

ATTACHMENT G
Digital Map Data CD

ATTACHMENT H

Bryan W. Shaw, Ph.D., P.E., *Chairman*
Toby Baker, *Commissioner*
Zak Covar, *Commissioner*
Richard A. Hyde, P.E., *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

November 17, 2014

E SIGNATURE CONFIRMATION # 91 3499 9991 7030 0055 1419

Mr. Greg Hugie, President
Providence Village Water Control and Improvement District (WCID)
19 Briar Hollow Lane, Suite 245
Houston, Texas 77027

Re: Notice of Enforcement for Public Water Supply File Record Review Investigation at:
Providence Village WCID, Little Elm, Denton County, Texas
RN101178986, PWS ID No. 0610244, Investigation No. 1197938

Dear Mr. Hugie:

On October 6, 2014, Ms. Crystal Watkins of the Texas Commission on Environmental Quality (TCEQ) Dallas/Fort Worth (D/FW) Regional Office conducted an investigation of the above-referenced regulated entity to evaluate compliance with applicable requirements for public water supply systems. During this investigation, a certain outstanding alleged violation was documented. Enclosed is a summary which lists the investigation findings and recommended corrective actions. Additional recommended corrective actions may be provided by the Enforcement Division.

In the listing of the alleged violation, we have cited applicable requirements, including TCEQ rules. Please note that both the rules themselves and the agency brochure entitled *Obtaining TCEQ Rules* (GI 032) are located on our agency website at <http://www.tceq.state.tx.us> for your reference. If you would like a hard copy of this brochure mailed to you, you may call and request one from either the D/FW Regional Office at (817) 588-5800 or the Central Office Publications Ordering Team at 512-239-0028.

Also, please be advised that the Legislature has granted enforcement powers to the TCEQ to carry out its mission to protect human health and the environment. Due to the apparent seriousness of the alleged violation, formal enforcement action has been initiated, and additional violations may be cited upon further review. We encourage you to immediately begin taking actions to address the outstanding alleged violations.

In responding with prompt corrective action, the administrative penalty to be assessed may be limited.

The Commission recognizes that the great majority of the regulated community wants to prevent pollution and to comply with environmental laws. We dedicate considerable resources toward making voluntary compliance achievable. But where compliance has not been met it is our duty to protect the public and the environment by enforcing the state's environmental laws, regulations, and permits.

TCEQ Region 4-Dallas/Fort Worth • 2309 Gravel Dr. • Fort Worth, Texas 76118-6951 • 817-588-5800 • Fax 817-588-5700

Austin Headquarters: 512-239-1000 • tceq.texas.gov • How is our customer service? tceq.texas.gov/customersurvey
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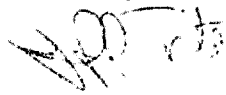
Mr. Greg Hugie, President
November 17, 2014

Also, if you believe the violation documented in this notice has been cited in error, **and** you have additional information that we are unaware of, you may request a meeting to discuss this enforcement matter. To request a meeting, send a letter describing the additional information to the address shown below.

Manager, Drinking Water Section
Enforcement Division, MC 219
Re: Enforcement Meeting Request
Texas Commission on Environmental Quality
P.O. Box 13087
Austin, Texas 78711-3087

If you or members of your staff have any questions, please feel free to contact Ms. Crystal Watkins in the D/FW Regional Office at (817) 588-5804.

Sincerely,



Jeff Tate
Water Section Manager
D/FW Regional Office
Texas Commission on Environmental Quality

JT/cdw

Enclosure: Summary of Investigation Findings

cc: Aldo Zamora, Operations Manager, Mustang SUD, 7985 FM 2931, Aubrey, Texas 76227

Summary of Investigation Findings

PROVIDENCE VILLAGE WCID	Investigation # 1197938
, DENTON COUNTY,	Investigation Date: 10/06/2014
Additional ID(s): 0610244	

OUTSTANDING ALLEGED VIOLATION(S) ASSOCIATED TO A NOTICE OF ENFORCEMENT

Track No: 533189 Compliance Due Date: 06/20/2014
30 TAC Chapter 290.45(b)(1)(D)(ii)

Alleged Violation:

Investigation: 1163636

Comment Date: 04/16/2014

Failure to provide a total storage capacity of 200 gallons per connection.

30 TAC 290.45(b)(1)(D)(ii) states that for systems with more than 250 connections, the system must meet a total storage capacity of 200 gallons per connection.

After review of the Utility Contract and Financing Agreement between Providence WCID and Mustang SUD for the Providence elevated storage tank, it was determined that the system was deficiency in total storage capacity. The water system is required to provide 402, 400 gallons of total storage and only provides 275, 000 gallons and is 31.7% deficient.

Investigation: 1197938

Comment Date: 11/06/2014

Failure to provide a total storage capacity of 200 gallons per connection.

During the file record review investigation, compliance documentation had not been received to resolve the alleged violation.

Recommended Corrective Action: Submit documentation that the water system is meeting the total storage capacity of 200 gallons per connection. The water system may also request an alternative capacity requirement by writing to the Technical Review and Oversight Team, Plan and Technical Review Section, MC-159, Texas Commission on Environmental Quality, P.O. Box 13087, Austin, TX 78711-3087.

ATTACHMENT I

Bryan W. Shaw, Ph.D., *Chairman*
Toby Baker, *Commissioner*
Richard A. Hyde, P.E., *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

June 15, 2015

Mr. Greg Hugie
President
Providence Village Water Control and Improvement District
19 Briar Hollow Lane, Suite 245
Houston, Texas 77027

Re: TCEQ Enforcement Action
Providence Village Water Control and Improvement District
Docket No. 2014-1745-PWS-E

Dear Mr. Hugie:

Enclosed for your records is a fully-executed copy of the Agreed Order for the above-referenced matter.

