

required or permitted hereunder with the same effect as if The Corporations had so done, and the Authority may completely rely on such procedure and understanding. The Agent covenants and represents that it is fully authorized by law and corporate action by The Corporations, and the Agent to act as agent for, and to bind and obligate, The Corporations as provided herein.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be dated as of the 12th day of February, 1974, and to be executed on the date stated below, in multiple counterparts, each of which shall be considered an original for all purposes; and counsel to each of the parties has signed this Agreement solely for the purpose of evidencing the fact that this Agreement was concluded upon the advice of said counsel.

EXECUTED the 18th day of February, 1974.

SABINE RIVER AUTHORITY OF TEXAS

By *E. A. Meek*
President, Board of Directors

APPROVED:
John Williams
Executive Vice President and
General Manager

ATTEST:

Gay Cousen
Secretary, Board of Directors
(SEAL)

SMEAD, ROBERTS, HARBOUR, SMITH,
HARRIS & FRENCH
Longview, Texas

By *Ernest J.*
Counsel for Sabine River Authority of Texas

TEXAS UTILITIES GENERATING COMPANY
By *W. G. Brittain*
Executive Vice-President

for and on behalf of, and as agent for:

DALLAS POWER & LIGHT COMPANY
TEXAS ELECTRIC SERVICE COMPANY
TEXAS POWER & LIGHT COMPANY

ATTEST: *R. E. Donnell*
Secretary
(SEAL)

WORSHAM, FORSYTHE & SAMPERS
Dallas, Texas

By *J. S. Worsham*
Counsel for Texas Utilities Generating Company

TRUST INDENTURE

THE STATE OF TEXAS
SABINE RIVER AUTHORITY OF TEXAS }

THIS TRUST INDENTURE, dated as of DECEMBER 1, 1974, executed by and between Sabine River Authority of Texas (the "Authority"), an agency and political subdivision of the State of Texas, being a conservation and reclamation district created and governed by Vernon's Ann. Civ. St. Article 8280-133, pursuant to Article 16, Section 59 of the Texas Constitution, and REPUBLIC NATIONAL BANK OF DALLAS, DALLAS, TEXAS, a national banking association duly organized and existing under the laws of the United States of America and having its principal office in the City of Dallas, Dallas County, Texas, as Trustee (hereinafter called the "Trustee"):

WITNESSETH THAT:

WHEREAS, a "Bond Amortization Contract", dated as of February 12, 1974, (the "Contract") has been duly executed between the Authority and Dallas Power & Light Company, Texas Electric Service Company, and Texas Power & Light Company (collectively "The Corporations"), acting therein by and through Texas Utilities Generating Company as their agent, with each of The Corporations and said agent being a Texas Corporation; and

WHEREAS, pursuant to the Contract the Board of Directors of the Authority has duly adopted a "RESOLUTION AUTHORIZING THE ISSUANCE OF REVENUE BONDS AND THE EXECUTION OF A TRUST INDENTURE" (LAKE FORK PROJECT), (the "Resolution"); and

WHEREAS, the Resolution authorized the issuance of SABINE RIVER AUTHORITY OF TEXAS WATER SUPPLY FACILITIES REVENUE BONDS, SERIES 1974 (LAKE FORK PROJECT), in the principal amount of \$30,000,000, (which, together with any additional parity revenue bonds authorized to be issued by the Resolution, are hereinafter called the "Bonds"); and

WHEREAS, a certified copy of the Resolution has been duly filed with the Trustee; and

WHEREAS, the Bonds, the redemption premium thereon, if any, and the interest coupons appertaining thereto, are and shall be payable from and secured by an irrevocable first lien on and pledge of the payments designated as "Semi-Annual Facilities Charges" to be made by The Corporations to the Trustee in amounts sufficient to pay and redeem, and provide for the payment and redemption of, the principal of, redemption premium, if any, and interest on the Bonds when due, all as required by the Resolution; and

WHEREAS, the Trustee has accepted the trusts created by this Trust Indenture, and in evidence thereof has joined in the execution hereof.

NOW, THEREFORE, THIS TRUST INDENTURE WITNESSETH:

That the Authority, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created, and of the purchase and acceptance of the Bonds by the holders thereof, and for other good and valuable consideration, the receipt of which is hereby acknowledged, and for the purpose of securing the payment of the principal of, redemption premium, if any, and interest on the Bonds at any time issued and outstanding, has assigned, transferred, pledged, set over, and confirmed, and by these presents does grant, assign, pledge, set over, and confirm unto the Trustee, and to its successor or successors in the said trust, and to its or their assigns, all and singular the "Semi-Annual Facilities Charges" as defined, required, and provided in the Resolution, upon, and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses, and purposes hereinafter expressed; and the Authority and the Trustee have agreed,

and they hereby agree and covenant with the respective holders from time to time of the Bonds, and the interest coupons appertaining thereto, as follows, to-wit:

Article 1. ACCEPTANCE OF TRUST. The Trustee hereby accepts the trusts, duties, obligations, and requirements imposed on it by the Resolution and this Trust Indenture, and agrees to carry out and perform, punctually and effectively, such duties, obligations, and requirements, for the benefit of the Authority, The Corporations, and the holders of the Bonds and the interest coupons appertaining thereto.

Article 2. DEBT SERVICE FUND. The Debt Service Fund created by the Resolution is hereby confirmed and established, in trust, with the Trustee, and the Trustee agrees to hold, administer, deposit, secure, invest, and use said Fund in all respects as provided and required by the Resolution and this Trust Indenture.

Article 3. NOTICE TO CORPORATIONS AND THE AUTHORITY. On or before the 15th day prior to each semi-annual date upon or before which each Semi-Annual Facilities Charge is required to be deposited into the Debt Service Fund by the Resolution, the Trustee shall give written notice to each of The Corporations, and to the Authority, by certified mail or registered mail, return receipt requested, at such address as each of The Corporations and the Authority shall from time to time designate and file in writing with the Trustee, of the amount, if any, of each Semi-Annual Facilities Charge required by the Resolution to be made by each of The Corporations to the Trustee and deposited by the Trustee into the Debt Service Fund, on or before the last day of such month. Such notice shall give a brief statement of the manner in which the amount due was calculated, including a showing of all credits on account of earnings from the time deposit or investment of the Debt Service Fund. The failure of the Trustee to give, or any of The Corporations to receive, any such notice shall not relieve any of The Corporations of its unconditional duty and obligation to make all deposits or payments of Semi-Annual Facilities Charges to the Trustee as required by the Resolution.

Article 4. ACCOUNTS AND RECORDS. (a) The Trustee shall keep proper books of records and accounts, separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the Semi-Annual Facilities Charges and the Debt Service Fund.

(b) Within ninety days after the close of each fiscal year of the Trustee, the Trustee will furnish to the Authority, The Corporations, and any holder of any outstanding Bonds who may so request, a copy of a report by the Trustee covering the next preceding fiscal year, showing the following information:

(1) a detailed statement concerning the receipt and disposition of all Semi-Annual Facilities Charges;

(2) the Trustee's comment regarding the manner in which The Corporations and the Authority have complied with the requirements of the Resolution with respect to the Debt Service Fund and the Semi-Annual Facilities Charges, and its recommendations, if any, for any changes or improvements.

(c) The Authority, The Corporations, and the holder or holders of any Bonds shall have the right at all reasonable times to inspect all records, accounts, and data of the Trustee relating to the Debt Service Fund.

Article 5. ENFORCEMENT OF RIGHTS IN CASE OF DEFAULT. (a) The rights of action with respect to this Trust Indenture shall be exercised by the Trustee and, except as otherwise provided in this Article, no holder of any Bond shall have any right to institute any suit, action, or proceeding at law or equity for the appointment of a receiver or for any other remedy here-

under or by reason hereof unless and until in addition to the fulfillment of all other conditions precedent specified in this Trust Indenture, the Trustee shall have received the written request of the holders of not less than 25% in principal amount of the Bonds then outstanding and shall have been offered reasonable indemnity and shall have refused, or for 30 days thereafter neglected, to institute such suit, action, or proceeding; and it is hereby declared that the making of such request and the furnishing of such indemnity are in each case conditions precedent to the execution and enforcement by any Bondholder or Bondholders of the powers and remedies given to the Trustee hereunder and to the institution and maintenance by any Bondholder or Bondholders of any action or cause of action for the appointment of a receiver or for any other remedy hereunder; but the Trustee may, in its discretion, or when thereunto duly requested in writing by the holder or holders of at least 25% in principal amount of the Bonds then outstanding and upon being furnished indemnity satisfactory to the Trustee against expenses, charges, and liability, shall forthwith take such appropriate action by judicial proceedings or otherwise to enforce the covenants of The Corporations and the Authority as the Trustee may deem expedient in the interest of the holders of the Bonds.

(b) Any one or more of the following events shall constitute and hereinafter shall be called "Events of Default":

(1) failure of any of The Corporations to deposit or pay any Semi-Annual Facilities Charge when and to the extent due and required by the Resolution;

(2) any of The Corporations being adjudicated insolvent, or being adjudicated bankrupt;

(3) any of The Corporations filing a petition affecting the Bonds or the Semi-Annual Facilities Charges in any court for relief under the provisions of the Bankruptcy Act or any applicable law affecting creditors rights;

(4) creditors of any of The Corporations filing a petition affecting or seeking to affect the Bonds or the Semi-Annual Facilities Charges in any court under the provisions of the Bankruptcy Act or of any applicable law relating to creditors rights, if the filing of such petition shall be approved by said court;

(5) any of The Corporations or the Authority defaulting in the observance or performance of any other of the covenants, conditions, or obligations in the Bonds, or the Resolution with respect to the Debt Service Fund or the Semi-Annual Facilities Charges, or this Trust Indenture, and any of The Corporations or the Authority not remedying such default within 60 days after written notice so to do has been received by each of The Corporations and the Authority from the Trustee, which may serve such notice, in its discretion, or shall serve such notice at the written request of the holder or holders of not less than 25% in principal amount of the Bonds then outstanding; provided however, that so long as the Semi-Annual Facilities Charges are paid when due, no Event of Default shall be declared under this clause (5) without the consent of all of The Corporations.

