

COST ESTIMATES

Temple Dane Pump Station

2 Mg Ground Storage	\$ 710,000
High Service Pump Station	1,370,000
Disinfection System	319,000
Miscellaneous (Fencing, Landscaping, etc.)	49,000
Scada System	<u>61,000</u>

Subtotal Construction	\$ 2,509,000
O/H & Inspection	250,900
Engineering & Technical	<u>106,000</u>
TOTAL PROJECT COST	\$ 2,865,900

FM 720 Waterline

36" Water Line	\$ 700,000
24" Water Line	28,000
36" Highway Crossing	55,300
36" Butterfly Valves	90,000
Fire Hydrant	10,000
Blowoff Valve	<u>3,900</u>

Subtotal Construction	\$ 887,200
O/H & Inspection	88,700
Contingency	44,400
Engineering & Technical	<u>39,000</u>
TOTAL PROJECT COST (FM 720)	\$ 1,059,300

US 380 Waterline

30" Water Line	\$ 210,000
30" Highway Crossing	56,300
30" Butterfly Valves	16,000
24" Water Line	918,000
24" Highway Crossing	160,000
Lake Directional Bore Crossing	655,000
24" Butterfly Valves	108,000
Fire Hydrant	10,000
Blowoff Valve	3,900
Services/Stubouts	<u>22,000</u>

Subtotal Construction	\$ 2,159,200
O/H & Inspection	216,900
Contingency	108,000
Engineering & Technical	<u>120,000</u>
TOTAL PROJECT COST (US 380)	\$ 2,604,100

FM 1385 South Water Line

24" Water Line (12,400 l.f. @ \$ 76/l.f.)	\$ 781,200
24" Highway Crossing (120 l.f. @ \$ 380/l.f.)	45,600
24" Waterway Crossing (50 l.f. @ \$ 110/l.f.)	5,500
24" Butterfly Valves (4 each @ \$ 15,000/each)	60,000
Fittings (9 tons @ \$ 4,500 / ton)	<u>40,500</u>

Subtotal Construction	\$ 932,800
O/H & Inspection	93,300
Contingencies	93,300
Engineering & Technical	<u>46,000</u>

TOTAL PROJECT COST (FM 1385 SOUTH) \$ 1,165,400

FM1385 N / FM 428 to County Line Waterline

24" Water Line (19,100 l.f. @ \$ 76/l.f.)	\$ 1,451,600
24" Highway Crossing (240 l.f. @ \$380/l.f.)	91,200
24" Waterway Crossing (250 l.f. @ \$110/l.f.)	27,500
24" Butterfly Valves (6 each @ \$15,000/each)	90,000
Fittings (21 tons @ \$ 4,500 / ton)	<u>94,500</u>

Subtotal Construction	\$ 1,754,800
O/H & Inspection	175,500
Contingencies	175,500
Engineering & Technical	<u>156,000</u>

TOTAL PROJECT COST (FM 428/County) \$ 2,261,800

FM 428 to Celina Waterline

20" Water Line (19,600 l.f. @ \$ 45/l.f.)	\$ 882,000
20" Highway Crossing (80 l.f. @ \$ 310/l.f.)	24,800
20" Butterfly Valves (4 each @ \$9,500/each)	38,000
Fittings (15 tons @ \$ 4,500 / ton)	<u>67,500</u>

Subtotal Construction	\$ 1,012,300
O/H & Inspection	101,200
Contingencies	101,200
Engineering & Technical	<u>88,000</u>

TOTAL PROJECT COST (FM 428 / Celina) \$ 1,302,700

Celina Pump Station

2 Mg Ground Storage	\$ 720,000
High Service Pump Station	185,000
Disinfection System	27,000
Yard Piping	18,000
Electrical	28,000
Scada System	<u>105,000</u>

Subtotal Construction Cost	\$ 1,083,000
O/H & Inspection	108,300
Contingency	108,300
Engineering & Technical	<u>72,000</u>

TOTAL PROJECT COST (Celina Pump Station) \$ 1,371,600

Celina Elevated Tank

1.0 MG Elevated Storage	\$ 950,000
24" Water Line (5,000 l.f. @ \$ 76.f.)	380,000
Yard Piping	4,000
Electrical	6,000
Scada System	<u>14,000</u>

Subtotal Construction Cost	\$ 1,354,000
O/H & Inspection	135,000
Contingency	135,000
Engineering & Technical	<u>97,000</u>

TOTAL PROJECT COST (Celina Elevated) \$ 1,721,000

The following summary outlines the projected cost and the estimated portion of the cost for each entity.

TABLE 3 COST SUMMARY

	COST SUMMARY	TEMPLE DANE P.S.	720 WATER	380 WATER	1385 S WATER	1385N/428 WATER	428/ CELINA WATER	CELINA PS	CELINA EL TANK
MWSC	\$1,943,074 14%	\$573,180 20%	\$180,081 17%	\$338,533 13%	\$104,886 9%	\$746,394 33%	\$0 0%	\$0 0%	\$0 0%
CELINA (CITY)	\$4,395,300 31%	\$0 0%	\$0 0%	\$0 0%	\$0 0%	\$0 0%	\$1,371,600 100%	\$0 0%	\$1,721,000 100%
CELINA (UTRWD)	\$2,531,776 18%	\$372,567 13%	\$148,302 14%	\$390,615 15%	\$104,886 9%	\$1,515,406 67%	\$0 0%	\$0 0%	\$0 0%
AUBREY	\$117,756 1%	\$85,977 3%	\$31,779 3%	\$0 0%	\$0 0%	\$0 0%	\$0 0%	\$0 0%	\$0 0%
LINCOLN PARK	\$117,756 1%	\$85,977 3%	\$31,779 3%	\$0 0%	\$0 0%	\$0 0%	\$0 0%	\$0 0%	\$0 0%
DCFWSD #8A	\$1,658,328 12%	\$544,521 19%	\$211,860 20%	\$598,943 23%	\$303,004 26%	\$0 0%	\$0 0%	\$0 0%	\$0 0%
DCFWSD #9	\$1,389,792 10%	\$458,544 16%	\$180,081 17%	\$494,779 19%	\$256,388 22%	\$0 0%	\$0 0%	\$0 0%	\$0 0%
DCFWSD #10	\$1,099,009 8%	\$372,567 13%	\$137,709 13%	\$390,615 15%	\$198,118 17%	\$0 0%	\$0 0%	\$0 0%	\$0 0%
DCFWSD #11	\$1,099,009 8%	\$372,567 13%	\$137,709 13%	\$390,615 15%	\$198,118 17%	\$0 0%	\$0 0%	\$0 0%	\$0 0%
ESTIMATED TOTAL	\$14,351,800	\$2,865,900	\$1,059,300	\$2,604,100	\$1,165,400	\$2,261,800	\$1,302,700	\$1,371,600	\$1,721,000

TOTALS

MWSC	\$1,943,074 14%
UTRWD	\$8,013,426 56%
CELINA	\$4,395,300 31%
ESTIMATED TOTAL	\$14,351,800

EXHIBIT F

TRANSPORTATION OF TREATED WATER FOR THE DISTRICT TO OTHER MEMBERS AND CUSTOMER BY MUSTANG SPECIAL UTILITY DISTRICT

The District is in the planning phases of a new water treatment facility north of U.S. Hwy 380, east of F.M. 2931 on Fishtrap Road. This new water treatment plant, when completed will serve entities north of Lewisville Lake. However, in the meantime, the District expects that other Customer's of the District, who may have boundaries adjacent to or near the service area of Mustang, will desire to receive water from the System. Upon the District making a written request, Mustang agrees, subject to available capacity in its internal distribution and transmission system, to temporarily transport treated water for the District from Mustang's Delivery Point(s) or from other points within it's service area to the Customer requesting the water.

The District will provide an equivalent amount of water at Mustang's Delivery Point(s) to offset the water being delivered by Mustang to other Customers and the water so delivered will not count against the Demand provisions in Exhibit B herein for Mustang. Mustang will provide such transportation service through its internal distribution and transmission system, if Mustang determines that excess pipeline and pumping capacity are available. It is agreed that Mustang will not be required to expand its distribution system solely for District, unless otherwise needed for Mustang's system or unless the District participates in the funding thereof.

For billing purposes, District will not include such Volume or Demand charges for water transported to other Customers in the monthly bill owed by Mustang, rather, District will render such bill directly to the benefiting Customer. Mustang shall propose a reasonable fee for transportation of water to Customers, which fee shall be subject to approval by District. For valid reasons based on cost, the transportation fee may be adjusted annually upon sixty (60) days written notice by Mustang to District.

Service to City of Aubrey.

The City of Aubrey has entered into a Participating Member contract with the District to receive up to 100,000 gallons per day of treated water. However, the District doesn't currently have water transmission pipelines constructed to serve Aubrey. Pursuant to the immediately preceding paragraph, Mustang agrees to deliver said water from the System through Mustang's internal distribution system to Aubrey's Point of Delivery, which shall be near the intersection of F.M. 428 East and U.S. Hwy 377. Mustang shall provide treated water through its internal distribution system according to this Exhibit, and specifically the transportation fee shall apply.

Service to Pilot Point.

The District recently conducted a feasibility report to determine whether or not the District can provide treated water to the City of Pilot Point. The report concluded that the best interim solution is for the District to work with Mustang, to use Mustang's system for the transportation of the water to Pilot Point; using the transportation provisions of this Exhibit. If Pilot Point enters into a Participating Contract with the District for such service, not to exceed 1 MGD, Mustang agrees to cooperate with Pilot Point and the District in the planning and design of necessary facilities to enable such delivery of water from the System through Mustang's distribution system to a mutually agreed location for Pilot Point (the "Improvements"). Said services to Pilot Point shall be in accordance with this Exhibit. Mustang agrees to provide such transportation service to enable the District to deliver treated water to Pilot Point according to the terms of this Exhibit, subject to the following:

(a) If the Improvements are needed within Mustang's existing distribution and transmission system for Mustang's own reasonable needs, then the Improvements shall be made by Mustang at its expense according to a mutually agreed schedule;

(b) If the Improvements are currently over and above the reasonable needs of Mustang, then the cost of the improvements shall be funded jointly by mutual agreement of the District and Mustang according to relative or proportional benefit. Further, said funding agreement may be styled somewhat like the agreement contained in Exhibit E for Joint Facilities; or

(c) If the Improvements will not be needed in the future by Mustang, then the District will fund the Improvements to Mustang's existing system according to a mutually agreed schedule.

UPPER TRINITY REGIONAL WATER DISTRICT
NORTHEAST REGIONAL WATER RECLAMATION SYSTEM

AMENDMENT TO
PARTICIPATING MEMBER CONTRACT
WITH
MUSTANG SPECIAL UTILITY DISTRICT

THE STATE OF TEXAS §
 §
COUNTY OF DENTON §

This **AMENDMENT** (the "Amendment") **TO THE NORTHEAST REGIONAL WATER RECLAMATION SYSTEM CONTRACT** is made and entered into this 15th day of December, 2010, ("Effective Date"), by and between **UPPER TRINITY REGIONAL WATER DISTRICT** (the "District"), a conservation and reclamation district created pursuant to Article XVI, Section 59 of the Constitution of the State of Texas, and **MUSTANG SPECIAL UTILITY DISTRICT** ("Mustang"), a special district and political subdivision of the State of Texas, to amend the Participating Member Contract dated June 1, 2006 (the "Contract"), which contract provides for Mustang to participate in the District's Riverbend Water Reclamation Plant ("Plant").