Please review the enclosed Agreed Order, particularly the "Ordering Provisions" section, to determine if further action will be required of you, such as the completion of technical requirements to achieve compliance. When technical requirements are listed (usually Ordering Provision No. 2 or 3), a deadline will be provided based on a specific number of days after the effective date. The effective date of this Agreed Order is three days after the date printed at the top of this letter.

Should you have any questions, please contact Epifanio Villarreal, the Enforcement Coordinator assigned to this matter, at (361) 825-3425.

Sincerely,

A handwritten signature in cursive script that reads "Candice Garrett".

Candice Garrett
Enforcement Division

Enclosure

cc: Epifanio Villarreal, Enforcement Division
Public Water Supply Section Manager, Region 4

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY



IN THE MATTER OF AN
ENFORCEMENT ACTION
CONCERNING
PROVIDENCE VILLAGE WATER
CONTROL AND IMPROVEMENT
DISTRICT
RN101178986

§ BEFORE THE
§
§
§ TEXAS COMMISSION ON
§
§
§ ENVIRONMENTAL QUALITY

AGREED ORDER
DOCKET NO. 2014-1745-PWS-E

I. JURISDICTION AND STIPULATIONS

On JUN 11 2015, the Texas Commission on Environmental Quality ("the Commission" or "TCEQ") considered this agreement of the parties, resolving an enforcement action regarding Providence Village Water Control and Improvement District ("Respondent") under the authority of TEX. HEALTH & SAFETY CODE ch. 341. The Executive Director of the TCEQ, through the Enforcement Division, and the Respondent together stipulate that:

1. The Respondent owns and operates a public water supply located at the intersection of United States 380 and Providence Boulevard, 10 miles east of Interstate Highway 35 near Prosper, Denton County, Texas (the "Facility") that has approximately 2,012 service connections and serves at least 25 people per day for at least 60 days per year.
2. The Executive Director and the Respondent agree that the Commission has jurisdiction to enter this Agreed Order, and that the Respondent is subject to the Commission's jurisdiction.
3. The Respondent received notice of the violations alleged in Section II ("Allegations") on or about November 22, 2014.
4. The occurrence of any violation is in dispute and the entry of this Agreed Order shall not constitute an admission by the Respondent of any violation alleged in Section II ("Allegations"), nor of any statute or rule.
5. An administrative penalty in the amount of One Hundred Fifty-Seven Dollars (\$157) is assessed by the Commission in settlement of the violations alleged in Section II ("Allegations"). The Respondent has paid One Hundred Twenty-Six Dollars (\$126) of

the administrative penalty and Thirty-One Dollars (\$31) is deferred contingent upon the Respondent's timely and satisfactory compliance with all the terms of this Agreed Order. The deferred amount will be waived upon full compliance with the terms of this Agreed Order. If the Respondent fails to timely and satisfactorily comply with all requirements of this Agreed Order, the Executive Director may require the Respondent to pay all or part of the deferred penalty.

6. Any notice and procedures, which might otherwise be authorized or required in this action, are waived in the interest of a more timely resolution of the matter.
7. The Executive Director and the Respondent agree on a settlement of the matters alleged in this enforcement action, subject to final approval in accordance with 30 TEX. ADMIN. CODE § 70.10(a).
8. The Executive Director may, without further notice or hearing, refer this matter to the Office of the Attorney General of the State of Texas ("OAG") for further enforcement proceedings if the Executive Director determines that the Respondent has not complied with one or more of the terms or conditions in this Agreed Order.
9. This Agreed Order shall terminate five years from its effective date or upon compliance with all the terms and conditions set forth in this Agreed Order, whichever is later.
10. The provisions of this Agreed Order are deemed severable and, if a court of competent jurisdiction or other appropriate authority deems any provision of this Agreed Order unenforceable, the remaining provisions shall be valid and enforceable.

II. ALLEGATIONS

As owner and operator of the Facility, the Respondent is alleged to have failed to provide a total storage capacity of 200 gallons per connection, in violation of 30 TEX. ADMIN. CODE § 290.45(b)(2)(E) and TEX. HEALTH & SAFETY CODE § 341.0315(c), as documented during an investigation conducted on February 18, 2014 and a record review conducted on October 6, 2014. Specifically, with 2,012 service connections the Facility is required to provide a minimum total storage tank capacity of 402,400 gallons. However, it was documented that the Facility currently provides 275,000 gallons of total storage capacity, which is a 32% deficiency.

III. DENIALS

The Respondent generally denies each allegation in Section II ("Allegations").

IV. ORDERING PROVISIONS

1. It is, therefore, ordered by the TCEQ that the Respondent pay an administrative penalty as set forth in Section I, Paragraph 5 above. The payment of this administrative penalty and the Respondent's compliance with all the terms and conditions set forth in this Agreed Order resolve only the allegations in Section II. The Commission shall not be

constrained in any manner from requiring corrective action or penalties for violations which are not raised here. Administrative penalty payments shall be made payable to "TCEQ" and shall be sent with the notation "Re: Providence Village Water Control and Improvement District, Docket No. 2014-1745-PWS-E" to:

Financial Administration Division, Revenue Operations Section
Attention: Cashier's Office, MC 214
Texas Commission on Environmental Quality
P.O. Box 13088
Austin, Texas 78711-3088

2. It is further ordered that the Respondent shall undertake the following technical requirements:

- a. Within 365 days after the effective date of this Agreed Order, provide a total storage capacity of 200 gallons per connection, in accordance with 30 TEX. ADMIN. CODE § 290.45.
- b. Within 380 days after the effective date of this Agreed Order, submit written certification as described below, and include detailed supporting documentation including photographs, receipts, and/or other records to demonstrate compliance with Ordering Provision No. 2.a. The certification shall be notarized by a State of Texas Notary Public and include the following certification language:

"I certify under penalty of law that I have personally examined and am familiar with the information submitted and all attached documents, and that based on my inquiry of those individuals immediately responsible for obtaining the information, I believe that the submitted information is true, accurate and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fines and imprisonment for knowing violations."

