



Control Number: 44541



Item Number: 60

Addendum StartPage: 0

SOAH DOCKET 473-16-0193.WS
PUC DOCKET NO. 44541

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2015 DEC -1 PM 3:00

APPLICATION OF CITY OF HEATH §
TO AMEND A CERTIFICATE OF §
CONVENIENCE AND NECESSITY §
AND TO DECERTIFY A PORTION §
OF FORNEY LAKE WATER SUPPLY §
CORPORATION'S SERVICE AREA §
IN ROCKWALL COUNTY §

PUBLIC UTILITY COMMISSION
FILING CLERK
OF TEXAS

**FORNEY LAKE WATER SUPPLY CORPORATION'S FIRST SUPPLEMENTAL
RESPONSE TO CITY OF HEATH'S SECOND REQUEST FOR INFORMATION**

Comes now Forney Lake Water Supply Corporation ("FLWSC") and files its First Supplemental Response to the City of Heath's Second Request for Information. All parties may treat the answers as if they were filed under oath.

FLWSC files these responses without agreeing to the relevancy of the information sought and without waiving its right to object at the time of hearing to the admissibility of the information provided herein.

FLWSC'S RESPONSES:

HEATH 2-2 Please explain the basis for Forney Lake's response to Heath 2-1.

RESPONSE:

Eddy Daniel, FLWSC's engineer, took the service capacity (number of meters) of the noted facilities and determined the remaining available capacity based on the number of additional meters he believed the facility could provide service to. The percentages noted are the amount of excess capacity that currently exists in the system.

Response prepared by Eddy Daniel; sponsoring witness Eddy Daniel

HEATH 2-5 Please explain the basis for Forney Lake's response to Heath 2-4.

RESPONSE:

See Response to Heath RFI 2-2.

Response prepared by Eddy Daniel; sponsoring witness Eddy Daniel

HEATH 2-7 Please identify the monetary amount that Forney Lake contends is just and adequate to be paid to Forney Lake for the portions of the in the following classes of facilities that Forney Lake contends will be rendered useless or valueless in Forney Lake's response to Heath 1-2.

- a. 1.5" waterline _____
- b. 2" waterline _____
- c. 2.5" waterline _____
- d. 4" waterline _____
- e. 6" waterline _____
- f. 8" waterline _____
- g. 10" waterline _____
- h. 12" waterline _____
- i. 100,000 gallon ground storage tank _____
- j. 150,000 ground storage tank _____
- k. 200,000 gallon ground storage tank _____
- l. 500,000 gallon ground storage tank _____
- m. 500,000 gallon elevated tank _____
- n. 3,000 GPM booster pump station _____
- o. 1,500 GPM booster pumps and building _____
- p. 1,500 GPM booster pumps and building _____

- p. 1,500 GPM booster pumps and building ____
- q. 1,500 GPM booster pumps and building ____
- r. 1,500 GPM booster pumps and building ____
- s. 1,500 GPM booster pumps and building ____
- t. 230 KW genset ____
- u. 275 KW genset ____
- v. Electrical/SCADA ____
- w. Valves and fittings ____
- x. Appurtenances ____
- y. Easements/Other Real Estate ____

RESPONSE:

Heath has taken the position that since it will be compensating FLWSC for assets that are rendered useless and valueless in this docket, it should then be entitled to own the assets. As such, FLWSC will need to replace the assets taken by Heath, if Heath's position is upheld by the PUC. As such, replacement cost of the assets are contained in Exhibit Heath RFI 2-7.

Response prepared by Eddy Daniel; sponsoring witness Eddy Daniel

HEATH 2-8 Please explain the basis for Forney Lake's response to HEATH 2-7.

RESPONSE:

See Response to Heath 2-7.

Response prepared by Eddy Daniel; sponsoring witness Eddy Daniel

HEATH 2-9 Please produce all documents concerning, reviewed, supplied to or by, or relied upon by Forney Lake to respond to HEATH 2-7.

RESPONSE:

See Response to Heath 2-7.

Response prepared by Eddy Daniel; sponsoring witness Eddy Daniel

HEATH 2-10 Please identify the total number of additional residential connections in Forney Lake's certificated service area in Rockwall County that Forney Lake could provide with retail water utility service with its existing facilities.

RESPONSE:

Approximately 500.

Response prepared by Eddy Daniel; sponsoring witness Eddy Daniel

HEATH 2-11 What has been Forney Lake's rate of customer growth for each of the last three calendar years? By rate of customer growth, Heath means the change in the number of total connections between the beginning and the end of the calendar year.

RESPONSE:

2013 – 58 meters

2014 – 65 meters

2015 – 142 meters

Response prepared by Robin Baley; sponsoring witness Robin Baley

HEATH 2-12 What is Forney Lake's anticipated rate of customer growth for each of the next three calendar years?

RESPONSE:

2016 – 35 meters

2017 – 113 meters

2018 – 142 meters

Response prepared by Robin Baley; sponsoring witness Robin Baley

HEATH 2-13 In response to HEATH 1-3, Forney Lake states that capacity in its facilities will be “stranded” if single certification is granted.

- a. What does Forney Lake mean by the term “stranded” as used in its response?
- b. Does Forney Lake contend that the term “stranded” is synonymous with “useless or valueless”?

RESPONSE:

- a. See response to RFI 2-13 (b).
- b. In the context of the response, yes.

Response prepared by Eddy Daniel; sponsoring witness Eddy Daniel

HEATH 2-14 Is Forney Lake obligated by contract or otherwise to provide fire flows to the Travis Ranch subdivision located in Kaufman County?

RESPONSE:

The Travis Ranch contract provides as follows:

Forney Lake agrees to maintain and operate facilities that comply with the Fire Flow requirements of any jurisdiction. However, the parties understand that Forney Lake does not provide water directly from its system in sufficient quantities to provide water for fire fighting purposes, a quantity known as “Fire Flow.” In accordance with its Tariff, Forney Lake does not guarantee Fire Flow.

Response prepared by Robin Baley; sponsoring witness Robin Baley

HEATH 2-15 Please provide all contracts and other agreements relating to Forney Lake's obligations to provide retail water utility service to the Travis Ranch subdivision located in Kaufman County.

RESPONSE:

See Exhibit Heath RFI 2-15.

Response prepared by Robin Baley; sponsoring witness Robin Baley

HEATH 2-16 Please provide Forney Lake's two most recent audited, year-end Financial Statements. If an audit has not been prepared for the requested Financial Statements, please provide the most recent unaudited, year-end Financial Statement.

RESPONSE:

See Exhibit Heath RFI 2-16.

Response prepared by Robin Baley; sponsoring witness Robin Baley

HEATH 2-17 Please provide all worksheets, accounting ledgers, and other supporting documentation for the Fixed Assets entry in Forney Lake's Balance Sheet included in the most recent Financial Statement, including documentation for both "Plant, property and equipment" and for "Accumulated depreciation." If the requested information is in the possession of Forney Lake's auditor or other consultant, Forney Lake should instruct that person to provide the information.

RESPONSE:

The most recent audited financial statement is provided in Exhibit Heath RFI 2-16. FLWSC has not been able to locate the documents requested.

Response prepared by Robin Baley; sponsoring witness Robin Baley

HEATH 2-18 Please admit that under Forney Lake's accounting policies that plant, property and equipment are carried at cost, and that depreciation is computed using the straight-line method over estimated useful lives ranging from 3 to 50 years. If the requested information is in the possession of Forney Lake's auditor or other consultant, Forney Lake should instruct that person to provide the information.

RESPONSE:

Admit.

Response prepared by Robin Baley; sponsoring witness Robin Baley

HEATH 2-19 Please admit that Forney Lake's Comparative Balance Sheet dated December 31, 2010 (Exhibit 2) shows Forney Lake's total fixed assets as of December 31, 2010 to be \$2,634,637. If the requested information is in the possession of Forney Lake's auditor or other consultant, Forney Lake should instruct that person to provide the information.

RESPONSE:

FLWSC can neither admit or deny as Exhibit 2 was not provided.

Response prepared by Robin Baley; sponsoring witness Robin Baley

HEATH 2-20 Please admit that Forney Lake's Comparative Balance Sheet dated December 31, 2010 (Exhibit 2) shows Forney Lake's "Paid in Capital" to be \$2,327,787. If the requested information is in the possession of Forney Lake's auditor or other consultant, Forney Lake should instruct that person to provide the information.

RESPONSE:

FLWSC can neither admit or deny as Exhibit 2 was not provided.

Response prepared by Robin Baley; sponsoring witness Robin Baley

HEATH 2-21 Please provide all worksheets, accounting ledgers, and other supporting documentation for the "Paid in Capital" entry in Forney Lake's Balance Sheet included in the most recent Financial Statement. If the requested information is in the possession of Forney Lake's auditor or other consultant, Forney Lake should instruct that person to provide the information.

RESPONSE:

The most recent audited financial statement is provided in Exhibit Heath RFI 2-16. FLWSC has not been able to locate the documents requested.

Response prepared by Robin Baley; sponsoring witness Robin Baley

HEATH 2-22 Please explain what values are included in "Paid in Capital" as shown on Forney Lake's Comparative Balance Sheet dated December 31, 2010 (Exhibit 2). If the requested information is in the possession of Forney Lake's auditor or other consultant, Forney Lake should instruct that person to provide the information.

RESPONSE:

FLWSC cannot provide an explanation as Exhibit 2 was not provided.

Response prepared by Robin Baley; sponsoring witness Robin Baley

HEATH 2-23 Please admit that under Forney Lake's accounting policies that assets contributed to Forney Lake by developers, such as distribution lines, are recorded as "Paid in Capital" on Forney Lake's books. If the requested information is in the possession of Forney Lake's auditor or other consultant, Forney Lake should instruct that person to provide the information.

RESPONSE:

Deny.

Response prepared by Robin Baley; sponsoring witness Robin Baley

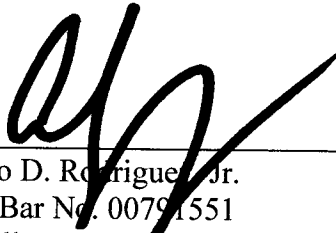
HEATH 2-24 Please provide copies of Forney Lake's IRS Form 990 filed for tax years 2012 through 2014.

RESPONSE:

See attached Exhibits Heath RFI 2-24 2012 and Heath RFI 2-24 2013. FLWSC filed an extension for tax year 2014. Thus, it has not been filed.

Response prepared by Robin Baley; sponsoring witness Robin Baley

Respectfully submitted,



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ATTORNEY FOR FORNEY LAKE WATER
SUPPLY CORPORATION

CERTIFICATE OF SERVICE

I hereby certify that on the 1st day of December, 2015, a true and correct copy of the foregoing document was served on all parties in accordance with PUC Procedural Rule 22.74.



Arturo D. Rodriguez, Jr.