WITNESSETH

WHEREAS, Mustang entered into the Contract for wastewater treatment services for its service area, for which it holds a Certificate of Convenience and Necessity ("CCN") issued by the Texas Commission on Environmental Quality ("TCEQ"); and

WHEREAS, all of the current capacity in the Plant is under contract to Denton County Fresh Water Supply District Numbers 8A, 9, 10 and 11 and the Town of Lincoln Park; and

WHEREAS, it had been planned for Mustang to participate and subscribe to new capacity as part of the next regular Plant expansion; and

WHEREAS, future growth within Mustang's service area is expected to create a need for wastewater treatment service prior to the next regular expansion of the Plant; and

WHEREAS, Mustang has requested that capacity be made available in the Plant for its future service area needs; and

WHEREAS, TCEQ recently authorized an up-rating of the authorized treatment capacity of the Plant from 1.5 MGD to 2.0 MGD; and

WHEREAS, certain process improvements need to be made to the biosolids handling facilities to accommodate current wastewater flows (the "Now Improvements"); and

WHEREAS, to achieve the authorized up-rated capacity of 2.0 MGD and to accommodate Mustang's request for capacity, the District proposes to make certain improvements at the Plant ("Plant Improvements"), which the Now Improvements and the Plant Improvements shall herein collectively be known as the "Project"; and

WHEREAS, to achieve its request for capacity in the Plant, Mustang agrees to pay a pro rata share of the total Plant cost, which share will be an average of the costs incurred for the initial Plant and costs associated with the Project; and

WHEREAS, both parties desire to amend the Contract to allow for the design and construction of the Project according to the provisions of the Contract and this Amendment.

NOW, THEREFORE, the District and Mustang, in consideration of the terms, conditions and covenants contained in this Amendment, agree as follows:

Section 1. Adoption of Preamble. All of the matters stated in the Preamble of this Amendment are true and correct and are hereby incorporated into the body of this Amendment as though fully set forth in their entirety herein.

Section 2. Definitions. Capitalized terms not otherwise defined herein shall have the same meaning as those set forth in the Contract:

Section 3. Increase in Subscribed Capacity. Exhibit B of the Contract is hereby amended to authorize an initial installment of 0.125 MGD capacity for Mustang to be provided in the Plant as part of the Plant Improvements. The remainder of the currently contracted 0.28 MGD capacity will be provided at a mutually agreed time as part of a future expansion of the Plant. A revised Exhibit B is attached hereto and is hereby incorporated into the Contract as though fully set forth herein.

Section 4. Reimbursement of Prior Costs

a. Previously, the District constructed facilities that are a part of the System that will be used to deliver and treat Wastewater flows from Mustang. In accordance with Section 29 of Exhibit D of the Contract, Mustang is obligated to pay a pro rata share of the prior cost paid by other participants for the amount of capacity to be contracted in the Plant to Mustang. In addition, Mustang agrees to pay its pro rata share of the capital costs associated with the Project. Thus, for the amount of capacity being

contracted, Mustang will pay a total cost that is a weighted average of the prior costs for the initial Plant and the cost for the Project.

Section 5. Payment of Total Costs. Within thirty (30) days of the Effective Date of this Amendment, Mustang shall pay to the District one-half of its pro rata share of the estimated total cost as provided in Section 4 above.

a. Prior to advertising for construction bids, the District shall provide notice to Mustang of its remaining pro rata share. Within thirty (30) days of said notice, Mustang shall deposit said amount with District. District shall not award the proposed construction contract until Mustang has deposited the required funds.

b. The funds to be deposited as provided above shall include an amount equal to twelve percent (12%) of Mustang's share of the Project to cover the District's cost of project management, including oversight of design and construction, inspection during construction, and the applicable portion of general overhead of the District.

c. The funds so provided by Mustang, along with pro rata funds from other participants, shall be deposited by District in an interest bearing construction account. District may withdraw funds from the construction account as required to make periodic progress payments during construction, and to pay project management costs and final payment upon completion according to the construction contract(s) awarded for the Project. District shall maintain an accounting of all expenditures for construction, which accounting shall be available for review by Mustang upon reasonable notice. Upon completion of construction, Mustang agrees to pay its share, if any, of contract change orders or extra costs required to complete the Project. If such change orders exceed two percent (2%) of the construction costs and if funds are not available in the construction account, Mustang agrees to deposit additional funds during construction, if requested by District.

d. Upon completion of construction and after the Project is placed into operation, the District will prepare and provide to Mustang an accounting of all applicable Project costs and the parties agree to conduct a settle-up for said costs. Any excess funds will be reimbursed to participating parties on a pro rata basis; and, if there is a shortfall, Mustang agrees to promptly pay its pro rata share upon notice from District.

e. The parties agree that the costs paid by Mustang for the Project will not be considered an Eligible Cost as defined in the Contract, and are therefore not subject to future reimbursement by the District.

Section 6. Deferred Capacity Charge. Recognizing that Mustang currently does not have a need for the capacity being subscribed to herein, the District agrees to defer Mustang's capacity charge for fixed costs, billed to Mustang as a demand charge, as follows:

a. Mustang currently provides limited wastewater service to a public school under a separate agreement with Denton County Fresh Water Supply District No. 8A, which wastewater is treated at the Plant. Mustang will continue to pay a capacity charge for said service, currently 0.0075 MGD, or whatever amount is needed to provide said service to the school.

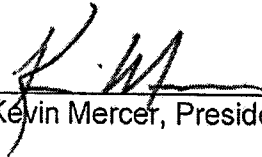
b. The District agrees to defer the initiation of the obligation to begin annual payment of the additional capacity charge for the capacity subscribed to herein for a period of up to two years, or until Mustang provides service to an additional retail customer from the Plant, whichever event occurs first. Said two-year period will commence upon the District's determination that the herein subscribed capacity is available for service. Once the obligation for Mustang to begin paying the additional capacity charge has commenced, as provided herein, the obligation to pay said capacity charge will be phased over a five (5) year period in five (5) equal increments. Mustang shall be obligated to pay the initial twenty percent (20%) increment of the additional annual capacity charge, within sixty (60) days of commencement of said five (5) year period. On each anniversary date thereafter for four (4) years the remaining portion of the additional capacity charge shall be increased in twenty percent (20%) increments until Mustang is paying 100% of the capacity charge based on its subscribed capacity on a full parity with other participants in the Plant. Until such time as Mustang is paying its full share of the capacity charge associated with capacity in the Plant, other participants in the Plant will be required to carry the applicable costs. Mustang will be obligated to pay for its subscribed capacity based on the above described phased capacity charge, or for its actual usage, whichever amount is greater.

Section 7. Contract Provisions. All other provisions of the Contract, as amended, shall continue in full force and effect.

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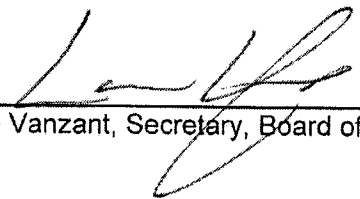
IN WITNESS WHEREOF, the parties hereto acting under authority of their respective bodies have caused this Amendment to be duly executed in several counterparts, each of which shall constitute an original, all as of the day and year first written above, which is the Effective Date.

UPPER TRINITY REGIONAL WATER DISTRICT



Kevin Mercer, President, Board of Directors

ATTEST:



Lance Vanzant, Secretary, Board of Directors

[District Seal]

APPROVED AS TO FORM AND LEGALITY:



John F. Boyle, Jr., Counsel for the District

MUSTANG SPECIAL UTILITY DISTRICT

By: Bill Hathaway
Bill Hathaway, President, Board of Directors

ATTEST:

Randy Wallace
Randy Wallace, Secretary, Board of Directors

(Mustang SEAL)

APPROVED AS TO FORM AND LEGALITY:

John Rapier
John Rapier, General Counsel

REVISED EXHIBIT B

**UPPER TRINITY REGIONAL WATER DISTRICT
 NORTHEAST REGIONAL WATER RECLAMATION SYSTEM**

**PARTICIPATING MEMBER CONTRACT
 MUSTANG SPECIAL UTILITY DISTRICT**

**Subscribed Capacity Minimum Flow and Average Flow According to Article II of
 the Contract**

The provisions of this Exhibit B form a part of the Contract and are applicable to the District and to Mustang as if set forth in their entirety in the body of the Contract. The following quantities are mutually agreed to for the purposes noted.

Phase	Minimum Flow (MGD) For Financial Purposes	Average Annual Flow (MGD) For Subscribed Capacity
Riverbend Plant - Initial Capacity	0.10 MGD 0.04 MGD	0.28 MGD(1) 0.125 MGD
Doe Branch Plant	0.08 MGD (2)	0.20 MGD
Mustang's assigned share of the Phase 2 Doe Branch trunk line is 40%.		

- (1) Mustang's initial subscribed capacity in the Riverbend Plant shall be 0.125 MGD to be provided as part of the Plant Improvements. The remainder of the contracted capacity will be provided at a mutually agreed time as part of a future expansion of the Plant.
- (2) Exception – pending completion of the Doe Branch Plant, while Celina's Wastewater flows are being treated at the Riverbend Plant the Minimum Flow for Financial Purposes will be 0.04 MGD.

Phased Construction. Expansion of the existing Riverbend Treatment Plant and construction of the Doe Branch Treatment Plant are expected to be accomplished in two (2) or more phases. When Mustang desires additional capacity to provide for future growth requirements, Mustang shall give appropriate notice to the District to allow adequate time for coordination with other participants in the System and for financing, design and construction. The District then will use such increased capacity as the new subscribed capacity for allocation of cost to Mustang as provided in the Contract. It is mutually agreed that other Members and Customers may participate in the System to allow the District to fulfill its responsibility of providing adequate service to the region.

Doe Branch Trunk Line. A portion of the trunk line that will serve Mustang and others has been constructed from the existing lift station to Fishtrap Road ("Phase 1"). To enable Mustang to have wastewater service available at its Point of Entry, the Phase 1 trunk line has been extended from Fishtrap Road to Parvin Road and a Point of Entry constructed for Mustang ("Phase 2"), collectively herein referred to as the "Doe Branch Trunk Line". Phase 1 of the Doe Branch Trunk Line has been oversized to accommodate future wastewater needs. Phase 2 also is being designed to accommodate future wastewater needs. The capacity of Phase 2 of the Doe Branch Trunk Line shall be allocated between the benefiting parties based on a projection of future needs, with Mustang's share noted in the table above. Pursuant to the provisions of this Contract, Mustang has paid certain prior costs associated with the Phase 1 trunk line based on initial subscribed capacity in the Plant. Subscribed capacity in the System by Mustang and other participants may change in the future. The cost of the Phase 1 trunk line shall be allocated as a Common-To-All cost among the benefiting parties in accordance with Exhibit D based on the then respective subscribed capacity in the Doe Branch Plant; however, it is recognized that Denton County Fresh Water Supply District No. 10, at the time of initial construction, paid their pro rata share of the Phase 1 trunk line based on expected build-out needs.

Coordination Between Plants. Both the Riverbend Treatment Plant and the Doe Branch Treatment Plant are being planned to serve certain portions of the service area of Mustang. To enable the District to make orderly plans for adequate capacity in each plant, Mustang agrees to subscribe to a specific capacity in each plant. However, in providing service to Mustang pursuant to the Contract, the District may use either or both plants to whatever degree the District determines, in its sole discretion to be prudent in providing for the treatment of the Wastewater delivered by Mustang to the System. Notwithstanding the foregoing provision, at all times following completion of the Doe Branch Plant, save and except times of operational curtailment due unforeseen temporary mechanical malfunctions, Mustang will have and enjoy full utilization of its subscribed capacity as stated herein. Further, regardless which plant the District selects for treatment of Wastewater delivered by Mustang to the System, such selection by the District will not have a negative economic impact on Mustang due to a difference in treatment rates among the District's plants.

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¹ The Annual Payment as defined in the Contract includes a capacity charge for fixed costs and a volume charge for variable costs of Wastewater flow.

**UPPER TRINITY REGIONAL WATER DISTRICT
NORTHEAST REGIONAL WATER RECLAMATION SYSTEM
MUSTANG SPECIAL UTILITY DISTRICT
PARTICIPATING MEMBER CONTRACT**

**THE STATE OF TEXAS §
 §
COUNTY OF DENTON §**

This **REGIONAL WASTEWATER TREATMENT SERVICES CONTRACT** (the "Contract") made and entered into as of the 1st day of June, 2006 (the "Contract Date"), by and among **UPPER TRINITY REGIONAL WATER DISTRICT**, (the "District"), a conservation and reclamation district created pursuant to Article XVI, Section 59 of the Constitution of the State of Texas, and **MUSTANG SPECIAL UTILITY DISTRICT**, a special district created by the Texas Commission on Environmental Quality (referred to herein as "Mustang", "Participating Member" or "Member").

