



Control Number: 44380

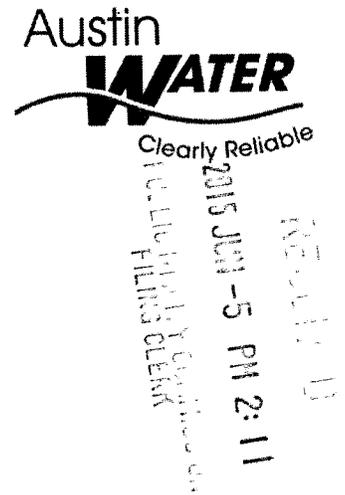


Item Number: 10

Addendum StartPage: 0



AUSTIN WATER UTILITY
Utility Development Services Division
625 East 10th Street, Suite 715
Austin, Texas 78701



June 3, 2015

Tammy Benter
Water Utilities Division
Public Utility Commission
1701 Congress Ave., Suite 8-100
Austin, TX 78701

RE: Response to Order 4 Application to Cancel Lost Creek MUD water and wastewater CCN, Docket 44380

Dear Ms Benter,

Attached you will find replacement pages for questions 2, 8-B, 11, 13, 15, &16, new public notices with recommended language and a new map with digital data for the wastewater CCN.

I would like to note that the editable version of the pdf for the public notice portion does not print out the entire description, it can only be viewed.

Seven (7) copies will follow via USPS.

If additional information is required or should you have any questions, please notify me by email at lisa.martinez@austintexas.gov or by phone at 512-972-0444.

Sincerely,

Lisa M. Martinez, CPM
Contract Administrator
Austin Water Utility
City of Austin

Enclosures

10

**PETITION TO DISCONTINUE WATER/SEWER SERVICE
AND/OR CANCEL CERTIFICATE OF CONVENIENCE
AND NECESSITY (CCN)**

1. Applicant City of Austin Water Utility on behalf of Lost Creek MUD

(Individual, Corporation or Other Legal Entity)

Utility Name: If different from above: _____

625 E 10th Street

Austin, TX 78701

512-972-0444

(Address)

(City, State, Zip-Code)

(Area Code/Number)

2. Applicant is a(n): (Please check one)

Investor owned utility

Partnership

Individual

Municipality

Home or Property Owners Association

District

For-profit corporation

Non-profit, member-owned, member-controlled cooperative corporation

(Water Code Chapter 67, Water Supply or Sewer Service Corporation)

Other Please Explain:

3. The purpose of this application is to cancel a Certificate of Convenience and Necessity (CCN)
No.(s) 10307 & 20118 and to discontinue n/a Water or n/a Sewer Service to the

(Name of Subdivisions or Area)

with a proposed discontinuance date of n/a (Date)

4. Applicant is providing utility service in the following county(ies):

Travis

5. Is any portion of service area inside any incorporated city or district? Yes No

6. How far is this service are from the corporate city limits of the nearest incorporated city or district?

n/a Miles

City of Austin

(Name of City or District)

From: n/a

(Direction)

7. If the applicant is operating other retail public water or sewer systems not included in this petition, please provide the following information:

Name of Water or Sewer System	CCN Number	Location
n/a	n/a	n/a

8. Please complete the applicable section of this question. Only one section will apply to your utility.

A. INDIVIDUAL

Name _____
 Address (City/ST/ZIP/Code) _____
 Phone Number and Fax _____
 Tax Identification Number (Social Security Number for Individuals): _____

B. PARTNERSHIP, CORPORATION, ARTICLE 1434A WATER SUPPLY OR SEWER SERVICE CORPORATION, HOMEOWNERS OR PROPERTY OWNERS ASSOCIATION, DISTRICT OR MUNICIPALITY

List the name, positions held, and address of each partner or officer.

Tom Clark	1305 Quaker Ridge Drive	Austin	TX	78746
Name	Address	City	State	Zip Code
General Manager			512-327-6243	
(Position and/or % of Ownership)			(Area Code-Telephone No.)	
Name	Address	City	State	Zip Code
(Position and/or % of Ownership)			(Area Code-Telephone No.)	
Name	Address	City	State	Zip Code
(Position and/or % of Ownership)			(Area Code-Telephone No.)	
Name	Address	City	State	Zip Code
(Position and/or % of Ownership)			(Area Code-Telephone No.)	

If the applicant is a for-profit corporation, please provide a copy of the corporation's "Certification of Account Status" from the State Comptroller's Office.

9. List the name, address, and telephone number of the person to be contacted regarding this application and indicate if this person is the Owner, Operator, Engineer, Attorney, or other title.

625 E 10th Street	Lisa Martinez	Austin	TX	78701	Contract Administrator
Address	Name	City	State	Zip Code	(Title)
					512-972-0444
					(Area Code-Telephone no.)

10. If applicant has retained an attorney, engineer or other consultant for purposes of preparing this application, please provide: (If none has been retained, please mark "N/A.")

n/a _____
 (Name) (Title)

Address

City

State Zip Code

Area Code-Telephone No.

11. Please explain in detail why the applicant is requesting to discontinue service. Please attach any documents required to support this explanation.

Lost Creek MUD was annexed by the City of Austin. Please see attached agreement for the water and wastewater service agreement.

12. Please explain in writing the efforts that have been made to ensure that the current customers will continue to receive continuous and adequate service if the utility is approved to cease operations.

The City of Austin has annexed Lost Creek MUD and all customers are now City of Austin water and wastewater retail customers effective December 1, 2014. No change of service occurred and has remained continuous and adequate.

13. When did service begin? July 6, 1972

A. Is the applicant the original owner of this system? Yes No X

If the answer is "No," please answer the following questions to the best of your ability.

- 1. When was the system acquired? n/a
2. What was the purchase price? n/a
3. Who was the immediate preceding owner? n/a

(Name)

(Address)

(City, State, Zip Code)

(Area Code-Telephone No.)

B. If the system is for sale, the applicant's current asking price for the system is \$ n/a
Please explain how this price was determined: n/a

C. If the applicant is not the owner of the system, please provide the following information. If the applicant is the owner, go to question D. below.

1. Name, mailing address and phone number of owner. n/a

2. Attach a copy of the agreement with the owner allowing applicant to operate the system.

D. List the dates that Applicant's rates have changed since September 1, 1976.

(Not applicable to Cities and Political Subdivisions)

n/a

14. List the number of existing metered (by size) and unmetered connections, as of

_____ (date application was prepared)

TCEQ Water System		TCEQ Sewer System	
Connection	Existing	Connection	Existing
5/8" or 3/4" meter	1238	Residential	1251
1" meter or larger	12	Commercial	
Non-Metered		Industrial	
Other:		Other:	
Total Water	1250	Total Sewer	1251

15. Do you currently purchase water or sewer treatment capacity from another source?

A. No (skip the rest of this question and go to #16)

B. Water X Yes

Purchased on a seasonal regular emergency basis?

Water Source	% of total supply
City of Austin	100

C. Sewer treatment capacity n/a Yes:

Purchased on a seasonal regular emergency basis?

Sewer Source	% of total supply

D. Provide a signed and dated copy of the most current water and/or sewer treatment capacity purchase agreement or contract.

16. Please provide the following information for **each** water and/or sewer system:

A. Water system's TCEQ Public Water System identification number(s):

2	2	7	0	0	8	1
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B. Sewer system's TCEQ Discharge Permit number(s) (for each system)

W	Q	1	1	3	1	9	-	0	0	1
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 ;

W	Q							-		
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1. Date of last TCEQ inspection (01/29/2014 previously submitted)
2. Attach a copy of the most recent inspection report letter(s).
3. For each water and/or sewer system deficiency listed in the inspection report letter(s), attach a

**AMENDED AND RESTATED
STRATEGIC PARTNERSHIP AGREEMENT BETWEEN
THE CITY OF AUSTIN AND
LOST CREEK MUNICIPAL UTILITY DISTRICT**

THE STATE OF TEXAS §

COUNTY OF TRAVIS §

KNOW ALL MEN BY THESE PRESENTS:

This Amended and Restated Strategic Partnership Agreement Between the City of Austin, Texas and the Lost Creek Municipal Utility District, Travis County, Texas (“Agreement”) is made and entered into by and among the City of Austin, a municipal corporation, acting by and through its duly authorized City Manager (“City”); and Lost Creek Municipal Utility District (“District”), acting by and through its duly authorized Board of Directors, under the authority of Section 43.0751 of the Texas Local Government Code (“Local Government Code”).

RECITALS

1. The District is a municipal utility district created under Chapter 54 of the Texas Water Code. All of the territory within the District is located within the corporate boundaries or extraterritorial jurisdiction of the City in Travis County, Texas. The District encompasses approximately 789 acres, more or less. Its boundaries are described in Exhibit “A” and depicted on Exhibit “F” attached to this Agreement.
2. The City is a municipal corporation established by and chartered under Chapter 90, Page 634, of the Special Laws of Texas, 1909, 31st Legislature.
3. The City amended its Municipal Annexation Plan on December, 31 2005, to include the District and desires to annex all of the District, which would result in the dissolution of the District and the City succeeding to all of the District’s powers, duties, assets, and obligations. The City provided public notice and held two public hearings on the full purpose annexation of the District on August 10, 2006, and August 14, 2006, at which all interested persons were given the opportunity to speak.
4. Representatives of the City and the District met to negotiate an annexation service plan in September and October of 2006. In accordance with Section 43.0751(a) of the Local Government Code, the District submitted a written request to the City for negotiation of a strategic partnership agreement on October 12, 2006. A copy of the request is attached to this Agreement as Exhibit “B.” Thereafter, the parties negotiated the terms of a strategic partnership agreement.
5. The District provided notice and conducted two public hearings regarding the proposed strategic partnership agreement in accordance with procedural requirements of Section 43.0751 of the Local Government Code on May 12, 2007, at the District’s Administrative Office and on May 19, 2007, at the District’s Administrative Office.

6. The City provided notice and conducted two public hearings regarding the proposed strategic partnership agreement in accordance with procedural requirements of Section 43.0751 of the Local Government Code on May 3, 2007, at the City Council Chambers and on May 17, 2007, at the City Council Chambers.
7. On June 19, 2007, the Board of Directors of the District elected not to approve the proposed strategic partnership agreement. Thereafter, in accordance with Section 43.0752 of the Texas Local Government Code, the City and the District participated in arbitration regarding the terms and conditions of the proposed strategic partnership agreement. On August 31, 2007, the arbitrator entered a "Summary Award in Arbitration" approving the form of the strategic partnership agreement proposed by the City. The District subsequently appealed the arbitrator's decision to the Third Court of Appeals, and on February 14, 2008, the court entered that certain "Agreed Final Judgment" adopting the form of the strategic partnership agreement proposed by the City with certain modifications thereto agreed upon by the parties. The form of the strategic partnership agreement approved by the Agreed Final Judgment is hereinafter referred to as the "Original Strategic Partnership Agreement."
8. The parties now desire to amend and restate the terms of the Original Strategic Partnership Agreement to, among other matters, provide for conversion of the District into a limited district in accordance with Section 43.0751(f)(6) of the Texas Local Government Code, and to provide for the expedited transfer of water and wastewater operations from the District to the City.
9. The District has, by formal action, approved this Agreement on Jan. 22, 2013 in open session at a meeting held in accordance with the Open Meetings Act.
10. The City has, by formal action, approved this Agreement on Feb. 14, 2013 in open session at a meeting held in accordance with the Open Meetings Act.
11. All procedural requirements imposed by state law for the adoption of this Agreement have been met.

NOW, THEREFORE, for and in consideration of the mutual agreements, covenants, and conditions contained in this Agreement, and other good and valuable consideration, the City and the District agree as follows:

ARTICLE I
DEFINITIONS, PURPOSE, AND LEGAL AUTHORITY

Section 1.01 Terms Defined in this Agreement.

In this Agreement, each of the following terms shall have the meaning indicated:

- a. "Agreement" means this Amended and Restated Strategic Partnership Agreement Between the City of Austin and the Lost Creek Municipal Utility District.
- b. "City" means the City of Austin, Texas.
- c. "Commercial Property" means the property identified on Exhibit "C".
- d. "Consent Agreement" means the agreement between the City and the original developers of the District, entitled "Agreement on Lost Creek Municipal Utility District," executed 07/24/1972,

which was superseded by that certain "Revised Agreement on Lost Creek Municipal Utility District," executed 07/07/1977, which was supplemented and amended by that certain "First Supplement to Revised Agreement on Lost Creek Municipal Utility District" executed on 06/22/1990 (the "First Supplement"), which are incorporated for all purposes herein.