The certification shall be submitted to:

Order Compliance Team
Enforcement Division, MC 149A
Texas Commission on Environmental Quality
P.O. Box 13087
Austin, Texas 78711-3087

with a copy to:

Water Section Manager
Dallas/Fort Worth Regional Office
Texas Commission on Environmental Quality
2309 Gravel Drive
Fort Worth, Texas 76118-6951

3. The provisions of this Agreed Order shall apply to and be binding upon the Respondent. The Respondent is ordered to give notice of the Agreed Order to personnel who maintain day-to-day control over the Facility operations referenced in this Agreed Order.
4. The Executive Director may grant an extension of any deadline in this Agreed Order or in any plan, report, or other document submitted pursuant to this Agreed Order, upon a written and substantiated showing of good cause. All requests for extensions by the Respondent shall be made in writing to the Executive Director. Extensions are not effective until the Respondent receives written approval from the Executive Director. The determination of what constitutes good cause rests solely with the Executive Director.
5. This Agreed Order, issued by the Commission, shall not be admissible against the Respondent in a civil proceeding, unless the proceeding is brought by the OAG to: (1) enforce the terms of this Agreed Order; or (2) pursue violations of a statute within the Commission's jurisdiction, or of a rule adopted or an order or permit issued by the Commission under such a statute.
6. This Agreed Order may be executed in separate and multiple counterparts, which together shall constitute a single instrument. Any page of this Agreed Order may be copied, scanned, digitized, converted to electronic portable document format ("pdf"), or otherwise reproduced and may be transmitted by digital or electronic transmission, including but not limited to facsimile transmission and electronic mail. Any signature affixed to this Agreed Order shall constitute an original signature for all purposes and may be used, filed, substituted, or issued for any purpose for which an original signature could be used. The term "signature" shall include manual signatures and true and accurate reproductions of manual signatures created, executed, endorsed, adopted, or authorized by the person or persons to whom the signatures are attributable. Signatures may be copied or reproduced digitally, electronically, by photocopying, engraving, imprinting, lithographing, electronic mail, facsimile transmission, stamping, or any other means or process which the Executive Director deems acceptable. In this paragraph exclusively, the terms "electronic transmission", "owner", "person", "writing", and "written" shall have the meanings assigned to them under TEX. BUS. ORG. CODE § 1.002.
7. Under 30 TEX. ADMIN. CODE § 70.10(b), the effective date is the date of hand-delivery of the Order to the Respondent, or three days after the date on which the Commission mails notice of the Order to the Respondent, whichever is earlier.

SIGNATURE PAGE

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

For the Commission

Bryan Sinclair

For the Executive Director

6/11/2015

Date

I, the undersigned, have read and understand the attached Agreed Order. I am authorized to agree to the attached Agreed Order on behalf of the entity indicated below my signature, and I do agree to the terms and conditions specified therein. I further acknowledge that the TCEQ, in accepting payment for the penalty amount, is materially relying on such representation.

I also understand that failure to comply with the Ordering Provisions, if any, in this order and/or failure to timely pay the penalty amount, may result in:

- A negative impact on compliance history;
- Greater scrutiny of any permit applications submitted;
- Referral of this case to the Attorney General's Office for contempt, injunctive relief, additional penalties, and/or attorney fees, or to a collection agency;
- Increased penalties in any future enforcement actions;
- Automatic referral to the Attorney General's Office of any future enforcement actions; and
- TCEQ seeking other relief as authorized by law.

In addition, any falsification of any compliance documents may result in criminal prosecution.

Greg Hugie

Signature

8.23.15

Date

Greg Hugie

Name (Printed or typed)

President

Title

Authorized Representative of
Providence Village Water Control and Improvement District

Instructions: Send the original, signed Agreed Order with penalty payment to the Financial Administration Division, Revenue Operations Section at the address in Section IV, Paragraph 1 of this Agreed Order.

ATTACHMENT J

**UPPER TRINITY REGIONAL WATER DISTRICT
REGIONAL TREATED WATER SYSTEM
THIRD AMENDMENT TO PARTICIPATING CUSTOMER CONTRACT
WITH
DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 9**

THE STATE OF TEXAS

§

COUNTY OF DENTON

§

§

THIS AGREEMENT ("Amendment") made and entered into as of the 4th day of May, 2006 between **UPPER TRINITY REGIONAL WATER DISTRICT**, (the "District"), and **DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 9**, (herein "FWSD" or "Customer") to amend the Participating Customer Contract dated August 29, 2001, (the "Contract"), which Contract provides for Customer to participate in the District's Regional Treated Water System (the "System").

