestic wastewater, a composite sample is a sample made up of a minimum of three effluent portions collected in a continuous 24-hour period or during the period of daily discharge if less than 24 hours, and combined in volumes proportional to flow, and collected at the intervals required by 30 TAC § 319.9 (a). For industrial wastewater, a composite sample is a sample made up of a minimum of three effluent portions collected in a continuous 24-hour period or during the period of daily discharge if less than 24 hours, and combined in volumes proportional to flow, and collected at the intervals required by 30 TAC § 319.9 (b).

- b. Except for records of monitoring information required by this permit related to the permittee's sewage sludge use and disposal activities, which shall be retained for a period of at least five years (or longer as required by 40 CFR Part 503), monitoring and reporting records, including strip charts and records of calibration and maintenance, copies of all records required by this permit, records of all data used to complete the application for this permit, and the certification required by 40 CFR § 264.73(b)(9) shall be retained at the facility site, or shall be readily available for review by a TCEQ representative for a period of three years from the date of the record or sample, measurement, report, application or certification. This period shall be extended at the request of the Executive Director.
- c. Records of monitoring activities shall include the following:
 - i. date, time and place of sample or measurement;
 - ii. identity of individual who collected the sample or made the measurement.
 - iii. date and time of analysis;
 - iv. identity of the individual and laboratory who performed the analysis;
 - v. the technique or method of analysis; and
 - vi. the results of the analysis or measurement and quality assurance/quality control records.

The period during which records are required to be kept shall be automatically extended to the date of the final disposition of any administrative or judicial enforcement action that may be instituted against the permittee.

4. Additional Monitoring by Permittee

If the permittee monitors any pollutant at the location(s) designated herein more frequently than required by this permit using approved analytical methods as specified above, all results of such monitoring shall be included in the calculation and reporting of the values submitted on the approved self-report form. Increased frequency of sampling shall be indicated on the self-report form.

5. Calibration of Instruments

All automatic flow measuring or recording devices and all totalizing meters for measuring flows shall be accurately calibrated by a trained person at plant start-up and as often thereafter as necessary to ensure accuracy, but not less often than annually unless authorized by the Executive Director for a longer period. Such person shall verify in writing that the device is operating properly and giving accurate results. Copies of the verification shall be retained at the facility site and/or shall be readily available for review by a TCEQ representative for a period of three years.

6. Compliance Schedule Reports

Reports of compliance or noncompliance with, or any progress reports on, interim and final requirements contained in any compliance schedule of the permit shall be submitted no later

Tables II and III (excluding Total Phenols) which is not limited in the permit, if that discharge will exceed the highest of the following "notification levels":

- i. One hundred micrograms per liter (100 µg/L);
 - ii. Two hundred micrograms per liter (200 µg/L) for acrolein and acrylonitrile; five hundred micrograms per liter (500 µg/L) for 2,4-dinitrophenol and for 2-methyl-4,6-dinitrophenol; and one milligram per liter (1 mg/L) for antimony;
 - iii. Five (5) times the maximum concentration value reported for that pollutant in the permit application; or
 - iv. The level established by the TCEQ.
- b. That any activity has occurred or will occur which would result in any discharge, on a nonroutine or infrequent basis, of a toxic pollutant which is not limited in the permit, if that discharge will exceed the highest of the following "notification levels":
 - i. Five hundred micrograms per liter (500 µg/L);
 - ii. One milligram per liter (1 mg/L) for antimony;
 - iii. Ten (10) times the maximum concentration value reported for that pollutant in the permit application; or
 - iv. The level established by the TCEQ.

10. Signatories to Reports

All reports and other information requested by the Executive Director shall be signed by the person and in the manner required by 30 TAC § 305.128 (relating to Signatories to Reports).

11. All Publicly Owned Treatment Works (POTWs) must provide adequate notice to the Executive Director of the following:

- a. Any new introduction of pollutants into the POTW from an indirect discharger which would be subject to CWA § 301 or § 306 if it were directly discharging those pollutants;
- b. Any substantial change in the volume or character of pollutants being introduced into that POTW by a source introducing pollutants into the POTW at the time of issuance of the permit; and
- c. For the purpose of this paragraph, adequate notice shall include information on:
 - i. The quality and quantity of effluent introduced into the POTW; and
 - ii. Any anticipated impact of the change on the quantity or quality of effluent to be discharged from the POTW.