- e. "Conversion Date" means the date of conversion of the District into the Limited District, which shall be the Full Purpose Annexation Date, provided the Limited District Election Proposition is approved by a majority of voters at the Limited District Election.
- f. "District" means the Lost Creek Municipal Utility District, Travis County, Texas.
- g. "District Boundaries" means the boundaries of the District as they now exist, as such boundaries are more particularly described in Exhibit "A" and depicted on Exhibit "F" attached to this Agreement.
- h. "District Office Tract" means Lot 1, Block C, of the Hills of Lost Creek Section 1 Subdivision, a subdivision in Travis County according to the map or plat recorded in Volume 76, Page 36 of the Travis County Public Records, on which is located the District's administrative offices and certain water system improvements.
- i. "Effective Date" means the last date of execution of this Agreement by the parties.
- j. "Force Majeure" means conditions and occurrences as defined in Section 7.13 of this Agreement.
- j. "Full Purpose Annexation Date" means 12:01 a.m., December 15, 2015.
- k. "Limited District" means the limited district into which the District shall convert on the Conversion Date, provided the Limited District Election Proposition is approved at the Limited District Election, in accordance with Section 43.0751(f)(6) of the Texas Local Government Code.
- l. "Limited District Election" means the election to be held by the District on a uniform election date prior to the Utility Operations Transfer Date at which the voters within the District shall consider the Limited District Election Proposition.
- m. "Limited District Election Proposition" means the proposition to be considered by the voters within the District at the Limited District Election with respect to the following: (i) the approval of creation of the Limited District to be effective as of the Conversion Date; and (ii) authorization for the Limited District to levy and collect an operations and maintenance tax to fund its operations as limited and stated herein.
- n. "Limited District Facilities" means the facilities, improvements, and properties for which the Limited District shall assume operational control and responsibility upon the Conversion Date in accordance with terms and conditions of this Agreement, as more particularly identified in Exhibit "H" of this Agreement.
- o. "Notice" means any formal notice or communication required or authorized to be given by one Party to another by this Agreement.
- p. "Original Strategic Partnership Agreement" means that certain Strategic Partnership Agreement that is the subject of the Agreed Final Judgment dated February 14, 2008.

- q. "Party or Parties" means the City and/or the District, as the case may be.
- r. "PDRD" Director means the Director of the City's Planning and Development Review Department.
- s. "Remaining Property" means the property identified on Exhibit "D".
- t. "Retail Wastewater System" shall have the meaning set forth in the Wholesale Service and Operations Agreement.
- u. "Retail Water System" shall have the meaning set forth in the Wholesale Service and Operations Agreement.
- v. "Utility Operations Transfer Date" means the date on which the City shall commence and assume responsibility for the provision of water and wastewater service to all lands within the District, which shall be December 1, 2014, provided the Limited District Election Proposition is approved by a majority of voters at the Limited District Election. In the event that the Limited District Election Proposition is not approved by a majority of the District voters voting at the election, then the Utility Operations Transfer Date shall be the Full Purpose Annexation Date.
- w. "Criticality Assessment Water Storage Facilities" means the 500,000 gallon and 750,000 gallon water storage tanks located adjacent to the District's administrative offices at 1305 Quaker Ridge Drive.
- x. "Water Tank Improvement Payment" means the payment to be made by the District to the City to fund the costs of painting and repairs to the Criticality Assessment Water Storage Facilities, as more particularly described in Section 6.02.
- y. "Wholesale Service and Operations Agreement" means that certain Agreement for Wholesale Water Service and Operations Management of Facilities entered into by the District and the City simultaneously with the Original Strategic Partnership Agreement, a copy of which is attached hereto as Exhibit "E."

Section 1.02 Purpose of the Agreement.

The primary purpose of this Agreement is to amend and restate, through contractual agreement, the following: (i) the terms and conditions of annexation of property in the District by the City; (ii) the relationship between the City and the District during the period between approval of this Agreement and the date of full purpose annexation of the entire District; (iii) the conversion of the District into the Limited District; and (iv) the transfer of water and sewer service responsibility from the District to the City, all in accordance with Section 43.0751 of the Texas Local Government Code.

Section 1.03 Effect on Original Strategic Partnership Agreement.

As of the Effective Date, this Agreement amends, replaces and supersedes the Original Strategic Partnership Agreement for all purposes.

ARTICLE II
ADOPTION OF THE AGREEMENT AND ANNEXATION OF THE DISTRICT

Section 2.01 Conduct of Public Hearings and Procedure for Adoption.

The District and the City acknowledge and agree that the District and the City conducted public hearings and have otherwise complied with all procedural requirements for the purpose of considering the adoption of the Original Strategic Partnership Agreement and this Agreement and annexation of the District in accordance with the terms of this Agreement.

Section 2.02 Full-Purpose Annexation of the Property Within the District.

- a. Commercial Property. The District and the City agree that the Commercial Property was previously annexed by the City for full purposes effective December 31, 2008, under Section 43.0751(f)(4) of the Texas Local Government Code. The full purpose annexation of the Commercial Property became effective at 12:01 a.m. on December 31, 2008. The annexation service plan attached as Exhibit "G" is the service plan for the Commercial Property, and shall remain effective for ten years from the date of full-purpose annexation of the Commercial Property. The Parties agree that all of the Commercial Property upon full purpose annexation of the same by the City continued to be a part of the District following such annexation and shall continue to receive the same services from the District as it now receives until, as applicable, the dissolution of the District, the Utility Operations Transfer Date, or until the District acts to exclude the Commercial Property from its boundaries. The District may continue to levy an ad valorem tax in all areas within the District Boundaries as long as the District continues to exist, irrespective of annexations for full purposes by the City of any areas within the District Boundaries. The City agrees that the District may exclude the Commercial Property from the District's corporate boundaries in accordance with the procedures set forth in Section 49.303 *et seq.* of the Texas Water Code.
- b. Remaining Property. All remaining land within the District which has not been previously annexed for full-purposes shall be automatically annexed by the City for full purposes effective on the Full-Purpose Annexation Date, without further procedural action of any kind by either party, in accordance with Sections 43.0751(f)(5) and 43.0751(h) of the Texas Local Government Code. The District will not contest the annexation service plan attached as Exhibit "G" (as modified under Section 7.01 below), which the City represents to be the service plan for this area, and which shall be effective for a period of ten years from the Full Purpose Annexation Date.
- c. Dissolution of District. Provided the Limited District Election Proposition is approved at the Limited District Election, the District shall automatically convert into the Limited District on the Conversion Date in accordance with the terms and conditions of this Agreement, without further action of any party. In the event the Limited District Election Proposition is not approved at the Limited District Election, then for a period of 10 business days after the Full Purpose Annexation Date, the District shall remain in existence solely for the purpose of doing all things necessary to assist in the transition of the Remaining Property to the City's full-purpose jurisdiction. At the end of the 10 business day period, the District shall be dissolved without further action of any party.
- d. The District hereby consents to the City's annexation of all the land in the District in accordance with this Agreement. The District accepts the annexation service plan in the form attached to this Agreement as Exhibit "G" (except as modified by Section 7.01), and agrees not to seek arbitration, other legal actions, or legislative remedies to challenge the City's annexation service plan. This Agreement, and the consent to annexation granted herein, are binding on the District and each owner and future owner of land within the District's boundaries, in accordance with Texas Local Government Code Section 43.0751(c).

- e. The District agrees that the City may take any and all steps required by the Local Government Code to assure that full purpose annexation of all of the land within the District may be completed in accordance with the timeframes and procedures set forth in this Agreement. The City agrees that nothing in this Agreement shall alter or impair the rights of any landowner or resident within the former District to enforce the City's service obligations under the laws of the State of Texas and the annexation service plan after dissolution of the District.

Section 2.03 District Residents as Citizens of the City Upon Full Purpose Annexation of an Area of the District.

A resident of an area of the District annexed for full purposes by the City becomes a citizen of the City for all purposes and shall have all the rights, privileges, and responsibilities accorded to the citizens residing in all other areas that the City has annexed for full purposes. However, such citizens shall continue to also be citizens of the District until it is dissolved.

Section 2.04 Notice to Landowners of Full Purpose Annexation of Land Within the District.

The District agrees to file the following notice concerning this Agreement in the Real Property Records of Travis County for the property within the District:

All of the property within the boundaries of Lost Creek Municipal Utility District of Travis County, Texas (the "District"), as depicted on the map attached hereto, is subject to the terms and conditions of an Amended and Restated Strategic Partnership Agreement ("Agreement") between the District and the City of Austin, dated _____, 2013. The Agreement establishes a timetable for the annexation by the City of Austin of the property in the District. The Agreement is binding on the District and each owner and future owner of land within the District's boundaries. A copy of the Agreement may be obtained by contacting the offices of the District, and questions concerning the Agreement may be directed to the District or the City of Austin Planning and Development Review Department, or its successor department.

This notice with appropriate modifications shall also be included in the notice to purchasers of real property in the District in each future edition of the District's Information Form required to be recorded in the Real Property Records of Travis County, Texas, pursuant to Section 49.455 of the Texas Water Code.

Section 2.05 Regulatory and Taxation Authority of the City and the District Upon Full Purpose Annexation of an Area of the District.

Upon full purpose annexation of an area within the District, the City shall have all the authority and power, including taxation authority, that the City enjoys in all other areas that the City has annexed or does annex for full purposes. During the period before the Full-Purpose Annexation Date, the District shall continue to exist within the District Boundaries and have all of the authority and power, including taxation authority, of a municipal utility district, except as modified by the terms and provisions of this Agreement and applicable law, so long as the District exists. Without limitation, the District shall continue to have the authority to finance, develop and maintain parks, landscaping, greenbelt, sidewalk, public right-of-way beautification projects, and recreational facilities and equipment pursuant to Sections 49.461 – 49.463 of the Texas Water Code. The District and the Limited District must obtain approval from the Director of the City of Austin Parks and Recreation Department prior to acquiring or improving any parks, greenbelts, or recreational facilities, provided such approval shall not be unreasonably withheld. The District and Limited District must also obtain such approval prior to performing

maintenance activities in greenbelt areas, but shall not be required to obtain such approval for performing routine maintenance activities in park, landscaping and median areas.

ARTICLE III
SERVICES TO THE DISTRICT AND OTHER TRANSITIONAL MATTERS

Section 3.01 Capital Improvements During the Period Prior to Utility Operations Transfer Date.

- (a) Prior to the Utility Operations Transfer Date, the District shall continue to be responsible for making capital improvements to the Retail Water System and the Retail Wastewater System, and for any other municipal services which the District is now providing and shall continue to provide to its inhabitants within the District Boundaries. The District shall operate the Retail Water System and Retail Wastewater System according to the terms of the Wholesale Service and Operations Agreement until the Utility Operations Transfer Date.
- (b) Prior to the Utility Operations Transfer Date, the City shall be responsible for the provision of municipal services to the Commercial Property; provided, however, that the District shall continue to provide retail water and wastewater services to such property on behalf of the City, as more particularly described in Article V below and as provided in the Wholesale Service and Operations Agreement.
- (c) Effective as of the Utility Operations Transfer Date, the City shall be solely responsible for the provision of retail water and wastewater services, including but not limited to the billing and collection of water and wastewater utility revenues, to all property in the District, including the Commercial Property. Without limitation, commencing as of the Utility Operations Transfer Date, the City shall be responsible for making capital improvements to the Retail Water System and the Retail Wastewater System.
- (d) Immediately prior to the Utility Operations Transfer Date, on a date mutually agreed upon by the City and the District, the District shall cause all water meters to be read (the "Final Meter Reading Date") and shall send bills to all District customers based on such meter reading. The District agrees to provide all final readings, and other information requested by the City in which the District possesses, for each address in an electronic format acceptable to the City and that is available in the District's existing billing software system. The District is solely responsible for the collection of all revenue for services rendered prior to the Utility Operations Transfer Date. The City shall be entitled to all revenues received by the City for service rendered after the Final Meter Reading Date and those revenues as identified in Section 4.01(b) in this Agreement.
- (e) The District shall be responsible for all bills and invoices associated with the provision of water and wastewater service by the District prior to the Final Meter Reading Date. In the event the City receives any such bills and invoices, it shall forward the bills and invoices to the District, which shall provide payment within ten (10) working days of receipt. The City shall be responsible for all bills and invoices for water and wastewater services rendered after the Final Meter Reading Date except for those services provided by the District related to Subsection 3.01 (d) in this Agreement.
- (f) The City acknowledges and agrees that the District will return to its customers prior to the Utility Operations Transfer Date all service deposits held by the District. After the Utility Operations Transfer Date, the City shall determine, in its sole discretion, whether to collect service deposits from customers within the District.

Section 3.02 District Tax Rate.

The District agrees to report the annual debt tax rate and operations and maintenance tax rate set by the District to the District's tax collector in Travis County, and to perform all acts required by law for the tax rates to be effective.

Section 3.03 Transfer of Assets, Employment and Services Contractual Obligations of the District.

The District agrees that as of the effective date of this Agreement, it will not, without the prior written consent of the City Manager:

- (1) transfer any of its assets to any third party without reasonable consideration, or
- (2) acquire additional assets, other than those required for the normal and customary operations of the District and excluding any assets that would not increase the City's costs or responsibilities upon full purpose annexation of the District, or
- (3) enter into any contracts for employment or services that will result in the creation or continuation of a contractual obligation or fees and charges for the City after the Full-Purpose Annexation Date.