(c) In any Event of Default, and provided the Trustee shall have given each of The Corporations and the Authority 5 days written notice thereof, and unless such Event of Default shall have been remedied within 5 days following the receipt of such notice by each of The Corporations and the Authority, the Trustee may in its discretion, or, upon the written request of the holder or holders of at least 25% in principal amount of the Bonds then outstanding, and upon being indemnified to the satisfaction of the Trustee, shall, declare the principal of all outstanding Bonds and the aggregate of all unpaid Semi-Annual Facilities Charges then or thereafter required to be deposited or paid under the Resolution by The Corporations to be due and payable immediately, and upon any such declaration the principal of all outstanding Bonds and the aggregate of all of the aforesaid unpaid Semi-Annual Facilities Charges shall become and be due and payable immediately, anything in the Bonds, the Contract, the Resolution, or this Trust Indenture to the contrary notwithstanding.

(d) Upon the happening of any Event of Default, the Trustee may, in its discretion, or, if duly requested in writing by the holder or holders of at least 25% of the outstanding Bonds, and upon being furnished indemnity satisfactory to the Trustee against its expected expenses, charges, and potential liability, the Trustee shall, take such appropriate action by judicial proceedings or otherwise to cure the default and/or to require The Corporations or the Authority to carry out its or their covenants and obligations under and with respect to the Resolution, including, but without limitation, the use and filing of actions for specific performance, and mandamus proceedings, in any court of competent jurisdiction, against the Authority, its Board of Directors, and its officers, employees, and agents, and/or The Corporations, their Boards of Directors, and their officers, employees, and agents, and to obtain judgments against The Corporations for any Semi-Annual Facilities Charges due but unpaid into the Debt Service Fund.

(e) No remedy herein conferred upon or reserved to the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Bonds or the Resolution, or now or hereafter existing at law or in equity, or by statute. No delay or omission to exercise any right or power accruing upon any default continuing as aforesaid shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and so often as may be deemed expedient.

(f) The Trustee is hereby irrevocably appointed the special agent and representative of the holders of the Bonds and vested with full power in their behalf to effect and enforce this Trust Indenture and the Resolution for their benefit as provided herein; but anything in this Trust Indenture contained to the contrary notwithstanding, the holder or holders of a majority in principal amount of the Bonds then outstanding, in case of any subsisting Event of Default or of any other event entitling the Trustee to proceed hereunder, shall have the right from time to time to act and direct and control any and all proceedings independent from and by the Trustee, or, after furnishing indemnity satisfactory to the Trustee against its expected expenses, charges, and potential liability, to direct and control the Trustee in connection with the enforcement of any of the provisions of this Trust Indenture and the Resolution, and any other proceedings taken by virtue of any provisions of this Trust Indenture, including the right to have withdrawn and discontinued at any stage thereof any proceedings taken hereunder by the Trustee, provided that the default upon which such proceedings were based and all other defaults hereunder shall have been remedied and made good.

(g) The Trustee, upon the written request of the holder or holders of a majority in principal amount of the Bonds then outstanding, shall waive any default hereunder and its consequences, except that a default in the payment of the Semi-Annual Facilities Charges, or the principal or interest on the Bonds when and as the same shall become due and payable by lapse of time, may be waived only if the default therein shall have been remedied and made good. In case of any such waiver, the Authority, The Corporations, the Trustee, and the holders of the Bonds shall be restored in their former position and rights hereunder, respectively, but such waiver shall not extend to any subsequent or other default or impair any right consequent thereon.

(h) In the event the Trustee shall receive conflicting or inconsistent requests and indemnity from two or more groups of bondholders, each representing less than a majority of the principal amount of Bonds then outstanding, the Trustee in its sole discretion may determine what action, if any, shall be taken.

(i) All money collected by the Trustee pursuant to the exercise of the remedies and powers in this Article provided, together with all other sums which then may be held by the Trustee under any provision of this Trust Indenture as security for the bonds, shall be applied as follows:

FIRST: To the payment of the costs and expenses of the proceedings whereunder such money was collected, including a reasonable compensation to the Trustee, its agents,

attorneys, and counsel, and all other necessary or proper expenses, liabilities, and advances incurred or made by the Trustee under this Trust Indenture, and to the payment of all taxes, assessments, and liens superior to the lien of this Trust Indenture.

SECOND: To the payment of matured interest on the Bonds, including interest at the rate of 8% per annum on the matured interest from maturity thereof to date of payment.

THIRD: To the payment of principal of the Bonds which have become due in accordance with their stated maturities, and interest thereon at the rate of 8% per annum from maturity to date of payment.

FOURTH: To be deposited into the Debt Service Fund to bring this Fund to the amount then required to be on deposit therein.

FIFTH: To the payment of the surplus, if any, to whosoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

If in making distribution pursuant to the order above stated, the amount available for distribution in a particular classification be insufficient to pay in full all of the items in such classification, the amount available for distribution to items in such classification shall be prorated among such items in the proportion that the amount each item bears to the total of all such items.

(j) All rights of action or other rights under this Trust Indenture or otherwise may be enforced by the Trustee without the possession of any of the Bonds or interest coupons appertaining thereto, or the production thereof on the trial or other proceedings relative thereto.

(k) It is expressly provided, however, that the holder or holders of 51% or more of the Bonds then outstanding, or a committee representing the holder or holders of 51% or more of the Bonds then outstanding, shall have the right to file any suit or action for the enforcement of their rights and remedies under the Contract, the Resolution, and this Trust Indenture, without the consent of or joinder by the Trustee, and may exercise any right or perform any action hereunder with the same effect as the Trustee under this Trust Indenture.

Article 6. CONCERNING THE TRUSTEE. The Trustee accepts the trusts imposed upon it by this Trust Indenture, but only upon and subject to the following express terms and conditions:

(a) The Trustee shall not be responsible for any recitals herein, in the Bonds, the interest coupons appertaining thereto, or the Resolution, or for the sufficiency of the security for the Bonds, or interest coupons appertaining thereto. The Trustee shall have no responsibility hereunder except to the extent of the duties placed upon the Trustee to hold, administer, deposit, secure, invest, and use the Debt Service Fund as required by the Resolution, to the extent funds for such purposes are received by the Trustee, and to perform the other express covenants and agreements made by the Trustee under the provisions of this Trust Indenture and the Resolution; and in no event shall the Trustee be liable except for its negligence or willful default in relation to its duties under this Trust Indenture and the Resolution.

(b) The Trustee shall not be accountable for the use of any of the proceeds of such Bonds except the portion thereof deposited with the Trustee.

(c) The Trustee shall be protected in acting in accordance with the provisions of this Trust Indenture and the Resolution upon any notice, requisition, request, consent, certificate, order, affidavit, letter, telegram, or other paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons, and the Trustee shall not be bound to recognize any person as a holder of any Bond or to take any action at his request, unless such Bond shall be deposited with the Trustee, or submitted to it for inspection. Any action taken by the Trustee pursuant to this Trust Indenture upon the request or authority or consent of any person who, at the time of making such

request, or giving such authority or consent, is the owner of any Bond secured hereby, shall be conclusive and binding upon all future owners of the same Bond and of Bonds issued in exchange therefor or in place thereof.

(d) Notwithstanding anything elsewhere in this Trust Indenture contained, the Trustee shall have the right, but shall not be required, to demand before the disbursement of any cash or in respect of any action whatsoever within the purview of this Trust Indenture, any reasonable showings, certificates, opinions, appraisals, or other information, or action or evidence thereof, in addition to that required by the terms hereof.

(e) The Trustee shall have a lien upon the Debt Service Fund for its reasonable compensation, and all reasonable expenses, advances and counsel fees and as indemnity for all liabilities incurred in and about the execution of the trusts hereby created and the exercise and performance of the powers and duties of the Trustee hereunder, and the reasonable cost and expenses, including counsel fees, of defending against any liability in the premises of any character whatsoever.

Article 7. Successor Trustee. (a) The Trustee at the time acting hereunder may at any time resign and be discharged from the trust hereby created by giving not less than sixty days written notice to the Authority, and such resignation shall take effect upon the day specified in such notice, unless a successor Trustee shall have been sooner appointed by the holders of Bonds or by the Authority as hereinafter provided, in which event such resignation shall take effect immediately upon the appointment of a successor Trustee.

(b) The Trustee may be removed at any time by an instrument or concurrent instruments in writing, delivered to the Trustee, and to the Authority and signed by the holders of a majority in principal amount of the outstanding Bonds.

(c) In case the Trustee hereunder shall resign or be removed, or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or in case the Trustee shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor may be appointed by the holders of a majority in principal amount of the then outstanding Bonds, by an instrument or concurrent instruments in writing, signed by such holders, or by their attorneys in fact duly authorized in writing; provided, nevertheless, that in any such event the Authority by an instrument executed by authority of a resolution of its Board of Directors and signed by the President and by the Secretary of said Board, may appoint a temporary Trustee to fill such vacancy until a successor Trustee shall be appointed by the bondholders in the manner above provided, and any such temporary Trustee so appointed by the Authority shall immediately and without further act be superseded by the Trustee so appointed by such bondholders. Every such successor or temporary Trustee shall be a trust company or bank in good standing, located in Dallas, Texas, and having a capital and surplus of not less than Twenty Five Million Dollars (\$25,000,000) if there be such a trust company or bank willing, qualified, and able to accept the trust upon reasonable or customary terms. In the event that no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Article within sixty days after a vacancy in the office of Trustee shall have occurred, the holder of any Bond or any retiring Trustee may apply to any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice, if any, as it shall deem proper or prescribe, appoint a successor Trustee.

(d) Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and to the Authority, an instrument in writing accepting such appointment hereunder, and thereupon such successor Trustee, without any further act, deed, or conveyance, shall become fully vested with all the estates, rights, powers, trusts, duties, and obligations hereunder of its predecessor; but such predecessor shall nevertheless, on the written request of the Authority, execute and deliver an instrument transferring to such successor Trustee all the estates, rights, powers, and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and money held by it to its successor; provided, however, that before any such

delivery is required or made, all reasonable, customary, and legally accrued fees, advances, and expenses of the retiring or removed Trustee shall be paid in full. Should any deed, assignment, or instrument in writing from the Authority be required by any successor Trustee for more fully and certainly vesting in such Trustee the estates, rights, powers, duties hereby vested or intended to be vested in the predecessor Trustee, any and all such deeds, assignments, and instruments in writing shall, on request, be executed, acknowledged, and delivered by the Authority.

(e) Any corporation or association into which the Trustee, or any successor to it in the trusts created by this Trust Indenture, may be merged or converted or with which it or any successor to it may be consolidated, or any corporation or association resulting from any merger, conversion, or consolidation to which the Trustee or any successor to it shall be a party, shall be the successor Trustee under this Trust Indenture without the execution or filing of any paper or any other act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

(f) The Trustee may, in relation to this Trust Indenture, act upon the professional opinion or advice of any attorney, legal counsel, engineer, accountant, or other expert, believed by the Trustee to be qualified in relation to the subject matter, whether retained by the Trustee or the Authority or otherwise, and shall not be responsible for anything suffered or done or not done by it in good faith in accordance with any such opinion or advice.