A. J. Smullen
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Public Utility Commission of Texas
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Jim Mathews
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Representing City of Heath

Exhibit Heath RFI 2-7

FORNEY LAKE WATER SUPPLY CORPORATION		
ESTIMATED REPLACEMENT COSTS FOR STRANDED FACILITIES		
QUANTITY	ITEM DESCRIPTION	ESTIMATED COST
2,080	12" waterline with appurtenances @ \$50 per L.F.	\$104,000.00
15,486	10" waterline with appurtenances @ \$35 per L.F.	\$542,010.00
22,528	8" waterline with appurtenances @ \$25 per L.F.	\$563,200.00
1	200,000 gallon GST - FM 740 PS	\$300,000.00
1	500,000 gallon GST - FM 460 PS	\$600,000.00
1	500,000 gallon ET - FM 740 PS	\$1,000,000.00
1	3,000 GPM Booster Station - FM 740	\$125,000.00
LS	1,500 GPM Booster Pumps and Building (3 ea. @ FM 740 PS)	\$375,000.00
LS	1,500 GPM Booster Pumps and Building (2 ea. @ FM 460 PS)	\$300,000.00
1	230 KW GenSet - FM 740	\$100,000.00
1	275 KW GenSet - FM 460	\$115,000.00
LS	Electrical/SCADA FM 740 PS, FM 460 PS & FM 740 Booster Pump	\$150,000.00
LS	Valves/Fittings/Bores	\$125,000.00
13.80	approximate right-of-way and easement acreage @ \$5,000 per acre	\$69,000.00
	TOTAL REPLACEMENT COSTS	\$4,468,210.00

NOTE: The figures shown above are construction replacement estimates only.
Engineering/Legal/Administrative Costs are excluded.

DANIEL & BROWN INC.

11/30/2015

Exhibit Heath RFI 2-15

AGREEMENT BY AND BETWEEN FORNEY LAKE WATER SUPPLY CORPORATION AND TRAVIS RANCH DEVELOPMENT, L.P.

STATE OF TEXAS

§

KNOW ALL MEN BY THESE PRESENTS

§

COUNTY OF ROCKWALL

§

THIS AGREEMENT is made and entered into by and between Forney Lake Water Supply Corporation, a Texas non-profit water supply corporation, hereinafter referred to as "Forney Lake", and Travis Ranch Development, L.P., a Texas limited partnership, hereinafter referred to as "TRD."

WHEREAS, Forney Lake is a participating utility of the North Texas Municipal Water District ("NTMWD"); and

WHEREAS, Forney Lake holds the certificate of convenience and necessity ("CCN") to provide retail water service to its service territory, which includes the property described in Exhibit "A", attached hereto and incorporated herein for all purposes (the "Service Area"); and

WHEREAS, TRD is preparing engineering plans and planning a mixed use community with residential, commercial, retail and recreational uses within the Service Area; and

WHEREAS, TRD has created Lake Vista Ranch Municipal Utility District Nos. 1 and 2 and has filed petitions with the Texas Commission on Environmental Quality ("TCEQ") for the formation of Lake Vista Ranch Municipal Utility District Nos. 3 and 4 ("LVR MUD 1", "LVR MUD 2", "LVR MUD 3", and "LVR MUD 4", respectively, and collectively known as the "MUDs") within the Service Area, which entities will be responsible for providing wastewater and drainage services to the Service Area; and

WHEREAS, the MUDs also will provide the infrastructure, transmission and distribution lines, storage facilities, and associated facilities for Forney Lake to provide retail water service to the Service Area; and

WHEREAS, the water provided within the Service Area will be transported through transmission lines, distribution lines, water lines, ground storage tanks, storage towers, pump stations, and associated facilities (the "System") built by TRD or the MUDs for the benefit of Forney Lake and its retail water customers located within the Service Area; and

WHEREAS, upon creation of the MUDs, TRD intends to enter into a reimbursement contract with each MUD so that it may convey to the MUDs the System and be reimbursed for such facilities; and

WHEREAS, upon creation of the MUDs, it is contemplated that LVR MUD 1 will be designated the master district ("Master District") and will be responsible for constructing all regional water and wastewater facilities to service the Service Area; and

WHEREAS, upon creation of the MUDs, TRD intends to assign this Agreement to the Master District, so that it can provide for the regional water facilities to the Service Area; and

WHEREAS, the purpose of this Agreement is to: (1) facilitate the provision of water service within the Service Area; and (2) protect and preserve the system integrity and CCN of Forney Lake.

NOW THEREFORE, Forney Lake and TRD, its successors and assigns, enter into this agreement ("Agreement") and agree as follows:

I. CONTRACT TERMS

- 1.01 **Ratification By The MUDs.** TRD shall use its best efforts to see that within 180 calendar days after the later of the creation of each of the MUDs or the date hereof, such MUD will ratify this Agreement thereby accepting all rights, obligations, and duties of TRD herein applicable to the land located within such MUD. In the event: (1) any of the MUDs is not confirmed by the voters of such MUD within twelve (12) months after the date of the final TCEQ order approving the creation of such MUD; or (2) the Board of Directors of a MUD fails to ratify and accept this Agreement within 180 calendar days after the later of creation or the date hereof, this Agreement shall terminate and be of no effect as to such MUD. However, until such time as each of the MUDs is created and has its creation confirmed by the voters of the MUD and the Board of Directors of the MUD has assumed the obligation of this Agreement, TRD is bound by all actions TRD takes on behalf of a MUD. Upon (a) confirmation of the creation of a MUD; and (b) the ratification and acceptance of this Agreement by the MUD's Board of Directors as set out above, TRD shall be released from any and all obligations relative to such MUD and the land located therein. This Agreement supersedes and replaces any agreements previously executed between TRD and Forney Lake.
- 1.02 **Consideration.** The parties stipulate that the obligations, rights, and benefits provided herein are mutual and supported by adequate consideration.
- 1.03 **Forney Lake CCN.** Notwithstanding any other provision of this Agreement, Forney Lake shall maintain without restriction or diminution its CCN, including that portion within the Service Area. Nothing in this Agreement shall be notice of or support any implication that Forney Lake's CCN is being sold, transferred, merged, abandoned, or released. In compliance with all applicable regulatory requirements, Forney Lake shall be the sole retail water supplier in the Service Area. For the term of this Agreement, TRD and the MUDs shall not (i) directly or indirectly seek to decertify or seek to multiply-certificate the Service Area, or (ii) seek to be a retail water provider in the Service Area.

- 1.04 **Agreement for NTMWD Water Service.** TRD shall cooperate in the implementation of the contract between the North Texas Municipal Water District ("NTMWD") and Forney Lake so as to provide adequate water services for the needs of the Service Area. Forney Lake will work with the MUDs to ensure that the MUDs construct sufficient elevated storage to provide adequate pressure to the System within the Service Area. Further, during the term of this Agreement, neither the MUDs nor any owner or developer of property located within the Service Area shall be required to make any payment to Forney Lake with respect to any cost, fee, or charge for water service within the Service Area, save and except for costs associated with execution of this Agreement, costs outlined in this Agreement, membership fees, and fees for water usage (but excluding fees for capital costs) charged to retail water customers at the same rate schedule charged to Forney Lake members as may be amended from time to time by Forney Lake's tariff. **It is agreed and understood that performance under this Agreement is contingent upon Forney Lake receiving from time to time adequate potable water in an amount sufficient to service the Service Area.**
- 1.05 **District Dissolution.** Each of the MUDs agrees that, if it seeks dissolution or transfers its interest in the Agreement to another entity, to the extent allowed by law, this Agreement shall survive as an agreement between the successor to such MUD and Forney Lake.
- 1.06 **Failure to Ratify Agreement.** In the event one or more MUDs is created and then fails to ratify this Agreement, TRD shall be responsible for paying Forney Lake liquidated damages for the applicable MUD's failure to ratify. Such liquidated damages shall be calculated as enumerated in Texas Water Code § 13.255, attached hereto and incorporated herein for all purposes as Exhibit "B". Such payment under this section shall be due and payable six months after the failure of the applicable MUD to ratify this Agreement.

II. TRD'S OR THE MUDS' OBLIGATIONS

- 2.01 **The System.** Except as specifically provided herein, TRD and the MUDs shall have full responsibility for the cost and construction of the System which TRD or the applicable MUD must construct within the boundaries of the Service Area to include: all water storage, pressurization facilities, and water transmission and distribution system(s) necessary to provide continuous and adequate service to customers in the Service Area in compliance with all applicable statutory and regulatory requirements. Except as specifically provided herein, TRD acknowledges that Forney Lake shall have no obligation to construct such facilities. The general design of the permanent System, attached hereto and incorporated herein for all purposes as Exhibit "C", together with any minor modifications thereto, is hereby approved by Forney Lake. The specific design of the System shall be approved as described in Section 2.04.

Once constructed and after a one year warranty period, Forney Lake shall have full responsibility for the operation and maintenance of such portion of the System. Forney Lake shall be responsible for any normal repairs from normal system operations, such as leak repairs, motor replacements due to ordinary wear and tear, and tank painting.

However, any expenses for capital improvements, system failures, extraordinary repairs, or line replacement costs shall be at the sole cost of TRD or the applicable MUD, until such time as the System is conveyed to Forney Lake as set out in Section 2.07. For purposes hereof, if a before described expense is greater than or equal \$2,500, it will be deemed a capital cost borne by TRD or the applicable MUD and if such expense is less than \$2,500 it will be deemed an operation expense borne by Forney Lake.

- 2.02 **Engineering and Inspections.** All costs associated with engineering review and inspection of the System shall be borne by TRD or the applicable MUD. TRD or the applicable MUD shall reimburse Forney Lake in the same manner as outlined in Article VI.
- 2.03 **Construction Materials.** The use of pipes and pipe fittings that contain more than 8.0% lead, or solders and flux that contain more than 0.2% lead, or whatever prohibitions may be set by applicable regulatory agency(ies), are prohibited from any plumbing installation or repair of any residential or non-residential facility providing water for human consumption and connected to the System.
- 2.04 **Forney Lake Review of System Plan.** Prior to construction of any portion of the System, TRD or the applicable MUD shall submit the plans and specifications for the System to Forney Lake for review. The System shall be designed in accordance with the standards of the TCEQ, NTMWD, the North Texas Council of Governments, and other applicable authorities or agencies with jurisdiction. All plans and specifications for construction, including construction materials, of any part of the System shall be submitted to Forney Lake for its review and approval which approval shall not be unreasonably withheld, delayed or conditioned. Forney Lake will have thirty (30) days from Forney Lake's receipt of the plans and specifications to deliver written comments to TRD or the MUDs relating to such plans and specifications. TRD or such MUD shall accommodate Forney Lake's comments. In the event that Forney Lake fails to deliver comments within thirty (30) days, then Forney Lake shall have waived its right to comment on such plans and specifications. Forney Lake's approval for any construction plans, either expressly or impliedly given, shall be limited to six months. If construction of the approved portion of the System has not begun after six months from the date of approval by Forney Lake, Forney Lake's approval is hereby withdrawn. After construction of each portion of the System, TRD or the applicable MUD shall provide Forney Lake as-built drawings of the applicable facility and air gap. TRD and the applicable MUD agrees to reimburse Forney Lake for its reasonable expenses in reviewing the System's plans. Reimbursement of costs shall be in the manner as outlined in Article VI.
- 2.05 **Notice of Need to Construct.** In the event construction does not keep pace with demand, TRD or the applicable MUD must construct within the boundaries of the Service Area the applicable service facility at Forney Lake's request. Construction of the service facility shall begin within a reasonable time after such request (it being understood that plans for such facilities will need to be approved by all applicable entities and construction thereof publicly bid) and diligently pursued through

completion, but in no event shall construction begin later than 180 days after said request is made.