ARTICLE IV
DISTRICT ASSETS, LIABILITIES, OBLIGATIONS, DEBT
AND DEBT SERVICE AND THE CONSENT AGREEMENT

Section 4.01 Consent Agreement; Assets, Liabilities, Indebtedness, and Obligations During the Period Prior to Annexation of Remaining Property.

- a. The Parties hereby confirm the prior termination of the Consent Agreement as of the effective date of the Original Strategic Partnership Agreement.
- b. Except for:
 1. the ownership of the Retail Water System and the Retail Wastewater System, ownership of which was transferred to the City upon the effective date of the Original Strategic Partnership Agreement,
 2. the unspent District revenues and funds related to the collection of water and wastewater rates and fees which shall transfer from the District to the City's Austin Water Utility on the Utility Operations Transfer Date (provided the Limited District Election Proposition is approved),
 3. the Water Tank Improvement Payment, which shall be paid by the District to the City in accordance with the terms and conditions of Section 6.02,
 4. the transfer of a portion of the District Office Tract to the City prior to the Utility Operations Transfer Date in accordance with the terms and conditions of Section 5.05 (provided the Limited District Election Proposition is approved), and

5. operation and maintenance responsibility of the Retail Water System and the Retail Wastewater System for which shall transfer from the District to the City on the Utility Operations Transfer Date (provided the Limited District Election Proposition is approved),

and except as otherwise specified in this Agreement or the Wholesale Service and Operations Agreement, the District's contracts, assets, liabilities, indebtedness, and obligations will all remain the responsibility of the District until the Full Purpose Annexation Date. Prior to that date, disposition or acquisition of additional contracts, assets, liabilities, indebtedness, and obligations shall be governed by this Agreement and the laws of the State of Texas. If there is a conflict between this Agreement and the Wholesale Service and Operations Agreement, this Agreement shall control.

Section 4.02 Assumption of the District's Outstanding Obligations, Assets, Debts, and Liabilities by the City.

- a. Except as set forth in subsection 4.02(b) – (e) below, the City shall assume all of the District's debts, liabilities, obligations, property and assets, and shall perform all of the functions of the District which a municipality may perform under state law, on the Full Purpose Annexation Date in accordance with Section 43.075(d) of the Local Government Code.
- b. The City shall assume the District's obligations with respect to the provision of retail water and wastewater service, and operation and maintenance of the Retail Water System and Retail Wastewater System assets, effective as of the Utility Operations Transfer Date (provided the Limited District Election Proposition is approved). The unspent District revenues and funds related to the collection of water and wastewater rates and fees shall transfer from the District to the City's Austin Water Utility on the Utility Operations Transfer Date (provided the Limited District Election Proposition is approved). The transfer of a portion of the District Office Tract to the City shall be executed and recorded prior to the Utility Operations Transfer Date (provided the Limited District Election Proposition is approved).
- c. On the Conversion Date and provided the Limited District Election Proposition is approved, the Limited District shall assume operational responsibility for the Limited District Facilities, as more particularly described in Article VIII of this Agreement.
- d. Provided the Limited District Election Proposition is approved at the Limited District Election, the City agrees to remit to the Limited District all tax revenues received by the City after the Conversion Date arising out of the tax levied by the Board of Directors of the District in September 2015. If the Limited District Election Proposition is not approved at the Limited District Election, then the City shall be entitled to all tax revenues received by the City after the Full Purpose Annexation Date, including any taxes levied by the Board of Directors of the District in September, 2015.

Section 4.03 No Liability for Operations Performed by Others.

- a. The Parties agree that the City shall not be liable for any claims or causes of action arising out of, or resulting from the maintenance, operations, or ownership of the facilities owned by the District in the performance of the District's functions as described in this Agreement. The Parties agree that the District shall not be liable for any claims or causes of action arising out of, or resulting from the maintenance, operations, or ownership of the facilities owned by the City in the performance of the City's functions as described in this Agreement.

- b. The Parties further agree the City shall not be liable for any or all claims or causes of actions arising out of or resulting from the maintenance, operations, or other activities of the District on any property owned by the City. The District shall not be liable for any or all claims or causes of action arising out of or resulting from the maintenance, operations or other activities of the City.
- c. The District shall add the City of Austin as an added insured on its general liability insurance, which the District shall carry each year for the duration of the existence of the District.
- d. Effective as of the Utility Operations Transfer Date, the District shall no longer have any responsibility for the operation or maintenance of the Retail Water System and Retail Wastewater System serving the District, or any claims or causes of action relating to, arising out of, or resulting from such operations and facilities, and the City shall be solely responsible for all matters relating to, or arising out of, the Retail Water System and Retail Wastewater System, including the provision of retail water and wastewater service. Provided, however, that the City shall not be responsible for any claims or causes of action relating to, arising out of, or resulting from the District's operation of the facilities. As specified in Section 3.01 above, the District shall be responsible for all bills and invoices associated with the provision of water and wastewater service by the District prior to the District's final meter reading, and shall be responsible for all invoices and bills associated with the provision of service by the District prior to such final meter reading. Moreover, the District agrees that it shall tender the Water Tank Improvements Payment to the City in accordance with the terms and conditions set forth in Section 6.02 of this Agreement.

Section 4.04 Additional Bonds and Indebtedness by District.

- a. The District shall not issue bonds for any purpose without the prior written consent of the City Council.
- b. The District may not issue notes, incur indebtedness, or enter into lease agreements, other than for normal operation and maintenance of the District and for the purposes authorized in Section 4.01 of this Agreement. However, District operations and maintenance after the Effective Date of this Agreement shall not be construed to increase the level of services required after full-purpose annexation of the Remaining Property. Any such obligations or debts incurred by the District may not extend beyond the Full Purpose Annexation Date.

Section 4.05 Segregation of District Tax and Revenue Funds

- a. Commencing as of the Effective Date, the District will segregate existing and future tax revenues, and water and wastewater system revenues, into separate bank accounts. The District shall use the revenues associated with water and wastewater solely for the administration, operation and maintenance of the Retail Water System and Retail Wastewater System.
- b. On the Utility Operations Transfer Date, the District shall transfer any water and wastewater system fund balances to the City's Austin Water Utility.
- c. The District will retain any tax fund balances until the Full Purpose Annexation Date, at which time they will transfer to the Limited District, provided the Limited District Election Proposition is approved at the Limited District Election. If the Limited District Election Proposition is not approved, then the tax fund balances shall pass to the City on the Full-Purpose Annexation Date along with all other District funds and assets.

Except as stated in this Section, the segregation of funds set forth herein will not restrict the District's right or authority to pay its obligations from any lawful source of funds as the obligations become due in the ordinary course of business.

ARTICLE V
DISTRICT WATER, WASTEWATER, AND RECLAIMED WATER FACILITIES; PAYMENTS
TO CITY; FUNCTIONS

Section 5.01 Transfer of Ownership.

The parties confirm the prior transfer of ownership of the Retail Water System assets and Retail Wastewater System assets to the City as of the effective date of the Original Strategic Partnership Agreement. The Parties agree that the District shall retain full ownership of all other assets not previously conveyed to the City (or to be conveyed to the City as stated herein) until the Full-Purpose Annexation Date, at which time ownership of all District assets, shall pass to the City. Notwithstanding the foregoing, if the Limited District Election Proposition is approved by a majority of the District voters at the Limited District Election, ownership of certain Limited District Facilities shall automatically pass to the Limited District, and not to the City, as of the Conversion Date in accordance with Section 8.03 of this Agreement. If the Limited District Election Proposition is not approved at the Limited District Election, then ownership of the Limited District Facilities, along with all other District assets, shall automatically pass to the City as of the Full-Purpose Annexation Date.

Section 5.02 Payments to City for Services and Improvements

- a. The Parties confirm the prior annual payment by the District to the City, beginning on December 31, 2008, of the sum of \$272,000 in consideration for the City providing a year of unfunded full purpose municipal services in the year beginning on the Full Purpose Annexation Date, and for current and future benefits, improvements and services available to residents from within the corporate City limits, and in consideration for the other terms and covenants in this Agreement. Except as provided in subsection 5.03(b) below, the District shall continue to make the annual payment by December 31 of each year thereafter through December 31, 2014 (for seven total payments),
- b. In the event the Limited District Election Proposition is approved at the Limited District Election and the City commences operation of the Retail Water System and Retail Wastewater System on December 1, 2014, then the District's obligation to provide any revenues collected for water and wastewater services provided to the Commercial Property shall cease on December 31, 2013, in consideration of this Agreement. As of such date, the District shall be entitled to retain all revenues for services rendered to such property, and shall deposit such monies in its utility revenue fund.
- c. The Parties agree that the payment required under this section is not made for the purpose of foregoing annexation. The City shall provide an invoice for payment not later than 30 days prior to the due date each year for District accounting and audit purposes. If payment is not made, the City may, after written notice of default to the District and opportunity to cure within 30 days, accelerate the Full Purpose Annexation Date to a date 60 days after the written notice of default is given to the District, or exercise other remedies authorized by this Agreement.

Section 5.03 District Functions.

Prior to the Full Purpose Annexation Date, the District shall have those functions, purposes, and authorities specifically exercised or performed by the District prior to the Effective Date, or otherwise authorized under the laws of the State of Texas, except as modified by this Agreement. Notwithstanding the foregoing, upon the Utility Operations Transfer Date, the District shall no longer provide retail water or sewer services, and the City shall provide such services within the District. If the District takes any formal action to discharge a function or to exercise authority that is not directly related to those functions and purposes specifically exercised or performed prior to the Effective Date or otherwise authorized by this Agreement, the City may proceed as provided in Article X of this Agreement. The parties agree that any increased level of services performed by the District after the Effective Date will not affect the City's service obligations under the Annexation Service Plan.

Section 5.04 Audit; Review of District Records.

The District shall conduct an annual audit each year, at its sole expense, to be performed by an independent certified public accountant. The District shall file a copy of the completed audit with the City's Director of Financial Services. The District shall make its financial records available to the City for inspection during normal business hours upon prior reasonable notice by the City.

Section 5.05 Subdivision of District Office Tract.

- a. After the Limited District Election and not later than 180 days prior to the Utility Operations Transfer Date, and provided the Limited District Election Proposition is approved at the Limited District Election, the District shall prepare and file at its sole cost and expense an application for subdivision of the District Office Tract into two lots, referred to herein as the "Administrative Office Lot" and the "Water Tank Lot," as generally identified in the schematic attached hereto as Exhibit "I."
- b. If the City does not approve the subdivision of the District Office Tract, then ownership thereof shall transfer to the City on the Full-Purpose Annexation Date. Under such circumstances, the City shall convey to the Limited District an easement that grants the Limited District with the right to operate and maintain the lands, office building, park, parking, recreational improvements, landscaping and other improvements (excluding any and all assets that comprise the Retail Water System and Retail Wastewater System) within the proposed Administrative Office Lot for the duration of existence of the Limited District. The District agrees that such right shall not impair, condition, damage, or interfere with the City's ownership, operation, and maintenance of the Retail Water System and the Retail Wastewater System. Such easement shall be prepared, executed, and recorded by the City prior to the Full-Purpose Annexation Date, and shall be dated effective as of the Full Purpose Annexation Date. The parties agree that the Limited District shall have the sole and exclusive right to operate the administrative office building located on the Administrative Office Lot for the duration of existence of the Limited District.
- c. Prior to the Utility Operations Transfer Date and upon request of the City, the District agrees to grant to the City easements for any and all water and wastewater assets located within the District Office Tract. Such easement(s) shall be in a form specified by the City.

**ARTICLE VI
WHOLESALE SERVICE AND OPERATIONS AGREEMENT**

Section 6.01 Criticality Assessment Improvements.

The Parties acknowledge that the City previously undertook a Criticality Assessment of the water and wastewater system infrastructure serving the District in accordance with the terms of the Wholesale Service and Operations Agreement, and that the District has completed the improvements identified by the City except as set forth in Section 6.02 below with respect to the Criticality Assessment Water Storage Facilities, and except for the following improvements, which shall be undertaken by the District prior to the Utility Operations Transfer Date:

- (i) a sewer line repair at Manhole Station No. 4858.

Section 6.02 Criticality Assessment Water Storage Facilities.

- a. On or before the Utility Operations Transfer Date, the District shall tender payment to the City in the amount of \$245,000 (the "Water Tank Improvement Payment"). Upon the Utility Operations Transfer Date, the City shall be solely responsible for repair, repainting, operation, and maintenance of the Water Storage Facilities, and the District shall be released of any and all responsibility with respect thereto.
- b. The City agrees that the District may utilize any of its revenue accounts to fund the Water Tank Improvement Payment.
- c. If the Limited District Election Proposition is not approved at the Limited District Election, then the District shall tender the Water Tank Improvement Payment to the City on or prior to the Full Purpose Annexation Date.