WITNESSETH

WHEREAS, Mustang is a political subdivision operating under the Constitution and laws of the State of Texas; and

WHEREAS, the District's enabling statute (the "Act" as herein defined) requires that a Member of the District be a governmental entity that provides retail utility service; and

WHEREAS, Mustang currently holds a Certificate of Convenience and Necessity ("CCN") issued by the Texas Commission on Environmental Quality ("TCEQ") to provide Wastewater services generally within the area defined by its existing water service area, and Mustang is taking steps satisfactory to the District to initiate wastewater collection services within its jurisdiction; and

WHEREAS, Mustang is a Member of the District, participating in the Regional Treated Water System and the Peninsula Water Reclamation Plant; and

WHEREAS, the District, in cooperation with Participating Members and other entities, has constructed and operates the Northeast Regional Water Reclamation System in northeast Denton County that includes the Riverbend Water Reclamation Plant, the Peninsula Water Reclamation Plant, proposed Doe Branch Water Reclamation Plant, associated outfall facilities, trunk mains, joint trunk mains for combined use, sludge handling facilities, effluent discharge and metering facilities; and

WHEREAS, Mustang and District have entered into a separate contract for wastewater treatment service dated March 6, 2003 for Mustang's participation in the

Peninsula Water Reclamation Plant, which service may be provided under this Contract at a mutually agreed time in the future, and

WHEREAS, the District completed a preliminary design study described in a report entitled "Riverbend Water Reclamation Plant Phase III Expansion Design Memorandum", prepared by Alan Plummer Associates, Inc. and dated July 2005, as amended, which report (the "Design Memorandum") recommends that the Riverbend Water Reclamation Plant be expanded to provide for expected growth of population in the area served by the Riverbend Plant; and

WHEREAS, the District completed a Technical Report entitled "Doe Branch Basin Wastewater Service Planning for Celina Area", prepared by Alan Plummer Associates, Inc. and dated July 8, 2005, which report recommends that certain parts of Mustang's service area receive wastewater treatment services at the District's planned Doe Branch Water Reclamation Plant; and

WHEREAS, the locations of the Riverbend and Doe Branch Water Reclamation Plants are such that they are well suited to provide wastewater treatment service to much of Mustang's service area; and

WHEREAS, the District and Mustang agree that it is advisable to enable the District to provide wastewater treatment service on a flexible basis to Mustang at either the Riverbend or Doe Branch Water Reclamation Plants as determined by the District and this Contract; and

WHEREAS, the permit issued by the TCEQ calls for the next phase of the District's Riverbend Water Reclamation Plant to be 1.5 million gallons per day (MGD), bringing the total rated discharge volume of the Plant to 3.0 MGD; and

WHEREAS, Mustang completed a regional study described in a report entitled "Mustang Special Utility District Wastewater Master Plan", prepared by HDR Engineering, Inc. and dated January 2005, (the "Engineering Report"), which report recommends that the Little Elm Creek Basin area of Mustang's service area receive wastewater treatment service at the District's Riverbend Water Reclamation Plant; and

WHEREAS, Mustang and District agree that it is in the mutual interest of both parties for District to provide regional wastewater treatment services to Mustang, generally in accordance with the concepts outlined in the Design Memorandum, the Engineering Report and the Technical Report; and

WHEREAS, Mustang desires to become a "Participating Member" in the Northeast Regional Water Reclamation System (the "System") as defined in the Contract with specific participation in the Riverbend and Doe Branch Plants; and

WHEREAS, Mustang desires to enter into a contract with the District to participate in the System and for the District to provide Wastewater service for a portion of Mustang's service area; and

WHEREAS, Mustang desires to provide wastewater collection service to retail customers within its wastewater CCN; and

WHEREAS, the District and Mustang are authorized to enter into this Contract pursuant to the Act and Chapter 791 of the Texas Government Code (the "Interlocal Cooperation Act"), and other applicable laws; and

WHEREAS, Mustang acknowledges that the District may enter into similar contracts as this Contract with Additional Participating Members and other Customers; and

WHEREAS, Mustang hereto acknowledges that the District may seek funding for a portion of the cost of the System from the State of Texas through the "State Participation Program", administered by the Texas Water Development Board (TWDB); and if State Participation funds are so provided, the District will be obligated to repurchase said portion in future years from the State; and

WHEREAS, Mustang has requested the District to expand the Riverbend Plant and related facilities, pipeline, metering facilities and associated improvements in accordance with the discharge permit and as generally described in the Design Memorandum, including capacity for the treatment of Wastewater up to 3.0 MGD received from the Point(s) of Entry for each Member and Customer to the Riverbend Plant; and construction of the initial phase of the Doe Branch Plant, including headworks, lift station, metering facilities, pipeline and related facilities (herein defined as "Project"), all of which is a part of the System; and

WHEREAS, Mustang expects in the future to need wastewater treatment service to be provided by the District's proposed Doe Branch Water Reclamation Plant and subscribes to capacity in the Doe Branch Plant by this Contract; and

WHEREAS, Wastewater services to much of Mustang's service area can be provided by gravity flow to the District's Riverbend Water Reclamation Plant and the planned Doe Branch Water Reclamation Plant; and

WHEREAS, it may be of mutual benefit to Mustang and the District for wastewater services to be provided at both the Riverbend and Doe Branch Water Reclamation Plants; and

WHEREAS, participation in the Project will require Mustang to deposit its pro rata share of funds for the Project, and Mustang is willing to deposit said funds with District as provided herein to cover the engineering and construction costs of the Project; and

WHEREAS, Mustang will own and operate its wastewater collection system for delivery of its Wastewater to the Point(s) of Entry; and

WHEREAS, the parties agree that if the District provides services of the Project or System to future parties who use and benefit from certain facilities of the Project or System previously funded in whole or part by Member (and other Customers) pursuant to this Contract, the District will require such benefiting party to pay an appropriate share of such prior costs; and, the applicable portion of such funds received by District from any such future benefiting party will be reimbursed to Members; and

WHEREAS, in like manner, Mustang may owe a pro rata portion of such prior costs for certain facilities of the Project or System previously funded by others; and

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, Mustang agrees to deposit funds for prior costs and a pro rata share of new costs as provided in this Contract, and the District agrees to take reasonable steps to provide wastewater treatment services of the System to Mustang for its service area and to use its best efforts to issue its Bonds, when deemed advisable, to acquire, construct and complete other System facilities upon and subject to the terms and conditions hereinafter set forth, to-wit:

ARTICLE I

Preamble / Definitions

Section 1.01. Adoption of Preamble. All of the matters stated in preamble of this Contract are true and correct and are hereby incorporated into the body of this Contract as though fully set forth in their entirety herein.

Section 1.02. Definitions. The following terms and expressions as used in this Contract, unless the context clearly shows otherwise, shall have the following meanings:

1. **"Act"** means H. B. 3112 Chapter 1053, Acts of the 71st Legislature, Regular Session, 1989 (effective June 16, 1989), as amended by Chapter 494, 74th Legislature, Regular Session, 1995 (which amendment became effective August 28, 1995), and also amended by Chapter 1053, 77th Legislature, Regular Session 2001 (which amendment became effective May 1, 2001).

2. **"Additional Participating Member"** means any party other than the initial Participating Members with whom the District makes a contract similar to this Contract for supplying wastewater treatment service from the System, provided that after execution of any such contract such party shall become one of the Participating Members for all purposes of this Contract.

3. **"Administrative Payment"** means the amount of money to be paid to the District by each of the Members during each Annual Payment Period as its proportionate share of Administration and Planning Expenses of the District.

4. **"Adjusted Annual Payment"** means the Annual Payment as adjusted by the Board during or after such Annual Payment Period, as provided by this Contract.

5. **"Administrative and Planning Expenses"** means the general overhead cost and expenses of managing the District, but not including expenses related to capital projects financed by the District; such expenses shall include the administration of the District's general office, the activities and meetings of the Board and the planning activities of the District, to the extent such programs and activities shall be for the general welfare of the District. Activities and programs for the benefit of specific parties and for specific capital projects shall, unless otherwise authorized, be the responsibility of the benefiting parties.

6. **"Annual Payment"** means the amount of money to be paid to the District by each of the Members as its proportionate share of the Annual Requirement.

7. **"Annual Payment Period"** means the District's fiscal year, which currently begins on October 1 of each calendar year and ends on September 30 of the next following calendar year, but which may be any twelve consecutive month period fixed by the District; and the first Annual Payment Period under this Contract is estimated to be the period of October 1, 2005 through September 30, 2006, with the first year to be pro rated according to the Contract Date.

8. **"Annual Requirement"** means the total amount of money required for District to pay all Operation and Maintenance Expenses of the System, and to pay the Capital Component of the Annual Requirement as described hereinafter, including debt service on its Bonds, and any sums required to pay or restore any amounts required to be deposited in any special or reserve funds required to be established and/or maintained by the provisions of the Bond Resolutions or by action of the Board.

9. **"Board"** means the governing body of the District. The governing body of each Member of the District and of the County is entitled to appoint a qualified person to serve on the Board.

10. **"Boardmembers"** means a member or members of the Board.

11. **"B.O.D."** (denoting Biochemical Oxygen Demand) means the quantity of oxygen utilized in the biochemical oxidation of organic matter under standard laboratory procedure in five days at 20°C., expressed in milligrams per liter.

12. **"Bond Resolution"** means any resolution of the District, which authorizes any Bonds.

13. **"Bonds"** means all bonds hereafter issued by the District, whether in one or more series or issues, and the interest thereon, to acquire, construct and complete the Project and System, and/or all bonds issued subsequently to improve, extend, operate or maintain the System, and any bonds issued to refund any bonds or to refund any such refunding bonds.

14. **"County"** means Denton County, Texas.

15. **"Customer(s)"** means any wholesale user, including the Member, participating in the wastewater services provided by the District from the System, which user provides retail utility services within its boundaries.

16. **"Customer Advisory Council"** or **"Council"** means the committee authorized to be created to consult with and advise the District with respect to the System as provided in this Contract.

17. **"District"** means the Upper Trinity Regional Water District, a conservation and reclamation district pursuant to Article XVI, Section 59 of the Constitution of the State of Texas created in accordance with the Act.

18. **"Doe Branch Service Area"** means generally the area northeast of Lewisville Lake, including the area which naturally drains to Doe Branch; which service area is a part of the larger Northeast Service Area for purposes of determining the Annual Requirement and for delivery of services. However, the area may be separate from other service areas of the District and may be modified, separated or combined from time to time by the Board, if deemed to be in the best interest of the District.

19. **"Garbage"** means solid wastes from the preparation, cooking, and dispensing of food, and from handling, storage, and sale of produce.

20. **"gpd"** is an abbreviation for "gallons per day".

21. **"Grease"** means fats, waxes, oils, and other similar nonvolatile materials in Wastewater.

22. **"Industrial User (IU)"** means any person, including but not limited to, any individual, firm, partnership, corporation, association, or any other group or combination acting as a unit, or any other legal entity, who discharges or desires to discharge Industrial Wastes into the System.

23. **"Industrial Waste"** means all water-borne solids, liquids, or gaseous substances resulting from an industrial, manufacturing, or food processing operation, or from the development of a natural resource, or any mixture of these with water or domestic sewage.

24. **"Infiltration Water"** means rainwater or other water which leaks into a sewer that discharges into the System.

25. **"MGD"** is an abbreviation for "million gallons per day".

26. **"mg/l"** is an abbreviation for "milligrams per liter".

27. **"Northeast Service Area"** means the combined service area of the Riverbend Service Area, the Peninsula Service Area and the Doe Branch Service Area.