- 2.06 **Construction of the System.** Construction of the System shall be performed to industry standards and to Forney Lake's reasonable satisfaction. Additionally, all facilities to be constructed by TRD or the MUDs shall meet the specifications of Forney Lake with respect to the style, type of material to be used, and/or appearance of the facility to be constructed. Forney Lake may, at TRD's or the applicable MUD's expense, allow Forney Lake to inspect each facility constructed by an inspector of Forney Lake's choosing.
- 2.07 **Conveyance of Facilities.** Upon payment in full of: (i) all of such MUD's bonded indebtedness to construct its portion of the System; and (ii) all outstanding reimbursements due to the developer of the property to construct the System within such MUD, to the extent allowed by law, each MUD shall convey to Forney Lake the System in its then present condition at Forney Lake's sole option. In the event a MUD is not authorized by law to convey such portion of the System then Forney Lake shall continue to be authorized to use such facilities without compensation to the MUD until such time as the MUD is authorized to convey such facilities.
- 2.08 **NTMWD Water.** The parties understand that in order to facilitate the provision of retail water service to customers within the Service Area, from time to time, Forney Lake will need to acquire additional water supply from NTMWD. Forney Lake anticipates that in order to serve the Service Area NTMWD will require Forney Lake to commit to a higher "take or pay" minimum. TRD and the Master District agree to guarantee the "take or pay" minimums applicable to the Service Area. That is, TRD and the Master District will reimburse Forney Lake any and all costs required by NTMWD associated with Forney Lake's failure to purchase the minimum amount of water committed to be purchased from NTMWD because of the lack of water sales in the Service Area in relation to the commitment required because of the projected water sales in the Service Area. TRD's projected water sales within the Service Area are attached hereto and incorporated herein for all purposes as Exhibit "D".

At such time as Forney Lake determines it is necessary to approach NTMWD to acquire an additional supply of water to serve the Service Area, Forney Lake shall request updated projections of water demand for the Service Area and TRD shall supply such information within sixty (60) days. Forney Lake shall utilize such information in determining the amount of water it requests from NTMWD, which amounts may include water to serve the Service Area plus other service areas of Forney Lake.

Throughout the time that Forney Lake is negotiating with NTMWD the terms for purchasing additional water, Forney Lake shall advise TRD as to the proposed terms of such agreement and TRD's projected share of the costs, including any "take-or-pay" payments. In the event Forney Lake negotiates to acquire water to serve lands outside the Service Area, the "take-or-pay" payments shall be allocated pro rata between the Service Area and the other areas. In the event TRD determines that it cannot pay its

share of such costs, TRD may revise its projections of future water demands and Forney Lake shall use such revised projections for the purpose of negotiating its contract with NTMWD. Forney Lake will not enter into a contract with NTMWD for the purchase of water to serve the Service Area unless the terms thereof are satisfactory to TRD. In the event TRD does not approve the terms for purchasing additional water from NTMWD to serve the Service Area, then Forney Lake will be excused from providing such additional water service until TRD approves such terms.

The parties hereto acknowledge that over time the Service Area may receive water from NTMWD through more than one meter and NTMWD may require Forney Lake to enter into a separate "take-or-pay" contract for each water meter. The parties hereto agree to co-operate in balancing the amount of water purchased through each meter in order to minimize the risk that Forney Lake is charged for water that is not used.

- 2.09 **Forney Lake Membership.** Each MUD will require each of its customers to sign an agreement requiring them to become members of Forney Lake.
- 2.10 **Fees.** All fees incurred by Forney Lake and required to be paid by TRD or the MUDs in accordance with the terms of this Agreement shall be reimbursed by TRD or the applicable MUD in the same manner as outlined in Article VI.

III. CONSTRUCTION OF IMPROVEMENTS TO ALLOW TEMPORARY SERVICE TO SERVICE AREA PRIOR TO COMPLETION OF SYSTEM

- 3.01 **General.** Forney Lake is agreeable to serving the Service Area on a temporary basis from facilities constructed to serve other customers of Forney Lake's system (and thereby postponing costs to be incurred by TRD in constructing the System, in return for TRD funding the construction of certain upgrades to the Forney Lake system.
- 3.02 **Construction of Forney Lake Temporary System Improvements.** In conjunction with Forney Lake amending its existing water purchase agreement with NTMWD to purchase 1,500 gpm of water, Forney Lake shall cause to be constructed the following (collectively, the "Forney Lake Temporary System Improvements"):
 - (a) Install a twelve (12) inch waterline along U.S. Highway 80 and FM 460 extending from the existing Forney Lake ground storage tank to the existing twelve inch (12") water line on north side of U.S. Highway 80;
 - (b) Replace the existing four (4) inch meter with an eight inch (8") meter at the connection from the NTMWD connection to the Forney Lake water system;
 - (c) Install SCADA equipment as may be required by NTMWD and Forney Lake for operation of the system;

- (d) Construct a pump station and install three (3) 1500 gallons per minute ("gpm") pumps at the existing elevated storage tank site located on FM 740; and
- (e) Install two (2) 1500 gpm pumps at the existing Forney Lake booster pump station located on F.M. 460.

The specifications and location of the Forney Lake Temporary System Improvements are described in greater detail on the attached Exhibit "E". The estimated cost of the Forney Lake Temporary System Improvements is \$380,000.00. The Forney Lake Temporary System Improvements will be designed by the engineering firm representing Forney Lake. Upon completion of the Forney Lake Temporary System Improvements and approval from NTMWD for 1500 gpm supply, Forney Lake will have sufficient capacity in its facilities to serve up to 2,500 equivalent single family connections ("esfc") to customers.

Forney Lake and TRD shall share in the cost of designing and constructing the Forney Lake Temporary System Improvements as follows:

- (i) Forney Lake and TRD each shall pay 50% of the cost of items (a)- (c); and
- (ii) For the pumps described in (d) and (e), Forney Lake shall bid each item both as 1,000 gpm pumps and 1,500 gpm pumps. Forney Lake shall install only 1,500 gpm pumps. Forney Lake shall pay an amount equal to 50% of the cost of installing 1,000 gpm pumps and TRD shall pay the remainder.

At such time as Forney Lake and TRD agree, but no later than the date Forney Lake executes an amendment to its water supply contract with NTMWD, Forney Lake shall proceed with engineering design and construction of the Forney Lake Temporary System Improvements and diligently pursue such project through completion. Within thirty (30) days after Forney Lake advises TRD that it has authorized its engineer to begin designing the Forney Lake Temporary System Improvements TRD shall deposit with Forney Lake its share of the costs thereof. Within 30 days after completion of the Forney Lake Temporary System Improvements, TRD and Forney Lake shall determine the actual costs of the Forney Lake Temporary System Improvements. At that time, TRD shall be entitled to reimbursement or pay Forney Lake the appropriate portion of the final costs of the Forney Lake Temporary System Improvements.

3.03 Acquisition of Waterline Easement. In order to construct the extension of the twelve (12) inch water line along U.S. Highway 80 and FM 460, the Master District shall be responsible for obtaining all easements necessary to construct, install and maintain such portion of the Forney Lake Temporary System Improvements.

3.04 Water Supply Contract with NTMWD. Upon the execution of this Agreement, Forney Lake Shall use its reasonable good faith efforts to negotiate and enter into an

amended contract with NTMWD increasing the amount of water being supplied by NTMWD to Forney Lake from the current volume to 1,500 gpm. 64% of the additional take or pay payments to be made by Forney Lake for such increase shall be paid by TRD and 36% shall be paid by Forney Lake. In negotiating the contract for such increase in water supply, Forney Lake shall comply with the provisions of Section 2.08 as it relates to advising TRD as to the proposed terms of the contract amendment and the right of TRD to approve such agreement.

- 3.05 COMMITMENT OF WATER SUPPLY TO THE SERVICE AREA.** Upon completion of the construction of the Forney Lake Temporary System Improvements and amending the contract with NTMWD to 1500 gpm as provided in Section 3.04, Forney Lake shall reserve for the Service Area and be prepared to provide water supply service to 960 equivalent single family connections ("esfc") of water.

At such time as TRD proceeds with the development of land requiring a commitment of water in excess of the 960 esfcs, Forney Lake agrees to allocate its available water supplies to serve such development, subject, however, to Forney Lake keeping sufficient water available to serve the anticipated number of new customers outside the Service Area during the next two (2) years.

Following the construction of the Forney Lake Temporary System Improvements and the amending of Forney Lake's water supply contract with NTMWD to provide 1,500 gpm of water, at such time as requested by TRD, Forney Lake will issue to a developer, homebuilder or residential customer located within the Service Area a letter evidencing the availability of water substantially in the form attached hereto as Exhibit "F". Forney Lake, however, will not be required to issue water commitment letters for more than the total amount of water then reserved for the Service Area.

- 3.06 CONSTRUCTION OF PERMANENT SYSTEM IMPROVEMENTS.** The Forney Lake Temporary System Improvements being constructed pursuant to §3.01 will allow Forney Lake to supply the Service Area from facilities heretofore constructed by Forney Lake to serve other customers. At such time as demand for water supply within the Service Area and other areas being served by Forney Lakes exceeds 2,200 esfc, and upon the request of Forney Lake, TRD shall cause to be constructed ground storage capacity, pump station, a water main and elevated storage capacity to serve, as needed, the demand for water within the Service Area. When determining the adequacy of such facilities, the capacities created by the Forney Lake Temporary Water Improvements will not be considered, unless agreed by Forney Lake, to serve the Service Area and Forney Lake Temporary System Improvements may be used to serve other customers of Forney Lake.

IV. FORNEY LAKE'S RIGHTS AND OBLIGATIONS

- 4.01 Access.** TRD and the MUDs hereby grant Forney Lake a license for reasonable ingress and egress over the public roadways and utility easements inside the Service Area to inspect and maintain the System in order to insure continuous and adequate water service.

- 4.02 **Relocation of Existing Facilities.** In connection with TRD's development of property within the Service Area, Forney Lake agrees, if consent is provided, that TRD or the applicable MUD may remove, replace, relocate, redefine or abandon all or a portion of the existing water pipelines, other improvements and easements owned by Forney Lake (the "Existing Facilities"), provided that such actions do not materially adversely affect Forney Lake's ability to provide services to its customers being serviced by the Existing Facilities. Forney Lake agrees to execute such documentation as may be reasonably requested by TRD or the MUDs to evidence its consent to such release or abandonment of existing easements that are no longer required for providing services.

V. TERM

The term of this Agreement shall be for fifty (50) years from the Effective Date of this Agreement or until the System is conveyed to Forney Lake as described in Section 2.07.