Section 6.03 Termination of Wholesale Service and Operations Agreement.

- a. Upon the Utility Operations Transfer Date, the Wholesale Service and Operations Agreement shall terminate and become null and void.

**ARTICLE VII
SERVICE PLAN**

Section 7.01 Service Plan. The parties agree that the Annexation Service Plan attached hereto as Exhibit "G" (the "Service Plan") shall remain in effect according to its terms; provided, however, that the City shall not be required to provide any municipal services identified thereon that are functions or responsibilities of the Limited District under this Agreement.

**ARTICLE VIII
DISTRICT CONTINUATION AS A LIMITED DISTRICT**

Section 8.01 Continuation as a Limited District.

- a. Subject to approval of the Limited District Election Proposition at the Limited District Election, the District shall automatically convert upon the Conversion Date to a limited district under Section 43.075(f)(6) of the Local Government Code and shall be known as the "Lost Creek Limited District." If that the Limited District Election Proposition is not approved at the Limited District Election, then the District shall not automatically convert to the Limited District and instead shall dissolve in accordance with the provisions of Section 2.03 of this Agreement.

- b. The boundaries of the Limited District shall be coextensive with the District Boundaries.
- c. The Limited District shall exist for an initial term of 10 years. The term of the Limited District may be renewed successively by mutual agreement of the governing bodies of the City and the Limited District.
- d. If the Limited District Election results are invalidated by a final nonappealable judgment of a court of law finding that the election date was premature, then an election may again be held concerning the Limited District Election Proposition on the first available uniform election date subsequent to such final judgment. All costs associated with defending the validity of the Limited District Election, or relating to the validity of the Limited District, shall be paid by the District and/or the Limited District.

Section 8.02 Functions and Responsibilities of the Limited District.

- a. The functions and responsibilities of the Limited District shall be limited to the following, which may be changed from time to time only by written agreement of the governing bodies of the Limited District and the City:
 - i. maintaining, operating, controlling, and assuming responsibility for the Limited District Facilities located within the District Boundaries;
 - ii. developing and maintaining park and recreational facilities and services for the residents of the Limited District in accordance with Sections 49.461 – 49.466 of the Texas Water Code;
 - iii. enforcing deed restrictions within the District Boundaries pursuant to Section 54.237 of the Water Code (including exercising the architectural control powers of the District); and
 - iv. landscape debris collection for fire protection, consisting of the following: (i) residential brush and tree trimming “chipper” services for the residents of the Limited District; and (ii) brush clearing and disposal within the Limited District Facilities areas for fire mitigation, provided all such actions shall be coordinated with the City’s Parks and Recreation Department Ranger and Austin Fire Department’s Wildfire Mitigation Section. The City will provide all other solid waste services within the District effective as of the Full-Purpose Annexation Date.
- b. The City shall provide all solid waste collection services in accordance with the Service Plan. As provided in such Service Plan, the residents of the District may continue to utilize private solid waste collection services for a period of two years after the Full Purpose Annexation Date.
- c. The Parties agree that the Limited District shall have the power of the annexation in accordance with Section 49.301 – 49.302 of the Texas Water Code, but shall be required to secure the written consent of the City prior to annexing any property into the boundaries of the Limited District.

Section 8.03 Transfer of Assets to Limited District.

- a. Subject to approval of the Limited District Election Proposition at the Limited District Election, the parties agree that ownership of the Limited District Facilities identified in Exhibit “H” shall automatically transfer from the District to the Limited District on the Conversion Date. All other assets owned by the District as of such date shall automatically transfer to the City effective as of full purpose annexation of the property within the District.

- b. The parties agree that if the City does not approve the subdivision of the District Office Tract, then the District Office Tract shall automatically transfer to the City as of the Full Purpose Annexation Date. Under such circumstances, the City will have conveyed an easement to the District for the proposed Administrative Office Lot in accordance with Section 5.06 of this Agreement.

Section 8.04 Limited District Information to be Provided to City.

- a. The Limited District will provide the PDRD Director with a copy of the agenda for each meeting of its Board concurrently with the posting of the agenda at the Travis County Courthouse. The Limited District will also provide the PDRD Director with a copy of the minutes of all meetings of the Limited District's Board within five business days of the date of approval of such minutes.
- b. The Limited District will file a copy of its approved budget for each fiscal year with the PDRD Director within 30 days after approval by the Limited District's Board.
- c. The Limited District will obtain an annual audit, prepared by an independent certified public accountant, and will file a copy of its annual audit with the PDRD Director within 30 days after approval by the Limited District's Board.

Section 8.05 No City Liability for Limited District Operations.

The City will not be liable for any claims or causes of action which arise out of, or result from, the Limited District's ownership, operation, or maintenance of the Limited District Facilities, nor will the City be liable for any claims or causes of action arising out of or resulting from the Limited District's operations, maintenance, or other activities on any property owned by the City. To the extent authorized by law, the Limited District will indemnify, defend, and hold harmless the City from any claims, demands, actions, and causes of action whatsoever arising out of or resulting from the Limited District's maintenance, operation, or ownership of the Limited District Facilities, the Limited District's performance of its functions described in this Agreement, or the Limited District's maintenance, operations, or other activities on any property owned by the City. The Limited District agrees to cause the City to be added as an additional insured on its general liability insurance, which the Limited District agrees to obtain and maintain in full force and effect for each year of its existence.

Section 8.06 Bonds and Indebtedness of Limited District.

The Limited District may not issue bonds or notes for any purpose without the prior written consent of the City. The Limited District may not incur indebtedness or enter into lease agreements other than in connection with the normal functions and operations of the Limited District, for the operation, maintenance and repair of the Limited District Facilities, or for other purposes authorized in this Agreement.

Section 8.07 Limitations on Employment Obligations.

The Limited District will not, without the prior written approval of the City, enter into any contracts for employment that will result in a contractual obligation binding on the City after the date of dissolution of the Limited District.

Section 8.08 Limitation on Limited District Facilities and Related Debt.

After the Conversion Date, the Limited District may not acquire, purchase, construct, or lease additional Limited District Facilities, expand any existing Limited District Facilities, or incur debt, liabilities, or obligations to construct additional Limited District Facilities, other than Limited District Facilities which are provided for under this Agreement, without the prior approval of the City, which approval will not be unreasonably withheld, conditioned, or delayed. Nothing in this Agreement will be construed to prohibit the Limited District from repairing or replacing any Limited District Facilities, from installing landscaping or park and recreational improvements, or from modifying or upgrading any Limited District Facilities as may be required by applicable law or a regulation of any governmental entity with jurisdiction. Any repair, replacement or improvements undertaken by the Limited District shall be subject to the terms and conditions of this Agreement, including those provisions that require prior approval of the City.

Section 8.09 Restrictive Covenants.

The Limited District may not, without the prior written approval of the City, impose any restrictive covenants on property owned by the Limited District, other than restrictive covenants approved by the City. All restrictive covenants imposed by the Limited District on its property will be submitted to the PDRD Director and will be subject to his or her review and approval prior to execution and recordation, which approval will not be unreasonably withheld, conditioned, or delayed.

Section 8.10 Dissolution of the Limited District.

If, in any year, the Limited District fails to levy an operation and maintenance tax sufficient to perform its duties and functions as provided in this Agreement, after taking into account its then existing fund balances, the Limited District may be unilaterally dissolved by the City, and no consent of the Limited District or any property owner in the Limited District will be required. Upon the adoption of a resolution by City Council dissolving the Limited District under this Section, the City will assume all obligations, liabilities, indebtedness, and assets of the Limited District. The Board of Directors of the Limited District will cooperate with the City to ensure an orderly transition, and will execute any documents necessary to transfer the assets, obligations, indebtedness and liability of the Limited District to the City in a manner reasonably acceptable to the City Attorney. If any transfer has not been completed for any reason by the dissolution date, the Limited District agrees that the City will be authorized to finalize such conveyances as the District's successor-in-interest.

ARTICLE IX
MISCELLANEOUS PROVISIONS

Section 9.01 Effective Date and Multiple Counterparts.

This Agreement may be executed in multiple identical counterparts but shall not be effective unless executed by the City and the District on or before _____.

Section 9.02 Entire Agreement/Conflicting Provisions.

- a. This Agreement is not intended to waive or limit the applicability of laws, regulations, and ordinances applicable to the District or the City, nor does it waive the jurisdiction or sovereignty of any governmental body with respect to the District or the City.
- b. As of this date there are no agreements, oral or written, between the Parties which are in conflict with this Agreement. This Agreement, together with all of the attachments to this Agreement,

- f. If any date or period provided in this Agreement ends on a Saturday, Sunday, or legal holiday, the applicable period for calculating Notice is extended to the first business day following the Saturday, Sunday, or legal holiday.

Section 9.04 Time.

Time is of the essence in all matters pertaining to the performance of this Agreement.

Section 9.05 Severability or Modification of Agreement as a Result of Court Action, or Amendment of State Law or Statutory Authority for the Agreement; No Legislative or Litigative Efforts by District.

- a. If any word, phrase, clause, sentence, paragraph, section, or other part of this Agreement, or the application of the word, phrase, clause, sentence, paragraph, section or other part of this Agreement to any person or circumstance is held by a court of competent jurisdiction to be invalid or unconstitutional for any reason, the Parties agree that they will amend or revise this Agreement to accomplish to the greatest degree practical the same purpose and objective of the part determined to be invalid or unconstitutional, including without limitation amendments or revisions to the terms and conditions of this Agreement pertaining to or affecting the rights and authority of the Parties in areas of the District annexed by the City pursuant to this Agreement, or proposed to be annexed .
- b. If any word, phrase, clause, sentence, paragraph, section, or other part of this Agreement is nullified or modified in whole or in part as a result of amendments to the underlying state law and statutory authority for this Agreement, the Parties agree and understand that such modification may frustrate the purpose of this Agreement. The parties agree that they will attempt to amend or revise this Agreement to accomplish to the greatest degree practical (i) the same purpose and objective of the part of this Agreement affected by the amendment of the underlying state law and statutory authority and (ii) the original intent and purpose of this Agreement
- c. The District will not engage in litigation or legislative processes to challenge this Agreement, or to resolve any disputes related to the agreed annexation process or service plan. If future legislation would have the effect of prohibiting annexation or requiring further approval of residents for annexation, it is the intent of the Parties that annexation will take place in accordance with this Agreement irrespective of any such legislation. Further, the District will not seek or support legislation to incorporate all or a portion of itself as a municipality. The District will not contest the City in its efforts to assure that future legislation does not prohibit, or impose additional requirements affecting, the City's right and ability to annex the District in accordance with the terms of this Agreement.

Section 9.06 Waiver.

Any failure by a Party to the Agreement to insist upon strict performance by the other Party of any provision of this Agreement shall not be deemed a waiver of the provision or of any other provision of the Agreement. The Party has the right at any time to insist upon strict performance of any of the provisions of the Agreement.

Section 9.07 Applicable Law and Venue.

The construction and validity of the Agreement shall be governed by the laws of the State of Texas (without regard to conflict of laws principles). Venue shall be in Travis County, Texas.

Section 9.08 Reservation of Rights.

To the extent not inconsistent with this Agreement, each Party reserves all rights, privileges, and immunities under applicable law.

Section 9.09 Further Agreement and Documents.

Both Parties also agree that they will perform any further acts as the other Party may reasonably request to effectuate the terms of this Agreement.

Section 9.10 Incorporation of Exhibits and Other Documents by Reference.

All exhibits and other documents attached to or referred to in this Agreement are incorporated into this Agreement by reference for the purposes set forth in this Agreement.

Section 9.11 Assignability, Successors, and Assigns.

This Agreement shall not be assignable by the District without the prior written consent of the City Council of the City.

This Agreement shall be binding upon and inure to the benefit of the Parties and their respective representatives, successors, and assigns.

Section 9.12 Amendment.

This Agreement may only be amended in writing upon the approval of the governing bodies of the City and the District.

Section 9.13 Force Majeure.

If that either Party is rendered unable by force majeure to carry out any of its obligations under this Agreement, whether in whole or in part, then the obligations of that Party, to the extent affected by the force majeure, shall be suspended during the continuance of the inability, provided, however, that due diligence is exercised to resume performance at the earliest practicable time. As soon as reasonably possible after the occurrence of the force majeure relied upon to suspend performance, the Party whose contractual obligations are affected thereby shall give notice and full particulars of the force majeure to the other Party. The cause, as far as possible, shall be remedied with all reasonable diligence. The term "force majeure" includes acts of God, strikes, lockouts or other industrial disturbances, criminal conduct or sabotage, acts of the public enemy, orders 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 civil disturbances, explosions, breakage, or accidents to equipment, pipelines, or canals, partial or complete failure of water supply, and any other inability of either Party, whether similar to those enumerated or otherwise, that are not within the control of the Party claiming their ability and that could not have been avoided by the exercise of due diligence. It is understood and agreed that the settlement of strikes, lockouts and other industrial or labor disturbances shall be entirely within the discretion of the party having the difficulty and that the requirement that any force majeure be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts or other industrial or labor disturbances by acceding to the demands of the opposing party if the settlement is unfavorable to it in the judgment of the Party having the difficulty. Force majeure shall relieve City from liability to the District or any water or wastewater customer of the District for failure to provide water or wastewater service due to an inability covered by this Article.