WHEREAS, the Contract specifies in Exhibit B a minimum Demand for treated water to be subscribed to by FWSD; and

WHEREAS, the District utilizes a five (5) year planning horizon for projecting water Demand except in those areas of rapid growth in which case a three (3) year planning horizon is used; and

WHEREAS, the area which includes FWSD is experiencing rapid growth making use of a three (3) year planning horizon appropriate; and

WHEREAS, the current three (3) year planning horizon would end in December 2009; and

WHEREAS, the Contract for FWSD currently provides for a subscribed capacity (Demand) of 1.8 MGD; and

WHEREAS, water Demand projections for FWSD indicate that FWSD's current treated water subscription from District will be exceeded before the end of the planning horizon; and

WHEREAS, projections for FWSD indicate a need for 2.4 MGD, and FWSD has requested an increase of 0.6 MGD in subscribed capacity through the end of the planning horizon; and

WHEREAS, Denton County Fresh Water Supply District No. 10 ("FWSD No. 10") has subscribed to a capacity of 3.0 MGD, approximately 0.6 MGD more than they expect to need through the end of the planning horizon; and

WHEREAS, FWSD No. 10 has requested a transfer of 0.6 MGD of its subscription to FWSD; and

WHEREAS, FWSD No. 10 has paid an Equity Fee to the District for the subscription increase detailed in its April 1, 2004 Treated Water Contract Amendment with the District; and

**UTRWD
OFFICIAL DOCUMENT**

WHEREAS, FWSD No. 10 has paid to the District a Facilities Charge since July 1, 2005 for the subscription increase detailed in its April 1, 2004 Treated Water Contract Amendment with the District; and

WHEREAS, according to said Contract Amendment, FWSD No. 10 will continue to pay the Facilities Charge to District through June 2006; and

WHEREAS, said Equity Fee and Facilities Charge cover the 0.6 MGD being proposed for transfer to FWSD; and

WHEREAS, District's Tom Harpool Water Treatment Plant is expected to be operational during the summer of 2006; and

WHEREAS, the District and FWSD desire to amend the Contract to confirm, and to provide for FWSD's expected Demand and to make such other changes in the Contract that are necessary; and

WHEREAS, FWSD agrees to pay for the revised Demand as specified herein in accordance with the terms of the Contract and applicable rate schedules of the District.

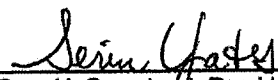
NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements contained in the Contract and this Amendment, the District and FWSD agree to the following modifications or amendments to the terms and conditions set forth in the Contract, to wit:

1. **Definitions.** Capitalized terms not otherwise defined herein shall have the same meaning as those set forth in the Contract.
2. **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.
3. **Demand.** As of the Date of this Amendment, the minimum Demand for FWSD shall be increased from 1.8 MGD to 2.4 MGD as provided in the revised Exhibit B, attached hereto as part of this Amendment. It is hereby agreed by FWSD and District that FWSD will not be obligated to pay the charges for minimum Demand above one and eight-tenths (1.8) MGD until the Tom Harpool Water Treatment Plant is operational.
4. **Reconciliation of Equity Fee and Facilities Charge.** District shall retain all Equity Fees and Facilities Charges paid to it by FWSD No. 10. FWSD No. 10 shall continue to be responsible for paying to District the remainder of Facilities Charge owed under the Contract Amendment between District and FWSD No. 10 dated April 1, 2004. Reconciliation of the Equity Fee and Facilities Charges for the transfer of 0.6 MGD of treated water subscription established under this Amendment shall be resolved between FWSD and FWSD No. 10 without involvement of District.
5. **Contract Provisions.** All other provisions of the Contract shall continue in full force and effect.

**UTRWD
OFFICIAL DOCUMENT**


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

DENTON COUNTY FRESH WATER SUPPLY
DISTRICT NO. 9




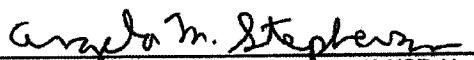
Greg H. Overstreet, President
Serin Yakes, Vice President

ATTEST:



Janet Kurth, Secretary


The seal is circular with a five-pointed star in the center. The words "DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 9" are written around the perimeter of the star. Below the star, the words "APPROVED AS TO FORM AND LEGALITY:" are printed.




Angela Stephenson, General Counsel, FWSD No. 9

UTRWD
OFFICIAL DOCUMENT

UPPER TRINITY REGIONAL WATER DISTRICT


Richard H. Huckaby, President, Board of Directors

ATTEST:


Kevin Mercer, Secretary

(DISTRICT SEAL)

APPROVED AS TO FORM AND LEGALITY:


John F. Boyle, Jr., General Counsel

Attachments: Exhibit B, Revised Minimum Demand

UTRWD
OFFICIAL DOCUMENT

EFFECTIVE DATE: May 18, 2006
EXHIBIT B – REVISED
DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 9

**MINIMUM AMOUNT OF SYSTEM CAPACITY BEING COMMITTED IN ACCORDANCE WITH
SECTION 3.05 OF CONTRACT**

The provisions of this Revised Exhibit B adopted by Contract Amendment form a part of the Contract and are applicable to the District and to FWSD No. 9 as if set forth in its entirety in the body of the Contract.

The following quantity constitutes minimum Demand in accordance with Section 3.05 of the Contract. Said minimum Demand shall apply from and after the time when the Tom Harpool Water Treatment Plant becomes operational. Until such time, the minimum Demand available to FWSD shall be 1.8 MGD.

Participating Customer

Minimum Demand (MGD)

Denton County Fresh Water Supply District No. 9

2.4 MGD

**UTRWD
OFFICIAL DOCUMENT**

**UPPER TRINITY REGIONAL WATER DISTRICT
DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 9
SECOND AMENDMENT TO PARTICIPATING CUSTOMER CONTRACT
REGIONAL TREATED WATER SYSTEM**

THE STATE OF TEXAS §
 §
COUNTY OF DENTON §

This **AGREEMENT** ("Amendment") is made and entered into as of the 2nd day of March, 2006 ("Effective Date"), by and between **UPPER TRINITY REGIONAL WATER DISTRICT** (the "District") and **DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 9** ("FWSD") to amend the Participating Customer Contract dated August 29, 2001, as amended (the "Contract"), which Contract provides for FWSD to participate in the District's Regional Treated Water System.