VI. REIMBURSEMENT OF COSTS

As consideration for Forney Lake's performance of its obligations hereunder, TRD or the Master District, as the case may be, agrees to reimburse Forney Lake for the following expenses related to the execution of this Agreement: all of Forney Lake's reasonable attorneys fees, engineering fees, inspection fees, administrative fees, and consultant fees incurred in negotiating this Agreement, not to exceed \$23,077⁵⁰. In addition TRD or the Master District shall reimburse Forney Lake all of Forney Lake's reasonable costs in reviewing plans for the System. Nothing herein shall be read to limit the fees otherwise to be paid to Forney Lake pursuant to the Agreement.

Upon receipt of the charges to be reimbursed, TRD or the applicable MUD shall reimburse Forney Lake of the applicable expense within 30 days of delivery of the applicable invoice or charge to TRD or the applicable MUD.

VII. DEFAULT

If either party believes that the other party has defaulted under one or more provisions of this Agreement, then the non-defaulting party shall give the other party written notice of such default and allow such party ten (10) days to cure a monetary default and thirty (30) days to cure a non-monetary default.

VIII. MISCELLANEOUS

- 8.01 **Expansion of Service Area.** The Service Area shall automatically be expanded to include any lands annexed into any of the MUDs, if such lands are located within the area subject to Forney Lake's CCN. Upon the prior written consent of Forney Lake, the Service Area shall also be expanded to include any lands annexed into any of the MUDs, if such lands are located outside of the area covered by Forney Lake's CCN and such area may legally be served by Forney Lake.

8.02 **Easements.** At the option of TRD and subject to compliance with the applicable regulations of the City of Dallas, all water distribution lines shall be constructed either within public rights-of-way or non-exclusive easements dedicated to Forney Lake.

8.03 **Notice.** Any notice to be given hereunder to a party shall be in writing and effected by certified mail, return receipt requested.

Notice to Forney Lake shall be addressed to:

Forney Lake Water Supply Corporation
P. O. Box 2034
Rockwall, Texas 75087

With a copy to:

Arturo D. Rodriguez, Jr.
Russell, Moorman, and Rodriguez, L.L.P.
102 W. Morrow St., Suite 103
Georgetown, Texas 78628

Notice to TRD shall be addressed to:

Travis Ranch Development, L.P.
c/o Landmark Interests
Attn: Mr. Jack Tate
16660 North Dallas Parkway, Suite 2900
Dallas, Texas 75248

With a copy to:

Travis Ranch Development, L.P.
Attn: Mr. Samuel Dabney Ware
C/o Lazarus Property Corporation
5949 Sherry Lane, Suite 1255
Dallas, Texas 75225

With a copy to:

Timothy G. Green
Coats, Rose, Yale, Ryman & Lee, P.C.
1001 Fannin, Suite 800
Houston, Texas 77002

Each party may change the address for notice to it by giving notice of such change at the last address designated in accordance with this section.

8.04 **Franchise Agreements.** Forney Lake is granted a license to use the public roadways and utility easements inside the Service Area where water transmission or distribution lines are located and where related water facilities are located. Forney Lake shall not

be required to pay a franchise fee to the MUDs for use of the public roadways and utility easements for the System.

In the event, as a condition to Forney Lake approving the plans for any portion of the System, Forney Lake requires TRD or the MUDs to oversize the capacity of any of such facilities to accommodate the development of lands located outside the Service Area, Forney Lake agrees that it shall share the cost of the oversized facilities. Forney Lake's share of the oversized facilities shall be the construction cost differential of the oversized facilities.

- 8.05 **Negligent Acts.** To the extent allowed by law, Forney Lake, TRD, and each of the MUDs agrees to each be legally responsible for its own negligent acts and indemnify each other from same.
- 8.06 **Indemnity.** To the extent allowed by law, TRD and each of the MUDs agrees to and will indemnify Forney Lake and hold Forney Lake harmless from any claim or damage to Forney Lake or its CCN that is caused by TRD's or the applicable MUD's failure to design or construct an adequate water distribution system within the portions of the Service Area within its boundaries.
- 8.07 **Attorney Fees and Costs.** The non-prevailing party in any dispute or legal proceedings enforcing this Agreement shall be entitled to recover its attorney's fees, witness fees, litigation expenses and costs, as same are reasonable and necessary, to be paid by the non-prevailing party.
- 8.08 **Fire Flow.** Forney Lake agrees to maintain and operate facilities that comply with the Fire Flow requirements of any jurisdiction. However, the parties understand that Forney Lake does not provide water directly from its system in sufficient quantities to provide water for fire fighting purposes, a quantity commonly known as "Fire Flow". In accordance with its Tariff, Forney Lake does not guarantee Fire Flow.
- 8.09 **Time of Essence.** Time is of the essence in the performance of this Agreement.
- 8.10 **Modification.** This Agreement may be changed or modified only with the consent of the governing bodies of both Forney Lake and the applicable MUD. TRD's authorized representative may approve a change or modification to this Agreement on behalf of the MUDs. No changes or modifications may be made which will affect adversely the prompt payment when due of all monies required to be paid by TRD or the applicable MUDs under the terms of this Agreement.
- 8.11 **Effective Date.** The Effective Date of this Agreement is August 5, 2003.
- 8.12 **Severability.** This Agreement is subject to all applicable Federal, state, and local laws, and any applicable permits, rules, orders, and regulations of any local, state, or federal governmental authority having jurisdiction. In addition, the parties hereto specifically agree that in case any one or more of the provisions of the Agreement should be, or should be held to be, for any reason, invalid or unconstitutional, under the laws or the constitutions of the State or the United States of America, or in contravention in any

such laws or constitutions, such invalidity, unconstitutionality or contravention shall not effect any other provisions of this Agreement.

- 8.13 **Assignment.** Upon creation of the MUDs, TRD shall be authorized to assign all of its rights and obligations hereunder to each of the MUDs. TRD shall provide Forney Lake a copy of each and every assignment. An assignment of rights and obligations under this Agreement shall take effect upon the applicable MUD notifying Forney Lake in writing of such assignment.
- 8.14 **Force Majeure.** If by reason of force majeure any party hereto shall be rendered unable wholly or in part to carry out its obligations under this Agreement, other than the obligation of TRD or the applicable MUD to make the payments required under Article VI, then if such party shall give notice and full particulars of such force majeure in writing to the other party within a reasonable time after occurrence of the event or cause relied on, the obligation of the party giving such notice, so far as it is affected by such force majeure, shall be suspended during the continuance of the inability claimed, but for no longer period, and any such party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "force majeure" as employed herein shall mean acts of God, strike, lockouts, or other industrial disturbances, acts of public enemy, orders of any kind of the government of the United States or the State of Texas, or any civil or military authority, insurrection, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipelines or canals, partial or entire failure of water supply, shortages of materials or qualified workmen, or on account of any other causes not reasonable within the control of the party claiming such inability.
- 8.15 **Insurance.** While TRD or the MUDs own the System, TRD or the applicable MUD agrees to carry and arrange for fire, casualty, public liability, and/or other insurance on the System for purposes and in amounts which, as determined by Forney Lake, ordinarily would be carried by a privately owned utility company owning and operating such facilities. Such insurance shall provide for the restoration of damaged or destroyed properties or equipment, to minimize the interruption of such facilities located within the System. Forney Lake shall be an additional insured on said insurance policies. Within 30 days after installation of the first phase of the System, TRD or the MUD shall provide Forney Lake with evidence of insurance.
- 8.16 **Regulatory Bodies and Laws.** This Agreement is subject to all applicable Federal and State laws and any applicable permits, ordinances, rules, orders, and regulations of any local, state, or federal government authority having or asserting jurisdiction, but nothing contained herein shall be construed as a waiver of any right to question or contest any such law, ordinance, order, rule, or regulation in any forum, having jurisdiction.
- 8.17 **Venue.** All amounts due under this Agreement, including, but not limited to, payments under this Agreement or damages for breach of this Agreement, shall be paid and due in Rockwall County, Texas, which is the county in which the principal administrative

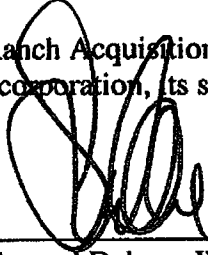
office of Forney Lake is located. It is specifically agreed among the parties to this Agreement that this Agreement is fully performable in Rockwall County, Texas.

- 9.01 **Headings.** The headings contained in this Agreement are for convenience only and shall in no way enlarge, limit, or otherwise modify the scope or the meaning of the language herein.

**TRAVIS RANCH DEVELOPMENT, L.P.,
a Texas limited partnership**

By: Travis Ranch Investors, L.P.,
a Texas limited partnership, its sole
general partner

By: Travis Ranch Acquisition Corporation,
a Texas corporation, its sole general
partner

By: 
Samuel Dabney Ware, President
and CEO

**FORNEY LAKE WATER SUPPLY
CORPORATION**

By: 

Title: _____

EXHIBITS:

- A - Service Area
- B - Texas Water Code §13.255
- C - Approved Design of System
- D - Projected water needs of Service Area
- E - Forney Lake Temporary System Improvements
- F - Form of Water Commitment Letter

ACKNOWLEDGEMENTS

STATE OF TEXAS §
 §
COUNTY OF ROCKWALL §

This instrument was acknowledged before me on this 11 day of August, 2003, by Samuel Dabney Ware, President and CEO of Travis Ranch Acquisition Corporation, a Texas Corporation, sole general partner of Travis Ranch Investors, L.P., a Texas limited partnership, sole general partner of Travis Ranch Development, L.P., a Texas limited partnership, on behalf of said limited partnership.



Marian Morris
Notary Public, State of Texas

STATE OF TEXAS §
 §
COUNTY OF ROCKWALL §

This instrument was acknowledged before me on this ____ day of _____, 2003, by _____, _____ of Forney Lake Water Supply Corporation, a Texas nonprofit corporation, on behalf of said corporation.