- f. A permit may be amended, suspended and reissued, or revoked for cause in accordance with 30 TAC §§ 305.62 and 305.66 and TWC§ 7.302. The filing of a request by the permittee for a permit amendment, suspension and reissuance, or termination, or a notification of planned changes or anticipated noncompliance, does not stay any permit condition.
 - g. There shall be no unauthorized discharge of wastewater or any other waste. For the purpose of this permit, an unauthorized discharge is considered to be any discharge of wastewater into or adjacent to water in the state at any location not permitted as an outfall or otherwise defined in the Other Requirements section of this permit.
 - h. In accordance with 30 TAC § 305.535(a), the permittee may allow any bypass to occur from a TPDES permitted facility which does not cause permitted effluent limitations to be exceeded or an unauthorized discharge to occur, but only if the bypass is also for essential maintenance to assure efficient operation.
 - i. The permittee is subject to administrative, civil, and criminal penalties, as applicable, under TWC §§ 7.051 - 7.075 (relating to Administrative Penalties), 7.101 - 7.111 (relating to Civil Penalties), and 7.141 - 7.202 (relating to Criminal Offenses and Penalties) for violations including, but not limited to, negligently or knowingly violating the federal CWA §§ 301, 302, 306, 307, 308, 318, or 405, or any condition or limitation implementing any sections in a permit issued under the CWA § 402, or any requirement imposed in a pretreatment program approved under the CWA §§ 402 (a)(3) or 402 (b)(8).
3. Inspections and Entry
- a. Inspection and entry shall be allowed as prescribed in the TWC Chapters 26, 27, and 28, and THSC § 361.
 - b. The members of the Commission and employees and agents of the Commission are entitled to enter any public or private property at any reasonable time for the purpose of inspecting and investigating conditions relating to the quality of water in the state or the compliance with any rule, regulation, permit or other order of the Commission. Members, employees, or agents of the Commission and Commission contractors are entitled to enter public or private property at any reasonable time to investigate or monitor or, if the responsible party is not responsive or there is an immediate danger to public health or the environment, to remove or remediate a condition related to the quality of water in the state. Members, employees, Commission contractors, or agents acting under this authority who enter private property shall observe the establishment's rules and regulations concerning safety, internal security, and fire protection, and if the property has management in residence, shall notify management or the person then in charge of his presence and shall exhibit proper credentials. If any member, employee, Commission contractor, or agent is refused the right to enter in or on public or private property under this authority, the Executive Director may invoke the remedies authorized in TWC § 7.002. The statement above, that Commission entry shall occur in accordance with an establishment's rules and regulations concerning safety, internal security, and fire protection, is not grounds for denial or restriction of entry to any part of the facility, but merely describes the Commission's duty to observe appropriate rules and regulations during an inspection.

Bryan W. Shaw, Ph.D., *Chairman*
Buddy Garcia, *Commissioner*
Carlos Rubinstein, *Commissioner*
Mark R. Vickery, P.G., *Executive Director*

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

April 12, 2012

Mr. Dewey D. Drury
D & K Development Corp.
P.O. Box 172081
Arlington, Texas 76003-0281

Re: D & K Development Corp., TPDES Permit No. WQ0013518001
(RN102287109; CN600677470)

Dear Mr. Drury:

Enclosed is a copy of the above referenced permit for a wastewater treatment facility issued on behalf of the Executive Director pursuant to Chapter 26 of the Texas Water Code.

If you are receiving a Texas Pollutant Discharge Elimination System (TPDES) discharge permit and your system is a new facility or an existing facility that has been reporting to the Texas Commission on Environmental Quality (TCEQ), you may comply with self-reporting requirements by submitting discharge monitoring reports (DMR) electronically over the Web through STEERS (see enclosed flyer). Information about the electronic DMR (NetDMR) system is available at www.tceq.state.tx.us/goto/NetDMR. We encourage electronic reporting. Discharge facilities that do not use the NetDMR system will receive paper DMR forms and instructions from the TCEQ Enforcement Division or from the U.S. Environmental Protection Agency (EPA) if the facility has been submitting DMRs to EPA.