Force majeure shall not relieve the District of its obligation to make payment to the City as provided in this Agreement or the Wholesale Service and Operations Agreement.

ARTICLE X
DEFAULT AND REMEDIES FOR DEFAULT

Section 10.01 Default.

- a. Upon the occurrence, or alleged occurrence, of an event of default under or violation of this Agreement, the non-defaulting Party shall send the defaulting Party Notice of its default or violation or alleged default or violation. Except as otherwise specifically provided in this Agreement and subject to force majeure, the defaulting Party must cure its default or violation within thirty days following receipt of the Notice of default or violation.
- b. If the default or violation is not cured within the thirty day period, the non-defaulting Party may sue for enforcement or cancellation of this Agreement. However, prior to bringing any proceeding in a court of law or before a court of competent jurisdiction, the Parties may (but are not required to) resolve the issue through alternative dispute resolution. If the Parties agree to seek alternative dispute resolution, they must participate in good faith. The Parties shall share the costs of the mediation or arbitration equally. The Parties further agree that neither the City nor the District is not obligated to resolve any dispute based on an arbitration decision under this Agreement if the arbitration decision compromises the City's or District's sovereign immunity.
- c. If the Parties are unable to resolve their dispute through mediation or arbitration, if any, the non-defaulting Party shall have the right to enforce the terms and provisions of this Agreement by specific performance or by such other legal or equitable relief to which the non-defaulting Party maybe entitled. Any remedy or relief described in this Agreement shall be cumulative of, and in addition to, any other remedies and relief available at law or in equity.
- d. If the defaulting Party fails to abide by these deadlines, the non-defaulting Party shall have all rights and remedies available in law and equity and all rights and remedies provided in this Agreement.
- e. All of these rights and remedies shall be cumulative.
- f. The Parties agree that the remedy of accelerated full purpose annexation of the District set forth in Section 5.03 of this Agreement is limited solely to the breach described therein, and shall not be available for any other breach under this Agreement. The parties agree that none of the remedies specified in this agreement shall apply to a breach of the agreement attached hereto as Exhibit "E", and that the remedies available for a breach of said agreement shall be controlled by the remedy provisions of the agreement.

Section 10.02 Dissolution of the District

- a. If the District is dissolved for any reason prior to the Full Purpose Annexation Date, this Agreement shall automatically terminate and the City shall have the right to accelerate the Full Purpose Annexation Date without restriction.
- b. If the District is dissolved, the Board of Directors for the District shall continue to exist after the dissolution for the sole purpose of doing any and all acts or things necessary to transfer the assets, obligations, indebtedness, and liabilities to the City.

IN WITNESS WHEREOF, this Agreement consisting of 35 pages and Exhibits A-I is executed in multiple identical counterparts.

CITY OF AUSTIN, TEXAS

By: [Signature]
City Manager

Attest: _____
City Clerk

LOST CREEK MUNICIPAL UTILITY DISTRICT

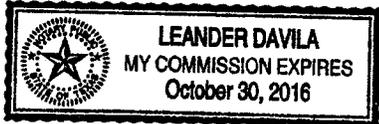
By: [Signature]
President, Board of Directors

Attest: [Signature]
Secretary

STATE OF TEXAS

COUNTY OF TRAVIS

This instrument was acknowledged before me on the 12 day of March, 2013, by Marc A OH, City Manager for the City of Austin, Texas, for and on behalf of the City of Austin, Texas.



Notary Public in and for the State of Texas
My Commission Expires: 10/30/16

STATE OF TEXAS

COUNTY OF TRAVIS

This instrument was acknowledged before me on the 25 day of January, 2013, by Steve Veregge, President of the Board of Directors Lost Creek Municipal Utility District, for and on behalf of the Lost Creek Municipal Utility District.



Notary Public in and for the State of Texas
My Commission Expires: 11-17-14

EXHIBIT E

**AGREEMENT FOR WHOLESALE WATER
SERVICE AND OPERATIONS MANAGEMENT OF FACILITIES
BETWEEN THE CITY OF AUSTIN AND THE LOST CREEK MUNICIPAL UTILITY
DISTRICT**

THE STATE OF TEXAS)
)
COUNTY OF TRAVIS) **KNOW ALL BY THESE PRESENTS:**

THIS AGREEMENT ("Agreement") is made and entered into between the of City of Austin, Texas ("City"), a Texas home rule municipal corporation, and the Lost Creek Municipal Utility District, a conservation and reclamation district created and operating as a municipal utility district pursuant to the provisions of Chapters 49 and 54, Texas Water Code ("District"), collectively "Parties".

WHEREAS, the City and the District previously entered into the Revised Agreement on Lost Creek Municipal Utility District, executed on July 7, 1977, the Water and Wastewater Contract, executed on July 7, 1977, and the First Supplement to Revised Agreement on Lost Creek Municipal Utility District, executed on June 22, 1990 ("Prior City Agreements");

WHEREAS, the District entered into those certain agreements with Hill Country Golf, Inc., Barton Creek Country Club, Stratus Properties, Inc., and/or Travis County Municipal Utility District #4, listed hereto in Exhibit 1 (collectively, the "Prior Irrigation Agreements") regarding the disposal of treated effluent from the District's wastewater treatment plant;

WHEREAS, the City and the District desire to enter into a new agreement, prior to full purpose annexation by the City on December 31, 2015, to set out terms and conditions for the City's continued provision of wholesale water service to the District for its distribution system, for the ownership, operation, and maintenance of the District's water, wastewater, and reclaimed water facilities; and to supersede all Prior City Agreements;

WHEREAS, the Austin City Council, by minutes, dated ____ ____, has authorized the negotiation and execution of this Agreement with the District;

WHEREAS, the District, by minutes, dated _____, has authorized the negotiation and execution of a this Agreement with the City;

NOW, THEREFORE, in consideration of the foregoing premises and the mutual undertakings herein contained, the parties agree as follows:

**ARTICLE I
DEFINITIONS**

The following terms shall have the meanings set out below:

- 1.01. City Water System:** means all water treatment, transmission, and distribution facilities, lines, mains, reservoirs, and pump stations; residential, commercial, and industrial connections; and any other parts or components that comprise the public water system of the City.
- 1.02. Commission:** means the Texas Commission on Environmental Quality or its successor agency.
- 1.03. Connection:** means a single family residential unit, or each commercial or industrial establishment, to which drinking water is supplied from the Retail Water System.
- 1.04. Default:** means the omission or failure of a party to perform its contractual duty under this Agreement.
- 1.05. Director:** means the Director of the Austin Water Utility or the Director's authorized designee.
- 1.06. Effective Date:** means the last date of execution of this Agreement.
- 1.07. EPA:** the United States Environmental Protection Agency.
- 1.08. Industrial Waste:** industrial waste as defined in Chapter 15-10 of the 2006 Austin City Code, as amended.
- 1.09. Infiltration and Inflow:** water that has migrated from the ground or through direct sources into a wastewater system.
- 1.10. Master Meter:** means a water meter that serves more than one residential, commercial, or industrial customer.
- 1.11. Point of Delivery:** means the point designated and approved under this Agreement at which the District may withdraw water from the City Water System for distribution as more particularly described in Exhibit 2.
- 1.12. Replacement Irrigation Agreements:** means any agreements entered into by the City regarding the storage and disposal of treated wastewater effluent generated within the Service Area, as more particularly described in Section 12.08.
- 1.13. Retail Wastewater System:** means the collection lines, lift stations, mains, residential, commercial, and industrial connections and any other parts or components that comprise the public wastewater system serving the retail customers located within the Service Area and also includes the

District's ownership interest in any facilities necessary for the storage and transfer of treated effluent for irrigation purposes.

1.14. Retail Water System: means the lines, reservoirs, pump stations, mains, residential, commercial, and industrial connections, and any other parts or components that comprise the public water system serving the retail customers of the Service Area.

1.15. Service Area: means a portion of District's boundaries and City approved out-of-district areas as more particularly designated on Exhibit 2.

1.16. Sewage: water-borne human excretae and gray water.

1.17. Waste or Wastewater: liquid or water borne waste, including, without limitation, sewage, industrial waste, or other wastes, whether separate or commingled.

1.18. Water: means potable water meeting the requirements of the Commission for human consumption and other domestic uses.

1.19. Wholesale Water Service: means City's provision of a potable water supply to the District for its distribution system that serves retail connections in the Service Area.

ARTICLE II. DELIVERY OF WATER

2.01. Maximum Volume and Rate of Flow. Subject to all the terms and conditions set forth in this Agreement, the City agrees to sell and the District agrees to buy potable water for the operation of the Retail Water System for domestic, commercial, and industrial uses on an as-needed basis in an amount not to exceed a monthly average of 1.8 million gallons per day ("MGD"), at a rate not exceeding the capacity of the existing City pumping infrastructure, and at a minimum pressure of 35 pounds per square inch ("psi") under normal operating conditions at the Master Meter located at the agreed Point of Delivery. The parties agree that a monthly average of 1.8 MGD is the maximum level of service to which the District is entitled under this Agreement.

2.02. Sole Water Supply Intended. The District and the City agree that the City shall provide the sole source of water for the operation of the Retail Water System during the term of this Agreement and the Parties do not construe this agreement to provide for supplemental, backup, peak-load, or as-available service. Notwithstanding the foregoing, if the City cannot provide 1.8 MGD of potable wholesale water supply in accordance with Section 2.01 above, then the District may, after written notice to the City, obtain a supplemental supply of water from an alternative service provider, and the District will assume all costs associated with such alternative supply, including backflow prevention to protect the City Water System.

2.03. Manner of Water Delivery. During the term of this Agreement, the District shall provide retail water service to the connections within the Service Area in this Agreement by means of the Retail Water System connected to the City Water System at the Point of Delivery.

2.04. Nondiscrimination. Water service to the District by the City shall be nondiscriminatory and consistent with City policies, ordinances, and regulations applicable to wholesale water services as established by the Austin City Council and amended from time to time.

2.05. Backflow Prevention.

The District shall be solely responsible for adopting and enforcing appropriate regulations for the control and elimination of cross-connections and conditions of backflow and back siphonage within the Retail Water System in accordance with applicable federal, state, and local laws and regulations.

2.06. Curtailment and Conservation Restrictions. Delivery, volume, and pressure of potable water to the District under this Agreement is subject to and limited by the City's available water supply and water system treatment and transportation capabilities. The City shall have the right to curtail or ration wholesale service to the District in times of high system demand in the same manner and to the same extent that the City imposes such curtailment or water rationing on other wholesale customers of the City. The City will give written notice to the District of the implementation and termination of any conservation and user restrictions it imposes on its wholesale customers. Further, within thirty days of the execution of this Agreement, the City agrees to provide the District current data regarding the City's water conservation program, including its conservation goals. The District shall utilize such data for purposes of adopting a water conservation program in accordance with Section 3.01 below.

2.07. Temporary Curtailment of Service for Maintenance, Capital Replacement or Emergency Operations. The City shall have the right at all times to curtail water service hereunder in the event of a required maintenance operation, replacement of capital facilities, or emergency for a reasonable period necessary to complete such maintenance operations or capital replacement, effect emergency repairs, or otherwise respond to emergency conditions necessitating the temporary suspension of water service or decreased volume or pressure. For any curtailment other than one caused by an emergency, the City, if possible, will give at least 72 hours telephonic notice to the District. In the event of an emergency curtailment, the City will give telephonic notice as soon as possible.

2.08. Cooperation During Maintenance or Emergency. The District shall cooperate with the City during periods of emergency or required maintenance or replacement of equipment and, if necessary, the District shall, at its sole expense, discontinue, cycle, test, inspect, or otherwise operate and maintain its pumps or the Retail Water System in a manner to be necessary to the safe and efficient completion of such operations.

2.09. Operation and Maintenance. Unless otherwise agreed in writing, the District shall be responsible for operation, maintenance, and leakage of water of the Retail Water System.

**ARTICLE III.
WATER CONSERVATION**

3.01. Water Conservation Program. The District will adopt and enforce a water conservation program sufficient to meet the requirements of Commission water conservation rules, as amended. The District shall also adopt and enforce water conservation measures and goals that are similar to the measures and goals within the City's water conservation program, as amended. Not later than ninety (90) days after receipt of the data furnished by the City in accordance with Section 2.06 above, the District agrees to provide to the City a written water conservation program, which shall be prepared to achieve the same goals in water usage as the City's water conservation program based on local usage, soil and other conditions within the District. If the City determines that the District's water conservation program is not reasonably designed to achieve water conservation goals at least equal to those of the City's water conservation program, then the City may request that Patrick Keel, or other mutually acceptable arbitrator, meet with the Parties within 10 days of the City's request, who will make the final binding determination (either the District's program is reasonably designed to achieve water conservation goals at least equal to those of the City's water conservation program or it is not, in which event the arbitrator may specify necessary revisions thereto) within 3 business days of the joint meeting. The Parties agree to share the cost of the arbitrator equally. The District may submit proposed revisions to its water conservation plan from time to time thereafter, which shall be subject to the same review and arbitration process set forth above.