28. **"Operation and Maintenance Expenses"** means all costs and expenses of operation and maintenance of the System, including (for greater certainty but without limiting the generality of the foregoing) repairs and replacements; operating personnel; the cost of utilities; fees and charges to be paid to Texas Commission on Environmental Quality or any other federal, state or local agency for regulatory purposes or for services rendered; the costs of supervision, engineering, accounting, auditing, legal services, insurance premiums, supplies and services; administration and equipment necessary for proper operation and maintenance of the System; and, payments made by District in satisfaction of judgments resulting from claims not covered by District's insurance arising in connection with the acquisition, construction, operation, and maintenance of the System. The term also includes the charges of the bank or banks acting as paying agents and/or registrars for any Bonds. The term does not include depreciation expense, which is a non-cash expense; nor does it include Administration and Planning Expenses, payment of which is provided for as a separate item.

29. **"Participating Member" or "Member"** means a governmental entity who has met the membership requirements of the District, that provides retail utility service to customers within its boundaries, and that contracts with the District for the acquisition, construction, improvement, enlargement, and payment for the Project and System which may be financed in part and from time to time by the District, and specifically includes Mustang.

30. **"Peninsula Service Area"** means generally the area south of the intersection of US 377 and FM 424 north of Lewisville Lake, including the area which naturally drains to Cantrell Slough; which service area is a part of the larger Northeast Service Area for purposes of determining the Annual Requirement and for delivery of services. However, the area may be separate from other service areas of the District and may be modified, separated or combined from time to time by the Board, if deemed to be in the best interest of the District.

31. **"pH"** means the common logarithm of the reciprocal of the weight of hydrogen ions in grams per liter of solution.

32. **"Point(s) of Entry"** means the point(s) designated in Exhibit A to this Contract where Wastewater will be received from Member into the System.

33. **"POTW"** means a publicly owned treatment works as defined in 40 CFR 403 of federal code.

34. **"Project"** means the Wastewater "Project" as defined in the Preamble of this Contract. Unless otherwise provided in this Contract, ownership of the Project shall be vested in the District.

35. **"Properly Shredded Garbage"** means garbage that has been shredded to such degree that all particles will be carried freely under the flow conditions normally prevailing in public sewers, with no particle greater than 1/2 inch in any dimension.

36. **"Riverbend Service Area"** means generally the area north of Lewisville Lake including the area which naturally drains to Little Elm Creek; which service area is a part of the larger Northeast Service Area for purposes of determining the Annual Requirement and for delivery of services. However, the area may be separate from other service areas of the District and may be modified, separated or combined from time to time by the Board, if deemed to be in the best interest of the District.

37. **"Significant Industrial User (SIU)"** means any industrial user who is connected or desires to connect to a governmental entity's domestic wastewater collection system and meets at least one of the following criteria:

(i) Average Industrial Wastewater discharge rate greater than 25,000 gpd.

(ii) B.O.D. and/or suspended solids concentrations in Industrial Wastewater greater than 250 mg/l.

(iii) Industrial category regulated by National Pre-treatment Standards as promulgated by the United States Environmental Protection Agency.

38. **"State"** means the State of Texas.

39. **"Suspended Solids"** means the total suspended matter that either floats on the surface or is in suspension in water, sewage, or other liquids, and which is removable by laboratory filtering, expressed in milligrams per liter.

40. **"System"** means the Project, the Riverbend Water Reclamation Plant and the future Doe Branch Water Reclamation Plant (and, when deemed appropriate by the District, the Peninsula Water Reclamation Plant), outfall and effluent discharge facilities, trunk mains, joint trunk mains, lift stations, sludge handling facilities, metering equipment and other facilities, together with all future improvements, enlargements, extensions, and

additions to any of the foregoing which are deemed necessary and feasible by the District to receive, treat, and dispose of Wastewater from any Participating Member or other Customers; and, to comply with the requirements of the regulatory agencies of the State and the United States; future facilities which are acquired or constructed with funds provided by Members, Customers, or others, or with proceeds from the sale of any Bonds, or revenues from the System; and, any other related wastewater facilities which are deliberately and specifically, at the option of the District, made a part of the System, subject to the provisions of this Contract; and, all repairs to, or replacements of, the System. Said term does not include any District facilities which provide potable water services; nor does said term include any facilities acquired or constructed by the District as follows:

(a) with the proceeds from the issuance of "Special Facilities Bonds", which are hereby defined as being revenue obligations of the District which are not secured by or payable from payments made under this Contract and similar contracts with Additional Participating Members or Customers, and which are payable solely from sources other than revenues of the System, or

(b) for Wastewater services provided by the District for any service area other than the Northeast Service Area.

41. "**Total Toxic Organic**" means the sum of all detected concentrations greater than 10 micrograms per liter for all organic compounds classified as priority pollutants by the United States Environmental Protection Agency.

42. "**Trunk Sewer**" means any wastewater line in which sewage (Wastewater) from collecting and lateral sewers is received and conveyed from a Point of Entry to the System.

43. "**ug/l**" is an abbreviation for "micrograms per liter".

44. "**Wastewater**" means sewage, Industrial Waste, municipal waste, recreational waste, and agricultural waste, as defined in the Texas Water Code, together with Properly Shredded Garbage and such Infiltration Water that may be present.

ARTICLE II

General Provisions

Section 2.01. Board Representation. The governing body of Mustang, of each Participating Member of the District and of the County are entitled to appoint a qualified person to serve on the Board.

Section 2.02. Board Votes. Boardmembers appointed by the governing body of Participating Members shall be entitled to vote on all matters coming before the Board.

The Board shall establish rules for the implementation of a system of weighted votes in accordance with the Act for matters concerning authorization of, and financial commitments for, capital projects.

Section 2.03. Terms. Boardmembers shall serve staggered four (4) year terms in accordance with procedures established by the Board. Boardmembers may serve consecutive terms.

Section 2.04. Board Compensation. The District will not compensate Boardmembers for serving on the Board, but may reimburse Boardmembers for actual reasonable expenses necessarily incurred on behalf of the District or in the discharge of official duties.

Section 2.05. Board Qualifications. A Boardmember must be a qualified voter who resides in the District; and, may not be an elected official of any governmental entity that has the authority to appoint a member of the Board. A Boardmember may be an employee of the appointing entity but of no other entity that has the authority to appoint a member of the Board.

Section 2.06. Consulting Engineers. The District and Member agree that the District will choose the Consulting Engineers for the Project and the System, and may change Consulting Engineers at the option of the District.

Section 2.07. Wastewater Flow. The District agrees to receive, transport and treat Wastewater in accordance with the specifications and restrictions of this Article. The District agrees to provide adequate facilities and processes to meet volume and peaking requirements of Member as provided herein.

Section 2.08. Construction of Project and System. Subject to cost participation by Member as provided herein, the District agrees to use its best efforts to issue its Bonds, payable from and secured by Annual Payments made under this Contract and other similar contracts, to acquire and construct the System facilities when and as needed, as determined by the District, to provide wastewater treatment services to Participating Members and other Customers. It is anticipated that such acquisition and construction will be in phases and that later phases may be financed by the District through the issuance of one or more series or issues of its Bonds; and the District agrees to use its best efforts to issue its Bonds for such purpose. Also, at the discretion of the District, Bonds may be issued to refund any Bonds; and, may be issued to extend, enlarge, repair, renovate, equip, operate, maintain and otherwise improve the System and any System facilities. District agrees that such improvements for the Project and System will be made in accordance with generally accepted engineering practices. It is anticipated that such improvements will be financed by the District through the issuance of one or more series or issues of its Bonds payable from and secured by Annual Payments made under this Contract and other similar contracts. However, unless District in its sole discretion determines it is in the interest of the District to issue Bonds to help finance the Project,

Member and other Customers will provide funds for all planning, engineering and construction costs of the Project.

Section 2.09. Bond Proceeds. The proceeds from the sale and delivery of such Bonds may be used to fund, to the extent deemed advisable by the District, a debt service reserve fund, a contingency fund, and interest on the Bonds during construction; and, such proceeds also will be used for the payment of the District's expenses and costs in connection with the System (including all engineering and design costs and expenses, and the cost of the land and interests therein related to the System) and the Bonds, including, without limitation, all financing, legal, printing, and other expenses and costs related to the issuance of such Bonds and the System.

Section 2.10. Bond Resolution. Each Bond Resolution of the District shall specify the exact principal amount of the Bonds to be issued thereunder, which shall mature within the maximum period, and shall bear interest at not to exceed the maximum rates then permitted by law. Each Bond Resolution shall create and provide for the maintenance of a revenue fund, an interest and sinking fund, a debt service reserve fund, and any other funds deemed advisable, all in the manner and amounts as provided in such Bond Resolution. Member agrees that if and when such Bonds are actually issued and delivered to the purchaser thereof, either for the purpose of initially acquiring and constructing the Project, or subsequently for improving and/or extending the System, the Bond Resolution authorizing the Bonds shall for all purposes be deemed to be in compliance with this Contract in all respects, and the Bonds issued thereunder will constitute Bonds as defined in this Contract for all purposes.

Section 2.11. Flow Rates.

(a) Member agrees that during each Annual Payment Period while the System is in operation, it shall be obligated to transport and discharge into the System at its Point of Entry, all of the Wastewater which is generated and collected within its boundaries, subject to the exceptions and restrictions hereinafter stated.

(b) The combined maximum hourly rate at which Wastewater is discharged by Member at its Point(s) of Entry shall not exceed a rate which, if continued for a period of twenty-four hours would equal 3.75 times the estimated average daily contributing flow of Wastewater for the then current Annual Payment Period. The total quantity of Wastewater discharged into the System shall never exceed the amount which the System is capable of receiving, treating, and disposing, unless approved by the Board, subject to the terms and conditions established by the District. Notwithstanding the foregoing, Member shall never make any discharge into the System that would cause the System to be overloaded or be in violation of its permits from the State and/or the United States of America.

Section 2.12. Point of Entry. Wastewater meeting the quality requirements of Section 2.18 of this Contract will be received into the System at the Point(s) of Entry for Member, as shown on Exhibit A hereto, which Exhibit is attached hereto and incorporated

herein for all purposes, or at such other Points of Entry that may be established by mutual agreement between the District and Member, if such other Point(s) of Entry are determined by the District to be economical and beneficial to the System, and if Member pays the costs thereof.

Section 2.13. Capacity. It is the intention of the parties hereto that the System shall be acquired, constructed, extended, and improved so that at all reasonable times it will be capable of receiving, transporting, treating, and disposing of all eligible Wastewater generated within the collection system of, and delivered to the Point of Entry of Member. Subject to cost participation by Member as herein provided, after the Project is completed and when the System needs to be expanded, it is anticipated that the District will, from time to time, issue its Bonds in such amounts as are, within its judgment and discretion, sufficient to provide the necessary capacity for then existing Members or to extend the System to serve other Customers or Additional Participating Members.

Section 2.14. Quantity/Operation and Maintenance Expense. The District agrees to accept Wastewater under this Contract from Member at its Point of Entry. Member agrees to deliver to its Point of Entry or to pay for certain minimum quantity of Wastewater specified for Member in Exhibit B hereto to assure adequate funds to the District to fulfill its obligations under this Contract, including Operation and Maintenance Expense.

Section 2.15. Capacity/Fixed Costs. For the purpose of calculating the minimum fixed (or capacity cost) portion of each Annual Requirement for which Member is liable, without offset or counterclaim, Member, during each Annual Payment Period, hereby subscribes to, contracts for, and shall be deemed to have taken and used the contracted capacity (regardless of whether or not such amount is or was actually taken or used) specified for Member in Exhibit B hereto. District agrees to design and construct the Project and the System with adequate overall capacity to provide for the capacity so specified in Exhibit B with reasonable additional capacity for future growth.

Section 2.16. Additional Capacity. To pay the cost of additional capacity in the System for future growth, District may receive funds provided by the Texas Water Development Board (TWDB) for State Participation in the System. If State Participation is offered by TWDB and accepted by District, the State, through the Texas Water Development Board will own certain capacity in the System under an agreement with the District. Under said agreement, District will have an obligation to repurchase the additional capacity when actually used to meet Member's flow requirement, or according to an agreed schedule of repurchase. District may make such additional capacity available to Additional Participating Members or future Customers in accordance with Section 2.18. The purpose of State Participation in the System is to encourage regional wholesale service and to provide capacity for future growth by Participating Members and other future Customers.