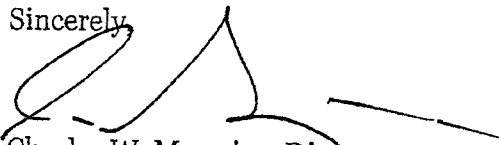
If you are receiving a land application (no discharge) permit and are required to report monitoring results, self-reporting forms and instructions will be forwarded to you by the TCEQ Enforcement Division.

Enclosed is a "Notification of Completion of Wastewater Treatment Facilities" form. Use this form when the facility begins to operate or goes into a new phase. The form notifies the agency when the proposed facility is completed or when it is placed in operation. This notification complies with the special provision incorporated into the permit. When the agency receives this form, the appropriate permit requirements will be activated in the compliance system database so that accurate monitoring and reporting can occur.

Mr. Dewey D. Drury
Page 2

Should you have any questions, please contact Mr. David Akoma of the TCEQ's Wastewater Permitting Section at (512) 239-4671 or if by correspondence, include MC 148 in the letterhead address at the bottom of the previous page.

Sincerely,



Charles W. Maguire, Director
Water Quality Division
Texas Commission on Environmental Quality

CWM/DA/mac

Enclosures

ccs: TCEQ, Region 4
Mr. Bill Boomer, P.O. Box 100247, Fort Worth, Texas 76185



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
P.O. Box 13087
Austin, Texas 78711-3087

TPDES PERMIT NO. WQ0013518001
[For TCEQ office use only - EPA I.D.
No. TX0105872]

This is a renewal that replaces TPDES
Permit No. WQ0013518001 issued
November 30, 2007.

PERMIT TO DISCHARGE WASTES
under provisions of
Section 402 of the Clean Water Act
and Chapter 26 of the Texas Water Code

D & K Development Corp.

whose mailing address is

P. O. Box 172081
Arlington, Texas 76003-2081

is authorized to treat and discharge wastes from the Mayfair Addition Wastewater Treatment Facility,
SIC Code 4952

located at 2700 Highway 1187, on the southwest corner of the intersection of Farm-to-Market Road
1187 and South Hulen Street, approximately three miles southwest of the intersection of Farm-to-
Market Road 1187 and Farm-to-Market Road 731 in Tarrant County, Texas 76036

to an unnamed tributary of Deer Creek; thence to Deer Creek; thence to Village Creek; thence to Lake
Arlington in Segment No. 0828 of the Trinity River Basin

only according with effluent limitations, monitoring requirements and other conditions set forth in this
permit, as well as the rules of the Texas Commission on Environmental Quality (TCEQ), the laws of the
State of Texas, and other orders of the TCEQ. The issuance of this permit does not grant to the
permittee the right to use private or public property for conveyance of wastewater along the discharge
route described in this permit. This includes, but is not limited to, property belonging to any individual,
partnership, corporation or other entity. Neither does this permit authorize any invasion of personal
rights nor any violation of federal, state, or local laws or regulations. It is the responsibility of the
permittee to acquire property rights as may be necessary to use the discharge route.

This permit shall expire at midnight, **September 1, 2016**.

ISSUED DATE: April 5, 2012

A handwritten signature in black ink, appearing to read "Mark U. U. U.", written over a horizontal line.
For the Commission



D & K Development Corp.

TPDES Permit No. WQ0013518001

EFFLUENT LIMITATIONS AND MONITORING REQUIREMENTS

Outfall Number 001

1. During the period beginning upon the date of issuance and lasting through the date of expiration, the permittee is authorized to discharge subject to the following effluent limitations:

The daily average flow of effluent shall not exceed 0.0963 million gallons per day (MGD); nor shall the average discharge during any two-hour period (2-hour peak) exceed 133 gallons per minute (gpm).