WHEREAS, FWSD is a special district and political subdivision of the State of Texas, created and organized pursuant to the Texas Constitution and the Texas Water Code; and

WHEREAS, FWSD entered into the Contract in order to provide water service to retail customers within its service area; and

WHEREAS, since the District and FWSD entered into the Contract, FWSD has annexed additional territory into its boundaries and now contains a total of 632.068 acres; and

WHEREAS, the Contract gave FWSD the right to receive wholesale treated water service from the District for an agreed service area that included up to 494.84 acres within FWSD's boundaries; and

WHEREAS, FWSD desires to receive wholesale treated water service from the District for the additional 137.228 acres within FWSD's boundaries, and the District has or will have adequate facilities to provide such service; and

WHEREAS, the additional 137.228 acres for which FWSD has requested wholesale treated water service from the District are located within the water service area of Mustang Special Utility District ("Mustang SUD"), an area for which Mustang SUD has been granted a Certificate of Convenience and Necessity; and

WHEREAS, Mustang SUD and FWSD have entered into a Merged, Amended, and Restated Agreement Related to Water and Sanitary Sewer Service dated April 8, 2005 (the "Mustang/FWSD Agreement") that allows FWSD to provide retail water service to the additional acreage; and

WHEREAS, FWSD, Mustang SUD, Valerian Properties Associates, L.P., and Custer Road Partners, L.P. have entered into a Utility Construction and Financing Agreement dated May 2, 2005 (the "Construction Agreement") to participate in the construction of an Elevated Storage Tank, as defined in that agreement, and certain associated water transmission lines, as shown on Exhibit B to this Amendment; and

WHEREAS, the District has long range plans to construct a new thirty-six inch water transmission main to increase service capacity and reliability in the northeast portion of its service area; and

WHEREAS, the District's plan called for this thirty-six inch water transmission main to be constructed in approximately the year 2010; and

WHEREAS, FWSD has a current need for a temporary water transmission main to transport treated water from the Temple Dane Pump Station to a new residential development that is planned for the western portion of FWSD's service area; and

WHEREAS, Mustang SUD and FWSD have requested the District to advance the schedule for the planned water transmission main to avoid disruption to the planned new residential development; and

WHEREAS, FWSD and the District agree for the District to construct a portion of the planned water transmission main ahead of the District's current schedule subject to certain requirements; and

WHEREAS, in constructing this portion of its water transmission main ahead of schedule, the District will incur the cost of the main several years sooner than planned; and

WHEREAS, to compensate the District for incurring this cost, FWSD agrees to pay to the District certain carrying costs of the project and to acquire certain easements and convey them to the District; and

WHEREAS, FWSD has provided certain engineering services related to design of the proposed water transmission main; and

WHEREAS, the District and FWSD also desire to utilize a provision of the Contract to allow for more efficient wholesale treated water service to FWSD by establishing a temporary additional Point of Delivery; and

WHEREAS, the Mustang/FWSD Agreement contains provisions regarding the conveyance of the FWSD's internal water and sanitary sewer facilities to Mustang-SUD.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the District and FWSD agree as hereinafter set forth, to wit:

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 the Amendment as though fully set forth in their entirety herein.

Section 2. Expansion of Service Area. Exhibit C, Paragraph 22, in the Contract is hereby amended to provide that FWSD has the right to receive wholesale treated water service from the District for an agreed service area of 632.068 acres, which includes all of the area within FWSD's boundaries as of the Effective Date of this Amendment. Exhibit A to the Contract is hereby amended to provide that the territory within FWSD (the 632.068 acres) is the area described by metes and bounds in Exhibit A-1 to this Amendment.

Section 3. Construction and Financing of Portion of New Thirty-Six Inch Main.

(a) The District agrees to begin advertising and accepting bids as soon as is reasonably practical for the portion of a new thirty-six (36) inch water distribution main to be constructed beginning at the Temple Dane Pump Station distribution main on the north side of U. S. Highway 380 near the west side of F.M. 2931, as shown on Exhibit B to this Amendment. The thirty-six inch main will continue north to the north end of FWSD's frontage on F.M. 2931 and will include provisions for a temporary additional delivery point along the west side of F.M. 2931 near the site of the Elevated Storage Tank to be constructed under the Construction Agreement. This portion of the thirty-six inch main will be used temporarily to transport treated water from the Temple Dane distribution main to the temporary additional Point of Delivery. The thirty-six inch main will also be connected to a District line already installed in the alley north of Providence Subdivision, Phase 1, for future transmission of water to the Temple Dane Pump Station from the new Tom Harpool Water Treatment Plant once it is constructed. The entire thirty-six and twenty-four inch pipeline, including those portions and appurtenance to be paid for by FWSD, will be owned and maintained by the District.

(b) The water supplied by the District to the temporary additional point of delivery will be operated under the District's normal transmission pressure. However, the District does not warrant there will be adequate pressure in the pipeline to lift the water into FWSD's elevated storage tank. FWSD may construct a booster pump station as needed to lift water into the Elevated Storage Tank in the event that pressure from the District's system is not sufficient.

(c) As part of this project, FWSD agrees to pay the cost of:

- (1) fifty percent (50%) of the cost of a temporary connection to be made between the thirty-six and twenty-four inch main near F.M. 2931 and the existing Temple Dane Pump Station Distribution main along U.S. Highway 380,
- (2) 80% of the actual cost of that portion of the thirty-six inch main in F.M. 2931 (North Segment) which runs from the alley north of Providence Subdivision, Phase I, to the connection point for District's future water line on the north side of Fishtrap Road, (as oversize, the District shall pay the remaining 20% of actual cost),
- (3) the connection to the thirty-six inch main in F.M. 2931 (North Segment) that will serve FWSD's proposed elevated storage tank,
- (4) the additional effort by District's engineer to prepare the contract documents, Additional effort being that effort necessary to support design, bidding, award of construction contract, and construction services necessary to complete construction and begin operation of the facilities contemplated in this amendment which were not previously included in District's long range plans. These costs are agreed to be \$16,779.73.