Section 2.17. Payment for Additional Capacity. To acquire any capacity funded by State Participation, if any, in the System, Member and future Customers must pay certain costs to District for its use in repurchase of capacity owned by State. The Board will establish and maintain a policy for repurchase of State Participation.

Section 2.18. Quality. The obligation of the District to receive Member's Wastewater into the System depends upon compliance by Member with the provisions of this Section. In order to permit the District to properly treat and dispose of Member's Wastewater; to protect the public health; to permit cooperation with other agencies which have requirements for the protection of the physical, chemical, and bacteriological quality of public water and water courses; and, to protect the properties of the System; Member hereby agrees to the following provisions concerning quality of Wastewater:

(a) **Admissible Discharges into District's System.** Discharges into the System shall consist only of Wastewater and other waste free from the prohibited constituents listed on Exhibit C, and limited in B.O.D., Suspended Solids, dissolved sulfides, and pH as provided in said Exhibit C, which is attached hereto and incorporated herein for all purposes and, which may be updated by the District from time to time in order to comply with current or future State or federal regulations regarding pollutants.

(b) **Prohibited Discharge Limitations Subject to Change.** Notwithstanding the foregoing provisions of this Section, the parties to this Contract agree and understand that the District has a responsibility to operate the System in a cost-effective, environmentally safe manner and that federal and State regulatory agencies periodically modify standards on prohibited discharges; therefore, revisions to, additions to, or deletions from the items listed or incorporated in this Section may become necessary in the future to comply with the requirements applicable to the District and such revised standards. It is the intention of this Contract that prohibited discharge requirements be reviewed periodically by the District and revised in accordance with the latest standards of any federal or State regulatory agency having jurisdiction over such standards. Any required revision shall be made and written notice thereof given to each Participating Member and Customer. Each Participating Member and Customer shall be responsible for integrating such changes into their local Industrial Waste ordinance, resolution or regulation and notifying all affected retail users of the change within ninety (90) days following written notice from the District of such changes. Any such change shall be incorporated automatically in Exhibit C hereto, to the extent applicable, unless an objection from a Member or Customer shall be filed with the District within sixty (60) days, in which case the District shall hold a hearing relating to such change or changes prior to incorporating such change or changes in Exhibit C.

(c) **Normal Quality/Extra Strength.** To determine normal quality of Wastewater, the District may collect samples of Wastewater at Point of Entry and cause same to be analyzed in accordance with testing procedures as set forth in the latest edition of Standard Methods of Examination of Water and Wastewater, published by American Public Health Association, Inc., or by such other procedures as may be established or authorized by the Board. Composite samples may be taken monthly, or at other intervals

as necessary to determine Wastewater quality. Such Wastewater shall not exceed the limits of concentration specified in Exhibit C for Normal Wastewater. Should the analysis disclose concentrations higher than those listed, the District immediately will inform the respective Member or Customer of the violation of this Section, and the Member or Customer must take immediate steps to correct such excessive concentration. However, with the approval of the District, Wastewater with concentrations of B.O.D. and T.S.S. greater than specified above may be discharged by Members or Customers into the System on an emergency and temporary basis, subject to the payment of a surcharge which shall be in addition to all other payments required by this Contract. The amount of such surcharge shall be based on analysis of samples of the Wastewater taken by the District or its agent.

(d) Additional Charge. An additional charge shall be made for excess strength discharges at the Point of Entry of Member or Customer into the System. A surcharge for each mg/l of B.O.D. in excess of 250 mg/l and for each mg/l of T.S.S. in excess of 250 mg/l shall be assessed by resolution of the Board, which resolution will establish the amount of the surcharge and will specify how it will be applied. Member agrees that the Board, within its judgment, has the right to raise the allowable discharge strengths; but, the Board may lower the allowable strength only by amendment to this Contract. Member shall pay the District for concentrations of B.O.D. and T.S.S. exceeding 250 mg/l at a rate which shall be determined by the Board and which shall be in an amount sufficient to cover and pay all additional costs for transportation, treatment and disposal related to such excess concentration discharges.

(e) Basis for Billing. Member agrees that the results from analysis of composite samples of the Wastewater taken by the District or its agent shall be the basis for billing purposes related to excess strength.

Section 2.19. Metering of Wastewater.

(a) Subject to cost participation provided in Section 2.12, and unless otherwise mutually agreed in writing, District agrees to furnish and install, at or near each Point of Entry, as part of the Project or System, standard type devices and equipment and related facilities for measuring and sampling all Wastewater to be discharged into the System. The District will own, operate and maintain at its expense the measuring equipment and devices so installed. Such meters and other equipment shall remain the property of the District. The District or its designee may from time to time inspect, calibrate, and adjust its meters as necessary to maintain accurate measurements of the Wastewater entering the System. Member shall have access to its respective metering equipment at all reasonable times for inspection and examination, but the reading, calibration, and adjustment thereof shall be done only by employees or agents of the District. Member may witness such reading, calibration and adjustment of meter. All reading of meters will be entered upon proper books of record maintained by the District. Member may have access to said record books during normal business hours.

(b) District shall provide for the calibration of meter at least one time per fiscal year. Upon request, District will make or cause to be made one (1) additional calibration in any fiscal year at no charge to Member. All requested calibrations in excess of one (1) will be made at the expense of Member, except when the accuracy of the meter is beyond the limits specified herein, in which case the District shall bear such expense. If, for any reason, any meter is out of service or out of repair, or if, upon any test, the percentage of inaccuracy of any meter is found to be in excess of five (5%) percent of the volume so indicated by the meter, the meter records shall be corrected for a period of time extending back to the time when such inaccuracy began, if such time is ascertainable, and if not ascertainable, then for a period extending back one-half ($\frac{1}{2}$) of the time elapsed since the date of the last calibration, but in no event further back than a period of six (6) months.

(c) Member may, at its option and its own expense, install, own and operate a check meter to check each meter installed by the District, but the measurement for the purpose of this Contract shall be solely by the District's meter, except as in this Section specifically provided to the contrary. All such check meters shall be of standard make, shall be installed in a location approved by the District, and shall be subject at all reasonable times to inspection and examination by any employee or agent of the District; but, the reading, calibration, and adjustment thereof shall be the responsibility of the Member owning said check meter, except during any period when a check meter may be used under specific written consent by the District for measuring the amount of Wastewater delivered into the System, in which case the reading, calibration, and adjustment thereof shall be made by District with like effect as if such check meter or meters had been furnished by the District.

(d) If either party at any time observes a variation between the delivery meter and the check meter, if any such check meter shall be installed, such party will promptly notify the other party, and the parties hereto shall then cooperate to procure an immediate calibration test and joint observation of any adjustment and the same meter or meters shall then be adjusted to accuracy.

(e) If for any reason any meter is out of repair so that the amount of Wastewater received cannot be ascertained or computed from the reading thereof, the Wastewater quantity through the period such meters are out of service or out of repair shall be estimated and agreed upon by the parties hereto upon the basis of the best data available. For such purpose, the best data available shall be deemed to be the registration of any check meter or meters if the same have been installed and are accurately registering. Otherwise, the amount of Wastewater for such period may be estimated:

- (1) by correcting the error if the percentage of the error is ascertainable by calibration tests or mathematical calculation, or
- (2) by estimating the quantity during the preceding periods under similar conditions when the meter or meters were registering accurately.

(f) Each party shall give the other party forty-eight (48) hours notice of the time of all tests of meters so that the other party may conveniently have a representative present.

Section 2.20. Unit of Measurement. The unit of measurement for Wastewater discharged into the System hereunder shall be 1,000 gallons, U. S. Standard Liquid Measure.

Section 2.21. Access.

(a) Member agrees to provide ingress and egress for District employees and agents to all Member premises inside its boundaries to install, operate, inspect, test, and maintain facilities owned or maintained by District within corporate or jurisdictional limits of Member, or to make such inspections or tests authorized by this Contract.

(b) District agrees to provide ingress and egress for Member's employees and agents to all premises under control of the District to install, operate, inspect, test, and maintain facilities, and read meters owned or maintained by Member.

Section 2.22. Resale. Member hereby agrees not to accept nor transport to its Point of Entry any Wastewater from outside Member's boundaries or authorized service area (as may be adjusted from time to time) unless Member has received prior written approval from the District. Approval to provide wastewater collection service on a retail basis to individual customers outside such boundaries may be granted by the Executive Director of the District. Approval to provide wholesale agreements to receive Wastewater or to provide wastewater collection service for other public or utility entities shall require the specific approval of the Board. In granting such authorization, District may establish the terms and conditions for the acceptance and conveyance of such Wastewater including, but not restricted to, the setting of monetary rates for such Wastewater service.

Section 2.23. Reporting Requirements. Approximately sixty (60) days after the end of each Annual Payment Period, Member shall furnish in writing to the District the following information:

(a) The number of active domestic sewer connections in the Member's system being served by the System;

(b) The number of commercial and business connections being served by the System;

(c) The number of industrial connections being served by the System, with name and location of each;

(d) An estimate of the projected annual wastewater flow into the System by Member for the next five (5) years.

The purpose of this provision is to permit the District to accumulate statistical data that will enable it to plan for adequate service and to facilitate plans for betterment and future facilities expansion.

Section 2.24. Industrial Waste Pretreatment Program.

(a) The effects of certain types of Industrial Waste upon sewers and sewage treatment processes are such as to require that careful consideration be made of each industrial connection. To accomplish the purpose of the National Industrial Waste Control Program, when Member has an industrial customer, Member shall obtain approval by the U. S. Environmental Protection Agency of its Industrial Waste Pretreatment Program. If Member chooses to administer its own program, it shall regulate by individual permit the discharge of Industrial Waste generated by a SIU into its sewer system. Member will authorize discharge of Industrial Waste into its sewers subject to the general provision that no harm will result from such discharge. Member will require each such industrial user to file an appropriate application, a copy of which shall be forwarded to the District, containing the following information:

- (1) Name and address of applicant;
- (2) Type of industry;
- (3) Total quantity of plant waste produced;
- (4) Quantity of plant wastes proposed to be discharged;
- (5) Typical analysis of the waste; and
- (6) Type of pretreatment proposed by applicant.

To facilitate inspection and control of Industrial Waste, Member will require industries to separate Industrial Waste from sanitary sewage until such Industrial Waste has passed through a monitoring portal which shall be located so as to be accessible at all times to inspectors of Member and the District. If inspection indicates that damage might result from the discharge, the permit shall be revoked unless and until the industry promptly establishes acceptable remedial measures. As necessary and indicated, the District may collect and analyze samples of all Wastewater at each Point of Entry. Such Wastewater shall not contain prohibited constituents nor exceed the limits of concentration specified in Section 2.19 of this Contract. Should the analysis disclose prohibited constituents or concentrations higher than those stipulated, the District will inform Member of such unauthorized wastes. It shall be the obligation of Member to require the offending originator of said waste to immediately cease discharge of such unauthorized waste and to initiate and undertake remedial pre-treatment or other legal means before further discharge into Member's sewers.

(b) If Member desires that District administer its Industrial Waste Pretreatment Program, District agrees to contract to provide such service at actual cost thereof.

Section 2.25. Ordinances, Resolutions, Orders. Member agrees that prior to serving any Industrial User, it will enact ordinances, resolutions, or orders, as appropriate, as necessary to include the following provisions:

(a) For each existing and future SIU, Member shall require said user to complete and submit a permit application containing information specified in a sample application form to be furnished by the District. Member shall provide the District with a completed copy of the permit application within thirty (30) days after receipt by Member. The District may provide written comments to Member regarding said application within thirty (30) days of receipt. Failure to comment shall be construed as concurrence by the District. After approval of the permit application by Member, Member shall issue a discharge permit containing standard requirements as specified in a sample permit form to be furnished by the District. Such a discharge permit shall be required of all SIU's before said industrial user will be allowed to discharge Industrial Wastes into the Member's Wastewater collection system. The District reserves the right upon notice to each Member to review each proposed permit before issuance. In the absence of such notice, such review and issuance shall be accomplished by Member without the necessity for District review and approval, except for providing a copy of application to District as required above, subject to periodic inspection of records by the District. It is mutually agreed that unless Member obtains approval by the U. S. Environmental Protection Agency of its Industrial Pretreatment Program that it will contract with the District to administer said Pretreatment Program and will pay the cost of such program, including all monitoring, sampling and testing or will cause said cost to be paid by the affected industry.