<u>Effluent Characteristic</u>	<u>Discharge Limitations</u>			<u>Min. Self-Monitoring Requirements</u>		
	Daily Avg mg/l (lbs/day) Report	7-day Avg mg/l N/A	Daily Max mg/l Report	Single Grab mg/l N/A	Report Daily Avg. & Max. Measurement Frequency	Sample Type
Flow, MGD	10 (8.0)	N/A	25	N/A	Five/week	Instantaneous
Carbonaceous Biochemical Oxygen Demand (5-day)	15 (12)	15	25	35	One/week	Grab
Total Suspended Solids	15 (12)	25	40	60	One/week	Grab
Ammonia Nitrogen						
April - October	3 (2.4)	6	10	15	One/week	Grab
November - March	5 (4.0)	7	10	15	One/week	Grab
<i>E. coli</i> , CFU or MPN/100 ml	126	N/A	N/A	394	One/quarter	Grab

2. The effluent shall contain a chlorine residual of at least 1.0 mg/l and shall not exceed a chlorine residual of 4.0 mg/l after a detention time of at least 20 minutes (based on peak flow), and shall be monitored five times per week by grab sample. An equivalent method of disinfection may be substituted only with prior approval of the Executive Director.

3. The pH shall not be less than 6.0 standard units nor greater than 9.0 standard units and shall be monitored once per month by grab sample.

4. There shall be no discharge of floating solids or visible foam in other than trace amounts and no discharge of visible oil.

5. Effluent monitoring samples shall be taken at the following location(s): Following the final treatment unit.

6. The effluent shall contain minimum dissolved oxygen of 4.0 mg/l for both seasonal limitations, and shall be monitored once per week by grab sample.

DEFINITIONS AND STANDARD PERMIT CONDITIONS

As required by Title 30 Texas Administrative Code (TAC) Chapter 305, certain regulations appear as standard conditions in waste discharge permits. 30 TAC § 305.121 - 305.129 (relating to Permit Characteristics and Conditions) as promulgated under the Texas Water Code (TWC) §§ 5.103 and 5.105, and the Texas Health and Safety Code (THSC) §§ 361.017 and 361.024(a), establish the characteristics and standards for waste discharge permits, including sewage sludge, and those sections of 40 Code of Federal Regulations (CFR) Part 122 adopted by reference by the Commission. The following text includes these conditions and incorporates them into this permit. All definitions in TWC § 26.001 and 30 TAC Chapter 305 shall apply to this permit and are incorporated by reference. Some specific definitions of words or phrases used in this permit are as follows:

1. Flow Measurements

- a. Annual average flow - the arithmetic average of all daily flow determinations taken within the preceding 12 consecutive calendar months. The annual average flow determination shall consist of daily flow volume determinations made by a totalizing meter, charted on a chart recorder and limited to major domestic wastewater discharge facilities with one million gallons per day or greater permitted flow.
- b. Daily average flow - the arithmetic average of all determinations of the daily flow within a period of one calendar month. The daily average flow determination shall consist of determinations made on at least four separate days. If instantaneous measurements are used to determine the daily flow, the determination shall be the arithmetic average of all instantaneous measurements taken during that month. Daily average flow determination for intermittent discharges shall consist of a minimum of three flow determinations on days of discharge.
- c. Daily maximum flow - the highest total flow for any 24-hour period in a calendar month.
- d. Instantaneous flow - the measured flow during the minimum time required to interpret the flow measuring device.
- e. 2-hour peak flow (domestic wastewater treatment plants) - the maximum flow sustained for a two-hour period during the period of daily discharge. The average of multiple measurements of instantaneous maximum flow within a two-hour period may be used to calculate the 2-hour peak flow.
- f. Maximum 2-hour peak flow (domestic wastewater treatment plants) - the highest 2-hour peak flow for any 24-hour period in a calendar month.

2. Concentration Measurements

- a. Daily average concentration - the arithmetic average of all effluent samples, composite or grab as required by this permit, within a period of one calendar month, consisting of at least four separate representative measurements.
 - i. For domestic wastewater treatment plants - When four samples are not available in a calendar month, the arithmetic average (weighted by flow) of all values in the previous four consecutive month period consisting of at least four measurements shall be utilized as the daily average concentration.

- ii. For all other wastewater treatment plants - When four samples are not available in a calendar month, the arithmetic average (weighted by flow) of all values taken during the month shall be utilized as the daily average concentration.
- b. 7-day average concentration - the arithmetic average of all effluent samples, composite or grab as required by this permit, within a period of one calendar week, Sunday through Saturday.

- c. Daily maximum concentration - the maximum concentration measured on a single day, by the sample type specified in the permit, within a period of one calendar month.
- d. Daily discharge - the discharge of a pollutant measured during a calendar day or any 24-hour period that reasonably represents the calendar day for purposes of sampling. For pollutants with limitations expressed in terms of mass, the daily discharge is calculated as the total mass of the pollutant discharged over the sampling day. For pollutants with limitations expressed in other units of measurement, the daily discharge is calculated as the average measurement of the pollutant over the sampling day.