Article 8. RELEASE OF INDENTURE. If, when the Bonds shall have become due and payable in accordance with their terms or otherwise as provided in this Trust Indenture or shall have been duly called for redemption, and the whole amount of the principal, redemption premium, if any, and the interest so due and payable upon all of the Bonds, and interest coupons appertaining thereto, then outstanding shall be paid, or sufficient money shall be held by the Trustee for such purpose, and provision shall also be made for paying all other sums payable hereunder by The Corporations, then and in that case all right, title, and interest of the Trustee in the Semi-Annual Facilities Charges shall thereupon cease, determine, and become void, and the Trustee in such case, on demand of the Authority shall release this Trust Indenture and shall execute such documents to evidence such release as may be reasonably required by the Authority and shall turn over to the Authority or to such officer, board, or body as may then be entitled by law to receive the same, any surplus in the Funds held by it; otherwise this Trust Indenture shall be, continue, and remain in full force and effect.

Article 9. MISCELLANEOUS PROVISIONS. Any request, direction, consent, or other instrument required by this Trust Indenture to be signed or executed by bondholders may be in any number of concurrent writings of similar tenor and may be signed or executed by such bondholders in person or by agent appointed in writing. Proof of the execution of any such instrument, or of the writing appointing such agent, and of the ownership of the Bonds, if made in the following manner, shall be sufficient for any purpose of this Trust Indenture and shall be conclusive in favor of the Trustee with regard to any action taken by it under such instrument:

(a) The fact and date of the execution by any person of any such instrument may be proved by the certificate of any officer in any jurisdiction, who, by the laws thereof, has power to take acknowledgments within such jurisdiction, to the effect that the person signing such instrument acknowledged before him the execution thereof, or by an affidavit of a witness to such execution.

(b) The fact of the holding of the Bonds by any bondholder and the amount and numbers of such Bonds, and the date of his holding same may be proved by the affidavit of the person claiming to be such holder, if such affidavit shall be deemed by the Trustee to be satisfactory, or by a certificate executed by any trust company, bank, banker, or any other depository, wherever situated, if such certificate shall be deemed by the Trustee to be satisfactory, showing that at the date therein mentioned such person had on deposit with such trust company, bank, banker, or other depository, the Bonds described in such certificate. The Trustee may conclusively assume that such ownership continued until written notice to the contrary is served upon the Trustee.

(c) Nothing contained in this Article shall be construed as limiting the Trustee to the proof hereinabove specified, it being intended that the Trustee may accept any other evidence of the matters herein stated which may be reasonably sufficient.

(d) Any request or consent of the holder of any Bond shall bind every future holder of the same Bond in respect of anything done by the Trustee in pursuance of such request or consent. In the event of the dissolution of the Authority, all of the covenants, stipulations, promises, and agreements in this Trust Indenture contained, by or on, in behalf of, or for the benefit of the Authority, shall bind or inure to the benefit of the successor or successors of the Authority from time to time and any officer, board, or commission to whom or to which any power or duty affecting such covenants, stipulations, promises, and agreements shall be transferred by or in accordance with law.

(e) Except as herein otherwise expressly provided, nothing in this Trust Indenture expressed or implied is intended or shall be construed to confer upon any person, firm, or corporation other than The Corporations, the Authority, the Trustee, and the holders of the Bonds, any right, remedy or claim, legal or equitable, under or by reason of this Trust Indenture or any covenant, condition, or stipulation.

(f) In case any one or more of the provisions of this Trust Indenture or of the Bonds, or interest coupons appertaining thereto, shall be held to be invalid or ineffective as to any person or circumstance, the remainder thereof and the application of such provision to persons or circumstances other than those as to which it is held invalid shall not be affected thereby.

IN WITNESS WHEREOF, the Authority acting through its Board of Directors, has caused this Trust Indenture to be executed in its name, and for and on its behalf, by the President of said Board and attested by the Secretary of said Board, and its corporate seal to be hereunto affixed, and the Trustee, to evidence its acceptance of the trusts hereby created and vested in it, has caused this Trust Indenture to be executed in its behalf by one of its Vice Presidents, attested by one of its Trust Officers, or its Cashier, or by one of its Assistant Cashiers, and its corporate seal to be hereunto affixed, all as of December 1, 1974.

SABINE RIVER AUTHORITY OF TEXAS

By *P. A. Meek*
President, Board of Directors

APPROVED:
John H. Linn
Executive Vice President and
General Manager

ATTEST:

Emily Brown
Secretary, Board of Directors

(SEAL)

ATTEST:

Linda M. E. J.
(SEAL)

REPUBLIC NATIONAL BANK OF DALLAS,
DALLAS, TEXAS

TRUSTEE

By *A. C. [Signature]*
Vice President

WATER PURCHASE AGREEMENT

STATE OF TEXAS :
COUNTIES OF WOOD, RAINS : KNOW ALL MEN BY THESE PRESENTS:
AND HOPKINS :

This Water Purchase Agreement is made as of the day and year hereinafter set forth by and between the SABINE RIVER AUTHORITY OF TEXAS (hereinafter called the "Authority"), and DALLAS POWER & LIGHT COMPANY, TEXAS ELECTRIC SERVICE COMPANY, and TEXAS POWER & LIGHT COMPANY (hereinafter collectively called the "Corporations"), acting herein by and through TEXAS UTILITIES GENERATING COMPANY as their agent (hereinafter called the "Agent")

WITNESSETH:

RECITALS

1. The Authority is an agency and political subdivision of the State of Texas, being a conservation and reclamation district created and governed by Vernon's Article 8280-133, as amended (the "Act"), pursuant to Article 16, Section 59, of the Texas Constitution.
2. The Corporations and the Agent are Texas corporations.
3. Pursuant to the Water Supply Facilities Agreement between the Authority and the Corporations dated February 18, 1974, the Authority has acquired and constructed certain water supply facilities hereinafter defined consisting of a dam, reservoir, and related facilities on Lake Fork Creek in Wood, Rains and Hopkins County, Texas.

NOW, THEREFORE, in consideration of the premises and of the respective agreement hereinafter set forth, the parties hereto agree as follows:

L. DEFINITIONS

- L01. Agreement: This Water Purchase Agreement.
- L02. Article: Any subdivision of this Agreement designated with a roman numeral.
- L03. Bond Amortization Contract: A contract executed and dated February 18, 1974, which agreement provides for payments of Semi-Annual Facilities Charges by the Corporations to amortize the Bonds.
- L04. Bond Resolution: Any resolution of the Authority's Board of Directors authorizing the issuance of Bonds.

L05. Bonds: Any revenue bonds of the Authority authorized, issued, and delivered to finance the acquisition and construction of any portion of the Facilities pursuant to the terms of the Bond Amortization Contract and this Agreement, including initial issues or series of bonds and completion bonds, and any bonds issued to repair, enlarge, extend, or otherwise improve the Facilities, together with any bonds issued to refund any of the foregoing bonds.

L06. Facilities: The water supply facilities consisting of the lands, easements, rights-of-way, dam, reservoir, and related facilities to be or presently acquired, constructed, and owned by the Authority on or adjacent to Lake Fork Creek, a tributary of the Sabine River, in Wood, Rains, and Hopkins Counties, Texas, such facilities constructed substantially in accordance with the plan and report prepared for presentation at public hearing before the Texas Water Rights Commission, entitled "Lake Fork Dam and Reservoir on Lake Fork Creek, Sabine River Basin," dated June, 1974, by URS, Inc., Consulting Engineers, Dallas, Texas, and any amendments or supplements thereto.

L07. Facilities Agreements: The Water Supply Facilities Agreement entered into by and between the Authority, the Corporations, and the Agent dated February 18, 1974.

L08. Points of Delivery: The points on the Reservoir to be agreed upon between the parties where the Corporations will withdraw Water. The Corporations shall provide all works and structures at the Points of Delivery for withdrawing Water from the Reservoir, and shall be entitled to withdraw such Water in the amounts specified in this Agreement, and in the Water Supply Contract and Conveyance.

L09. Reservoir: The Lake Fork Reservoir, including all lands and flowage and floodage easements acquired in connection therewith.

L10. Section: Any subdivision of this Agreement designated by arabic numerals.

L11. Water: Untreated water from the Reservoir. The Authority has no duty or responsibility with respect to the treatment, quality, or suitability of the water for the Corporations' purposes.

L12. Water Supply Contract and Conveyance: The agreement entered into by and between the Authority, the Corporations, and the City of Dallas as of October 1, 1981.

Corporations strictly for cooling will not be considered "sold" for purposes of this Article to the extent such Water is returned to the Reservoir. The amount of Water consumed by forced evaporation by generating facilities located on the Reservoir shall be calculated as follows, or in such other fashion as may be mutually acceptable:

$$\begin{array}{l} \text{Water consumed} \\ \text{(in gallons/KWH)} = \frac{0.56 \text{ gal./KWH} \times \text{rate (BTU/KWH)}}{10,000 \text{ BTU/KWH}} - 0.23 \text{ gal./KWH} \end{array}$$

The Corporations shall furnish to the Authority annually the calculated forced evaporation figures and will make available to the Authority such related data as may be reasonably requested to verify such calculations.

2.06. In no event shall Corporations withdraw any Water from the Reservoir if such withdrawal would cause the surface level of the Water in the Reservoir to be lower than 372 feet above mean sea level.

2.07. The Authority makes no warranty, express or implied, as to the suitability or quality of the Water.

III. RATES AND COMPENSATION

3.01. The Corporations agree to pay to the Authority, at the times and in the manner prescribed, the sum of Five Hundred Fifty Thousand Dollars (\$550,000.00) during each contract year, beginning on the date of this Agreement, whether Water is actually taken by the Corporations or not. The said sum of \$550,000 per contract year shall be payable in twelve (12) equal monthly installments of Forty-Five Thousand Eight Hundred Thirty-Three and 33/100 Dollars (\$45,833.33); the first installment being due and payable on the first day of the month following the date of this Agreement, and a like installment being due and payable on the first day of each month thereafter (except that the monthly installment due on the first day of the last month of each contract year shall be Forty-Five Thousand Eight Hundred Thirty-Three and 37/100 Dollars (\$45,833.37).