These facilities to be funded by FWSD are required solely for the benefit of FWSD and the cost thereof is not subject to refund by District. Before award of the construction contract for this project by District's Board of Directors or within fifteen (15) calendar days following approval of this Amendment by FWSD, whichever is the later date, FWSD will deposit funds with the District in the amount of its portion of the estimated construction cost of the project. District shall calculate its costs of inspecting construction of the project and include them in the project cost for calculating the "carrying" cost to be paid by FWSD.

(d) FWSD shall construct and own the segment of main from the connection to the thirty-six inch main in F.M. 2931 (North Segment) to FWSD's proposed elevated storage tank, and the temporary metering facility as described herein. However, the District shall own the valve installed at the connection and have operational control over any booster pump station installed by FWSD as long as the temporary connection is used. The District shall also have the authority to make any necessary repairs to the segment of main between F.M. 2931 and FWSD's elevated storage tank; FWSD agrees to reimburse the District for the reasonable cost of any necessary repairs to this segment of main. Plans and specifications for the segment of main and the metering facility are subject to the review and approval of the District.

(e) The District will make its best effort to promptly advertise and bid the construction of this portion of the new thirty-six inch main. Prior to completion of FWSD's elevated storage tank, FWSD is allowed to utilize the new thirty-six inch main to provide temporary service within its service area using controls and meters approved by District. While using this temporary service, FWSD is allowed to have no more than 225 occupied units in its service area west of F.M. 2931 before the FWSD's elevated storage tank is completed and placed in service. However, subject to the determination by the District that capacity is available and with written approval by the District, that

number of occupied units may be increased. After the Tom Harpool Water Treatment Plant is in service, District may also grant written approval of an increased number of occupied units if FWSD, at its sole expense, installs and places in service a hydropneumatic tank, or an alternative thereto, to maintain pressure in its service area.

(f) The District's engineer shall be responsible for designing the segment of the thirty-six inch main from U.S. Highway 380 to the existing line in the alley north of Providence Subdivision, Phase 1 (the "South Segment"). FWSD's engineer shall be responsible for designing to District standards and subject to review and approval by District prior to bidding, the remaining segment of the line north of the alley (the "North Segment"). District's engineer shall act as project engineering consultant and will incorporate all design elements into documents suitable for bidding. Further, District's engineer shall assist District in the bidding process, evaluate bids, recommend award of construction contract, and provide certain engineering services during construction

(g) FWSD agrees to pay the District for the "carrying costs" of all elements of the pipeline project, which elements include engineering, inspection, project management and overhead for both the North Segment and the South Segment of the new thirty-six inch pipeline. Said "carrying costs" shall apply until January 1, 2010, except as provided herein. The "carrying costs" do not apply to the amount deposited by FWSD in association with this project or the amount of participation by Denton Independent School District. The estimated total costs of the pipeline project is depicted in Exhibit C to this Amendment. For purposes of this Amendment, the "carrying costs" shall be the amount of the annual principal and interest payments that the District is making, based on its weighted average annual interest rate on its water capital improvement bonds (5.339%), plus thirty-five (35) basis points, for a total of 5.689%. The amortization period for the District's financing of the main shall be for a period of not less than twenty-five (25) years. Semi-annual payments by FWSD to the District for the carrying costs shall be due on October 31 and April 30 of each year, with payments being made in advance for the following semi-annual period. The first payment shall be due within 30 days after execution of this Amendment. If prior to January 1, 2010, the District begins construction to extend the North Segment of the thirty-six inch main beyond the end of the project covered by this Amendment, FWSD's obligation to make payments to the District for the carrying costs associated with that particular segment shall cease at such time as the District issues notice to proceed to the contractor for construction of that extension. If the District begins construction to extend the South Segment of the thirty-six inch main prior to January 1, 2010, FWSD's obligation to make payments to the District for the carrying costs associated with that particular segment shall cease at such time as the District issues notice to proceed to the contractor for construction of that extension. To the extent reasonably possible, District shall account for costs of both segments separately.

(h) FWSD shall convey, or amend the plat as required to convey, to the District all easements along or within FWSD boundaries necessary for the construction of a proposed future water transmission main and future parallel main to be constructed

along the north side of Fishtrap Road by the District from the new Tom Harpool Water Treatment Plant to F.M. 2931. Each easement shall be either 40 feet wide, or 20 feet wide plus an additional contiguous 20 feet wide working space easement located north of and continuous with the permanent easement, and shall not include any portion of lot 1, Block F and lot 1, Block I of Providence Subdivision, Phase 3. Further, the afore described easements shall be free and clear of underground utilities by other than District. However, the existing alley way paving on the north side of Fishtrap Road as shown on the plat, generally parts of Blocks F and I of Village Creek at Providence, is acceptable and not subject to the restriction above. These lines are shown as "Future UTRWD Water Lines" on Exhibit B to this Amendment. FWSD shall also obtain and convey to the District all easements necessary for the construction of the new thirty-six inch main and a future parallel main from the north side of Fishtrap Road to the northernmost point of the portion of the main covered by this Amendment as shown on Exhibit B to this Amendment; each easement shall be 30 feet wide plus an additional contiguous 20 feet wide working space easement located west of and continuous with the permanent easement.

(i) District shall obtain all easements necessary for the construction of a proposed future water transmission main to be constructed along the west side of F.M. 2931 from the alley north of Providence Subdivision, Phase I to Fishtrap Road. FWSD shall reimburse the District \$4,893.09 for the portion of said North Segment easements already acquired or under contract to be acquired by District.