The daily discharge determination of concentration made using a composite sample shall be the concentration of the composite sample. When grab samples are used, the daily discharge determination of concentration shall be the arithmetic average (weighted by flow value) of all samples collected during that day.

- e. Bacteria concentration (*E. coli* or Enterococci) - Colony Forming Units (CFU) or Most Probable Number (MPN) of bacteria per 100 milliliters effluent. The daily average bacteria concentration is a geometric mean of the values for the effluent samples collected in a calendar month. The geometric mean shall be determined by calculating the n th root of the product of all measurements made in a calendar month, where n equals the number of measurements made; or, computed as the antilogarithm of the arithmetic mean of the logarithms of all measurements made in a calendar month. For any measurement of bacteria equaling zero, a substituted value of one shall be made for input into either computation method. If specified, the 7-day average for bacteria is the geometric mean of the values for all effluent samples collected during a calendar week.
 - f. Daily average loading (lbs/day) - the arithmetic average of all daily discharge loading calculations during a period of one calendar month. These calculations must be made for each day of the month that a parameter is analyzed. The daily discharge, in terms of mass (lbs/day), is calculated as (Flow, MGD x Concentration, mg/l x 8.34).
 - g. Daily maximum loading (lbs/day) - the highest daily discharge, in terms of mass (lbs/day), within a period of one calendar month.
3. Sample Type
- a. Composite sample - For domestic wastewater, a composite sample is a sample made up of a minimum of three effluent portions collected in a continuous 24-hour period or during the period of daily discharge if less than 24 hours, and combined in volumes proportional to flow, and collected at the intervals required by 30 TAC § 319.9 (a). For industrial wastewater, a composite sample is a sample made up of a minimum of three effluent portions collected in a continuous 24-hour period or during the period of daily discharge if less than 24 hours, and combined in volumes proportional to flow, and collected at the intervals required by 30 TAC § 319.9 (b).

- b. Grab sample - an individual sample collected in less than 15 minutes.
- 4. Treatment Facility (facility) - wastewater facilities used in the conveyance, storage, treatment, recycling, reclamation and/or disposal of domestic sewage, industrial wastes, agricultural wastes, recreational wastes, or other wastes including sludge handling or disposal facilities under the jurisdiction of the Commission.
- 5. The term "sewage sludge" is defined as solid, semi-solid, or liquid residue generated during the treatment of domestic sewage in 30 TAC Chapter 312. This includes the solids that have not been classified as hazardous waste separated from wastewater by unit processes.
- 6. Bypass - the intentional diversion of a waste stream from any portion of a treatment facility.

MONITORING AND REPORTING REQUIREMENTS

1. Self-Reporting

Monitoring results shall be provided at the intervals specified in the permit. Unless otherwise specified in this permit or otherwise ordered by the Commission, the permittee shall conduct effluent sampling and reporting in accordance with 30 TAC §§ 319.4 - 319.12. Unless otherwise specified, a monthly effluent report shall be submitted each month, to the Enforcement Division (MC 224), by the 20th day of the following month for each discharge which is described by this permit whether or not a discharge is made for that month. Monitoring results must be reported on an approved self-report form that is signed and certified as required by Monitoring and Reporting Requirements No. 10.

As provided by state law, the permittee is subject to administrative, civil and criminal penalties, as applicable, for negligently or knowingly violating the Clean Water Act (CWA); TWC §§ 26, 27, and 28; and THSC § 361, including but not limited to knowingly making any false statement, representation, or certification on any report, record, or other document submitted or required to be maintained under this permit, including monitoring reports or reports of compliance or noncompliance, or falsifying, tampering with or knowingly rendering inaccurate any monitoring device or method required by this permit or violating any other requirement imposed by state or federal regulations.

2. Test Procedures

- a. Unless otherwise specified in this permit, test procedures for the analysis of pollutants shall comply with procedures specified in 30 TAC §§ 319.11 - 319.12. Measurements, tests, and calculations shall be accurately accomplished in a representative manner.
- b. All laboratory tests submitted to demonstrate compliance with this permit must meet the requirements of 30 TAC § 25, Environmental Testing Laboratory Accreditation and Certification.