3.02. Notwithstanding the foregoing, any such payments otherwise falling due between October 1, 1981 and the date of issuance of the revised or amended Permits, as provided in the Water Supply Contract and Conveyance, shall be made by the Corporations when due to Republic National Bank in Dallas to be held by it as Escrow Agent on the terms and conditions hereinafter set forth. All monies paid to said Escrow Agent by the Corporations shall be invested in interest-bearing

II. SALE OF WATER

2.01. The Authority agrees to sell to the Corporations; and the Corporations agree to purchase from the Authority, 20,000 acre feet of water during each contract year in accordance with the terms and conditions of this Agreement.

2.02. The Corporations shall have the right to construct, operate and maintain electric generating facilities located on the Reservoir, and to use the Water purchased for the operation of such facilities, or such Water, measured at the Reservoir, may be released or withdrawn from the Reservoir for their use in connection with the operation of electric generating facilities located elsewhere.

2.03. The Corporations may designate, subject to the Authority's approval, which approval shall not be unreasonably withheld, the point or points on the Reservoir at which the Corporations wish to withdraw Water. The Corporations shall also have the right to discharge Water withdrawn from the Reservoir back into the Reservoir at a point or points designated by them, also subject to the Authority's approval, which approval shall not be unreasonably withheld, provided that, except to the extent allowed by State and/or Federal permits, such Water has not been additionally polluted or contaminated, and further provided that any such discharge shall not cause the water in the Reservoir to exceed the standards of water quality established for the Reservoir from time to time by the Texas Department of Water Resources.

2.04. The Corporations shall, at their own expense, acquire, construct, and provide all necessary facilities for withdrawal and discharge of Water, pursuant to this Agreement. The Authority and the Corporations each agree to provide easements to each other, at no cost, over and across each of their lands for the construction of each other's facilities, including pumping, discharging, dikes and canals, power lines, roads, pipelines and appurtenances, but no such facilities shall interfere with facilities constructed by the party granting the easements. The location of all facilities for withdrawal of Water, the easements and other facilities described in this paragraph shall be subject to the approval of the party granting such easements.

2.05. The amount of Water sold to the Corporations will include Water deemed lost to the Reservoir through forced evaporation, if the Corporations use the Reservoir for cooling, and for which the Corporations will pay in the same manner as for other Water actually withdrawn and used. Water utilized by the

injuries caused thereby until the same shall have been delivered to the Corporations at the point or points of delivery, at which point the Corporations shall be in exclusive control and possession thereof and solely responsible for any injuries or damages caused thereby.

VI. TERM

6.01. The term of this Agreement shall commence on the date of this Agreement, and, unless sooner terminated as hereinafter provided, shall continue until January 1, 2014.

VII. FORCE MAJEURE

7.01. If, by reason of force majeure, any party hereto shall be rendered unable wholly or partially to carry out any obligations it may have under this Agreement, other than the obligation of the Corporations to make the payments required to be made under the provisions of this Agreement, then if such party shall give notice as soon as practicable and full details thereafter in writing of such force majeure to each affected party within a reasonable time after the occurrence of the event or cause relied on, the obligations of the party giving such notice, so far as it is affected by such force majeure shall be suspended during the continuance of the inability then claimed, but for no longer period, and such party shall endeavor to remove or overcome such inability with all reasonable dispatch.

7.02. The term "force majeure" as employed herein, shall mean acts of God; strikes, lockouts, and other industrial disturbances; acts of the public enemy; orders of any kind of the government of the United States or the State of Texas or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; storms; floods; washouts; droughts; arrests; restraints of government and people; civil disturbances; explosions; breakages or accidents to machinery, pipelines or canals; partial or entire failure of water supply; or inability on the part of any party hereto to carry out its obligation under this Agreement on account of any other cause or causes not reasonably within the control of such party. It is understood and agreed that the settlement of strikes and lockouts shall be entirely within the discretion of the party having the difficulty, and that the above requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes and lockouts by acceding to the demands of the opposing party or parties when such settlement is unfavorable in the judgment of the party having the difficulty.

deposits or obligations, at the best obtainable rate of interest, and such interest shall be accumulated and added to the monies so paid. Upon approval and issuance of the Permits by the Texas Water Commission, the Escrow Agent shall pay over to the Authority the amounts paid into escrow by the Corporations, together with all accumulated interest thereon; provided, however, if this Agreement shall be terminated pursuant to Section 11.01 below, the Escrow Agent shall repay such monies, together with all accumulated interest thereon, to the Corporations.

3.03. The Corporations agree to pay to the Authority a proportionate part of the Service Charge as determined in accordance with Article VI of the Facilities Agreement in the ratio of 20/163. Payments by the Corporations to the Authority for such proportionate part of the Service Charge shall be made monthly, in addition to, but on the same date as, the payments provided for in Section 3.01.

IV. MEASURING EQUIPMENT

4.01. The Corporations, at their own cost and expense, shall furnish, install, operate and maintain at the point or points of delivery, measuring equipment, properly equipped with meters and devices of standard types for measuring accurately the quantity of Water diverted under this Agreement, with a capacity to measure the quantity of water diverted within generally accepted industry standards for accuracy, or as established by the American Water Works Association. Said meter shall be calibrated annually. The Corporation shall notify the Authority in advance of the annual meter calibration, and the Authority shall have the right to be present and witness such calibration. Such measuring equipment shall be approved by the Authority and the Corporations, but shall remain the property of the Corporations.

4.02. During any reasonable hours, the Authority shall have access to such measuring equipment so installed. The Authority may, at its option and expense, install and maintain such measuring equipment as it deems proper to check and determine the accuracy of the Corporations' measuring equipment.

V. TITLE TO AND RESPONSIBILITY FOR WATER

5.01. Title to, possession and control of water shall remain in the Authority to the point or points of delivery, where title to, possession, and control shall pass to the Corporations.

5.02. As between the parties hereto, the Authority shall be in exclusive control and possession of the Water and solely responsible for any damages or

other remedy available to it, or to continue the delivery of Water to the Corporations and to charge interest on the unpaid installments from the date when due until paid at the highest rate of interest allowed by applicable law.

XII. RELEASE OF WATER

12.01. Upon request by a municipality, the Authority shall have the right to sell, and the Corporations agree to release and relinquish to the Authority for sale, for municipal use, up to and including 3,500 acre feet of Water annually out of the quantity agreed to be sold to the Corporations under the terms of Section 2.01 hereof. Such right must be exercised prior to January 1, 1990, and shall be subject to the terms of Sections 12.02 and 12.03 hereof.

12.02. Any such sale may be made upon such terms and conditions as may be determined to be appropriate by the Authority.

12.03. The Authority may, at any time, make its written request to the Corporations to release such Water, specifying the quantity to be released, and the release shall be effective thirty (30) days after the date of such written request. In such event, the annual payments for Water under the terms of Section 3.01 of this Agreement shall be reduced by an amount equal to \$27.50 times the number of acre feet which the Authority requests the Corporations to release. If any such release of Water is effective on any day other than the anniversary date of this Agreement, then the reduction in payments shall be made beginning with the calendar month following the date on which such release becomes effective and shall be prorated for the month during which such release becomes effective. The Authority may make more than one request, provided the total amount released shall not exceed 3,500 acre feet annually.

XIII. RENEWAL

13.01. After the term of this Agreement has expired the Corporations shall have the option thereafter to purchase Water from the Facilities in the quantities to which they were entitled during the term of this Agreement upon such terms and conditions that are mutually agreed upon and for such price as is prevailing in the general area at that time for contract sales of water of similar quality, quantity, and contract period.

XIV. MISCELLANEOUS

14.01. All headings of the Articles and particular Sections of this Agreement have been inserted for convenience of reference only and are not to be

VIII. COMPLIANCE WITH LAWS

8.01. The parties hereto agree to discharge their respective obligations under this Agreement in compliance with all applicable laws, ordinances, governmental rules, and regulations, and subject thereto.

IX. NOTICES

9.01. Any notice, request, or other communication under this Agreement shall be given in writing and shall be deemed to have been given by any party to the other parties upon either of the following dates:

(a) The date of the mailing thereof, as shown by the post office receipt if mailed to the other parties hereto by registered or certified mail at the latest address specified by such other party in writing.

(b) The date of the receipt thereof by such other party if not so mailed by registered or certified mail.

X. ASSIGNMENT

10.01. The Corporations may at any time, upon notice to the Authority, name a person, firm or corporation to succeed to the position of the Agent under this Agreement and thereafter serve in the place and stead of the Agent.

10.02. The Corporations may assign this Agreement and their rights hereunder to any successor in interest, or to any other subsidiary of Texas Utilities Company, without the consent of the Authority, but will not resell the Water to a third party without the express written consent of the Authority.

10.03. No assignment or transfer of this Agreement shall in any way change or affect the obligations of the Corporations under the terms of this Agreement or the Bond Amortization Contract.

XI. TERMINATION

11.01. In the event of the termination of the Water Supply Contract and Conveyance pursuant to Section 4.03 thereof, this Agreement shall likewise be terminated without further action by the Corporations, and if so terminated, same shall become null and void, and of no force and effect.

11.02. In the event the Corporations shall fail to make any payment required to be made under the terms of this Agreement when due, the Authority shall have the right, but shall not be obligated, if such failure shall continue for a period of thirty (30) days after written notice to the Corporations, to suspend delivery of Water hereunder, cancel and terminate this Agreement without prejudice to any

TEXAS UTILITIES GENERATING COMPANY

By _____

for and on behalf of, and as agent for:

DALLAS POWER & LIGHT COMPANY
TEXAS ELECTRIC SERVICE COMPANY
TEXAS POWER & LIGHT COMPANY

ATTEST:

Secretary

considered a part of this Agreement and in no way shall they affect the interpretation of any of the provisions of this Agreement.

14.02. The rights and remedies of the parties set forth in this Agreement shall not be exclusive and are in addition to all other rights and remedies of the parties hereto, except that nothing contained in this Agreement shall impair or in any manner alter the obligations and responsibilities imposed upon the Corporations by the terms of the Water Supply Contract and Conveyance; the Facilities Agreement; the Bond Amortization Contract; the Bond Resolutions; and all Trust Indentures entered into by and between the Authority and the Republic National Bank of Dallas, of Dallas, Texas, as Trustee, with respect to Bonds issued in accordance with the Bond Amortization Contract.

14.03. This Agreement may be amended or supplemented by mutual agreement of the parties hereto, but in no event shall any such amendment or supplement change or affect the Bond Amortization Contract.

EXECUTED as of the 1st day of October, 1981.