(j) All permanent easements required by the provisions of this Amendment to be conveyed by FWSD to District shall be conveyed using District's standard easement documents or in a form as mutually agreed upon by the parties, and shall be free and clear of all encumbrances including, but not limited to, other easements.

(k) The term "pipeline", or "main" as used herein, is agreed by the parties to include all necessary associated appurtenances, including, but not limited to, valves, control devices and data lines, including fiber optic lines.

Section 4. Point of Delivery. (a) In accordance with Section 3.13 and Exhibit A of the Contract, District hereby grants to FWSD a temporary additional Point of Delivery near the proposed Elevated Storage Tank, as shown on Exhibit B to this Amendment. The temporary additional Point of Delivery will only be supplied by the District until October 1, 2011, or until District establishes a second Point of Delivery for treated water supplied by the District to Mustang SUD and Mustang SUD has constructed the necessary pipelines to utilize the second Point of Delivery for service to FWSD's service area, whichever occurs sooner.

(b) To reduce costs, the District agrees to specify a temporary metering facility to be funded by FWSD, or constructed by FWSD with prior written approval of District's Executive Director, to measure water provided to FWSD at the temporary additional Point of Delivery. However, special control devices, such as a rate-of-flow controller,

back pressure sustaining device or other such equipment, and remote monitoring and control system may, at District's sole discretion, be required as part of the temporary metering facility or at any future time, in order to protect the integrity and operability of District's system. Further, District shall at all times have priority right of access, operation, and control over all metering facilities, special control devices and booster pump station contemplated herein. The District shall also have the authority to make any necessary repairs to all components at the temporary Point of Delivery; FWSD agrees to reimburse the District for the reasonable cost of any necessary repairs to the facilities at the temporary Point of Delivery. Where public road or alleyway is not available, FWSD does hereby grant to District the right of ingress and egress over and across adjacent lands owned or controlled by FWSD in order that District may at all times gain access to such facilities and devices. In the event that ingress and egress to the location of such facilities and devices is established via easement, license or other similar method, FWSD shall ensure that District's right of ingress and egress to such location is included as part of the rights established.

(c) This temporary additional Point of Delivery is in addition to the interim connection between the new thirty-six inch main and the existing Temple Dane Pump Station Distribution main along U.S. Highway 380 described in Section 3(a) above. The interim connection between the new thirty-six inch main and the existing Temple Dane Pump Station Distribution main along U.S. Highway 380 will be disconnected when the District completes the extension of the thirty-six inch main to the Temple Dane Pump Station or when the Tom Harpool Water Treatment Plant is placed in service, at the discretion of the District.

(d) District may also require, at its sole discretion, special control devices at the existing Point of Delivery on U.S. Highway 380.

(e) FWSD agrees to separate by and maintain separation by an air gap between the District's delivery facilities and the connection with FWSD's system at the temporary Point of Delivery or proposed Elevated Storage Tank. Further, FWSD agrees to neither make nor allow any customer or pipeline connections to its pipeline between F.M. 2931 and the proposed Elevated Storage Tank.

(f) District reserves the unilateral right to supply the temporary additional Point of Delivery from any water source available to District.

Section 5. Assignment of Contract to Mustang SUD. Prior to any assignment, pursuant to the Mustang/FWSD Agreement or any other agreement whether existing or future, of the Contract from FWSD to Mustang SUD, FWSD must give the District three (3) months written notice for the purpose of obtaining the District's approval, which approval will not be unreasonably denied. Before approval is given by the District, FWSD must be in full compliance with the Contract, including but not limited to, payment of all monies owed to the District prior to the effective date of the assignment. Further, District will deny approval of the assignment if the assignment would cause the

interest on any of the Bonds, as defined in the Contract, to be or become subject to federal income taxation under the Internal Revenue Code of 1986, as amended.

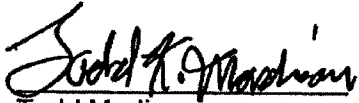
Section 6 Contract Provisions. All other provisions of the Contract, as amended, shall continue in full force and effect.


Section 7. Term. This Amendment shall have the same term as the Contract and continue in effect until the Contract expires or is otherwise terminated.

IN WITNESS WHEREOF, the parties hereto acting under authority of their respective governing 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

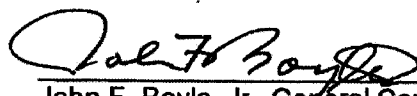
Attest:


Todd Madison
Secretary, Board of Directors

By: 
Antonio (Tony) Romo
President, Board of Directors

(DISTRICT SEAL)

APPROVED AS TO FORM AND LEGALITY:


John F. Boyle, Jr., General Counsel
Upper Trinity Regional Water District

Attest:

**Denton County Fresh Water Supply
District No. 9**

Janet Kuntz
Secretary, Board of Directors

By: Debbie Reuther
Debbie Reuther, President

(DISTRICT SEAL)

APPROVED AS TO FORM AND LEGALITY:

Angela M. Stepherson
Angela M. Stepherson, Counsel for Denton County
Fresh Water Supply District No. 9