(b) Member shall require Significant Industrial Users to comply with applicable Federal Categorical Pretreatment Standards as well as any applicable State and local standards.

(c) Member shall maintain certain information contained in permit applications as confidential at SIU's request.

(d) Member shall not allow a user to employ dilution as a means of reducing pollutant concentrations in an SIU's waste stream.

(e) Upon notice, Member and the District shall be authorized to enter SIU premises at any time for independent monitoring, inspection, or review of applicable records to determine compliance.

(f) Member shall develop and require adherence to SIU compliance schedules.

(g) Member shall require self-monitoring and reporting at SIU's expense.

(h) Member shall choose or designate an approved laboratory to analyze Industrial Wastes.

(i) Member shall require SIU's to pay applicable fees for:

- (1) sampling and testing to determine compliance;
- (2) disconnection/reconnection of service resulting from noncompliance;
- (3) excess concentrations above the criteria established for Normal Wastewater;
- (4) additional costs incurred by Member or the District in transporting or treating wastes; and
- (5) filing, review, revision, or renewal of permit application

(k) Member shall provide prompt notification to the permit holder and the District for instances of violation.

(l) Member shall deny/revoke permit, disallow/disconnect service, assess civil or criminal penalties, and seek other available legal and equitable remedies against SIU for:

- (1) discharge to Wastewater collection system resulting in violation of applicable POTW discharge permit conditions;
- (2) hazard to health or life of POTW personnel or users of receiving waters;
- (3) violation of any applicable ordinance or regulation; and
- (4) false information transmitted to Member through permit application, monitoring reports, etc.;

Upon request by District, Member shall furnish to the District all documents and records, in addition to those outlined herein, as necessary to demonstrate compliance by all industries with the applicable pretreatment program and this Contract.

Section 2.26. Other Contracts.

(a) The District reserves the right to enter into contracts to provide Wastewater services of the System to Additional Participating Members or Customers under contracts

similar to this Contract. Each such contract shall comply with the requirements of this Contract, shall substantially restate the essential provisions of this Contract, and shall be structured to be similar hereto to the fullest extent applicable and practicable, with such additions or changes as are necessary to meet the actual circumstances, with the effect that each Additional Participating Member or Customer will substantially adopt the provisions of this Contract, as supplemented and necessarily changed by its contract. However, the District shall not obligate itself to receive Wastewater into the System from a future Additional Participating Member or Customer if, in the judgment and discretion of the District, such obligation would jeopardize the District's ability to meet its obligation to receive, transport, treat and dispose of Wastewater discharged into the System by Member under this Contract.

(b) The parties hereto recognize and acknowledge that it is the policy and practice of the District that any other party that desires to receive service from the System shall contract directly with the District to become a Customer of the District. However, Member may propose, and with the approval of the Board, Member may negotiate and enter into subcontracts with another city or other entity for Wastewater service. Any such Wastewater to be discharged into the System under such subcontract shall be generated within the planned boundaries of the System, but may be outside the boundaries of Member; such Wastewater would be discharged into Member's sewers, to be transported into the System at Member's Point of Entry along with Member's Wastewater. In such case the additional Wastewater shall be regarded as being Member's Wastewater for all purposes of this Contract. If such arrangement is approved by the District, such transaction shall not relieve Member of its obligations to the District under the terms of this Contract, including payment of the Annual Requirement.

(c) If District enters into a contract(s) to provide services of the System to an Additional Participating Member(s) or to a future Customer(s), such contract(s) shall require a pro rata refund of applicable prior costs, if any, paid by Member, not including State Participation costs required by Section 2.17. If State participation has been repurchased in whole or in part, or if any Member(s) has paid for System capacity for which said Additional Participating Member(s) or Customer(s) will subscribe or beneficially use, District agrees to provide in said contracts for pro rata reimbursement plus interest thereon to the appropriate Member(s) for prior cost so paid for said capacity. The reimbursement provision of this Section shall expire fifteen (15) years after Contract Date. Thereafter, District shall not be obligated to collect such prior costs from future Member(s) or Customer(s) nor to reimburse same to the Member(s) or Customer(s).

Section 2.27. Customer Advisory Council.

(a) Each participant in the System may appoint a representative to the Customer Advisory Council for the System. The Council shall elect such officers as it deems necessary. The Council shall consult with and advise the District with regard to technical and operational matters, improvements and extensions of the System and other pertinent matters relating to the System. The members of the Council shall play an

important role in the efficient functioning of the System, in representing the interest of the Customer and in keeping the Customer well informed. The Council shall have access to and may inspect at reasonable times all physical elements of the System and all records and accounts of the District pertaining to the System.

(b) The term of membership on the Council shall be at the pleasure of each Customer represented, respectively, and each member shall serve until replaced by such Customer. All expenses of the Council in discharging its duties under this Section shall be considered as an Operation and Maintenance Expense of the System.

Section 2.28. Water Conservation, Drought Contingency Plan. It is the policy of the District to prepare, adopt and maintain a regional water conservation plan which incorporates loss reduction measures and demand management practices which insure that the District's water supply and the capacity of the System are used in an economically efficient and environmentally sensitive manner. Similarly, it is the policy of the District to prepare, adopt and maintain a drought and emergency contingency plan for water supply. Member agrees to cooperate in the implementation of both plans and to adopt and enforce such or similar plans for use within its jurisdictions.

Section 2.29. Reuse of Wastewater Effluent. A key element of the District's water conservation program is reuse of effluent produced by the respective water reclamation plants. Member agrees to support the District's efforts to encourage and increase the reuse of treated effluent, whether such reuse is achieved by sale of treated effluent for direct reuse by individual customers or by use of treated effluent to augment the raw water supply available to the District's Regional Treated Water System.

Section 2.30. Attendance at Board Meetings. The Board of the District meets regularly to prepare plans to address the needs of Members of the District, and to conduct the business of the District. Member has the authority to appoint a Boardmember to the Board, and Member recognizes the importance of its Boardmember attending meetings of the Board on a regular basis. To encourage regular attendance, the Board has adopted, and may from time to time revise, an attendance policy for meetings of the Board. Accordingly, Member agrees to comply with said attendance policy, and, if advised by District that Member's Boardmember is not in compliance with said attendance policy, Member agrees to take action to achieve compliance or to appoint a new Boardmember. For any period of time that Member's representation is not in compliance with the Board's attendance policy, Member's Boardmember shall not be counted in determining a quorum of the Board or in determining the votes necessary to approve a measure requiring a weighted vote.

ARTICLE III

Fiscal Provisions

Section 3.01. Annual Requirement. Subject to the terms and provisions of this Contract, and after accounting for any cost participation by Member, the District will

provide and pay for the cost of the acquisition, construction and expansion of System facilities, by issuing its Bonds in amounts that will be sufficient to accomplish such purposes. It is acknowledged and agreed that payment to be made under this Contract and similar contracts with other Customers, if any, will be the primary source available to the District to provide the Annual Requirement. In compliance with the District's duty to fix and from time to time to revise the rates and charges for services of the System, the Annual Requirement may change from time to time. Each such Annual Requirement shall be allocated among the Members as herein provided; and, the Annual Requirement for each Annual Payment Period shall be provided for in each Annual Budget and shall at all times be not less than an amount sufficient to pay or provide for the payment of:

(a) An **"Operation and Maintenance Component"** equal to the amount paid or payable for all Operation and Maintenance Expenses of the System; and

(b) A **"Capital Component"** equal to:

(1) the principal of, redemption premium, if any, and interest on the Bonds, as such principal, redemption premium, if any, and interest become due, less interest to be paid out of Bond proceeds or from other sources if permitted by any Bond Resolution, and all amounts required to redeem any Bonds prior to maturity when and as provided in any Bond Resolution, plus the fees, expenses and charges of each paying agent/registrar for paying the principal of and interest on the Bonds, and for authenticating, registering and transferring Bonds on the registration books of the District maintained with the paying agent/registrar; and

(2) the proportionate amount of any special, contingency or reserve funds required to be accumulated and maintained by the provisions of any Bond Resolution; and

(3) an amount in addition thereto sufficient to restore any deficiency in any of such funds required to be accumulated and maintained by the provisions of any Bond Resolution; and

(4) the recovery of any capital funds advanced by the District for planning, development or construction of the Project or System.

(c) An **"Operation and Maintenance Reserve"** in an amount deemed appropriate and necessary by the Board for Operation and Maintenance Expenses of the System and for capital improvements. Any such reserve shall be used as a source of funds for Operation and Maintenance Expenses, for emergency expenses and as a fluctuating reserve for additions to, or shortfalls in, the annual revenues of the System. The normal level of such reserve shall be 25% of the annual on-going Operation and Maintenance Expenses of the System; however, the Board may authorize the reserve to be maintained at a higher level, especially if needed for future capital improvements, to

respond to new regulatory requirements, and to facilitate efficient operation and maintenance of the System.

(d) Other “**Special Reserves**” as determined necessary by the Board for such purposes as “Rate Stabilization” or for “Capital Improvements”.

Section 3.02. Annual Budget. Each annual budget for the System shall always provide for amounts sufficient to pay the Annual Requirement. The annual budget for the System for all or any part of the first Annual Payment Period during which the System is placed into operation shall be prepared by the District based on estimates made by the District. On or before June 15 of each year after the Project is first placed in operation, the District shall furnish to Member a preliminary estimate of the Annual Payment required from Member for the next following Annual Payment Period. Not less than forty days before the commencement of the Annual Payment Period after the System is first placed into operation, and not less than forty days before the commencement of each Annual Payment Period thereafter, the District shall cause to be prepared as herein provided its preliminary budget for the System for the next ensuing Annual Payment Period. A copy of such preliminary budget shall be filed with Member for review before action by the Board. Member may submit comments about the preliminary budget directly to the Board. The Board may adopt the preliminary budget or make such amendments thereto, as the Board may deem proper. The budget thus approved by the Board shall be the annual budget for the next ensuing Annual Payment Period. The Annual Budget (including the first annual budget) may be amended by the District at any time to transfer funds from one account or fund to another account or fund so long as such transfer will not increase the total budget. The amount for any account or fund, or the amount for any purpose, in the annual budget may be increased through formal action by the Board even though such action might cause the total amount of the Annual Budget to be exceeded; provided that such action shall be taken only in the event of an emergency or special circumstances which shall be clearly stated in a resolution at the time such action is taken by the Board.

Section 3.03. Payments By Member.

(a) For the Wastewater services to be provided to Member under this Contract, Member agrees to pay, at the time and in the manner hereinafter provided, its proportionate share (Annual Payment) of the Annual Requirement. Member shall pay the Annual Payment for each Annual Payment Period directly to the District, in monthly installments in accordance with the schedule of payments furnished by the District, as hereinafter provided.

(b) Member shall pay its Annual Payment, including a capacity charge for fixed costs, and a volume charge for variable costs of Wastewater flow. The District shall estimate its cost and shall establish a capacity charge and a price per 1,000 gallons of volume for purposes of determining the monthly payment to be made by Member. Member shall pay a capacity charge in approximately equal monthly installments, based on the capacity specified in Exhibit B. Such capacity charge shall be sufficient to cover the

fixed cost portion of the Annual Requirement. Member shall pay a volume charge based on the actual volume of Wastewater delivered to the Point of Entry. The volume charge shall be sufficient to cover the variable cost portion of the Annual Requirement and specifically the variable costs associated with receiving, pumping, transporting, treating and disposing of the Wastewater and residual bio-solids (sludge). The Board may establish additional fees and charges or different forms of fees and charges as it deems advisable to recover and fairly distribute costs among benefiting parties.