3. Records of Results

- a. Monitoring samples and measurements shall be taken at times and in a manner so as to be representative of the monitored activity.

- b. Except for records of monitoring information required by this permit related to the permittee's sewage sludge use and disposal activities, which shall be retained for a period of at least five years (or longer as required by 40 CFR Part 503), monitoring and reporting records, including strip charts and records of calibration and maintenance, copies of all records required by this permit, records of all data used to complete the application for this permit, and the certification required by 40 CFR § 264.73(b)(9) shall be retained at the facility site, or shall be readily available for review by a TCEQ representative for a period of three years from the date of the record or sample, measurement, report, application or certification. This period shall be extended at the request of the Executive Director.
- c. Records of monitoring activities shall include the following:
 - i. date, time and place of sample or measurement;
 - ii. identity of individual who collected the sample or made the measurement.
 - iii. date and time of analysis;
 - iv. identity of the individual and laboratory who performed the analysis;
 - v. the technique or method of analysis; and
 - vi. the results of the analysis or measurement and quality assurance/quality control records.

The period during which records are required to be kept shall be automatically extended to the date of the final disposition of any administrative or judicial enforcement action that may be instituted against the permittee.

4. Additional Monitoring by Permittee

If the permittee monitors any pollutant at the location(s) designated herein more frequently than required by this permit using approved analytical methods as specified above, all results of such monitoring shall be included in the calculation and reporting of the values submitted on the approved self-report form. Increased frequency of sampling shall be indicated on the self-report form.

5. Calibration of Instruments

All automatic flow measuring or recording devices and all totalizing meters for measuring flows shall be accurately calibrated by a trained person at plant start-up and as often thereafter as necessary to ensure accuracy, but not less often than annually unless authorized by the Executive Director for a longer period. Such person shall verify in writing that the device is operating properly and giving accurate results. Copies of the verification shall be retained at the facility site and/or shall be readily available for review by a TCEQ representative for a period of three years.

6. Compliance Schedule Reports

Reports of compliance or noncompliance with, or any progress reports on, interim and final requirements contained in any compliance schedule of the permit shall be submitted no later

than 14 days following each schedule date to the Regional Office and the Enforcement Division (MC 224).

7. Noncompliance Notification

- a. In accordance with 30 TAC § 305.125(9) any noncompliance which may endanger human health or safety, or the environment shall be reported by the permittee to the TCEQ. Report of such information shall be provided orally or by facsimile transmission (FAX) to the Regional Office within 24 hours of becoming aware of the noncompliance. A written submission of such information shall also be provided by the permittee to the Regional Office and the Enforcement Division (MC 224) within five working days of becoming aware of the noncompliance. The written submission shall contain a description of the noncompliance and its cause; the potential danger to human health or safety, or the environment; the period of noncompliance, including exact dates and times; if the noncompliance has not been corrected, the time it is expected to continue; and steps taken or planned to reduce, eliminate, and prevent recurrence of the noncompliance, and to mitigate its adverse effects.
 - b. The following violations shall be reported under Monitoring and Reporting Requirement 7.a.:
 - i. Unauthorized discharges as defined in Permit Condition 2(g).
 - ii. Any unanticipated bypass that exceeds any effluent limitation in the permit.
 - iii. Violation of a permitted maximum daily discharge limitation for pollutants listed specifically in the Other Requirements section of an Industrial TPDES permit.
 - c. In addition to the above, any effluent violation which deviates from the permitted effluent limitation by more than 40% shall be reported by the permittee in writing to the Regional Office and the Enforcement Division (MC 224) within 5 working days of becoming aware of the noncompliance.
 - d. Any noncompliance other than that specified in this section, or any required information not submitted or submitted incorrectly, shall be reported to the Enforcement Division (MC 224) as promptly as possible. For effluent limitation violations, noncompliances shall be reported on the approved self-report form.
8. In accordance with the procedures described in 30 TAC §§ 35.301 - 35.303 (relating to Water Quality Emergency and Temporary Orders) if the permittee knows in advance of the need for a bypass, it shall submit prior notice by applying for such authorization.
9. Changes in Discharges of Toxic Substances