SABINE RIVER AUTHORITY OF TEXAS

By _____
President, Board of Directors

APPROVED:

Executive Vice President and
General Manager

ATTEST:

Secretary, Board of Directors

**PERMIT TO
APPROPRIATE STATE WATER**

APPLICATION NO. 3234	PERMIT NO. 2948	TYPE: Regular
Permittee : Sabine River Authority	Address : P. O. Box 579 Orange, Texas 75247	
Received : May 16, 1974	Filed : June 26, 1974	
Granted : August 1, 1974	County : Wood	
Watercourse : Lake Fork Creek, a tributary of the Sabine River	Watershed : Sabine River Basin	

WHEREAS, the Texas Water Rights Commission finds that jurisdiction of the application is established, due notice and publication thereof having been accomplished, and hearing having been held, all in accordance with the Texas Water Code and the Rules and Regulations of the Commission.

Now, THEREFORE, this permit to appropriate State water is issued to Sabine River Authority, subject to the following terms and conditions:

1. IMPOUNDMENT

Permittee is authorized to construct, and before acquiring any right hereunder shall construct, a dam and reservoir on Lake Fork Creek and impound therein not to exceed 675,819 acre-feet of water at 403.0 feet above mean sea level. Station 103 + 80 on the centerline of the dam is N 81° 45' W, 3700 feet from the NE corner of the J. M. Stedman Survey, Abstract No. 559, Wood County, Texas, 5 miles west of Quitman, Texas.

2. USE

- (a) Permittee is authorized to divert from the proposed Lake Fork Creek Reservoir, 44,940 acre-feet of water per annum for municipal use and 120,000 acre-feet of water per annum for industrial use, and to use the bed and banks of Lake Fork Creek and the Sabine River to transport this water from Lake Fork Creek Reservoir to specified points of diversion as approved by the Commission.
- (b) Permittee is authorized to divert and use not to exceed 300 acre-feet of water from Lake Fork Creek for initial construction of the dam.

3. DIVERSION

Permittee is authorized to divert water in amounts and for uses set out above only from such points and only by such means and at such rates as will hereafter be specified and approved by the Commission.

4. TIME LIMITATIONS

Construction or installation of all works herein authorized or required will be in accordance with plans approved by the Commission and will be commenced within two years and completed five years from date of issuance of this permit unless extended by the Commission.

5. SPECIAL CONDITIONS

- (a) The permittee will provide the facilities necessary to pass water through the dam at all times, including during the period of construction and initial filling of the reservoir.

To provide for downstream domestic, livestock, and natural streamlife needs, the permittee will make sufficient releases from the reservoir in a manner approved by the Commission to maintain a minimum flow of 2.0 cfs at the USGS streamflow gaging station at State Highway 37, 5.0 miles downstream from the dam.

(b) The permittee will install and maintain a continuous lake-level measuring station for Lake Creek Reservoir and maintain the following records:

- (1) Reservoir content;
- (2) Discharges through Lake Fork Creek Dam.

All records will be compiled monthly and reported to the Commission annually and at other times as required.

(c) The permittee shall pass its proportional part of water required to maintain a minimum flow of the Sabine River at state line in accordance with the Sabine River Compact.

This permit is issued subject to all superior and senior water rights in the Sabine River Basin.

Permittee agrees to be bound by the terms, conditions and provisions contained herein and such agreement is a condition precedent to the granting of this permit.

All other matters requested in the application which are not specifically granted by this permit are denied.

This permit is issued subject to the rules and regulations of the Texas Water Rights Commission and to its right of continual supervision.

TEXAS WATER RIGHTS COMMISSION

Joe D. Carter

Joe D. Carter, Chairman

Burke Holman

Burke Holman, Commissioner

† Date Issued:

* September 26, 1974

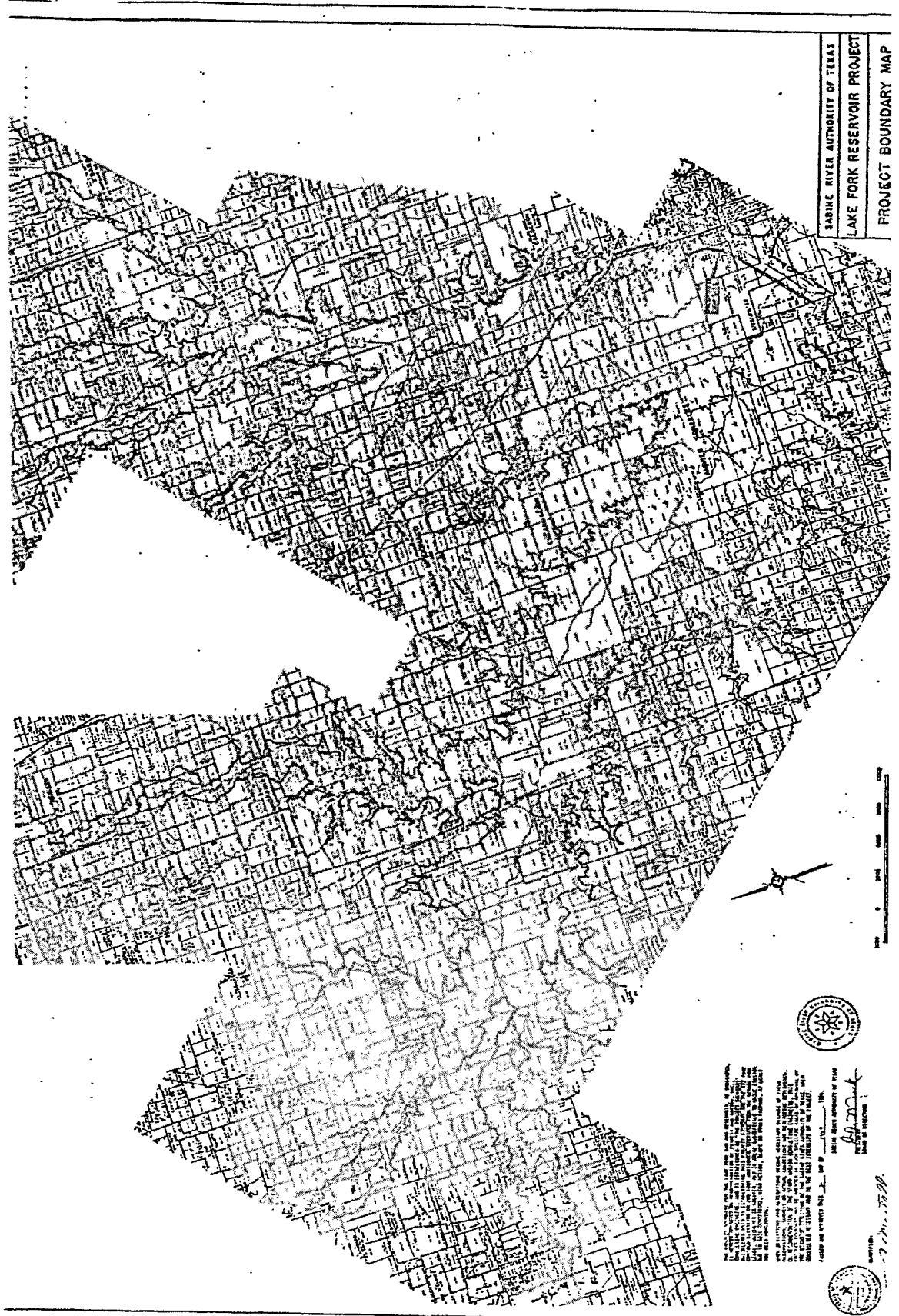
ATTEST:

Audrey Strandtman

Audrey Strandtman, Secretary

Dorsey B. Hardeman

Dorsey B. Hardeman, Commissioner



THE PROJECT BOUNDARY MAP FOR THE LAKE FORK RESERVOIR PROJECT, AS SHOWN ON THE ATTACHED MAP, IS A REPRESENTATION OF THE PROJECT BOUNDARY AS OF THE DATE OF THE MAP. THE PROJECT BOUNDARY IS SUBJECT TO CHANGE WITHOUT NOTICE. THE PROJECT BOUNDARY IS NOT A GUARANTEE OF THE PROJECT BOUNDARY. THE PROJECT BOUNDARY IS NOT A GUARANTEE OF THE PROJECT BOUNDARY. THE PROJECT BOUNDARY IS NOT A GUARANTEE OF THE PROJECT BOUNDARY.

FOR THE SABINE RIVER AUTHORITY OF TEXAS
J. L. [Signature]
JULY 1, 1988

17-1111-173-20

EASEMENTS EXCHANGE AGREEMENT

This Easements Exchange Agreement (hereinafter the "Contract") entered into by and between Phillips Coal Company (hereinafter "Phillips") on the one hand; and The Sabine River Authority of Texas (hereinafter "The Authority"), and Dallas Power & Light Company, Texas Electric Service Company, and Texas Power & Light Company (hereinafter collectively "The Corporations"), acting herein by and through Texas Utilities Generating Company (hereinafter "the Agent"), on the other hand.

W I T N E S S E T H:

A. The Corporations entered into a Water Supply Facilities Agreement dated as of February 11, 1974, with The Authority (hereinafter called "The Agreement") relating to the acquisition, construction and ownership of water supply facilities consisting of a dam, reservoir and related facilities (hereinafter called the "Facilities") on Lake Fork Creek in Wood, Rains and Hopkins Counties, Texas and the purchase and use of water from said Facilities; and

B. Phillips has acquired and is the present owner of coal leases covering certain real property in the vicinity of the Facilities, including real property which will be needed for the construction of the Facilities; and

C. Phillips, on the one hand, and The Corporations and The Authority, on the other hand, desire to exchange between themselves, as provided in this Contract, certain easements covering real property interests in order to facilitate the development by Phillips of its coal leases and to permit the construction, operation and use of the Facilities as contemplated by The Agreement; and

D. Phillips and The Authority desire to avoid lengthy and complex eminent domain proceedings;

NOW THEREFORE, in consideration of the premises, the respective agreements of the parties, and the mutual exchanges of real property interests provided herein, all parties hereto agree as follows:

ARTICLE 1.

1.1. As used herein, the term "coal" means and includes all coal and lignite and their constituent products and all other mineral substances associated or commingled therewith, and all clay, sand, gravel, or any other substance of whatever nature whether mineral or non-mineral, metallic or non-metallic, encountered in mining operations for the production of coal or lignite.

1.2 As used herein, the term "Closing Date" shall be the date fifteen days after the satisfaction, or waiver by Phillips, of the conditions to Phillips' obligations hereunder contained in Article 6 and the satisfaction or waiver by The Authority and The Corporations of the conditions to The Authority's and The Corporations' obligations hereunder contained as Article 7. Unless the Closing Date shall have occurred on or prior to February 15, 1980, this Contract will terminate at the close of business on that day, without liability to any party hereto.