Section 3.04. Fiscal Policy. It is hereby provided that in estimating costs for services, the District is specifically authorized, in its discretion, to include in such estimate of costs reasonable contributions to reserve funds and to assume that the Annual Payment Period may be a dry year. Such policy could cause revenues to be increased if the year is actually normal or wet instead of dry as assumed. This fiscal policy is expressly approved by Member and is deemed by the parties hereto to be beneficial in the fiscal management of the System, and will assure the timely availability of funds even under unexpected circumstances. Upon receipt during any Annual Payment Period of an amount sufficient to meet the then current Annual Budget of the System for the remainder of the then current Annual Payment Period, the District shall deposit subsequent revenues received into appropriate reserve or contingency accounts. If there is a shortfall in revenues, the District may withdraw from the reserves, adjust the Annual Requirement, revise the payment schedule or do any combination thereof.

Section 3.05. Minimum Payments/Schedule.

(a) It is agreed that if, during any Annual Payment Period, the estimated and/or actual flow of Wastewater delivered by Member to the System is, for any reason whatsoever, less than any minimum amount prescribed by this Contract, Member shall pay its Annual Payment according to such minimum amount. However, if Member's estimated and/or actual metered amount of Wastewater is equal to, or in excess of, such minimum amount, its Annual Payment shall be calculated on the basis of estimated and actual volumes. Any future contracts with Additional Participating Members or Customers also shall provide for equitable minimum amounts.

(b) All such payments for each Annual Payment Period shall be made in accordance with a written schedule of payments for the appropriate Annual Payment Period that will be supplied to each of the Participating Members by the District. Such schedule of payments may be based on the use of monthly flow volumes as determined by meter readings or estimates of flow or may be based on other factors determined by the District; but, in no case shall a Participating Member's Annual Payment requirement exceed its pro rata share of the System costs.

Section 3.06. Redetermination of Annual Requirements. Notwithstanding the foregoing, the Annual Requirement, and Member's share thereof (Annual Payment), may be redetermined, at any time during any Annual Payment Period, to the extent deemed necessary or advisable by the District, if:

(a) The District commences furnishing services of the System to an Additional Participating Member or Customer;

(b) Unusual, extraordinary, or unexpected expenditures for Operation and Maintenance Expenses are required which are not provided for in the District's annual budget or reserves for the System;

(c) Operation and Maintenance Expenses of the System are substantially less than estimated;

(d) District issues Bonds which require an increase in the Capital Component of the Annual Payment; or

(e) The District receives either significantly more or significantly less revenues than the amounts that are provided in the District's annual budget for the System.

If the Annual Requirement is so redetermined, Member will be advised of the Adjusted Annual Payment.

Section 3.07. Other Revenues. All surcharges collected from any Customer or Participating Member under Section 2.19 of this Contract shall be used to cover the extra costs of treating excessive strength Wastewater for the respective Customer or Member. Under any of the provisions of this Section, any revenues, payments and surcharges derived from such extra services shall be devoted to paying for the cost of said extra services and shall not be used to make the Annual Payment that is the obligation of Member under this Contract.

Section 3.08. Prompt Payment/Disputed Bills. Member hereby agrees that it will make payments required by this Contract to the District within twenty (20) days of the date a bill for service is rendered. If Member, at any time, disputes the amount to be paid by it to the District, Member shall nevertheless promptly make such payment or payments; but, if it is subsequently determined by agreement or court decision that such disputed payments should have been less, or more, the District shall promptly revise and reallocate the charges in such manner that Member will recover its overpayment or the District will recover the amount due it. All amounts due and owing to the District by Member, or due and owing to Member by the District, shall, if not paid when due, bear interest at the rate of ten (10%) percent per annum from the date when due until paid.

Section 3.09. Delinquent Bills. As provided in Section 4.10, each Member participating in the System specifically agrees to make all payments required by the Contract without offset or counterclaim. Nonetheless, if any Member shall become delinquent in such payments, District shall, to the extent permitted by law, discontinue the services of the System to any Member which remains delinquent in any payments due hereunder for a period of sixty (60) days, and is not obligated to resume such services

while such Member is so delinquent. It is further provided and agreed that if any Member should remain delinquent in any payments due hereunder for a period of one hundred twenty (120) days, and if such delinquency continues during any period thereafter, such Member's minimum amount specified in Exhibit B, shall be deemed to have been zero (0.0) gallons during all periods of such delinquency, for the purpose of calculating and redetermining the percentage of each Annual Requirement to be paid by the non-delinquent Members; and, the District shall redetermine such percentage in such event on a basis so that the non-delinquent Members, collectively, shall be required to pay all of the Annual Requirement. The Board may authorize the use of available System reserves as a source of funds to help offset said delinquent payments. However, the District shall pursue all legal remedies against any such delinquent Member to enforce and protect the rights of the District, other Members, and the holders of the Bonds. The delinquent Member shall not be relieved of the liability to the District for payment of all amounts which would have been due hereunder had no default occurred or the percentage had not been redetermined as provided in this Section. It is understood that the foregoing provisions are for the benefit of the holders of the Bonds so as to insure that all of the Annual Requirement will be paid by the non-delinquent Members during each Annual Payment Period regardless of the delinquency of a particular Member. If any amount due and owing the District by Member is placed with an attorney for collection, Member shall pay to the District all attorneys' fees, in addition to all other payments provided for herein, including interest.

Section 3.10. Updated Schedule of Payment. If, during any Annual Payment Period, Member's Annual Payment is redetermined in any manner as provided or required in the foregoing Sections, the District will promptly furnish such Member with an updated schedule of monthly payments reflecting such redetermination.

Section 3.11. Service Areas. For purposes of determining the Annual Requirement and for delivery of services, the District shall maintain separate cost records for the Riverbend Service Area, the Peninsula Service Area, the Doe Branch Service Area and for such other service areas the District may establish. However, the Board reserves the right to combine two or more such service areas for operational or billing purposes, if in the Board's judgment, such action is in the best interest of the District. Specifically, the Board may combine the Riverbend Service Area with the service areas of the Peninsula and Doe Branch Water Reclamation Plants, which combined service areas are collectively referred to herein as the Northeast Regional Water Reclamation System, particularly for determination of Operation and Maintenance Expenses.

Section 3.12. Extensions and Enlargements. The District shall have the continuing responsibility to maintain adequate capacity in the System to meet the needs of Member over the term of this Contract, and any extension thereof. Member shall have the responsibility to keep the District informed of its projected needs for Wastewater service to allow adequate time for the District to plan and implement necessary improvements to the System. Likewise, the District shall have the continuing responsibility to plan for the needs

of Additional Participating Members and future Customers within the Northeast Service Area.

ARTICLE IV
Miscellaneous Provisions and Special Conditions

Section 4.01. Operation and Maintenance of System. The District will continuously operate and maintain the System in an efficient manner and in accordance with good business and engineering practices, and at reasonable cost and expense. The District recognizes its right and duty to operate the various facilities of the System in the most prudent and economical manner for the benefit of all Customers.

Section 4.02. Project Schedule. It is the intent of the parties that the Project will be placed in operation as soon as practicable, and the District agrees to proceed diligently with the design and construction of the Project, subject to the terms and conditions in this Contract. In connection herewith, Member agrees to promptly provide any funds to District as required by the provisions in Exhibit D hereto.

Section 4.03. Permits, Financing and Applicable Laws. It is understood that any obligations on the part of the District to acquire, construct, and complete the Project and other System facilities and to provide Wastewater services of the Project and other System facilities to Member shall be:

- (a) conditioned upon the District's ability to obtain all necessary permits, material, labor, and equipment;
- (b) conditioned upon the District receiving Member's and other participants' share of the cost of the Project and other System facilities as specified herein; and
- (c) conditioned upon the ability of the District to finance its share of the cost, if any, of the System facilities through the actual sale of District Bonds; and
- (d) subject to all present and future valid laws, orders, rules, and regulations of the United States of America, the State of Texas, and any regulatory body having jurisdiction.

Section 4.04. Title to and Liability for Damages and Responsibility for Treatment and Disposal of Wastewater/Reuse; Indemnification. Liability for damages arising from the transportation, delivery, reception, treatment, and/or disposal of all Wastewater discharged into the System hereunder shall remain with Member to the Point of Entry, and title to such Wastewater shall be in the name of Member to the Point of Entry, and upon passing through Point(s) of Entry, title to such Wastewater and liability for such damages shall pass to the District. The District and Member agree to indemnify to the extent permitted by law and to save and hold the other party harmless from any and all claims, demands, causes of action, damages, losses, costs, fines, and expenses,

including reasonable attorney's fees, which may arise or be asserted by anyone at any time on account of the transportation, delivery, reception, treatment, and/or disposal while title to the Wastewater is in such party, or on account of a prohibited discharge by a Participating Member or Customer. Both Member and District agree to be responsible for their own respective negligent acts. The District has the responsibility as between the parties for the proper reception, transportation, treatment, and disposal of all Wastewater discharged into the System, but not for prohibited discharges by any party at any Point of Entry. After such treatment of Wastewater, the District may reclaim, and sell the water, sludge or any other product for reuse. Any net revenues and other benefits of such reclamation, sale and reuse shall be fairly apportioned among the Participating Members and Customers, and other parties participating in such sale and reuse.

Section 4.05. Payments Solely From Revenues. The District shall never have the right to demand payment by Participating Members of any obligations assumed by said Member or imposed on Member under and by virtue of this Contract from funds raised or to be raised by taxes; and, the obligations under this Contract shall never be construed to be a debt of such kind as to require Member to levy and collect a tax to discharge such obligation. Nonetheless, a Member may make payments from its water and wastewater (sewer) system revenues, or from any other lawful source, including ad valorem taxes.

Section 4.06. Operating Expenses. Member represents and covenants that all payments to be made by it under this Contract shall constitute reasonable and necessary "operating expenses" of its combined waterworks and sewer system, and that all such payments will be made from the revenues of its combined waterworks (if any) and sewer system, from ad valorem taxes, or from any other lawful source. Member represents and has determined that the services to be provided by the System, including the Project and other System facilities, are absolutely necessary and essential to the present and future operation of its wastewater system, and that the System is the best long-term method for discharging, treating and disposing of its Wastewater, and, accordingly, all payments required by this Contract to be made by Member shall constitute reasonable and necessary operating expenses of its respective system as described above, with the effect that the obligation to make such payments from revenues of such systems shall have priority over any obligation to make any payments from such revenues (whether of principal, interest, or otherwise) with respect to all bonds or other obligations heretofore or hereafter issued by Member.

Section 4.07. Rates for Water and Wastewater Services. Member agrees throughout the term of this Contract to continuously operate and maintain its waterworks system (if any) and its wastewater (sewer) system, and to fix and collect such rates and charges for water and wastewater services, to be supplied by its systems as will produce revenues in an amount equal to at least:

(a) all of the expenses of operation and maintenance of such system or systems, including specifically, its payments under this Contract, and

(b) all other amounts as required by law and the provisions of the ordinance or resolutions authorizing its revenue bonds or other obligations now or hereafter outstanding, including the amounts required to pay all principal of and interest on such bonds and other obligations.

Section 4.08. Use of Funds and System. The District covenants and agrees that neither the proceeds from the sale of the Bonds, nor the monies paid it pursuant to this Contract, nor any earnings from the investment of any of the foregoing, will be used for any purposes, except those directly relating to the System, and the Bonds as provided in this Contract; provided that the District may rebate any excess arbitrage earnings from such investment earnings to the United States of America in order to prevent any Bonds from becoming "arbitrage bonds" within the meaning of the Internal Revenue Code of 1986 (the "Code") or any amendments thereto in effect on the date of issue of such Bonds. Each Participating Member covenants and agrees that it will not use, or permit the use of, the System in any manner that would cause the interest on any of the Bonds to be or become subject to federal income taxation under said Code or any amendments thereto in effect on the date of issue of such Bonds.

Section 4.09. Rights-of-Way.

(a) Member hereby grants to the District without additional cost to the District, the perpetual use of the streets, easements, and rights-of-way under its control for the construction, operation, and maintenance of the System and the Project.

(b) Member agrees that the District may use streets, alleys and public rights-of-way within Member's service area for pipeline purposes to provide Wastewater service to Members or to other Customers without charges or tolls, provided that District makes the necessary repairs to restore to their original condition the streets, alleys or public rights-of-way so used. District agrees to obtain prior approval for each proposed use; but, Member hereby agrees not to unreasonably withhold approval for such use of streets, alleys or public rights of way.