**ARTICLE IV.
WASTEWATER SERVICE**

4.01. Operation and Maintenance. The District shall be responsible for operation, maintenance, and overflow, if any, of wastewater of the Retail Wastewater System. The City agrees that the District may adopt and enforce reasonable rules and regulations applicable to all customers, including those in the commercial area, required for the protection and proper operation of the Retail Wastewater System.

4.02. Condition of Wastewater.

The District shall require all persons discharging wastewater containing industrial waste or other prohibited waste to the Retail Wastewater System to comply with applicable EPA, Commission, or the District's pretreatment regulations. The District agrees to pay for the cost of required repairs to the Retail Wastewater System that is caused by such wastewater. The District agrees that the City shall have the right, at its option and expense, to sample wastewater discharges within the Retail Wastewater System at the site of discharge, and other locations as required for the purpose of determining the source, type, and strength of discharge.

4.03. District Prevention of Infiltration and Inflow. The District will undertake reasonable measures to minimize infiltration and inflow to the Retail Wastewater System.

The District agrees that it will maintain supervision and maintenance of the Retail Wastewater System to prevent connections such as roof drains or any other means by which surface drainage can enter the Retail Wastewater System.

**ARTICLE V.
COMPLIANCE WITH STATE LAWS AND CITY REGULATIONS**

5.01. Legal Lots Required. The District shall not sell taps or otherwise permit the connection of water or wastewater service to any customer within the Service Area unless the property is exempt from or in compliance with the provisions of Chapter 212, Texas Local Government Code, as amended.

5.02. Service Outside District; Enlargement of District Boundaries or Service Area. The District agrees that it shall not construct or install water or wastewater facilities to serve areas outside the Service Area in this Agreement, nor sell, resell, or deliver water or reclaimed water to areas outside the Service Area as of the Effective Date unless it first obtains the prior written consent of the City. The District further agrees that it will not initiate any proceedings to enlarge its jurisdictional boundaries through any other agency or court of competent jurisdiction. This section shall not prevent the District from delivering reclaimed water under the Prior Irrigation Agreements for so long as such agreements remain in effect. Moreover, any Replacement Irrigation Agreements shall not restrict or interfere with the proper disposal of all wastewater generated from the Service Area.

5.03. Agreement Subject to Applicable Law. This Agreement will be subject to all applicable federal, state, and local rules, regulations, and laws, and of any other governmental body or agency having lawful jurisdiction.

5.04. District Cooperation to Assure Regulatory Compliance. Because both Parties must comply with all federal, state, and local requirements to obtain permits, grants, and assistance for system construction, studies, etc., the District and the City will cooperate in good faith at all times to assure compliance with any such governmental requirements where noncompliance or noncooperation may subject the parties to penalties, loss of grants or other funds, or other adverse regulatory action.

5.05. Sewer System Overflows. The District will immediately notify the City of any sewer system overflows originating inside the Service Area. The District is responsible for timely providing any required notice to the EPA and the Commission regarding any overflows. If the EPA or the Commission issues any form of order or penalty for violations of applicable law resulting from operation, maintenance, or other program associated with the Retail Wastewater System, the District will take all necessary action to comply with, or otherwise respond to, the order. To the extent permitted by law, the District agrees to hold the City harmless for violations that occur within the Retail Wastewater System that arise out of the actions or inactions of the District, and which do not arise out of the actions or inactions of the City.

5.06. Water Line Breaks. The District shall notify City of any water line breaks inside the Service Area in this Agreement. The District is responsible for timely providing any required notice to Federal, State, and/or local government officials regarding water line breaks. If the Commission issues any form of order or penalty for violations of applicable law resulting from operation, maintenance, or other program associated with the Retail Water System, the District will take all necessary action to comply with, or otherwise respond to, the order. To the extent permitted by law, the District agrees to hold the City harmless for violations that occur within the Retail Water System that arise out of the actions or inactions of the District, and which do not arise out of the actions or inactions of the City.

5.07. Right of Entry. In cooperation with and after notice to the District, the City shall have the right of entry and access to the Retail Water System and the Retail Wastewater System at all times in order to inspect those facilities, to investigate the source of operational or maintenance problems, for preventive purposes intended to detect, minimize, or avert operational or maintenance problems, or for any other purpose reasonably related to the provision of service. The District shall make all arrangements reasonably required to provide such access, provided that the City provides at least one (1) working day's written notice or, in the event of an emergency, prior notice by telephone or confirmed facsimile, to a District representative describing the City's need for emergency access. This Agreement shall not affect the City's access for inspections conducted under the provisions of Federal or State law, or the City's EPA required program governing the pretreatment, monitoring, and discharge of industrial waste.

5.08. Verification of Connections. The District will make available for inspection and copying during regular business hours, at the City's expense, all records for retail connections to the Retail Water System and Retail Wastewater System. In addition, the City will have the right to inspect the Retail Water System and Retail Wastewater System at any time to verify the type and amount of retail connections made, and District will provide lawful access to the City for this purpose.

ARTICLE VI. RATES, CHARGES, AND BILLING

6.01. Wholesale Water Rates. The District agrees to pay the City for all wholesale water delivered to the District under this Agreement, in accordance with the wholesale water rate established and amended from time to time by the Austin City Council for the District's customer class.

6.02. Wholesale Billing and Payment. The City shall send a bill to the District once per month setting forth the quantity of water delivered to the District as determined by the City's periodic readings of the Master Meter installed at the Point of Delivery. Each bill shall include a due date and the total amount owed to the City based on the metered quantity of wholesale water delivered multiplied by the City's wholesale water rate for District's customer class, as amended from time to time by the Austin City Council. The District shall pay the total amount owed to the City by the due date on each bill for Wholesale Water Service. If the District in good faith questions the amount of the bill, the District shall follow the procedures therefore established in the City's Utility Customer

Service Regulations in Chapter 15-9 of the 2006 Austin City Code, as amended. In the event of a conflict between this Agreement and the terms of the City's Utility Service Regulations, the provisions of this Agreement shall prevail.

The District agrees to make timely payments to the City for Wholesale Water Service. Payments shall be considered past due 30 days after the date of receipt of each bill for Wholesale Water Service. The City may apply a late charge on past due payments in accordance with its policies and ordinances applicable to other customers of the City.

6.03. Effect of Default for Non-Payment. With respect to monthly wholesale water billings and monthly remittance of Commercial Revenues (as defined in Section 6.04 below), if the City has not received payment from the District by the due date, the bill shall be considered delinquent, unless contested in good faith. In such event, the City shall notify the District of such delinquency in writing, if the District fails to make payment of the delinquent billing within 30 days from the date of transmittal of a written notice of delinquency from the City, then the City may, at its discretion, temporarily terminate service to the District until payment is made, subject to the District's right of continuity of service during a good faith appeal or a disputed bill as provided by applicable state laws and regulations and the City's Utility Service Regulations, Chapter 15-9 of the 2006 Austin City Code, as amended.

If the District has not paid a delinquent bill within 30 days of the above notice and there is no good faith appeal of a disputed bill pending, then the City shall have the right, at the City's sole option, to (i) reduce service to the District under this Agreement (and the District shall not invoke remedies in Section 2.02), (ii) require the District to terminate service to non-paying customers in accordance with the City's Utility Service Regulations, or (iii) pursue such other and further remedies as the City shall deem appropriate. The remedy of full purpose annexation shall not be available to the City for any default or dispute arising out of or relating to this Agreement except as provided in Section 10.05 herein.

6.04. District's Budget and Rates. The District agrees to adopt and manage its own budget, tax rate, and water and wastewater utility rates and fees. The District agrees to manage such in a manner to ensure that all contractual and regulatory obligations and requirements are promptly and timely met.

Notwithstanding any statement herein, the District agrees to charge the commercial area, identified in Exhibit 2, the City's water and wastewater rates and fees, as amended, for inside City customers ("Commercial Revenues") as of December 31, 2007. The District shall remit such amounts on a monthly basis, with supporting documentation, to the Austin Water Utility and shall not charge the City any District fees or charges or retain any amount from the Commercial Revenues. To ensure that the customers in the commercial area will be subject to the in-City commercial rates adopted by the City pursuant to its ordinance powers, the Customers in the commercial area will be considered retail customers of the City for the term of this Agreement; provided, however, the District shall perform billing, collection, operation, maintenance and other services specified in this Agreement on behalf of the City by contract. The City agrees to provide timely written notice to the District of all

rates applicable to the commercial area, and the District shall not be responsible for any payments to the City for shortfalls because the City failed to provide such notice to the District.

The District agrees to provide the City a copy of its proposed budget, tax rate, and water and wastewater utility rates and fees at least 60 days prior to the District's adoption of such. The information provided to the City will be of sufficient detail in order for the City to identify and understand each specific proposed capital improvement that will be made to the facilities. The City will review and provide input on the District's proposed budget, tax rate, and water and wastewater utility rates and fees, which may be subject to revision based upon final Travis County Appraisal District values. The District agrees to respond to all reasonable City inquiries and input prior to the District's adoption of its proposed budget, tax rate, and water and wastewater utility rates and fees and give the City's input serious consideration.

The District agrees to provide the City 30-day written notice of the date, time, and location of the District meeting to adopt its proposed budget, tax rate, and water and wastewater utility rates and fees.

6.06. District Water Rates and Charges. During the term of this agreement, the District shall fix and collect rates and charges for retail water and wastewater service to its customers that are, in the opinion of the District's Board of Directors, sufficient, together with any other revenues and funds available to the District, to produce the amount necessary to operate, repair, and maintain the Retail Water System, Retail Wastewater System, and to pay the cost of Wholesale Water Service from City under this Agreement.

The District shall be solely responsible for ensuring that its retail rates and charges are determined and collected in accordance with applicable law.

6.07. District's Water and Wastewater Billing and Collection Services. The District shall continue to provide customer billing, collection, and customer inquiry services as was provided as of the Effective Date for all of its retail and out-of-district customers.

6.08. District Responsible for Approval of Retail Connections. The District will be solely responsible for the appropriate allocation of water and wastewater capacity among its retail customers within the Service Area. The District will be responsible for ensuring compliance by its retail customers with the applicable terms of this Agreement and for the proper and lawful application of District policies and ordinances governing connection to the Retail Water System and Retail Wastewater System.

6.09. Customer Connection Fees. The District shall be solely responsible for the proper exercise of its governmental power to assess and collect fees, rates, taxes, or other charges and for ensuring that the assessment and collection of the same is in compliance with applicable law.

6.10. District Fees Charged to the City. The District agrees that it shall not charge the City any fees or charges or require any licenses related to the City's ownership or the District's operations

and maintenance of the Retail Water System and Retail Wastewater System located within the Service Area.

6.11. Obligation of District. The Parties agree that the District's obligations under this Agreement to make payments to the City for Wholesale Water Service and Commercial Revenues in any fiscal year are a current expense for that fiscal year payable solely from the revenues of the Retail Water System and Retail Wastewater System for that fiscal year. The obligation of the District to make payments to the City does not constitute a general obligation or indebtedness of the District for which the District is obligated to levy or pledge any form of taxation.

ARTICLE VII. METERS

7.01. Master Water Meters Required. All water consumed by the District shall be measured by Master Meters of a design, size, location and configuration approved by the Director and District's Engineer. The parties agree that the existing Master Meter(s) located at the Point of Delivery in Exhibit 2 shall be deemed approved under this Section upon the Effective Date.

7.02. Master Water Meter Requirements. The City shall operate and maintain the Master Meters and related equipment and appurtenances and shall calibrate the metering equipment annually and more frequently upon request by the District provided, however, that the additional cost of calibrating the metering equipment shall be borne by the District if the meter is deemed to be reading accurately. Any meter registering within American Water Works Association, or its successor, standards for that type and size of meter shall be deemed to be accurate. Unless otherwise agreed in writing, if any meter fails to register accurately for any period, the City's charge for the amount of water furnished during such period shall be determined in accordance with the City's Utility Service Regulations as in effect on the effective date of this Agreement. The City shall read the metering equipment at least once for each monthly billing cycle.

7.03. Wastewater Flow Meter. The District shall continuously measure treated wastewater discharged from the wastewater treatment plant. The District shall calibrate the metering equipment annually and more frequently upon request by the City provided, however, that the additional cost of calibrating the metering equipment shall be borne by the City if the meter is deemed to be reading accurately. A wastewater meter registering within 10% of accurate flow measurements shall be deemed to be accurate.