All existing manufacturing, commercial, mining, and silvicultural permittees shall notify the Regional Office, orally or by facsimile transmission within 24 hours, and both the Regional Office and the Enforcement Division (MC 224) in writing within five (5) working days, after becoming aware of or having reason to believe:

- a. That any activity has occurred or will occur which would result in the discharge, on a routine or frequent basis, of any toxic pollutant listed at 40 CFR Part 122, Appendix D,

Tables II and III (excluding Total Phenols) which is not limited in the permit, if that discharge will exceed the highest of the following "notification levels":

- i. One hundred micrograms per liter (100 µg/L);
 - ii. Two hundred micrograms per liter (200 µg/L) for acrolein and acrylonitrile; five hundred micrograms per liter (500 µg/L) for 2,4-dinitrophenol and for 2-methyl-4,6-dinitrophenol; and one milligram per liter (1 mg/L) for antimony;
 - iii. Five (5) times the maximum concentration value reported for that pollutant in the permit application; or
 - iv. The level established by the TCEQ.
- b. That any activity has occurred or will occur which would result in any discharge, on a nonroutine or infrequent basis, of a toxic pollutant which is not limited in the permit, if that discharge will exceed the highest of the following "notification levels":
 - i. Five hundred micrograms per liter (500 µg/L);
 - ii. One milligram per liter (1 mg/L) for antimony;
 - iii. Ten (10) times the maximum concentration value reported for that pollutant in the permit application; or
 - iv. The level established by the TCEQ.

10. Signatories to Reports

All reports and other information requested by the Executive Director shall be signed by the person and in the manner required by 30 TAC § 305.128 (relating to Signatories to Reports).

11. All Publicly Owned Treatment Works (POTWs) must provide adequate notice to the Executive Director of the following:

- a. Any new introduction of pollutants into the POTW from an indirect discharger which would be subject to CWA § 301 or § 306 if it were directly discharging those pollutants;
- b. Any substantial change in the volume or character of pollutants being introduced into that POTW by a source introducing pollutants into the POTW at the time of issuance of the permit; and
- c. For the purpose of this paragraph, adequate notice shall include information on:
 - i. The quality and quantity of effluent introduced into the POTW; and
 - ii. Any anticipated impact of the change on the quantity or quality of effluent to be discharged from the POTW.

PERMIT CONDITIONS

1. General

- a. When the permittee becomes aware that it failed to submit any relevant facts in a permit application, or submitted incorrect information in an application or in any report to the Executive Director, it shall promptly submit such facts or information.
- b. This permit is granted on the basis of the information supplied and representations made by the permittee during action on an application, and relying upon the accuracy and completeness of that information and those representations. After notice and opportunity for a hearing, this permit may be modified, suspended, or revoked, in whole or in part, in accordance with 30 TAC Chapter 305, Subchapter D, during its term for good cause including, but not limited to, the following:
 - i. Violation of any terms or conditions of this permit;
 - ii. Obtaining this permit by misrepresentation or failure to disclose fully all relevant facts; or
 - iii. A change in any condition that requires either a temporary or permanent reduction or elimination of the authorized discharge.
- c. The permittee shall furnish to the Executive Director, upon request and within a reasonable time, any information to determine whether cause exists for amending, revoking, suspending or terminating the permit. The permittee shall also furnish to the Executive Director, upon request, copies of records required to be kept by the permit.

2. Compliance

- a. Acceptance of the permit by the person to whom it is issued constitutes acknowledgment and agreement that such person will comply with all the terms and conditions embodied in the permit, and the rules and other orders of the Commission.
- b. The permittee has a duty to comply with all conditions of the permit. Failure to comply with any permit condition constitutes a violation of the permit and the Texas Water Code or the Texas Health and Safety Code, and is grounds for enforcement action, for permit amendment, revocation, or suspension, or for denial of a permit renewal application or an application for a permit for another facility.
- c. It shall not be a defense for a permittee in an enforcement action that it would have been necessary to halt or reduce the permitted activity in order to maintain compliance with the conditions of the permit.
- d. The permittee shall take all reasonable steps to minimize or prevent any discharge or sludge use or disposal or other permit violation that has a reasonable likelihood of adversely affecting human health or the environment.
- e. Authorization from the Commission is required before beginning any change in the permitted facility or activity that may result in noncompliance with any permit requirements.