1.3 As used herein, the term "Reservoir Property" means the real property specifically described in Exhibit A to this Contract, being all the real property within the area outlined in dark blue in Exhibit "A-1" hereto.

1.4 As used herein, the term "Mine and Plant Property" (hereinafter referred to as "M&P Property") means all real property within the area outlined in black in Exhibit B hereto and includes the Reservoir Property.

1.5 As used herein the term "Lake Fork Reservoir" shall mean the reservoir described in The Agreement and being constructed on Lake Fork Creek in Wood, Rains and Hopkins Counties, Texas.

ARTICLE 2.

2.1 On the terms and subject to the conditions herein set forth, Phillips agrees to grant, convey, assign, and deliver to The Authority, on the Closing Date, a flowage and floodage easement in and over Phillips' interests in property within the

Lake Fork Reservoir in the form attached as Exhibit C to this Contract.

2.2 On the terms and subject to the conditions herein set forth, Phillips agrees, promptly after acquisition, to grant, convey, assign, and deliver to The Authority, a flowage and floodage easement in and over any interests in property within the Lake Fork Reservoir that Phillips may acquire in the future, in the form attached as Exhibit C to this Contract.

2.3 In granting the flowage and floodage easements described in Sections 2.1 and 2.2 above, Phillips is not, and does not purport to be, acting as an agent for any owner of any other interest or interests in the property over which such easement is granted. Nothing contained in this Paragraph 2.3 shall relieve The Authority from any responsibility which it may have for obtaining and paying for the right to flood any interests in said property which are not owned by Phillips.

2.4 The Authority shall have no obligation by reason of this Contract to mine or remove the coal from any of the property over which Phillips grants a flowage and floodage easement pursuant to Sections 2.1 or 2.2 above.

ARTICLE 3.

3.1 The Authority agrees to grant, convey, and deliver to Phillips, on the Closing Date, a construction and diversion easement on and across the Reservoir Property in the form attached as Exhibit D to this Contract. In granting the rights described in this Section, The Authority is not, and does not purport to be, acting as an agent for any owner of any other interest or interests in the property over which such easement is granted. Nothing contained in this paragraph 3.1 shall relieve Phillips of any responsibility which it may have for obtaining and paying for any interests in said property which are not presently owned or hereafter acquired by The Authority.

3.2 If, at anytime prior to the termination of the construction and diversion easement granted Phillips pursuant

hereto, Phillips has completed all its mining and reclamation activities within the M&P Property, Phillips shall execute and deliver to The Authority a release of said construction and diversion easement.

3.3 The Authority hereby grants unto Phillips the right to discharge water from the M&P Property into Lake Fork Reservoir at such location(s) as The Authority shall approve, provided that any such discharge shall comply with all laws of the United States and of the State of Texas and the pertinent rules, regulations and standards of all appropriate administrative agencies, including The Authority. Upon request by Phillips, The Authority shall grant to Phillips such property rights as are reasonably necessary to give effect to this paragraph.

3.4 Upon completion of mining, but not later than December 31, 2013, Phillips agrees, at its sole cost and expense, to remove any dams or dikes constructed by Phillips across the Burke Creek Arm of Lake Fork Reservoir or such portion thereof as shall be determined by The Authority to be necessary for the normal operation of Lake Fork Reservoir. Prior to the removal of such dams or dikes Phillips shall reduce highwalls and grade and fill pits and excavations created by its operations on the Reservoir Property and shall, as to the portion of the Reservoir Property between the operating pool elevation at such time and the Project Boundary, where Phillips has conducted such operations, contour and revegetate such lands to control erosion.

3.5 The Authority shall have the right to require Phillips to remove diversion ditches, bridges, tracks, conveyor systems or other structures on Reservoir Property built by Phillips which unreasonably interfere with The Authority use, maintenance or operation of Lake Fork Reservoir.

3.6 Any dike, dam, diversion ditch, bridge, track, conveyor system or other structure constructed by Phillips pursuant to Section 3.1 above, and any pumping or diversion of water by Phillips into Lake Fork Reservoir, shall comply with

all laws of the United States and of the State of Texas and the pertinent rules, regulations and standards of all appropriate administrative agencies, including The Authority.

3.7 If Phillips commences mining operations on M&P Property and the Reservoir Property has never been, or is not at that time, flooded by water impounded by Lake Fork Dam, The Authority will use its best efforts to notify Phillips as soon as possible of any intention to flood the Reservoir Property in order that Phillips may construct necessary dams and dikes.

3.8 Phillips agrees to protect, indemnify and hold harmless The Authority from any and all claims, damages and losses which are caused by: (a) its prospecting, exploring, developing or mining operations for coal or any other minerals in, on or under the Reservoir Property, (b) its constructing or removing dams, dikes, bridges or similar edifices and diversion ditches, which said dams, dikes, bridges and ditches go onto, over or across the Reservoir Property, and, (c) taking any action related to the rights and powers granted in this Article 3.

ARTICLE 4.

4.1 Phillips agrees that it will not use Lake Fork Reservoir for recirculation of cooling water for any purpose other than in connection with the operation of a lignite-fired steam electric generating plant consisting of a unit or units having a total capacity not in excess of 3,000 MW, if such other use would interfere with The Corporations' operation of a nuclear steam electric generating plant as provided below.

4.2 The Corporations agree that they will not use Lake Fork Reservoir for recirculation of cooling water for any purpose other than in connection with the operation of a nuclear steam electric generating plant consisting of a unit or units having a total capacity not in excess of 2,600 MW, if such other use would interfere with Phillips' operation of a lignite-fired steam electric generating plant as provided above.

4.3 The Authority and The Corporations agree that they will not enter into any contract to sell water from Lake Fork

Reservoir for use in any industrial facility which would discharge any pollutants directly into Lake Fork Reservoir and adversely affect the water quality therein.

4.4 The Corporations agree that they will not, prior to December 31, 1986, enter into a contract or authorize The Authority to enter into a contract to sell any part of the water available to The Corporations from Lake Fork Reservoir for use at any industrial or electric generating facilities, without first conducting a joint study with Phillips to determine the affect of the operation of such facilities on air quality, and if Phillips reasonably determines that such facilities will result in a deterioration of air quality which would substantially adversely affect the use of Lake Fork Reservoir by Phillips as a site for a fossil-fired power plant of 3,000 megawatts, The Corporations will not enter into such a contract.

ARTICLE 5.

5.1 The Authority hereby represents and warrants to Phillips as follows:

(a) The Authority is an agency and political subdivision of the State of Texas, being a water improvement, conservation and reclamation district, duly created and governed by Article 8280-133, Vernon's Texas Civil Statutes, as amended, pursuant to Article 16, Section 59, of the Constitution of Texas.

(b) The Board of Directors of The Authority has, by resolution adopted under the laws of the State of Texas, approved the entry by The Authority into this Contract.

(c) The Authority has or will have complied with, by the Closing Date, all applicable statutory and other procedures and requirements necessary for each of the various instruments of conveyance to be delivered to Phillips pursuant to this Contract, upon the execution and delivery thereof, to be effective and binding conveyances by The Authority.

5.2 The Agent, for itself and on behalf of each of The Corporations, hereby represents and warrants to Phillips as follows:

(a) Each is a corporation duly organized, validly existing and in good standing under the laws of the State of Texas.

(b) The Agent is duly appointed and authorized to execute this Contract for and on behalf of each of The Corporations.

(c) The Corporations have the right to enter into this Contract and grant the rights granted herein.

(d) This Contract is a valid and legally binding obligation of each of The Corporations.

(e) Each of the various instruments to be executed and delivered by The Corporations pursuant to this Contract to Phillips on the Closing Date will be on said Closing Date duly authorized and valid and binding obligations of each of The Corporations.

5.3 Phillips hereby represents and warrants to The Authority and The Corporations as follows:

(a) Phillips is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada and qualified to do business and in good standing in the State of Texas.

(b) Phillips has the right to enter into this Contract and grant the easement granted herein.

(c) This Contract is a valid and legally binding obligation of Phillips.

(d) Each of the various instruments to be executed and delivered by Phillips pursuant to this Contract to The Authority on the Closing Date will be on said Closing Date duly authorized and valid and binding obligations of Phillips.

ARTICLE 6.

6.1 The obligations of Phillips under this Contract are subject to the satisfaction on or prior to the Closing Date of all of the following conditions, except such conditions as Phillips may waive in writing:

(a) Phillips shall have received an appropriate opinion of Messrs. Roberts, Harbour, Smith, Harris, French & Ritter of Longview, Texas, dated the Closing Date, to the effect that this Contract has been properly authorized, executed, and delivered by The Authority, is a valid and legally binding obligation of The Authority; and that the instruments of conveyance to be delivered to Phillips on the Closing Date are valid and binding conveyances by The Authority under the laws of the State of Texas.

(b) Each of The Corporations shall have, before the date of this Contract, delivered to Phillips appropriate evidence that the Agent is the agent of each of The Corporations for the purpose of executing and delivering this Contract and the instruments of conveyance contemplated hereby.

(c) Phillips shall have received an appropriate opinion of Messrs. Worsham, Forsythe & Sampels, of Dallas, Texas, dated the Closing Date, to the effect that each of The Corporations and the Agent is a corporation duly organized, validly existing and in good standing under the laws of the State of Texas; that this Contract and, as to agreements and conveyances signed by The Corporations, each other agreement and conveyance contemplated hereby has been duly authorized, executed, and delivered by and on behalf of The Corporations and is a valid and legally binding obligation or conveyance of each of The Corporations; and that The Corporations and the Agent have power and authority to consummate the transaction contemplated by this Contract.

(d) At the Closing Date, there shall not be any pending or threatened litigation against any party hereto

in any court, or any proceeding or action before or by any governmental commission, board or agency in which it is or may be sought to obtain damages for or to restrain, prohibit, or declare illegal the consummation of any of the transactions contemplated by this Contract.

ARTICLE 7.

7.1 The obligations of The Authority and The Corporations under this Contract are subject to the satisfaction on or prior to the Closing Date of the following conditions, unless waived in writing:

(a) The Authority and The Corporations shall have received an appropriate opinion of attorneys for Phillips, dated the Closing Date, to the effect that Phillips is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada; that this Contract and each other agreement and conveyance contemplated hereby has been duly authorized, executed, and delivered by and on behalf of Phillips and is a valid and legally binding obligation or conveyance of Phillips; and that Phillips has the power and authority to consummate the transaction contemplated by this Contract.