ARTICLE VIII. CONSTRUCTION OF FACILITIES

8.01. Construction by District. Unless otherwise agreed in writing, the District shall be solely responsible for design, engineering, financing, construction, installation, inspection, operation, maintenance, repair, and replacement of all facilities within the Retail Water System and Retail Wastewater System.

8.02. No Private Lines; Reselling of Water. The District has no knowledge of any existing, and shall prohibit the installation of new, privately owned water lines, mains, or appurtenances installed, maintained, or utilized in the public right-of-way within the Service Area in this Agreement. The District shall not permit the resale of potable water provided by the City, even if mixed with other water sources, under this Agreement.

8.03. Approval of Plans and Specifications. All new water and wastewater facilities installed after the Effective Date shall be constructed or installed to the City's standards and design criteria and in accordance with plans and specifications approved by the City, the Commission, the Texas Department of State Health Services, and any other agency having jurisdiction thereof. The review and approval requirement shall not apply to the repair or replacement of existing facilities where circumstances require prompt action including, without limitation, the repair or replacement of line breaks or any actual or threatened release of potable water or wastewater into the environment, but all such repairs and replacements must be accomplished in accordance with the City's standards and design criteria, and all applicable requirements of any other governmental entity with jurisdiction.

The Director will review and approve or disapprove any plans submitted under this subsection within 30 days of submittal. Upon request by the Director, District shall timely submit all documents that are needed for the review and approval of plans and specifications. If any plans are not approved, the Director will provide written comments to District specifying in detail the changes that will be required for approval of the plans and specifications. District agrees not to advertise for bids until approval from the Director has been secured with respect to the plans and specifications.

If after approval of the plans and specifications by the City, the District fails to enter a construction contract for those facilities within two years, the District must resubmit the plans and specifications for review and approval by the Director to assure their conformity with City's then current specifications, and current laws, ordinances, and regulations. If such plans and specifications do not conform to the then existing standards, then, upon the request of the Director, the District agrees to revise the plans and specifications to meet the City's standards before commencement of construction.

The City may inspect all phases of the construction.

8.04. Notification of Commencement of Construction. After all required approvals for construction is obtained but prior to commencement of construction, the District shall provide written notice to the Director of the date on which construction of the facilities is scheduled to commence to allow the City to assign an inspector.

8.05. As-Built or Record Drawings Upon Completion of Construction. Upon completion of construction or any portion thereof, the District shall within 14 days provide, at the District's expense, to the Director as-built drawings or record drawings of each such completed project.

8.06. Acquisition of Rights-of-Way. The District represents and warrants that to the best of its knowledge, it has all required easements and access rights required to access, own, and operate the

Retail Water System and Retail Wastewater System, either by instrument, plat dedication or by prescription, and the District transfers and assigns said rights to the City in accordance with the terms of this Agreement. In the event that any third person challenges the City's exercise of any such rights prior to December 31, 2015, then the District agrees to fully cooperate with the City and take all reasonable actions at the District's expense to defend or establish such rights.

**ARTICLE IX.
SERVICE AREA AND LIMITATIONS ON SERVICE**

9.01. Limitation of Service Area. The Parties agree to the following:

(a) This agreement is for a specific level of Wholesale Water Service for the Service Area. The District may not expand the level of Wholesale Water Service, or provide water or wastewater service outside the Service Area without the prior approval of the Austin City Council;

(b) The Austin City Council reserves the right to deny for any reason any requests by the District for approval under subsection (a) above;

(c) If the District provides water or wastewater service outside the Service Area, without the approval of City, as reflected by an amendment to this Agreement, the City may require the District to immediately terminate service to the land outside the Service Area;

(d) The District may not connect any customer that the District knows provides water or wastewater service directly or indirectly to another person or entity outside the Service Area. The District will immediately terminate the service of any such customer once it discovers any such connection; and

(e) The District will notify the City within three business days if the District receives a request to serve outside of the Service Area.

9.02. No Delegation of Governmental Authority. The limitations stated herein shall not be construed as a delegation by the District to the City of any governmental authority or power but rather shall be construed as a contractual requirement for consent by the City to the enlargement of the City's required performance hereunder and a condition precedent to further performance by the City hereunder.

9.03. Septic Tank Regulations. The District will enforce its existing regulations relating to septic tank inspection.

**ARTICLE X.
OWNERSHIP OF FACILITIES**

10.01. Transfer of Ownership.

(a) Upon the Effective Date and except as otherwise provided below, the District grants, bargains, sells, assigns, and conveys all of its water, wastewater, and reclaimed water infrastructure, and personal and real property containing such infrastructure ("Utility Property"), to the City, together with all and singular the rights, interests, and appurtenances thereto in any wise belonging. The Parties agree that the District shall retain full ownership of, and not convey its administrative offices; parklands and greenbelt areas; parking areas for employee vehicles at the District's administrative offices; or any other personal or real property interests not reasonably required for the City's operation of the water, wastewater, and reclaimed water infrastructure being conveyed hereby (as described in Exhibit 3). With respect to any water or wastewater infrastructure located in the real property being retained by the District, the District agrees to convey to the City an easement (in the form attached hereto as Exhibit 4) within said properties for the facilities and equipment as installed as necessary for the City to access, own, operate, and maintain the facilities. The easements shall reserve to the District full authority with respect to the real property interests being retained by the District, provided the District takes no action that would materially impair or interfere with the City's easement rights.

(b) The District agrees that as part of the conveyance of the Utility Property, it is conveying to the City the lot on which the District's wastewater treatment plant facilities are located. The City agrees that the District shall have free use and unrestricted access to all facilities, equipment, parking areas, storage facilities, and other buildings located on said property. The City specifically agrees that prior to December 31, 2015, it shall not construct any improvements whatsoever on the wastewater treatment plant site, or take any other actions that would materially impair or interfere with the District's access, operation or use of facilities, equipment, buildings, and parking. By way of example and without limitation, the City shall take no action whatsoever that would lessen or compromise the available sludge removal truck parking areas. The District agrees that none of the foregoing provisions shall be construed to relieve the District of any obligation to construct infrastructure improvements required by this Agreement, including by way of example, and without limitation, improvements required by maintenance in Section 10.04, as a result of the criticality assessment in Section 10.05, or by phosphorus removal in Section 10.06 hereof.

(c) The City acknowledges that, except for the warranties contained in this Section with respect to the Utility Property, neither the District nor its representatives have made any representations or warranties, express, implied, or statutory, relating to the physical condition, operating history, valuation, governmental approvals, governmental regulations, or environmental or physical condition of the Utility Property. The City further acknowledges and agrees that other than the warranties contained in this Section:

(d) THE DISTRICT HAS NOT MADE, DOES NOT MAKE, AND EXPRESSLY DISCLAIMS, ANY WARRANTIES, REPRESENTATIONS, COVENANTS, OR GUARANTEES, EXPRESS OR IMPLIED, OR ARISING BY OPERATION OF LAW, AS TO THE MERCHANTABILITY, HABITABILITY, QUANTITY, QUALITY OR ENVIRONMENTAL CONDITION OF THE PROPERTY OR THEIR SUITABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR USE.

(e) Further, as to title, the District warrants and represents to the City that: (1) it has no knowledge of any title defect; (2) to the best of its knowledge, its title is free and clear of the rights of persons other than the District; and (3) to the best of its knowledge, its interest is free and clear of all mechanic's liens, liens, mortgages, or encumbrances of any nature and no work has been performed or begun by the District, and no materials have been furnished which might give rise to mechanic's, materialman's, or other liens against the Utility Property, or the City's title therein, or any portion thereof; and (4) that it has neither assigned, pledged, or otherwise in any manner whatsoever sold or agreed to sell or transfer by an instrument in writing or otherwise the Utility Property to any other person or entity. The City acknowledges and agrees that the District owns an undivided interest in the 102 acre ft holding pond, with the remainder being held by other entities. The City further acknowledges and agrees that it has reviewed the Prior Irrigation Agreements, and the foregoing warranties are being made subject to the Prior Irrigation Agreements.

10.02. Transfer of Water Quality No-Discharge Permit. The District agrees to promptly prepare and execute an application to transfer the water quality no-discharge permit (WQ0011319001) for the wastewater treatment plant to the City. The City and District agree to cooperate in order for the City to submit the permit transfer application to the Commission, at the District's cost, within six months of the Effective Date. The District shall pay only the permit transfer application fees and its own expenses to prepare and execute the application and cooperate with the City.

10.03. City's Use of Facilities.

(a) Until December 31, 2015, the City may use the Utility Property to provide water and wastewater utility service to other portions of the City so long as it does not impair the service provided to the District residents, result in the need for the District to fund any expansion of facilities, or to incur any material additional operating costs. Thereafter, the City may use the Utility Property without limitation in its sole discretion in accordance with the applicable regulations. If the EPA or the Commission issues any form of order or penalty for violations of applicable law resulting from the City's use of Utility Property, the City will take all necessary action to comply with, or otherwise respond to, the order. To the extent permitted by law, the City agrees to hold the District harmless for violations that arise out of the actions or inactions of the City, and which do not arise out of the actions or inactions of the District.

(b) The ownership and use of Utility Property granted to the City in this Agreement shall not be construed to authorize, and the City agrees that it shall not, expand the existing wastewater treatment capacity of the District's wastewater treatment plant, whether or not through rehabilitation or replacement of former wastewater treatment units, prior to December 31, 2015. This provision shall not be construed to prevent the District from performing any repairs or replacement of facilities required as a result of the criticality assessment (rather than any expansion of capacity for providing service to other portions of the City) to be performed in accordance with Section 10.05 below.

(c) The City agrees that it shall not take any action in connection with its use of the Utility Property that impairs the availability and sufficiency of capacity required for the provision of retail water and wastewater service by the District within the Service Area.

10.04. District's Operations and Maintenance of City Facilities. The District agrees to provide for the full operation, maintenance, emergency services, ongoing inspection, and management of the Retail Water System, Retail Wastewater System, and customer services to the District and existing out-of-district customers, as shown on Exhibit 2, until December 31, 2015, on a continuous basis. The District shall not reduce the level of service that is currently being provided by the District for the term of this Agreement. The District agrees to meet regularly with the City and reasonably cooperate with City staff concerning the operation, maintenance, and management of the Retail Water System and Retail Wastewater System. The District agrees to use its best efforts in the operation, maintenance, and management of Retail Water System, Retail Wastewater System, and customer services to meet all applicable regulations and requirements. Moreover, the City shall not be responsible for any fees, damages, or claims related to the Retail Water System and Retail Wastewater System and the violation of any permits or legal requirements that arise out of actions taken by the District prior to December 31, 2015. The City agrees that in connection with its ownership of the Retail Water System and Retail Wastewater System, it shall take no action inconsistent with this Agreement that would materially impair or interfere with the District's operation and maintenance of the Retail Water System and Retail Wastewater System prior to termination of this Agreement.

10.05. City's Criticality Assessment.

(a) The City, with the cooperation of the District, will conduct a criticality assessment of the Retail Water System and Retail Wastewater System within nine months of the Effective Date. The City's criticality assessment report will specifically identify each area for improvement and a schedule for completion. The City will provide the District a written copy of the report.

(b) The District agrees to fund and complete, by December 31, 2012, all City-identified infrastructure improvements from the criticality assessment that are considered maintenance activities. These may include, but are not limited to, such items as: pump overhauls; replacement of aging electrical wiring or electrical equipment; additional SCADA points and equipment for monitoring operations; painting; repair of identified damaged or cracked water or wastewater mains, or manholes; additional portable generators; removal of silt and debris and repair of damaged liner at the treated effluent holding ponds; replacement/repair of water valves or fire hydrants not properly working; acquisition of easements or modification of lift station facilities necessary to allow emergency equipment to access each lift station; repair or replacement of plant equipment in accordance with generally accepted industry standards and practices; and repair or replacement of plant equipment that has been deemed a risk to public health or safety. The City's criticality assessment may include a proposed schedule for completing infrastructure improvements. Upon receipt of the City's criticality assessment and proposed schedule for infrastructure improvements, the District shall prepare a proposed schedule for infrastructure improvements, which may or may not be identical to the City's schedule.

(c) These improvements shall not include any replacement of equipment, repairs, or improvements that do not show a need of repair in accordance with generally accepted industry standards and practices or does not represent a risk to public health or safety. If the District disagrees with the list of infrastructure improvements identified by the Austin Water Utility, or if

the City disagrees with the District's schedule for completion or list of infrastructure improvements, Patrick Keel, or other mutually acceptable arbitrator, will meet with the Parties within 60 days of either Party's request and will make the final binding determination (either: (i) the District performs the improvement according to the City's schedule and assumes the additional cost; (ii) the District performs the improvement according to the District's schedule; or (iii) the District is not required to adopt the City's requested improvement) within 3 business days of the joint meeting. The Parties agree to share the cost of the arbitrator equally. In the event of a dispute regarding the schedule for completion, the City shall bear the burden of proving that the District's schedule is unreasonable. In the arbitration, the arbitrator shall consider, among other things, costs for completing the infrastructure improvements and the resources available to the District for doing so.