Notary Public, State of Texas

**PROPERTY DESCRIPTION
PROPOSED LAKEVIEW RANCH
MUNICIPAL UTILITY DISTRICT NO. 1**

BEING A 819.4 ACRE TRACT OF LAND SITUATED IN THE I. JONES SURVEY, ABSTRACT NO. 257, THE S.C. WHITE SURVEY, ABSTRACT NO. 572, THE J.R. BRISCOE, ABSTRACT NO. 40, THE R.H. LOVE SURVEY, ABSTRACT NO. 638, THE S. WOODS SURVEY, ABSTRACT NO. 574 AND THE J.R. CONNER SURVEY, ABSTRACT NO. 100, KAUFMAN COUNTY, TEXAS AND BEING ALL OF THAT TRACT OF LAND DESCRIBED IN DEED TO B. GILL CLEMENTS, RECORDED IN VOLUME 1041, PAGE 490, OF THE DEED RECORDS OF KAUFMAN COUNTY, TEXAS (D.R.K.C.T.) AND BEING A PORTION OF A TRACT OF LAND DESCRIBED IN DEED TO CLEMGIL REALTY, INC. RECORDED IN VOLUME 543, PAGE 540, D.R.K.C.T. (COLLECTIVELY REFERRED TO HEREINAFTER AS THE CLEMGIL TRACT). SAID 819.4 ACRE TRACT BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A 1/2" IRON ROD FOUND AT THE INTERSECTION OF THE SOUTH RIGHT-OF-WAY (R.O.W.) LINE OF F.M. HWY. NO. 740 AND THE WEST R.O.W. LINE OF F.M. HWY. NO. 460;

THENCE ALONG THE WEST R.O.W. LINE OF SAID F.M. HWY. NO. 460, THE FOLLOWING COURSES AND DISTANCES:

S 07°13'10" W, A DISTANCE OF 67.35 FEET TO A POINT;

S 46°44'45" W, A DISTANCE OF 2080.20 FEET TO A POINT;

ALONG A CURVE TO THE LEFT HAVING A RADIUS OF 2910.37 FEET, A DELTA ANGLE OF 7°08'00", A CHORD BEARING S 43°10'45" W, A DISTANCE OF 362.11 FEET, AND AN ARC LENGTH OF 362.34 FEET TO A POINT;

S 39°36'45" W, A DISTANCE OF 707.10 FEET TO A POINT;

ALONG A CURVE TO THE RIGHT HAVING A RADIUS OF 2820.64 FEET, A DELTA ANGLE OF 6°01'00", A CHORD BEARING S 42°37'15" W, A DISTANCE OF 296.06 FEET, AND AN ARC LENGTH OF 296.20 FEET TO A POINT;

S 45°37'45" W, A DISTANCE OF 823.83 FEET TO A POINT FOR THE MOST SOUTHERLY SOUTHEAST CORNER OF SAID CLEMGIL TRACT;

THENCE ALONG THE SOUTH LINE OF SAID CLEMGIL TRACT, THE FOLLOWING COURSES AND DISTANCES:

S 89°06'03" W, A DISTANCE OF 1598.90 FEET TO A POINT;

EXHIBIT A

N 60°31'45" W, A DISTANCE OF 404.10 FEET TO A POINT;

N 01°16'13" W, A DISTANCE OF 345.25 FEET TO A POINT;

S 87°01'08" W, A DISTANCE OF 1054.40 FEET TO A POINT;

N 77°24'19" W, A DISTANCE OF 1208.00 FEET TO A POINT FOR THE
SOUTHWEST CORNER OF SAID CLEMGIL TRACT;

THENCE ALONG THE WEST LINE OF SAID CLEMGIL TRACT, THE FOLLOWING
COURSES AND DISTANCES:

N 11°49'00" W, A DISTANCE OF 660.00 FEET TO A POINT;

N 12°58'25" E, A DISTANCE OF 74.40 FEET TO A POINT;

N 42°48'12" E, A DISTANCE OF 95.96 FEET TO A POINT;

N 71°59'32" E, A DISTANCE OF 118.50 FEET TO A POINT;

N 83°25'51" E, A DISTANCE OF 249.12 FEET TO A POINT;

N 58°07'31" E, A DISTANCE OF 147.44 FEET TO A POINT;

N 11°00'37" E, A DISTANCE OF 142.49 FEET TO A POINT;

N 43°02'13" W, A DISTANCE OF 140.98 FEET TO A POINT;

N 25°51'50" W, A DISTANCE OF 261.81 FEET TO A POINT;

N 42°48'53" W, A DISTANCE OF 245.24 FEET TO A POINT;

N 12°59'39" E, A DISTANCE OF 1721.97 FEET TO A POINT;

N 08°26'33" E, A DISTANCE OF 3560.90 FEET TO A POINT;

N 88°17'38" E, A DISTANCE OF 730.33 FEET TO A POINT;

N 44°56'33" E, A DISTANCE OF 222.00 FEET TO A POINT;

S 78°06'28" E, A DISTANCE OF 300.00 FEET TO A POINT;

N 06°36'28" W, A DISTANCE OF 100.00 FEET TO A POINT;

N 59°36'28" W, A DISTANCE OF 178.88 FEET TO A POINT;

N 44°56'33" E, A DISTANCE OF 129.79 FEET TO A POINT;

N 48°34'38" E, A DISTANCE OF 435.08 FEET TO A POINT;

N 43°36'10" E, A DISTANCE OF 293.20 FEET TO A POINT IN THE APPROXIMATE CENTERLINE OF RAY HUBBARD DRIVE;

THENCE ALONG THE APPROXIMATE CENTERLINE OF SAID RAY HUBBARD DRIVE, THE FOLLOWING COURSES AND DISTANCES:

S 36°19'53" W, A DISTANCE OF 55.31 FEET TO A POINT;

S 37°29'33" W, A DISTANCE OF 261.43 FEET TO A POINT;

S 35°45'40" W, A DISTANCE OF 64.83 FEET TO A POINT;

ALONG A CURVE TO THE LEFT HAVING A RADIUS OF 700.33 FEET, A DELTA ANGLE OF 17°05'32", A CHORD BEARING S 27°12'54" W, A DISTANCE OF 208.15 FEET, AND AN ARC LENGTH OF 208.92 FEET TO A POINT;

S 18°40'07" W, A DISTANCE OF 94.60 FEET TO A POINT;

S 17°32'05" W, A DISTANCE OF 82.78 FEET TO A POINT;

S 12°21'44" W, A DISTANCE OF 132.28 FEET TO A POINT;

S 04°47'48" W, A DISTANCE OF 28.22 FEET TO A POINT;

S 07°03'37" W, A DISTANCE OF 163.18 FEET TO A POINT;

S 07°35'10" W, A DISTANCE OF 180.68 FEET TO A POINT;

ALONG A CURVE TO THE LEFT HAVING A RADIUS OF 418.78 FEET, A DELTA ANGLE OF 50°28'27", A CHORD BEARING S 17°39'03" E, A DISTANCE OF 357.11 FEET, AND AN ARC LENGTH OF 368.92 FEET TO A POINT;

S 42°53'30" E, A DISTANCE OF 37.53 FEET TO A POINT;

S 45°19'05" E, A DISTANCE OF 146.93 FEET TO A POINT;

S 45°08'23" E, A DISTANCE OF 354.80 FEET TO A POINT;

S 44°53'11" E, A DISTANCE OF 190.00 FEET TO A POINT;

S 48°49'06" E, A DISTANCE OF 48.28 FEET TO A POINT;

ALONG A CURVE TO THE LEFT HAVING A RADIUS OF 255.32 FEET, A DELTA ANGLE OF 36°00'54", A CHORD BEARING S 66°49'37" E, A DISTANCE OF 157.86 FEET, AND AN ARC LENGTH OF 160.49 FEET TO A POINT;

S 84°50'05" E, A DISTANCE OF 73.00 FEET TO A POINT;

S 88°58'31" E, A DISTANCE OF 73.77 FEET TO A POINT;

S 89°35'46" E, A DISTANCE OF 179.93 FEET TO A POINT;

N 89°19'30" E, A DISTANCE OF 200.60 FEET TO A POINT;

S 89°49'32" E, A DISTANCE OF 199.30 FEET TO A POINT;

S 87°08'33" E, A DISTANCE OF 101.91 FEET TO A POINT;

S 84°24'10" E, A DISTANCE OF 102.77 FEET TO A POINT;

ALONG A CURVE TO THE RIGHT HAVING A RADIUS OF 752.63 FEET, A DELTA ANGLE OF 38°06'56", A CHORD BEARING S 65°20'42" E, A DISTANCE OF 491.50 FEET, AND AN ARC LENGTH OF 500.68 FEET TO A POINT;

S 46°17'13" E, A DISTANCE OF 100.45 FEET TO A POINT;

S 43°11'55" E, A DISTANCE OF 1431.04 FEET TO A POINT;

THENCE N 44°25'37" E, OVER AND ACROSS SAID CLEMGIL TRACT, A DISTANCE OF 1078.25 FEET TO A POINT IN THE EAST LINE OF SAID CLEMGIL TRACT;

THENCE S 44°00'44" E, ALONG THE EAST LINE OF SAID CLEMGIL TRACT, A DISTANCE OF 857.25 FEET TO A POINT IN THE WEST R.O.W. LINE OF SAID F.M. HWY. NO. 740;

THENCE ALONG THE WEST R.O.W. LINE OF SAID F.M. HWY. NO. 740, THE FOLLOWING COURSES AND DISTANCES:

S 06°38'15" W, A DISTANCE OF 352.81 FEET TO A POINT;

S 07°05'15" W, A DISTANCE OF 346.99 FEET TO A POINT;

ALONG A CURVE TO THE LEFT HAVING A RADIUS OF 1477.38 FEET, A DELTA ANGLE OF 5°33'05", A CHORD BEARING S 04°18'42" W, A DISTANCE OF 143.09 FEET, AND AN ARC LENGTH OF 143.15 FEET TO A POINT;

THENCE ALONG THE EAST LINE OF SAID CLEMGIL TRACT, THE FOLLOWING

COURSES AND DISTANCES:

N 88°33'36" W, A DISTANCE OF 154.88 FEET TO A POINT;

S 45°27'35" W, A DISTANCE OF 271.85 FEET TO A POINT IN THE NORTH R.O.W.
LINE OF SAID RAY HUBBARD DRIVE;

THENCE S 44°32'25" E, ALONG THE NORTH R.O.W. LINE OF SAID RAY HUBBARD
DRIVE, A DISTANCE OF 422.14 FEET TO A POINT;

THENCE ALONG A CURVE TO THE LEFT HAVING A RADIUS OF 166.37 FEET, A
DELTA ANGLE OF 51°34'25", A CHORD BEARING S 19°07'31" E, A DISTANCE OF
144.75 FEET, AND AN ARC LENGTH OF 149.75 FEET TO A POINT IN THE SOUTH
R.O.W. OF SAID RAY HUBBARD DRIVE;

THENCE S 44°54'45" E, ALONG THE SOUTH R.O.W. OF SAID RAY HUBBARD DRIVE,
A DISTANCE OF 422.12 FEET TO A POINT IN THE WEST R.O.W. LINE OF F.M. HWY.
NO. 740;

THENCE ALONG THE WEST R.O.W. LINE OF F.M. HWY. NO. 740 THE FOLLOWING
COURSES AND DISTANCES:

ALONG A CURVE TO THE LEFT HAVING A RADIUS OF 1477.38 FEET, A DELTA
ANGLE OF 8°10'18", A CHORD BEARING S 40°49'36" E, A DISTANCE OF 210.53
FEET, AND AN ARC LENGTH OF 210.71 FEET TO A POINT;

S 44°54'45" E, A DISTANCE OF 153.28 FEET TO THE POINT OF BEGINNING,
AND CONTAINING 819.355 ACRES OF LAND, MORE OR LESS.

THIS DOCUMENT WAS PREPARED UNDER 22 TAC 663.21, DOES NOT REFLECT THE RESULTS OF AN
ON THE GROUND SURVEY, AND IS NOT TO BE USED TO CONVEY OR ESTABLISH INTERESTS IN
REAL PROPERTY EXCEPT THOSE RIGHTS AND INTERESTS IMPLIED OR ESTABLISHED BY THE
CREATION OR RECONFIGURATION OF THE BOUNDARY OF THE POLITICAL SUBDIVISION FOR
WHICH IT WAS PREPARED.