(b) At the Closing Date, there shall not be any pending or threatened litigation against any party hereto in any court, or any proceeding or action before or by any governmental commission, board or agency in which it is or may be sought to obtain damages or to restrain, prohibit, or declare illegal the consummation of any of the transactions contemplated by this Contract.

ARTICLE 8.

8.1 If The Authority presently owns or hereafter acquires any operating interest or executive rights in coal within the M&P Property, The Authority agrees that, at Phillips' request, The Authority will offer for lease such coal in accordance with applicable statutes. Phillips recognizes that The Authority has

the right to refuse any and all bids received.

8.2 If Phillips is obligated under a lease to pay royalties, then Phillips shall pay such royalties to The Authority if The Authority becomes the assignee or owner of such royalty interest. The Authority, however, shall not be entitled to surface use or damage payments payable under any provision of a lease under which The Authority might otherwise be entitled to such payments, but for this Contract.

ARTICLE 9.

9.1 The Authority and The Corporations will cooperate with and assist Phillips in obtaining any permit, consent, license, order or other approval required in connection with the use of Lake Fork Reservoir for a lignite-fired steam electric generating station, or in connection with its surface mining operations.

ARTICLE 10.

10.1 Any notice, request, or other communication permitted or required under this Contract shall be given in writing and shall be mailed, postage prepaid, certified mail, return receipt requested, to the party to receive such notice at the address shown below, or at such other address as may have been furnished to each other party to this contract by the method of giving notice hereunder:

(a) Phillips-

Phillips Coal Company
12700 Park Central Place
1400 Park Central III
Dallas, Texas 75251

ATTN: Executive Vice President

(b) The Authority-

Sabine River Authority of Texas
Post Office Box 579
Orange, Texas 77630

ATTN: Sam F. Collins

(c) The Corporations-

Texas Utilities Generating Company
2001 Bryan Tower
Dallas, Texas 75201

ATTN: L. F. Fikar

Such notice, request, or other communication shall be deemed to have been given on the date of the mailing thereof as set forth above.

ARTICLE 11.

11.1 A waiver by any party of any default by any other hereunder shall not be deemed a waiver by such party of any default by any other which may thereafter occur.

11.2 This Contract supersedes all negotiations, prior discussions and preliminary agreements made prior to the date hereof. This Contract may not be changed except in writing executed by the parties hereto.

11.3 The validity, interpretation and performance of this Contract shall be governed by the laws of the State of Texas.

ARTICLE 12.

12.1 This Contract shall be binding upon and inure to the benefit of the respective parties hereto and their assigns and legal successors.

Executed this 14 day of DECEMBER, 1979.

PHILLIPS COAL COMPANY

By [Signature]
Executive Vice President

THE SABINE RIVER AUTHORITY OF TEXAS

By [Signature]
President of Board of Directors

TEXAS UTILITIES GENERATING COMPANY

By 27 Fikar SR
Vice President

As agent for:

DALLAS POWER & LIGHT COMPANY
TEXAS ELECTRIC SERVICE COMPANY
TEXAS POWER & LIGHT COMPANY

EXHIBIT "A"

Attached to Easements Exchange Agreement Entered
Into By and Between Phillips Coal Company, The
Sabine River Authority of Texas and Texas Utilities
Generating Company.

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EXHIBIT "C"

FLOWAGE AND FLOODAGE EASEMENT

STATE OF TEXAS

COUNTIES OF HOPKINS
RAINS AND WOOD

KNOW ALL MEN BY THESE PRESENTS:

THAT Phillips Coal Company, a Nevada Corporation qualified to do business in the State of Texas (hereafter called "Phillips") for and in consideration of the sum of ten dollars (\$10.00) and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, has granted, sold and conveyed and by these presents does grant, sell and convey unto Sabine River Authority of Texas, an agency and political subdivision of the State of Texas (hereafter called "The Authority"), an easement on and across all of the interest of Phillips in and to any property located in Hopkins, Rains and Wood Counties, Texas, within the official Project Boundary of the Lake Fork Dam and Reservoir Project as constructed and operated by The Authority, including, but not limited to, those portions of the tracts described in Exhibit "A" attached hereto and incorporated herein by reference which are within the official Lake Fork Project Boundary (hereinafter called "Premises") for the purpose of flooding, placing or causing to be placed the waters of Lake Fork Reservoir on and across said interests.

Pursuant to the provisions of a certain Construction and Diversion Easement granted Phillips by The Authority of even date herewith, which Easement is incorporated hereby by reference, Phillips may divert and remove the water which is impounded on or which flows across the portion of the Premises covered by said Construction and Diversion Easement in accordance with the provisions thereof, and in the event Phillips elects to so divert or remove such water, nothing herein shall restrict the exercise of Phillips' rights with respect to the use of the Premises.

EXHIBIT "B"

MINE AND PLANT PROPERTY MAP OF THE LAKE FORK RESERVOIR

Actual map attached to Easements Exchange Agreement entered into by and between Phillips Coal Company, the Sabine River Authority of Texas and Texas Utilities Generating Company dated December 14, 1979.

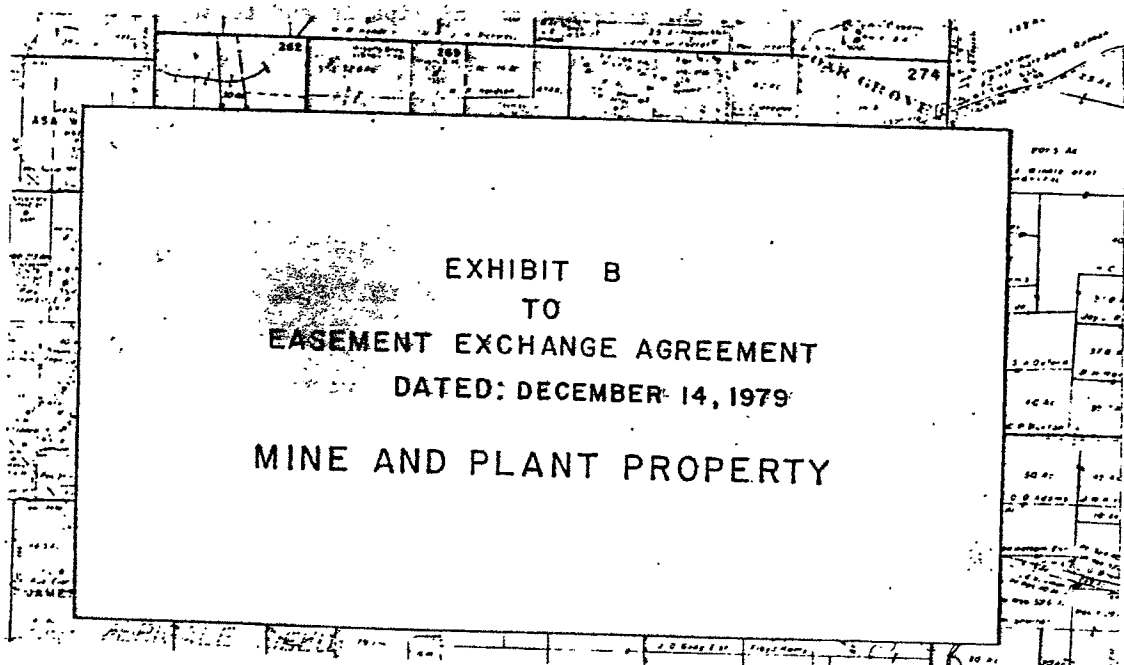


EXHIBIT "D"

CONSTRUCTION AND DIVERSION EASEMENT

STATE OF TEXAS

COUNTIES OF HOPKINS
RAINS AND WOOD

KNOW ALL MEN BY THESE PRESENTS:

THAT The Sabine River Authority, an agency and political subdivision of the State of Texas (hereinafter called "The Authority") for and in consideration of the sum of ten dollars (\$10.00) and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, has granted, sold and conveyed and by these presents does grant, sell and convey unto Phillips Coal Company, a Nevada Corporation qualified to do business in the State of Texas (hereinafter called "Phillips") the following easement over and in the certain real property located in Wood, Rains and Hopkins Counties, Texas, that is more particularly described in Exhibit "A" attached hereto and incorporated herein by reference (hereinafter called "Premises"), to-wit:

Phillips may construct, operate and maintain dams, dikes, diversion ditches, bridges, tracks, conveyor systems or other structures on and across the Premises and may pump, remove and/or divert water from the Premises into Lake Fork Reservoir in order to enable Phillips to prospect, explore, develop, mine and operate for and produce by any method or methods deemed desirable by Phillips (including mining by strip mining, open pit, deep shaft, incline, adit or any other method, whether known or unknown at the date hereof) and transport all coal and lignite and its constituent products and all substances commingled therewith which Phillips may legally explore for and mine from the Premises and/or other lands which may be developed therewith and to otherwise exercise all rights which Phillips now has or may hereinafter acquire in the Premises. The exercise of the rights herein granted shall be subject to

This grant is made without warranty of title except as against those claiming title to the Premises by, through or under Phillips.

Made this ____ day of _____, 1979.

PHILLIPS COAL COMPANY

By:

Its Executive Vice President

the prior approval of The Authority, but such approval shall not be unreasonably withheld.

The easement herein granted shall, as to the construction, operation and maintenance of dams across the Premises, terminate on January 1, 2013. Except as to the earlier termination of a portion of this easement as above provided, this easement shall continue in full force and effect until January 1, 2040.

This grant is made without warranty of title except as against those claiming by, through or under the Authority.

Made this ____ day of _____, 1979.

THE SABINE RIVER AUTHORITY

By: _____
President of Board of Directors

AMENDMENT TO WATER SUPPLY AGREEMENT

THE STATE OF TEXAS §

COUNTY OF GREGG §

THIS AMENDMENT TO WATER SUPPLY AGREEMENT is made and entered into this 2d day of December, 1977, by and between THE SABINE RIVER AUTHORITY OF TEXAS (hereinafter called "Authority"), a governmental agency of the State of Texas, and THE CITY OF LONGVIEW, TEXAS (hereinafter called "City"), a municipal corporation of Gregg County, Texas;

W I T N E S S E T H :

WHEREAS, the Authority and the City entered into a Water Supply Agreement dated the 5th day of March, 1975, by the terms of which the Authority agreed to furnish certain quantities of water to the City for municipal and domestic purposes; and

WHEREAS, the City is in the process of constructing and will maintain at the point of delivery defined in said Water Supply Agreement, a diversion dam to facilitate the diversion of water by the City; and

WHEREAS, the City has requested and the Authority has agreed that the Authority not enter into any contracts for the sale of untreated water which has as the diversion point any portion of the area affected by the City's diversion dam;

NOW, THEREFORE, for and in consideration of the premises and of the respective agreements herein contained, the parties hereto agree as follows:

1. The Authority agrees not to enter into any contract or agreement for the sale of untreated water which agreement provides for a diversion point or point of delivery for water

on that portion of the Sabine River in which the City has constructed a diversion dam and holding pond for the purpose of diverting water under its contract with the Authority.