(d) If any of the improvements will unavoidably not be completed by December 31, 2012, the City and the District may agree to modify the deadline date, but no later than six months for each item. If any of the improvements are not completed within the modified schedule, the City may, after notice to the District and opportunity to cure not less than 30 days, proceed with full purpose annexation of the District; provided, however, that such remedy shall not be available if the delay is caused by force majeure.

10.06. Phosphorus Removal. By December 31, 2007, the District agrees to implement continuous treatment for phosphorus at the wastewater treatment plant so as to achieve a significant improvement in phosphorus removal. The parties intend for the wastewater treatment plant to substantially achieve a 1 mg/l treatment level for phosphorus through introduction of a coagulant in the wastewater treatment process. Prior to December 31, 2015, the water quality no-discharge permit shall not be amended to require such treatment and thereafter, the City shall have the sole discretion to modify the water quality no-discharge permit in its sole discretion.

ARTICLE XI. TERM, PERFORMANCE, AND FORCE MAJEURE

11.01. Term of Agreement. This Agreement shall be effective upon execution by the authorized representatives of the City and the District and shall continue in effect until December 31, 2015, unless earlier terminated in accordance with the provisions herein or upon full purpose annexation of the District.

11.02. Default. This provision is in addition to all other default provisions in this Agreement; provided, however, the Parties agree that the remedy of full purpose annexation set forth in Section 10.05 shall be available only for a breach under that section. In the event that one party believes that the other party is in default of any of the provisions in this agreement, the non-defaulting party will make written demand to cure to the defaulting party and give the defaulting party up to thirty days to cure the default or, if the curative action cannot reasonably be completed within thirty days, the defaulting party will commence the curative action within thirty days and thereafter diligently pursue the curative action to completion. This period must pass before the nondefaulting party may initiate any remedies available to the nondefaulting party due to such default. The nondefaulting party shall mitigate direct or consequential damages arising from any default to the extent

reasonably possible under the circumstances. The parties agree that they will use their best efforts to resolve any disputes and may engage in nonbinding arbitration or other alternative dispute resolution methods as recommended by the laws of the State of Texas before initiating any lawsuit to enforce their rights under this agreement. Nothing in this agreement shall be construed to limit either party's right to recover damages or to seek other appropriate curative remedies if a breach of contract action is filed by a nondefaulting party to this agreement. The parties agree that the remedies for a breach of this agreement by either party shall be controlled by the breach and remedy provisions set forth in this agreement, and not by the breach and remedy provisions of the Strategic Partnership Agreement being executed by the parties simultaneously herewith.

11.03. Effect of Force Majeure. In the event that either party is rendered unable by force majeure to carry out any of its obligations under this Agreement, whether in whole or in part, then the obligations of that party, to the extent affected by the force majeure, shall be suspended during the continuance of the inability, provided, however, that due diligence is exercised to resume performance at the earliest practicable time. As soon as reasonably possible after the occurrence of the force majeure relied upon to suspend performance, the party whose contractual obligations are affected thereby shall give notice and full particulars of the force majeure to the other party. The cause, as far as possible, shall be remedied with all reasonable diligence. The term "force majeure" includes acts of God, strikes, lockouts or other industrial disturbances, criminal conduct or sabotage, acts of the public enemy, orders 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 civil disturbances, explosions, breakage, or accidents to equipment, pipelines, or canals, partial or complete failure of water supply, and any other inability of either party, whether similar to those enumerated or otherwise, that are not within the control of the party claiming their ability and that could not have been avoided by the exercise of due diligence. It is understood and agreed that the settlement of strikes, lockouts and other industrial or labor disturbances shall be entirely within the discretion of the party having the difficulty and that the requirement that any force majeure be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts or other industrial or labor disturbances by acceding to the demands of the opposing party if the settlement is unfavorable to it in the judgment of the party having the difficulty. Force majeure shall relieve City from liability to the District or any water customer of the District for failure to provide water service due to an inability covered by this Article. Force majeure shall not relieve the District of its obligation to make payment to the City as provided in this Agreement.

ARTICLE XII. GENERAL PROVISIONS

12.01. Notices. Any notice required or permitted to be delivered under this Agreement shall be forwarded via hand-delivery or the United States Postal Service, postage prepaid, to the addresses shown below:

City of Austin
Austin Water Utility
P.O. Box 1088
City, Texas 78767-8828
Attn: Director

Lost Creek Municipal Utility District
1305 Quaker Ridge Road
Austin, Texas 78746
Attn: General Manager

With required copy to:
City Attorney
City of Austin
P.O. Box 1088
Austin, Texas 78767

With required copy to:
Tony Corbett
Freeman & Corbett, LLP
8500 Bluffstone Cove, Suite B-104
Austin, Texas 78759

Each party shall forward to the other within twenty four hours of the filing thereof in the Commission or other court or agency of competent jurisdiction a true copy of any petition, application, or other instrument affecting this Agreement, whether directly or indirectly.

12.02. Address Change Procedure. The addresses of the Parties shall, until changed as provided, be as shown above. The Parties shall have the right at any time to change their respective addresses by giving written notice of same to the other party.

12.03. Interlocal Cooperation. The City and the District shall cooperate with each other at all times so as to promote the efficient performance of the utility services provided hereunder.

12.04. Provision of Data, Documents. The District agrees to timely provide to the City at the City's expense all data, records, plans, and specifications, computer tapes, or other documents or information necessary or incidental to the terms of this Agreement.

12.05. Provision of Further Documents. The District shall execute and deliver such other legal documents or instruments and perform such other acts as are necessary to effectuate the purposes and intent of this Agreement.

12.06. Severability. The provisions of this Agreement are severable, and if any part of this Agreement or the application thereof to any person or circumstances is ever held by any court of competent jurisdiction to be invalid or unconstitutional for any reason, the remainder of this Agreement and the application of such part of this Agreement to other persons or circumstances shall not be affected thereby and this Agreement shall be construed as if such invalid or unconstitutional portion had never been contained herein.

12.07. Entire Agreement. This Agreement, including any exhibits attached hereto and made a part hereof by reference for all purposes, constitutes the entire agreement between the parties relative to the subject matter of this Agreement and supersedes all prior or contemporaneous agreements, representations, covenants, or warranties, whether oral or in writing, respecting the subject matter hereof.

12.08. Previous Contracts.

(a) This Agreement by the Parties supersedes all Prior City Agreements and upon the execution of this Agreement all Prior City Agreements shall be void.

(b) The District agrees that the City may contract for the storage and disposal of treated effluent from the wastewater treatment plant (the "Replacement Irrigation Agreements", whether one or more), and the District agrees to execute any documents necessary to terminate the Prior Irrigation Agreements, under the following terms and conditions:

(i) All parties to the Prior Irrigation Agreements (or their successors in interest) must contractually agree that the Prior Irrigation Agreements are terminated for all purposes and the District has no further responsibility or liability of any kind whatsoever under said Prior Irrigation Agreements;

(ii) The Replacement Irrigation Agreements must not materially increase the District's costs of operation; restrict or impair the District's ability to operate the Retail Water System, the Retail Wastewater System, or provide retail water or wastewater service. This prohibition shall not be construed to relieve the District from performing any infrastructure improvements required as a result of the criticality assessment in Section 10.05 hereof; and

(iii) If any of the Replacement Irrigation Agreements provide for the ownership or operation or maintenance of any wastewater effluent storage, pumping, transmission or disposal facilities, then the District shall have no further responsibility for the operation, maintenance or repair of said facilities under this Agreement, and all references to the Retail Wastewater System or Utility Property under this Agreement shall be deemed, for all purposes, to exclude the facilities owned, operated or maintained by any third parties under the Replacement Irrigation Agreements. This provision shall not be construed to relieve the District from performing any infrastructure improvements required as a result of the criticality assessment in Section 10.05 hereof. The City of Austin specifically agrees that the District shall have no responsibility or liability of any kind for any costs or expenses related to, or arising out of, the actions or inactions taken by any third persons with respect to the storage, transmission or disposal of wastewater effluent under the Replacement Irrigation Agreements.

12.09. Compliance with Rules. The District agrees to file a copy of this Agreement with the Executive Director of the Commission, it being fully recognized by the Parties that the effectiveness of this contract is dependent upon and subject to compliance with all applicable local, State, and Federal rules and laws.

12.10. Amendment. No amendment of this Agreement shall be effective unless it is executed by the authorized representatives of the City and the District.

12.12. Independent Contractor. The District shall have the status of an independent contractor hereunder and shall be solely responsible for the proper direction of its employees hereunder and the

District's employees shall not be considered employees or borrowed servants of the City for any reason.

12.13. No Third Party Beneficiary. This Agreement shall be construed as an interlocal contract respecting the performance of governmental services and nothing herein shall be construed to confer any right, privilege, or benefit on any person or entity not a party hereto or otherwise creates any vested right or third party beneficiary relationship.

12.14. Governing Law. This Agreement shall be construed under the laws of the State of Texas and all obligations of the parties are deemed performable in Travis County, Texas.

12.15. Venue. Venue for any suit arising under this Agreement shall be in Travis County.

12.16. Assignment. Neither party may assign its rights and obligations hereunder without the prior written consent of the other.

12.17. Multiple Originals. This Agreement may be executed in multiple originals, each of equal dignity.

12.18. Effective Date. This Agreement shall become effective upon the Effective Date

IN WITNESS WHEREOF, the authorized representatives of the City and the District have executed this Agreement as of the date(s) set forth below.

CITY OF AUSTIN:

By: _____

Name: Rudy Garza
Title: Assistant City Manager

Date: _____

LOST CREEK MUNICIPAL UTILITY DISTRICT:

By: _____

Name: Rick Cherye
Title: President

Date: _____

THE STATE OF TEXAS)
)
COUNTY OF TRAVIS)

THIS INSTRUMENT is acknowledged before me on this ____ day of _____, 2007, by Rudy Garza as Assistant City Manager of the City of Austin, Texas, a municipal corporation, on behalf of that municipal corporation.

Notary Public, State of Texas

Printed/Typed Name of Notary

My Commission Expires: _____

THE STATE OF TEXAS)
)
COUNTY OF TRAVIS)

THIS INSTRUMENT was acknowledged before me on this ____ day of _____, 2007 by Rick Cheyre, President of the Board of Directors of Lost Creek Municipal Utility District, a conservation and reclamation district created and operating as a municipal utility district, on behalf of that district.

Notary Public, State of Texas

Printed/Typed Name of Notary

My Commission Expires: _____

Notice for Publication

**NOTICE OF APPLICATION FOR CERTIFICATE OF
CONVENIENCE AND NECESSITY (CCN) TO PROVIDE WATER
UTILITY SERVICE IN TRAVIS COUNTY, TEXAS**

Lost Creek MUD has filed an application to cancel CCN Nos. 10307 & 20118 with the Public Utility Commission of Texas.

The proposed utility service area is located approximately 6 miles west of downtown Austin, Texas, and is generally bounded on the north by Whitemarsh Valley Walk; on the east by Capital of Texas Highway; on the west and south by Barton Creek.

See enclosed map of the proposed service area.

A copy of the proposed service area map is available at: 625 E. 10th Street, Austin, TX 78701 (512) 972-0444.

A request for a public hearing must be in writing. You must state (1) your name, mailing address, and daytime telephone number; (2) the applicant's name, application number or another recognizable reference to this application; (3) the statement, "I/we request a public hearing"; (4) a brief description of how you or the persons you represent, would be adversely affected by the granting of the application for a CCN; and (5) your proposed adjustment to the application or CCN which would satisfy your concerns and cause you to withdraw your request for a hearing.

Persons who wish to intervene or comment should write the:

Public Utility Commission of Texas
Water Utilities Division
1701 Congress Ave., Suite 8-100
Austin, TX 78701

within thirty (30) days from the date of this publication or notice. A public hearing will be held only if a legally sufficient hearing request is received or if the Commission on its own motion requests a hearing. Only those individuals who submit a written hearing request or a written request to be notified if a hearing is set will receive notice if a hearing is scheduled.

If a public hearing is requested, the Executive Director will not issue the CCN and will forward the application to the State Office of Administrative Hearings

(SOAH) for a hearing. If no settlement is reached and an evidentiary hearing is held, the SOAH will submit a recommendation to the Commission for final decision. If an evidentiary hearing is held, it will be a legal proceeding similar to a civil trial in state district court.

If you are a landowner with a tract of land at least 25 acres or more, that is partially or wholly located within the proposed area, you may request to be excluded from the proposed area (or "opt out") by providing written notice to the Commission within (30) days from the date that notice was provided by the applicant. All request to opt out of the requested service area must include a scaled, general location map and a metes and bounds description of the tract of land.

Persons who meet the requirements to opt out, and wish to request this option should file the required documents with the:

Public Utility Commission of Texas
Water Utilities Division
1701 Congress Ave., Suite 8-100
Austin, TX 78701

A copy of the request to opt out of the proposed area must also be sent to the applicant. Staff may request additional information regarding your request.