GARY S. VEDRO
REGISTERED PROFESSIONAL LAND SURVEYOR
NUMBER 4934

PROPERTY DESCRIPTION

MUNICIPAL UTILITY DISTRICT NO. 2

BEING A 477.4 ACRE TRACT OF LAND SITUATED IN THE S. WOODS SURVEY, ABSTRACT NO. 574, THE J.R. CONNOR SURVEY, ABSTRACT 100, THE WM. CONNOR SURVEY, ABSTRACT NO. 92, THE W. BRISCOE SURVEY, ABSTRACT NO. 39, AND THE G. PASCHALL SURVEY, ABSTRACT NO. 404, IN KAUFMAN COUNTY, TEXAS, AND BEING ALL OF THAT TRACT OF LAND DESCRIBED IN DEED TO CLEMGIL REALTY, INC., RECORDED IN VOLUME 560, PAGE 739, OF THE DEED RECORDS OF KAUFMAN COUNTY, TEXAS (D.R.K.C.T.), ALSO BEING A PORTION OF THAT TRACT OF LAND DESCRIBED IN DEED TO CLEMGIL REALTY, INC., RECORDED IN VOLUME 543, PAGE 540, D.R.K.C.T., (COLLECTIVELY REFERRED TO HEREINAFTER AS THE CLEMGIL TRACT), SAID 477.4 ACRE TRACT BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT A 1/2" IRON ROD FOUND AT THE INTERSECTION OF THE SOUTH RIGHT-OF-WAY (R.O.W.) LINE OF F.M. HWY. NO. 740 AND THE WEST R.O.W. LINE OF F.M. HWY. NO. 460;

THENCE ALONG THE WEST R.O.W. LINE OF SAID F.M. HWY. NO. 740, THE FOLLOWING COURSES AND DISTANCES:

N 44° 54' 45" W, A DISTANCE OF 153.28 FEET TO A POINT;

ALONG A CURVE TO THE RIGHT HAVING A RADIUS OF 1477.38 FEET, A DELTA ANGLE OF 8° 10' 18", A CHORD BEARING N 40° 49' 36" W, A DISTANCE OF 210.53 FEET, AND AN ARC LENGTH OF 210.71 FEET TO A POINT IN THE SOUTH R.O.W. LINE OF RAY HUBBARD DRIVE;

THENCE N 44° 54' 45" W, ALONG THE SOUTH R.O.W. LINE OF SAID RAY HUBBARD DRIVE A DISTANCE OF 422.12 FEET TO A POINT;

THENCE ALONG A CURVE TO THE RIGHT HAVING A RADIUS OF 166.37 FEET, A DELTA ANGLE OF 51° 34' 25", A CHORD BEARING N 19° 07' 31" W, A DISTANCE OF 144.75 FEET, AND AN ARC LENGTH OF 149.75 FEET TO A POINT IN THE NORTH R.O.W. LINE OF SAID RAY HUBBARD DRIVE;

THENCE N 44° 32' 25" W, ALONG THE NORTH R.O.W. LINE OF SAID RAY HUBBARD DRIVE, A DISTANCE OF 422.14 FEET TO A POINT;

THENCE N 46° 10' 57" W, OVER AND ACROSS SAID CLEMGIL TRACT, A DISTANCE OF 1257.65 FEET TO A POINT IN THE APPROXIMATE CENTERLINE OF SAID RAY HUBBARD DRIVE FOR THE POINT OF BEGINNING;

EXHIBIT A

THENCE N 43°11'55" W, ALONG THE APPROXIMATE CENTERLINE OF SAID RAY HUBBARD DRIVE, A DISTANCE OF 1240.18 FEET TO A POINT;

THENCE OVER AND ACROSS SAID CLEMGIL TRACT, THE FOLLOWING COURSES AND DISTANCES:

N 46°48'03" E, A DISTANCE OF 25.24 FEET TO A POINT;

N 36°57'58" E, A DISTANCE OF 133.98 FEET TO A POINT;

N 07°11'38" E, A DISTANCE OF 78.61 FEET TO A POINT;

N 45°16'41" E, A DISTANCE OF 871.24 FEET TO A POINT;

N 15°15'44" E, A DISTANCE OF 837.59 FEET TO A POINT;

N 80°22'01" W, A DISTANCE OF 280.93 FEET TO A POINT;

N 05°51'22" E, A DISTANCE OF 1259.54 FEET TO A POINT;

N 50°18'15" E, A DISTANCE OF 817.25 FEET TO A POINT;

N 52°55'23" W, A DISTANCE OF 1450.84 FEET TO A POINT;

N 89°57'41" W, A DISTANCE OF 2121.38 FEET TO A POINT IN THE APPROXIMATE CENTERLINE OF RAY HUBBARD DRIVE;

THENCE ALONG THE APPROXIMATE CENTERLINE OF SAID RAY HUBBARD DRIVE, THE FOLLOWING COURSES AND DISTANCES:

N 01°08'25" W, A DISTANCE OF 467.19 FEET TO A POINT;

N 00°38'15" W, A DISTANCE OF 1631.00 FEET TO A POINT;

THENCE S 86°24'51" W, ALONG A SOUTH LINE OF SAID CLEMGIL TRACT A DISTANCE OF 347.59 FEET TO A POINT IN THE EAST LINE OF THE CITY OF DALLAS LAKE RAY HUBBARD;

THENCE ALONG THE EAST LINE OF SAID CITY OF DALLAS LAKE RAY HUBBARD, THE FOLLOWING COURSES AND DISTANCES:

S 86°40'41" W, A DISTANCE OF 448.29 FEET TO A POINT;

N 72°08'36" W, A DISTANCE OF 105.91 FEET TO A POINT;

N 28°59'12" E, A DISTANCE OF 81.48 FEET TO A POINT;

N 21°55'57" E, A DISTANCE OF 51.35 FEET TO A POINT;

N 11°00'16" E, A DISTANCE OF 47.71 FEET TO A POINT;

N 23°42'07" E, A DISTANCE OF 36.38 FEET TO A POINT;

N 33°38'30" E, A DISTANCE OF 30.09 FEET TO A POINT;

N 27°34'44" E, A DISTANCE OF 137.20 FEET TO A POINT;

ALONG A CURVE TO THE LEFT HAVING A DELTA ANGLE OF 13°52'52", A RADIUS OF 123.91 FEET, AND A LONG CHORD THAT BEARS N 20°38'18" E A DISTANCE OF 29.95 FEET, AN ARC DISTANCE OF 30.02 FEET TO A POINT;

N 13°41'45" E, A DISTANCE OF 129.57 FEET TO A POINT;

N 09°11'58" E, A DISTANCE OF 24.55 FEET TO A POINT;

N 24°18'09" E, A DISTANCE OF 25.04 FEET TO A POINT;

N 32°37'48" E, A DISTANCE OF 31.23 FEET TO A POINT;

N 41°09'15" E, A DISTANCE OF 25.46 FEET TO A POINT;

N 33°28'32" E, A DISTANCE OF 61.29 FEET TO A POINT;

N 32°05'46" E, A DISTANCE OF 71.83 FEET TO A POINT;

N 09°58'47" W, A DISTANCE OF 48.39 FEET TO A POINT;

N 14°05'12" W, A DISTANCE OF 31.44 FEET TO A POINT;

ALONG A CURVE TO THE RIGHT HAVING A DELTA ANGLE OF 58°22'23", A RADIUS OF 25.00 FEET, AND A LONG CHORD THAT BEARS N 15°05'59" E A DISTANCE OF 24.38 FEET, AN ARC DISTANCE OF 25.47 FEET TO A POINT;

N 44°16'31" E, A DISTANCE OF 69.30 FEET TO A POINT;

ALONG A CURVE TO THE RIGHT HAVING A DELTA ANGLE OF 29°48'52", A RADIUS OF 125.01 FEET, AND A LONG CHORD THAT BEARS N 59°10'57" E A DISTANCE OF 64.32 FEET, AN ARC DISTANCE OF 65.05 FEET TO A POINT;

N 74°05'22" E, A DISTANCE OF 70.34 FEET TO A POINT;

ALONG A CURVE TO THE RIGHT HAVING A DELTA ANGLE OF $27^{\circ}10'15''$, A RADIUS OF 90.00 FEET, AND A LONG CHORD THAT BEARS $N 87^{\circ}40'30'' E$ A DISTANCE OF 42.28 FEET, AN ARC DISTANCE OF 42.68 FEET TO A POINT;

$S 78^{\circ}44'25'' E$, A DISTANCE OF 26.36 FEET TO A POINT;

$S 88^{\circ}52'52'' E$, A DISTANCE OF 10.60 FEET TO A POINT;

ALONG A CURVE TO THE LEFT HAVING A DELTA ANGLE OF $77^{\circ}50'52''$, A RADIUS OF 100.00 FEET, AND A LONG CHORD THAT BEARS $N 52^{\circ}11'42'' E$ A DISTANCE OF 125.66 FEET, AN ARC DISTANCE OF 135.87 FEET TO A POINT;

$N 13^{\circ}16'06'' E$, A DISTANCE OF 15.00 FEET TO A POINT;

$N 02^{\circ}48'26'' E$, A DISTANCE OF 41.94 FEET TO A POINT;

$N 20^{\circ}01'07'' E$, A DISTANCE OF 143.74 FEET TO A POINT;

$N 28^{\circ}17'58'' E$, A DISTANCE OF 148.55 FEET TO A POINT;

$N 30^{\circ}37'15'' E$, A DISTANCE OF 25.00 FEET TO A POINT;

$N 37^{\circ}48'20'' E$, A DISTANCE OF 25.00 FEET TO A POINT;

$N 44^{\circ}59'27'' E$, A DISTANCE OF 25.00 FEET TO A POINT;

$N 52^{\circ}10'32'' E$, A DISTANCE OF 25.00 FEET TO A POINT;

$N 49^{\circ}14'35'' E$, A DISTANCE OF 113.00 FEET TO A POINT;

$N 50^{\circ}45'14'' E$, A DISTANCE OF 80.00 FEET TO A POINT;

$N 56^{\circ}35'56'' E$, A DISTANCE OF 32.70 FEET TO A POINT;

$S 14^{\circ}23'42'' E$, A DISTANCE OF 97.28 FEET TO A POINT;

$N 82^{\circ}49'20'' E$, A DISTANCE OF 56.02 FEET TO A POINT;

$S 80^{\circ}12'41'' E$, A DISTANCE OF 473.60 FEET TO A POINT;

$S 62^{\circ}30'23'' E$, A DISTANCE OF 239.98 FEET TO A POINT;

THENCE OVER AND ACROSS SAID CLEMGIL TRACT, THE FOLLOWING COURSES AND DISTANCES:

S 01°42'28" E, A DISTANCE OF 589.10 FEET TO A POINT;

N 88°17'32" E, A DISTANCE OF 1399.57 FEET TO A POINT;

S 17°17'27" E, A DISTANCE OF 299.65 FEET TO A POINT;

S 45°19'45" E, A DISTANCE OF 4428.45 FEET TO A POINT IN THE WEST R.O.W.
LINE OF SAID F.M. HWY NO. 740;

THENCE ALONG THE WEST R.O.W. LINE OF SAID F.M. HWY. NO. 740, THE
FOLLOWING COURSES AND DISTANCES:

S 29°27'56" W, A DISTANCE OF 367.36 FEET TO A POINT;

S 30°23'15" W, A DISTANCE OF 1228.49 FEET TO A POINT;

S 30°00'15" W, A DISTANCE OF 500.07 FEET TO A POINT;

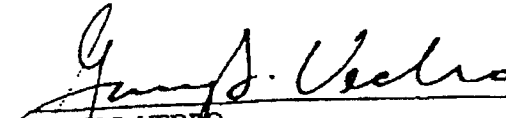
S 30°13'15" W, A DISTANCE OF 329.94 FEET TO A POINT;

ALONG A CURVE TO THE LEFT HAVING A DELTA ANGLE OF 32°15'60", A
RADIUS OF 1477.42 FEET, AND A LONG CHORD THAT BEARS S 14°05'15" W A
DISTANCE OF 821.07 FEET, AN ARC DISTANCE OF 832.02 FEET TO A POINT;

S 02°02'45" E, A DISTANCE OF 283.07 FEET TO A POINT;

THENCE S 44°25'37" W, ALONG THE EAST LINE OF SAID CLEMIL TRACT, A
DISTANCE OF 2025.92 FEET TO THE POINT OF BEGINNING AND CONTAINING 477.4
ACRES OF LAND, MORE OR LESS.