2. The Water Supply Agreement between the Authority and the City dated March 5, 1975, is hereby amended so as to reflect the agreement contained in this instrument. All provisions of the Water Supply Agreement other than those specifically amended hereby shall remain in full force and effect.

3. This Amendment to the Water Supply Agreement shall be in full force and effect from and after the date of execution hereof and it shall expire on the date of the expiration of the said Water Supply Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

SABINE RIVER AUTHORITY OF TEXAS

BY J. C. Zook
President of the Board of
Directors

APPROVED:

John W. Simmons
John W. Simmons, Executive Vice
President, and General Manager

ATTEST:

[Signature]
Secretary of the Board of
Directors

THE CITY OF LONGVIEW, TEXAS

BY [Signature]
G. R. Curtis, Mayor

APPROVED:

H. G. Mosley
H. G. Mosley, City Manager

ATTEST:

[Signature]
City Secretary

RESOLUTION NO. 313

A RESOLUTION AUTHORIZING EXECUTION
OF A WATER SUPPLY CONTRACT WITH THE
CITY OF LONGVIEW

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SABINE
RIVER AUTHORITY OF TEXAS THAT:

I.

The Sabine River Authority of Texas enter into a Water
Supply Contract with the City of Longview in order to supply the
City's present and future water requirements as set forth in the
copy of such contract which is attached hereto and by reference
made a part hereof.


II.

The President is authorized to execute said contract for
and on behalf of Sabine River Authority of Texas and the Executive
Vice President and General Manager is directed to establish any
program necessary for the implementation of the terms and conditions
specified in said contract in accordance with the terms and
provisions thereof.

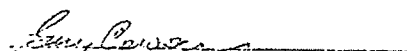
III.

This Resolution shall take effect and be in force from
and after the date of its passage, and it is so resolved.

PASSED AND APPROVED this 5th day of March, A.D. 1975.


President

ATTEST:


Secretary

APPROVED:


Executive Vice President
and General Manager

WATER SUPPLY AGREEMENT

THE STATE OF TEXAS
COUNTY OF GREGG

§
§
§

KNOW ALL MEN BY THESE PRESENTS:

THIS AGREEMENT is made and entered into this 5th day of MARCH, 1975, by and between the SABINE RIVER AUTHORITY OF TEXAS (hereinafter called "Authority"), a governmental agency of the State of Texas, acting herein by and through its duly authorized President of its Board of Directors, and attested by its Secretary, and the CITY OF LONGVIEW, TEXAS (hereinafter called "City"), a municipal corporation of Gregg County, Texas, acting herein by and through its duly authorized Mayor, and attested by its Secretary;

W I T N E S S E T H :

RECITALS

1. The Authority is an agency and political subdivision of the State of Texas, being a conservation and reclamation district created and governed by the provisions of Article 8280-133, Vernon's Revised Civil Statutes, as amended, pursuant to Article 16, Section 59, of the Texas Constitution.
2. The City is a home-rule city located in Gregg and Harrison Counties, Texas.
3. The Authority presently owns and operates a certain reservoir project known as the Iron Bridge Dam and Reservoir Project, located in Hunt, Rains and Van Zandt Counties, Texas, and is authorized under the provisions of Permit No. 1792, issued by the Texas Water Rights Commission to appropriate public waters of the State of Texas which are impounded by said project.

4. The Authority is in the process of acquiring and constructing a water supply facility consisting of a dam, reservoir and related facilities on Lake Fork Creek in Wood, Rains and Hopkins Counties, Texas, to be known as the Lake Fork Dam and Reservoir Project, and is authorized under the provisions of Permit No. 2948, issued by the Texas Water Rights Commission to appropriate public waters for the State of Texas to be impounded by said project.

5. The City proposes to purchase untreated fresh water from the Authority for subsequent treatment and distribution for municipal and domestic purposes.

NOW, THEREFORE, in consideration of the premises and of the respective agreements herein contained, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

1. Agreement: This Agreement and any amendments thereto.
2. Article: Any subdivision of this Agreement designated with a Roman numeral.
3. Point of Delivery: The point or points to be agreed upon between the parties where the City will withdraw water.
4. Section: Any subdivision of this Agreement designated by Arabic numerals.
5. Water: Untreated fresh water either from Iron Bridge Dam and Reservoir Project or Lake Fork Dam and Reservoir Project or any other facility from which the Authority agrees to furnish water to the City in accordance with the provisions of this Agreement to be transmitted downstream through the river system for delivery to the City.
6. Minimum Monthly Quantity: The minimum quantity of water for which the City is obligated to compensate the Authority during any calendar month, whether or not such quantity is actually taken.

7. Maximum Diversion Rate. The maximum number of gallons of water per minute which the City is entitled to take from the Authority under the terms of this Agreement.

8. Maximum Monthly Quantity: The maximum quantity of water which the City is entitled to take from the Authority under the terms of this Agreement during any calendar month.

ARTICLE II

QUANTITIES

The Authority agrees to sell to City and City agrees to take and purchase from the Authority for municipal and domestic purposes at the point of delivery the minimum monthly quantity of water prescribed in the Table of Schedules for each particular calendar year. The Table of Schedules, which specifies certain minimum monthly quantities, maximum diversion rate, rates and minimum monthly costs for the various calendar years during the term of this Agreement, is attached hereto and made a part hereof for all purposes and is designated Exhibit "A".

The Authority shall make available for diversion by the City at the point of delivery the quantity of water not to exceed the maximum monthly quantity for each calendar year as set forth in Exhibit "A".

It is understood and agreed that the Authority shall supply the City with water in the quantities herein specified from the Iron Bridge Dam and Reservoir Project beginning on January 1, 1978, and continuing until the completion and commencement of operations of the Lake Fork Dam and Reservoir Project, at which time water may be supplied by the Authority to the City from the Lake Fork Dam and Reservoir Project.

In no event shall the quantity of water to be delivered by the Authority to the City under the terms hereof exceed twenty thousand acre feet in any calendar year.

ARTICLE III

RATES AND COMPENSATION

1. The City agrees to pay to the Authority at the times and in the manner prescribed an amount not less than the minimum

monthly payments as shown in the attached Table of Schedules (Exhibit "A") for the appropriate calendar year. In the event the City shall take and divert more than the minimum monthly quantity of water, the City shall pay to the Authority in addition to the minimum monthly cost an amount equal to the rate specified for the appropriate calendar year times the number of thousands of gallons of water actually taken less the credits allowed under the provisions of Article XVII hereof. ✓

2. It is understood that beginning on January 1, 1978, until January 1, 1982, water will be supplied by the Authority from the Iron Bridge Dam and Reservoir Project at the rate of 5.0¢ per thousand gallons and beginning January 1, 1982, during the remainder of the term of this Agreement, at the rate of 7.0¢ per thousand gallons, which rates include all compensation to the Authority for holding, storing, allocating and maintaining the water in reserve less the credits allowed under the provisions of Article XVII hereof.

ARTICLE IV

BILLING AND PAYMENT

1. As used in this contract, the term "month" shall mean a period beginning at 8:00 o'clock A. M. on the first of each calendar month, except that the first month or partial month shall begin on the day of initial delivery of water hereunder, but no later than January 1, 1978; and the minimum monthly payment shall be prorated for such partial month, if any.

2. City shall read the measuring equipment as provided for herein at the end of each month and shall promptly report the total quantity of water taken during such month to the Authority, as well as any other applicable information.

3. The Authority shall render to City at the City's offices at P. O. Box 1952, Longview, Texas 75601 (or such other place as designated by City) on or before the 10th day of each calendar month a statement showing charges for the quantity of

water diverted hereunder by the City or for minimum payment as due hereunder during the preceding month. Payment of such statement shall be due and payable at the Authority's office at P. O. Box 579, Orange, Texas 77630 (or at such other place as designated by the Authority) on or before the 10th day after receipt of such statement.

4. Should City fail to tender payment of any amount when due, interest thereon shall accrue at the rate of ten per cent (10%) per annum from the date when due until paid.

5. In the event City fails to tender payment of any amount when due and such failure continues for forty-five (45) days after notice in writing to City of such default, the Authority may suspend delivery of water; however, the exercise of such right shall be in addition to any other remedy available to the Authority.

ARTICLE V

ADJUSTMENT

Commencing on January 1, 1985, and each three (3) years thereafter during the term of this Agreement, the rates for water as provided herein may be changed and adjusted according to maintenance and operation expenses of the Lake Fork Dam and Reservoir Project by mutual agreement of the parties. The Technical Committee established herein in Article XIII shall review such maintenance and operating expenses and make such recommendations to the City and to the Authority as it shall deem appropriate. The City and the Authority shall thereupon agree upon an adjustment of such rates, and, failing agreement, the parties hereby agree to submit the same to arbitration as provided in Article XVI.

ARTICLE VI

MEASURING EQUIPMENT

1. At City's own cost and expense, City shall furnish, install, operate and maintain at the point of delivery, measuring equipment, properly equipped with meters and devices of standard types for measuring accurately the quantity of water diverted under this contract, with a capacity to measure the quantity of water diverted within an accuracy level of one per cent (1%). Said meters will be calibrated annually by qualified personnel. City shall notify the Authority in advance of the annual meter calibration and the Authority shall have the right to be present and witness said calibration. Such measuring equipment shall be approved by City and the Authority but shall remain the property of City.

2. During any reasonable hours, the Authority shall have access to such measuring equipment so installed. The Authority shall have access to all records pertinent to determining the measurement and quantity of water actually diverted, but the reading of the meter shall be done by City and reported to Authority for the purpose of billing. City agrees that the Authority may furnish, install, operate and maintain check meters, should the Authority choose to do so, at the sole cost and expense of the Authority.

3. Should the accuracy of City's or the Authority's meter be questioned by either party hereto, it shall be disassembled and inspected by employees and/or agents of the installing party, in the presence of representatives of the other party, and if possible, recalibrated in position. If the meter is found upon inspection to be more than one per cent (1%) fast or slow, then all cost and expense for disassembling, inspection, calibration and assembling shall be assumed by the installing party; otherwise, such costs and expenses shall be assumed by the party questioning the accuracy of the meter. In addition, the account shall be adjusted for a period extending back one-half of the time elapsed since the date of the