(c) Member and its governing body hereby expressly grant consent for District to use the District's power of eminent domain, if necessary, to obtain property, land and rights-of-way within Member's service area for Project and System. Member agrees that the consent provided within this subsection is in compliance with, and fulfillment of, the "consent" provision of the Act.

(d) Member will use its best efforts to obtain on behalf of the District the right of the District to have similar use of streets, easements and rights-of-way granted by and within municipalities served by Member.

Section 4.10. Unconditional Obligation to Make Payments. Recognizing the fact that Member requires the facilities and services of the Project and the System, and

that such facilities and services are essential and necessary for actual use and for standby purposes; and, recognizing the fact that the District will use payments received from Member and other Customers to pay and secure its Bonds; it is hereby agreed that Member shall be unconditionally obligated to pay, without offset or counterclaim, its proportionate share of the Annual Requirement, as provided and determined in this Contract (including the obligations to pay for certain "minimums" as described in Section 2.15 hereof,) regardless of whether or not the District actually acquires, constructs or completes the Project or the System or is actually delivering services of the System to Member, or whether or not Member actually receives or uses services of the System (whether due to Force Majeure or any other reason whatsoever), regardless of any other provisions of this or any other contract or agreement between any of the parties hereto. This covenant by Member shall be for the benefit of and enforceable by the holders of the Bonds as well as the District.

Section 4.11. Insurance. The District agrees to carry and arrange for fire, casualty, public liability, and/or other insurance, including self insurance, on the System for purposes and in amounts which, as determined by the District, ordinarily would be carried by a privately owned utility company owning and operating such facilities, except that the District shall not be required to provide liability insurance except to insure itself against risk of loss due to claims for which it can, in the opinion of the District's legal counsel, be liable under the Texas Tort Claims Act or any similar law or judicial decision. Such insurance will provide, to the extent feasible and practicable, for the restoration of damaged or destroyed properties and equipment, to minimize the interruption of the services of such facilities. All premiums for such insurance shall constitute an Operation and Maintenance Expense of the System.

Section 4.12. Future Capacity.

(a) The Project and System will include capacity in pipelines and certain other facilities for future needs of Participating Members, Additional Participating Members and other Customers. Member agrees that it is in the best interest of both the District and Member respectively, to plan, acquire and construct the Project and System with excess capacity in anticipation of future increases in Member's requirements and in anticipation of future new Customers. Further, Member agrees that if District executes a financial plan for the Project or System that includes participation by the State in future capacity costs and the deferral of a portion of the capital costs to a future date, Member agrees that it will assume its respective share, when due, of such System cost if any, so deferred as if Bonds had been issued during the initial construction of the Project. Subject to the terms of this Contract, the District reserves the right to contract with Additional Participating Members and other Customers for equitable participation (on a pro rata basis) in such future capacity.

(b) This Contract includes a definition of the Riverbend Service Area, which is a part of the Northeast Service Area. While the Riverbend Service Area is expected to be the largest service area for the System, service may, at the District's discretion, be

provided at the District's other Northeast Regional Water Reclamation System Service Area water reclamation plants, the Peninsula Water Reclamation Plant and the future Doe Branch Water Reclamation Plant. Based on engineering studies, it is not considered feasible to make any major expansion of the Riverbend Service Area. However, the District reserves the right to expand the service area and System if required by public interest; but, in the unlikely event of the need for such expansion, the District will be obligated to protect water quality in the receiving stream and lake and to protect environmental quality in the affected areas.

Section 4.13. Contracting Parties. This Contract shall be effective as to Member whether or not other parties, who are expected to execute contracts of a similar nature, become participants in the System. The "minimums" listed in Exhibit B shall remain the same as listed for Member, regardless of minimum amounts agreed for other parties who participate in the System.

Section 4.14. Special Provisions. The parties hereto acknowledge and agree to the Special Provisions which are set forth in Exhibit D attached hereto, which Exhibit is incorporated herein for all purposes. The Special Provisions in Exhibit D of this Contract reflect circumstances or issues for Member which may be different from those of other Members and therefore constitute a modification of, or a requirement in addition to, the standard provisions otherwise contained in this Contract. If any provision of Exhibit D is different from or conflicts with the provisions set forth in the main body of this Contract, the provisions of Exhibit D shall prevail.

Section 4.15. Exhibits. Several special Exhibits styled Exhibit A through Exhibit D are referenced elsewhere in this Contract and attached hereto as part of this Contract.

Exhibit A	This Exhibit identifies the Member's service area and boundaries for service by System and proposed Point(s) of Entry to the System and the preliminary plan for major trunk lines of the System.
Exhibit B	This Exhibit indicates the quantities subscribed by Member.
Exhibit C	This Exhibit describes Prohibited Discharges and Requirements for Normal Wastewater for all Members.
Exhibit D	This Exhibit contains special provisions applicable to Mustang.

Section 4.16. Permit Compliance. The Project and System must operate under the terms and conditions of applicable State and federal permits. Accordingly, the District agrees to use its best efforts to operate and maintain the System in an efficient and professional manner, endeavoring to provide satisfactory service to Members while

complying with applicable permits. If the District becomes aware of a condition, an action or inaction, that could cause the System to be in violation of such permits, the District will take immediate steps to remedy the potential violation. If the condition, action or inaction appears to be the responsibility of one or more specific Member, the District will give notice to the respective Member to take timely steps to remedy the potential violation. If the District receives a fine or penalty for a violation of an applicable permit, and if the cause of such fine or penalty is determined, after investigation, to have been the responsibility of Member, the District shall require Member to reimburse the District for actual cost thereof, in addition to taking the necessary steps to remedy the circumstance causing the violation.

ARTICLE V **Standard Provisions**

Section 5.01. 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 Contract, other than the obligation of Member to make the payments required under this Contract, then if such party shall give notice and full particulars of such force majeure in writing to the other parties 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 then 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, strikes, 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, earthquake, 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, or on account of any other causes not reasonably within the control of the party claiming such inability.

Section 5.02. Term of Contract. This Contract shall be effective on and from the Contract Date, and shall continue in force and effect for thirty (30) years, or for such period of time that Bonds issued by the District for the System remain outstanding, whichever period is greater; provided, however, the term of the Contract and the expiration date may be extended for a period of time not to exceed twenty (20) years by mutual agreement of the Member and the District as to the terms and conditions. The District's obligation to provide the contracted services shall commence from the date that the District gives written notice that the Project is operational and functional to provide Wastewater services to Member. This Contract and its attachments constitute the sole agreement between the parties hereto with respect to the Project and System.

Section 5.03. Modification. No change, amendment or modification of this Contract shall be made or be effective which will affect adversely the prompt payment when due of all moneys required to be paid by Member under this Contract or any similar

contract; and, no such change, amendment or modification shall be made or be effective which would cause a violation of any provisions of any Bond Resolution.

Section 5.04. Addresses and Notice. Unless otherwise provided herein, any notice, communication, request, reply or advice (herein severally and collectively, for convenience, called "Notice") herein provided or permitted to be given, made or accepted by any party to any other party must be in writing and may be given or be served by depositing the same in the United States mail postpaid and registered or certified and addressed to the party to be notified, with return receipt requested, or by delivering the same to an officer of such party, or by prepaid telegram when appropriate, addressed to the party to be notified. Notice deposited in the mail in the manner described shall be conclusively deemed to be effective, unless otherwise stated herein, from and after the expiration of three days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the party to be notified. For the purposes of notice, the addresses of the parties shall, until changed as hereinafter provided, be as follows:

If to the District, to: Executive Director
Upper Trinity Regional Water District
P. O. Drawer 305
Lewisville, Texas 75067

If to Mustang, to: Mustang Special Utility District
Attn: General Manager
7985 FM 2931
Aubrey, TX 76227

The parties hereto shall have the right from time to time and at any time to change their respective addresses and each shall have the right to specify as its address any other address by at least fifteen (15) days written notice to the other parties hereto.

Section 5.05. State or Federal Laws, Rules, Orders or Regulations. This Contract is subject to all applicable Federal and State laws and any applicable permits, ordinances, rules, orders and regulations of any local, state or federal governmental 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.

Section 5.06. Remedies Upon Default. It is not intended hereby to specify (and this Contract shall not be considered as specifying) an exclusive remedy for any default, but all such other remedies (other than termination) existing at law or in equity may be availed of by any party hereto and shall be cumulative. However, recognizing that the District's undertaking to provide and maintain the services of the System is an obligation, failure in the performance of which cannot be adequately compensated in money damages alone, the District agrees, in the event of any default on its part, that Member

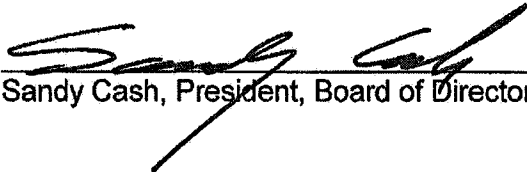
shall have available to it the equitable remedy of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available. Recognizing that failure in the performance of Member's obligations hereunder could not be adequately compensated in money damages alone, Member agrees in the event of any default on their part that the District shall have available to it the equitable remedy of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available to the District. Notwithstanding anything to the contrary contained in this Contract, any right or remedy or any default hereunder, except the right of the District to receive the Annual Payment which shall never be determined to be waived, shall be deemed to be conclusively waived unless asserted by a proper proceeding at law or in equity within two (2) years plus one (1) day after the occurrence of such default. No waiver or waivers of any breach or default (or any breaches or defaults) by any party hereto or of performance by any other party of any duty or obligation hereunder shall be deemed a waiver thereof in the future, nor shall any such waiver or waivers be deemed or construed to be a waiver of subsequent breaches or defaults of any kind, character or description, under any circumstance.

Section 5.07. Severability. The parties hereto specifically agree that in case any one or more of the sections, subsections, provisions, clauses or words of this Contract or the application of such sections, subsections, provisions, clauses or words to any situation or circumstance should be, or should be held to be, for any reason, invalid or unconstitutional, under the laws or constitutions of the State or the United States of America, or in contravention of any such laws or constitutions, such invalidity, unconstitutionality or contravention shall not affect any other sections, subsections, provisions, clauses or words of this Contract or the application of such sections, subsections, provisions, clauses or words to any other situation or circumstance, and it is intended that this Contract shall be severable and shall be construed and applied as if any such invalid or unconstitutional section, subsection, provision, clause or word had not been included herein, and the rights and obligations of the parties hereto shall be construed and remain in force accordingly.

Section 5.08. Venue. All amounts due under this Contract, including, but not limited to, payments due under this Contract or damages for the breach of this Contract, shall be paid and be due in Denton County, Texas, which is the County in which the principal administrative offices of the District are located. It is specifically agreed among the parties to this Contract that Denton County, Texas is the place of performance of this Contract; and, in the event that any legal proceeding is brought to enforce this Contract or any provision hereof, the same shall be brought in Denton County, Texas.

IN WITNESS WHEREOF, the parties hereto acting under authority of their respective governing bodies have caused this Contract to be duly executed in several counterparts, each of which shall constitute an original, all as of the day and year first above written, which is the Contract Date.

UPPER TRINITY REGIONAL WATER DISTRICT

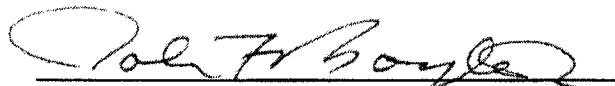

Sandy Cash, President, Board of Directors

ATTEST:

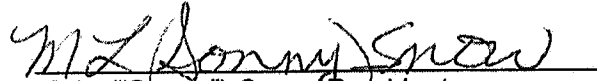

Kevin Mercer, Secretary, Board of Directors

[District Seal]


APPROVED AS TO FORM AND LEGALITY:


John F. Boyle, Jr., Counsel for the District

MUSTANG SPECIAL UTILITY DISTRICT


M. L. ("Sonny") Snow, President

ATTEST:


for Bob Cates, Secretary

APPROVED AS TO FORM AND LEGALITY:


John Rapiér, General Counsel, Mustang SUD