THIS DOCUMENT WAS PREPARED UNDER 22 TAC 663.21, DOES NOT REFLECT THE RESULTS OF AN
ON THE GROUND SURVEY, AND IS NOT TO BE USED TO CONVEY OR ESTABLISH INTERESTS IN
REAL PROPERTY EXCEPT THOSE RIGHTS AND INTERESTS IMPLIED OR ESTABLISHED BY THE
CREATION OR RECONFIGURATION OF THE BOUNDARY OF THE POLITICAL SUBDIVISION FOR
WHICH IT WAS PREPARED.


GARY S. VEDRO
REGISTERED PROFESSIONAL LAND SURVEYOR
NUMBER 4934

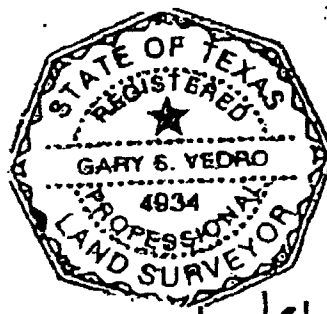


EXHIBIT A

PROPERTY DESCRIPTION

MUNICIPAL UTILITY DISTRICT NO. 3

TRACT 1

BEING A 437.4 ACRE TRACT OF LAND SITUATED IN THE G. PASCHALL SURVEY, ABSTRACT NO. 404, THE W. SWIFT SURVEY, ABSTRACT NO. 459, THE J. CANTER SURVEY, ABSTRACT NO. 85 AND THE M. FERGUSON SURVEY, ABSTRACT NO. 158, IN KAUFMAN AND ROCKWALL COUNTIES, TEXAS AND BEING A PORTION OF THAT TRACT OF LAND DESCRIBED AS TRACT KR1 IN DEED TO CLEMGIL PARTNERS, RECORDED IN VOLUME 733, PAGE 78, OF THE DEED RECORDS OF KAUFMAN COUNTY, TEXAS (D.R.K.C.T.), A PORTION OF THAT TRACT OF LAND DESCRIBED IN DEED TO CLEMGIL REALTY, INC. RECORDED IN VOLUME 677, PAGE 677, D.R.K.C.T., A PORTION OF THAT TRACT OF LAND DESCRIBED IN DEED TO CLEMGIL REALTY, INC. RECORDED IN VOLUME 543, PAGE 540, D.R.K.C.T. AND BEING ALL OF THOSE TRACTS OF LAND DESCRIBED AS TRACTS K1 AND K2 IN DEED TO CLEMGIL PARTNERS, RECORDED IN VOLUME 733, PAGE 78, D.R.K.C.T. (COLLECTIVELY REFERRED TO HEREINAFTER AS THE CLEMGIL TRACT). SAID 437.4 ACRE TRACT BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE WEST RIGHT-OF-WAY (R.O.W.) LINE OF F.M. HWY. NO. 740 AT THE MOST EASTERLY CORNER OF A TRACT OF LAND DESCRIBED IN DEED TO CLYDE D. WHITTEMORE, RECORDED IN VOLUME 1331, PAGE 8, D.R.K.C.T.;

THENCE ALONG THE EAST LINE OF SAID CLEMGIL TRACT, THE FOLLOWING COURSES AND DISTANCES:

N 45°31'43" W, A DISTANCE OF 1339.14 FEET TO A POINT;

S 44°30'12" W, A DISTANCE OF 494.46 FEET TO A POINT;

THENCE OVER AND ACROSS SAID CLEMGIL TRACT, THE FOLLOWING COURSES AND DISTANCES:

N 45°19'45" W, A DISTANCE OF 2930.21 FEET TO A POINT;

N 17°17'27" W, A DISTANCE OF 299.72 FEET TO A POINT;

S 88°17'32" W, A DISTANCE OF 1398.29 FEET TO A POINT;

N 01°42'28" W, A DISTANCE OF 589.04 FEET TO A POINT IN THE EAST LINE OF

THE CITY OF DALLAS LAKE RAY HUBBARD;

THENCE ALONG THE EAST LINE OF THE CITY OF DALLAS LAKE RAY HUBBARD,
THE FOLLOWING COURSES AND DISTANCES:

S 89°07'20" E, A DISTANCE OF 442.63 FEET TO A POINT;
S 45°06'14" E, A DISTANCE OF 149.90 FEET TO A POINT;
N 68°22'12" E, A DISTANCE OF 442.25 FEET TO A POINT;
N 41°07'44" E, A DISTANCE OF 87.59 FEET TO A POINT;
N 82°52'00" E, A DISTANCE OF 62.75 FEET TO A POINT;
N 76°33'29" E, A DISTANCE OF 108.85 FEET TO A POINT;
S 84°49'47" E, A DISTANCE OF 220.75 FEET TO A POINT;
N 25°01'18" E, A DISTANCE OF 99.24 FEET TO A POINT;
N 64°39'30" W, A DISTANCE OF 116.72 FEET TO A POINT;
N 70°13'03" W, A DISTANCE OF 115.81 FEET TO A POINT;
S 67°32'03" W, A DISTANCE OF 99.34 FEET TO A POINT;
S 66°25'05" W, A DISTANCE OF 124.80 FEET TO A POINT;
N 83°33'31" W, A DISTANCE OF 102.78 FEET TO A POINT;
N 47°49'11" W, A DISTANCE OF 264.19 FEET TO A POINT;
N 05°49'18" W, A DISTANCE OF 202.11 FEET TO A POINT;
S 59°44'35" W, A DISTANCE OF 286.42 FEET TO A POINT;
N 54°33'41" W, A DISTANCE OF 140.55 FEET TO A POINT;
N 30°24'08" E, A DISTANCE OF 573.32 FEET TO A POINT;

THENCE OVER AND ACROSS SAID CLEMGIL TRACT, THE FOLLOWING COURSES
AND DISTANCES:

ALONG A NON-TANGENT CURVE TO THE LEFT HAVING A RADIUS OF 2640.00 FEET, A DELTA ANGLE OF $50^{\circ}52'19''$, A CHORD BEARING $N 51^{\circ}32'35'' E$, A DISTANCE OF 2267.77 FEET, AND AN ARC LENGTH OF 2344.01 FEET TO A POINT;

$N 73^{\circ}58'26'' E$, A DISTANCE OF 382.43 FEET TO A POINT;

$N 66^{\circ}57'48'' E$, A DISTANCE OF 219.03 FEET TO A POINT;

$N 77^{\circ}56'11'' E$, A DISTANCE OF 447.51 FEET TO A POINT;

$S 45^{\circ}58'22'' E$, A DISTANCE OF 1009.71 FEET TO A POINT;

$S 44^{\circ}59'04'' E$, A DISTANCE OF 2895.47 FEET TO A POINT IN THE WEST R.O.W. LINE OF SAID F.M. HWY. NO. 740;

THENCE ALONG THE WEST R.O.W. LINE OF SAID F.M. HWY. NO. 740, THE FOLLOWING COURSES AND DISTANCES:

$S 43^{\circ}55'15'' W$, A DISTANCE OF 88.92 FEET TO A POINT;

ALONG A CURVE TO THE LEFT HAVING A RADIUS OF 1477.40 FEET, A DELTA ANGLE OF $38^{\circ}51'00''$, A CHORD BEARING $S 24^{\circ}29'45'' W$, A DISTANCE OF 982.69 FEET, AND AN ARC LENGTH OF 1001.77 FEET TO A POINT;

$S 05^{\circ}04'15'' W$, A DISTANCE OF 178.58 FEET TO A POINT;

$S 06^{\circ}48'22'' W$, A DISTANCE OF 84.03 FEET TO A POINT;

THENCE ALONG THE EAST LINE OF SAID CLEMIL TRACT, THE FOLLOWING COURSES AND DISTANCES:

$N 46^{\circ}52'09'' W$, A DISTANCE OF 457.84 FEET TO A POINT;

$N 46^{\circ}18'10'' W$, A DISTANCE OF 147.20 FEET TO A POINT;

$S 43^{\circ}27'37'' W$, A DISTANCE OF 146.93 FEET TO A POINT;

$S 46^{\circ}18'10'' E$, A DISTANCE OF 147.03 FEET TO A POINT;

$S 43^{\circ}31'42'' W$, A DISTANCE OF 726.54 FEET TO A POINT;

$S 45^{\circ}44'50'' E$, A DISTANCE OF 836.16 FEET TO A POINT IN THE WEST R.O.W.

LINE OF SAID F.M. HWY. NO. 740;

THENCE ALONG THE WEST R.O.W. LINE OF SAID F.M. HWY. NO. 740, THE FOLLOWING COURSES AND DISTANCES:

S 23°03'15" W, A DISTANCE OF 102.82 FEET TO A POINT;

ALONG A CURVE TO THE LEFT HAVING A RADIUS OF 1953.69 FEET, A DELTA ANGLE OF 4°41'60", A CHORD BEARING S 20°42'15" W, A DISTANCE OF 160.22 FEET, AND AN ARC LENGTH OF 160.26 FEET TO A POINT;

S 18°21'15" W, A DISTANCE OF 388.40 FEET TO A POINT;

S 18°54'15" W, A DISTANCE OF 299.91 FEET TO A POINT;

S 18°34'15" W, A DISTANCE OF 362.93 FEET TO A POINT;

ALONG A CURVE TO THE RIGHT HAVING A RADIUS OF 1717.97 FEET, A DELTA ANGLE OF 3°38'49", A CHORD BEARING S 20°23'39" W, A DISTANCE OF 109.33 FEET, AND AN ARC LENGTH OF 109.35 FEET TO THE POINT OF BEGINNING, AND CONTAINING 437.4 ACRES OF LAND, MORE OR LESS.

TRACT 2

BEING A 1.6 ACRE TRACT OF LAND SITUATED IN THE G. PASCHALL SURVEY, ABSTRACT NO. 404, IN KAUFMAN COUNTY, TEXAS AND BEING A PORTION OF THAT TRACT OF LAND DESCRIBED IN DEED TO CLEMGIL REALTY, INC. RECORDED IN VOLUME 543, PAGE 540, OF THE DEED RECORDS OF KAUFMAN COUNTY, TEXAS (REFERRED TO HEREINAFTER AS THE CLEMGIL TRACT). SAID 1.6 ACRE TRACT BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT A POINT IN THE WEST RIGHT-OF-WAY (R.O.W.) LINE OF F.M. HWY. NO. 740 AT THE MOST EASTERLY CORNER OF A TRACT OF LAND DESCRIBED IN DEED TO CLYDE D. WHITEMORE, RECORDED IN VOLUME 1331, PAGE 8, D.R.K.C.T.;

THENCE ALONG THE EAST LINE OF SAID CLEMGIL TRACT, THE FOLLOWING COURSES AND DISTANCES:

N 45°31'43" W, A DISTANCE OF 1339.14 FEET TO A POINT;

S 44°30'12" W, A DISTANCE OF 494.46 FEET TO A POINT;

THENCE OVER AND ACROSS SAID CLEMGIL TRACT, THE FOLLOWING COURSES
AND DISTANCES:

N 45°19'45" W, A DISTANCE OF 2930.21 FEET TO A POINT;

N 17°17'27" W, A DISTANCE OF 299.72 FEET TO A POINT;

S 88°17'32" W, A DISTANCE OF 1398.29 FEET TO A POINT;

N 01°42'28" W, A DISTANCE OF 589.04 FEET TO A POINT IN THE EAST LINE OF
THE CITY OF DALLAS LAKE RAY HUBBARD;

THENCE ALONG THE EAST LINE OF THE CITY OF DALLAS LAKE RAY HUBBARD,
THE FOLLOWING COURSES AND DISTANCES:

S 89°07'20" E, A DISTANCE OF 442.63 FEET TO A POINT;

S 45°06'14" E, A DISTANCE OF 149.90 FEET TO A POINT;

N 68°22'12" E, A DISTANCE OF 442.25 FEET TO A POINT;

N 41°07'44" E, A DISTANCE OF 87.59 FEET TO A POINT;

N 82°52'00" E, A DISTANCE OF 62.75 FEET TO A POINT;

N 76°33'29" E, A DISTANCE OF 108.85 FEET TO A POINT;

S 84°49'47" E, A DISTANCE OF 220.75 FEET TO A POINT;

N 25°01'18" E, A DISTANCE OF 99.24 FEET TO A POINT;

N 64°39'30" W, A DISTANCE OF 116.72 FEET TO A POINT;

N 70°13'03" W, A DISTANCE OF 115.81 FEET TO A POINT;

S 67°32'03" W, A DISTANCE OF 99.34 FEET TO A POINT;

S 66°25'05" W, A DISTANCE OF 124.80 FEET TO A POINT;

N 83°33'31" W, A DISTANCE OF 102.78 FEET TO A POINT;

N 47°49'11" W, A DISTANCE OF 264.19 FEET TO A POINT;

N 05°49'18" W, A DISTANCE OF 202.11 FEET TO A POINT;

S 59°44'35" W, A DISTANCE OF 286.42 FEET TO A POINT;

N 54°33'41" W, A DISTANCE OF 140.55 FEET TO A POINT;

N 30°24'08" E, A DISTANCE OF 573.32 FEET TO A POINT;

THENCE N 77°18'09" W, OVER AND ACROSS SAID CITY OF DALLAS LAKE RAY HUBBARD, A DISTANCE OF 140.55 FEET TO A POINT IN THE EAST LINE OF SAID CITY OF DALLAS LAKE RAY HUBBARD FOR THE POINT OF BEGINNING;

THENCE ALONG THE EAST LINE OF SAID CITY OF DALLAS LAKE RAY HUBBARD, THE FOLLOWING COURSES AND DISTANCES:


S 43°16'20" W, A DISTANCE OF 273.28 FEET TO A POINT;

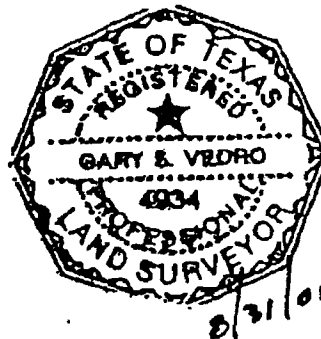
S 77°57'21" W, A DISTANCE OF 229.32 FEET TO A POINT;

N 01°07'32" W, A DISTANCE OF 239.47 FEET TO A POINT;

THENCE N 88°58'52" E, OVER AND ACROSS SAID CLEMGIL TRACT, A DISTANCE OF 416.37 FEET TO THE POINT OF BEGINNING, AND CONTAINING 1.6 ACRES OF LAND, MORE OR LESS.

THIS DOCUMENT WAS PREPARED UNDER 22 TAC 663.21, DOES NOT REFLECT THE RESULTS OF AN ON THE GROUND SURVEY, AND IS NOT TO BE USED TO CONVEY OR ESTABLISH INTERESTS IN REAL PROPERTY EXCEPT THOSE RIGHTS AND INTERESTS IMPLIED OR ESTABLISHED BY THE CREATION OR RECONFIGURATION OF THE BOUNDARY OF THE POLITICAL SUBDIVISION FOR WHICH IT WAS PREPARED.


GARY S. VEDRO
REGISTERED PROFESSIONAL LAND SURVEYOR
NUMBER 4934



**PROPERTY DESCRIPTION
PROPOSED LAKEVIEW RANCH
MUNICIPAL UTILITY DISTRICT NO. 4**

BEING A 153.3 ACRE TRACT OF LAND SITUATED IN THE J. CANTER SURVEY, ABSTRACT NO. 85, IN KAUFMAN AND ROCKWALL COUNTIES, TEXAS AND BEING A PORTION OF THOSE TRACTS OF LAND DESCRIBED AS TRACTS 1 & 2 IN DEED TO B. GILL CLEMENTS, RECORDED IN VOLUME 680, PAGE 86, OF THE DEED RECORDS OF ROCKWALL COUNTY, TEXAS (D.R.R.C.T.), AND BEING A PORTION OF THAT TRACT OF LAND DESCRIBED IN DEED TO CLEMGIL REALTY, INC., RECORDED IN VOLUME 677, PAGE 677, OF THE DEED RECORDS OF KAUFMAN COUNTY, TEXAS (D.R.K.C.T.), AND BEING A PORTION OF THAT TRACT OF LAND DESCRIBED AS TRACT KR1 IN DEED TO CLEMGIL PARTNERS, RECORDED IN VOLUME 733, PAGE 78, D.R.K.C.T., (COLLECTIVELY REFERRED TO HEREINAFTER AS CLEMGIL TRACT), SAID 153.3 ACRE TRACT BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A 3/8" IRON ROD FOUND IN THE WEST RIGHT-OF-WAY LINE OF F.M. HWY. NO. 740 IN THE SOUTHEAST LINE OF A TRACT OF LAND DESCRIBED IN DEED TO THOMAS A. SHAW, RECORDED IN VOLUME 71, PAGE 117, D.R.R.C.T.;

THENCE ALONG THE WEST RIGHT-OF-WAY (R.O.W.) LINE OF SAID F.M. HWY. NO. 740, THE FOLLOWING COURSES AND DISTANCES:

S 45°30'20" E, A DISTANCE OF 98.50 FEET TO A POINT;

ALONG A CURVE TO THE LEFT HAVING A RADIUS OF 194.85 FEET, A DELTA ANGLE OF 27°15'54", A CHORD BEARING S 31°52'26" E, A DISTANCE OF 91.85 FEET, AND AN ARC LENGTH OF 92.72 FEET TO A POINT;

S 45°30'20" E, A DISTANCE OF 377.36 FEET TO A POINT;

ALONG A CURVE TO THE RIGHT HAVING A RADIUS OF 1387.41 FEET, A DELTA ANGLE OF 89°25'35", A CHORD BEARING S 00°47'33" E, A DISTANCE OF 1952.25 FEET, AND AN ARC LENGTH OF 2165.45 FEET TO A POINT;

S 43°55'15" W, A DISTANCE OF 408.84 FEET TO A POINT;

THENCE OVER AND ACROSS SAID CLEMGIL TRACT, THE FOLLOWING COURSES AND DISTANCES:

N 44°59'04" W, A DISTANCE OF 2895.47 FEET TO A POINT;

N 45°58'22" W, A DISTANCE OF 1009.71 FEET TO A POINT;

S 77°56'11" W, A DISTANCE OF 447.51 FEET TO A POINT;

S 66°57'48" W, A DISTANCE OF 219.03 FEET TO A POINT;

S 73°58'26" W, A DISTANCE OF 382.43 FEET TO A POINT;

ALONG A CURVE TO THE LEFT HAVING A RADIUS OF 2640.00 FEET, A DELTA ANGLE OF 26°44'27", A CHORD BEARING N 12°44'12" E, A DISTANCE OF 1220.97 FEET, AND AN ARC LENGTH OF 1232.13 FEET TO A POINT;

S 89°45'27" E, A DISTANCE OF 1582.82 FEET TO A POINT IN THE EAST LINE OF SAID CLEMGIL TRACT;

THENCE ALONG THE EAST LINE OF SAID CLEMGIL TRACT, THE FOLLOWING COURSES AND DISTANCES:

S 45°36'58" E, A DISTANCE OF 1982.04 FEET TO A POINT;

N 43°51'08" E, A DISTANCE OF 548.15 FEET TO THE POINT OF BEGINNING, AND CONTAINING 153.3 ACRES OF LAND, MORE OR LESS.

THIS DOCUMENT WAS PREPARED UNDER 22 TAC 663.21, DOES NOT REFLECT THE RESULTS OF AN ON THE GROUND SURVEY, AND IS NOT TO BE USED TO CONVEY OR ESTABLISH INTERESTS IN REAL PROPERTY EXCEPT THOSE RIGHTS AND INTERESTS IMPLIED OR ESTABLISHED BY THE CREATION OR RECONFIGURATION OF THE BOUNDARY OF THE POLITICAL SUBDIVISION FOR WHICH IT WAS PREPARED.

GARY S. VEDRO
REGISTERED PROFESSIONAL LAND SURVEYOR
NUMBER 4934

Exhibit HEATH RFI 2-16

FORNEY LAKE WATER SUPPLY CORPORATION

FORNEY, TEXAS

FINANCIAL STATEMENTS

DECEMBER 31, 2009

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	Notes to Financial Statements	5

**MICHAEL W. BEDFORD
CERTIFIED PUBLIC ACCOUNTANT
205 WEST HIGH STREET
TERRELL, TEXAS 75160
(972) 563-7671
Fax (972) 563-7801**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Forney Lake Water Supply Corporation
Forney, Texas

We have audited the accompanying balance sheets of Forney Lake Water Supply Corporation as of December 31, 2009 and December 31, 2008, and the related statements of income and expense, changes in membership equity, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Forney Lake Water Supply Corporation as of December 31, 2009 and December 31, 2008, the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Respectfully submitted,



Michael W. Bedford
Certified Public Accountant
July 2, 2010