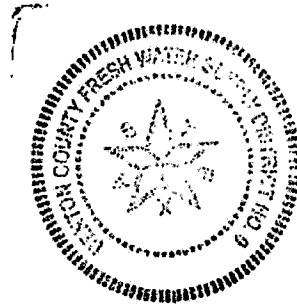


EXHIBIT A-1

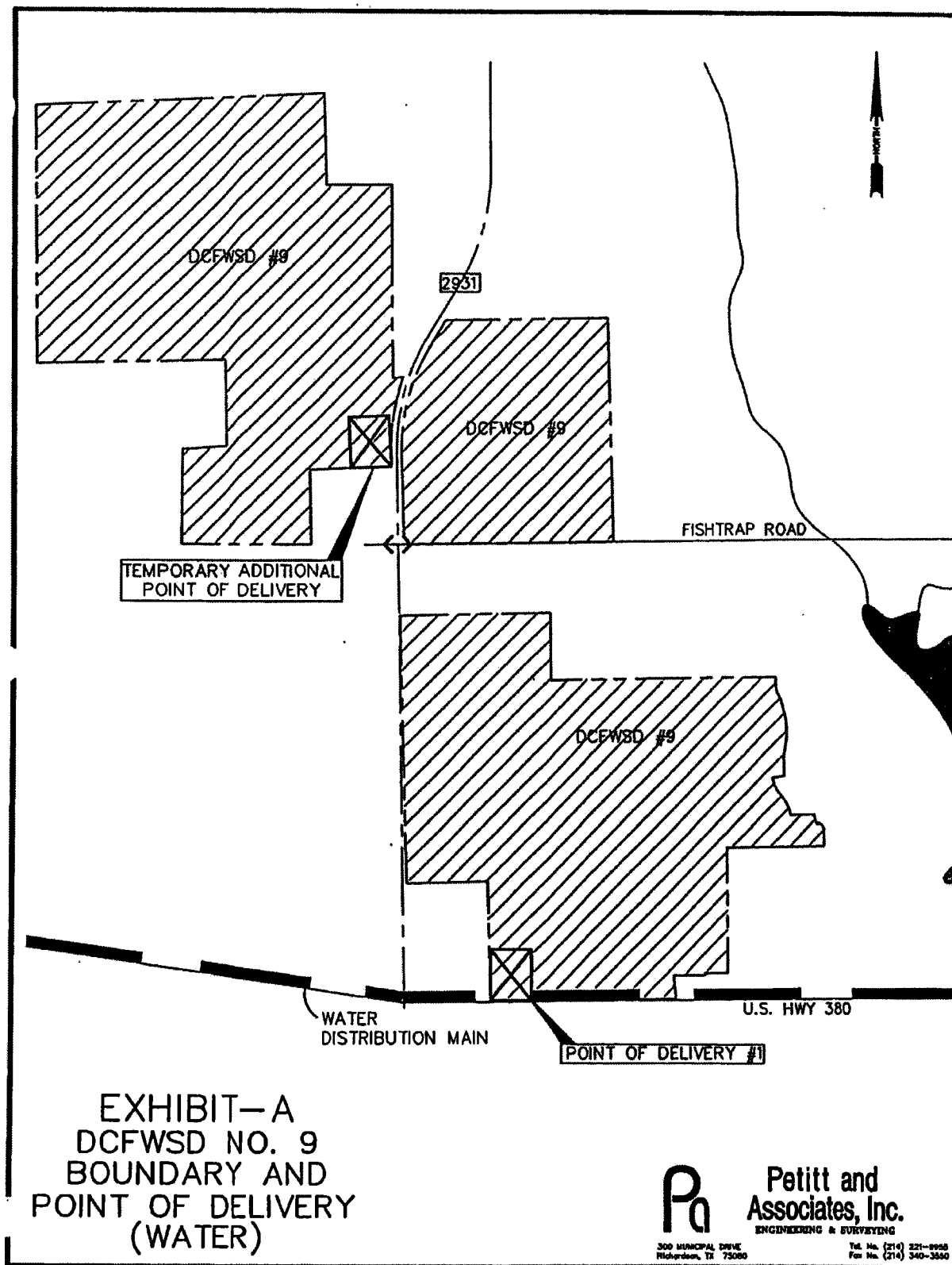


EXHIBIT A-1
DESCRIPTION
DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 9

TRACT 1

BEING a tract of land situated in the MARSELLA JONES SURVEY, ABSTRACT NO. 662, in Denton County, Texas, and being part of two tracts described in a deed from Enidan Capital Partners, L.P., to Enidan/440 Ranch, L.P., recorded as County Clerks Document No. 98-036551 of the Real Property Records of Denton County, Texas, also being that same tract of land described in a deed from Cielo Vista Farms Joint Venture to E. Hal Dickson dated December 9, 1994, recorded as County Clerk's Document No. 94-091354 of said Real Property Records and that tract described in a deed from Alta Mae Chisholm to Nita Marie Chisholm Riemer, Daniel Val Chisholm, Michael Allen Chisholm and Terry Lea Chisholm dated October 29, 1990, and recorded Volume 2874, Page 0681 of said Real property Records, and being more particularly described as follows:

BEGINNING at a 1/2-inch iron rod found in the north right-of-way of State Highway No. 380 (a variable width right-of-way), said point being the southwest corner of said Dickson tract and the southeast corner of the James Chambers tract as described in Volume 693, Page 596, Denton County Land Records;

THENCE North 01°27'09" East, along the common line between said Dickson and Chambers tracts, a distance of 1062.44 feet to a 5/8-inch iron rod with cap (Petitt - RPLS 4087) set for corner;

THENCE North 88°39'53" West, continuing along the common line between said Dickson and Chambers tracts, a distance of 735.53 feet to a 1/2-inch iron rod found for corner, said point being in the east line of F.M. No. 2931 (variable width right-of-way);

THENCE North 01°14'05" East, along the east line of said F.M. No. 2931, a distance of 2402.39 feet to a steel fence post found for corner, said point being the southwest corner of a tract of land described in a deed to Ben Adkisson recorded in Volume 621, Page 137 of said Real Property Records;

THENCE South 88°27'43" East, along the common line between said Dickson and Adkisson tracts, passing at a distance of 680.29 the southeast corner of said Adkisson tract and the southwest corner of a tract described in a deed to Ben Adkisson recorded in Volume 2248, Page 264 of said Real Property Records, continuing along said common line a total distance of 1364.97 feet to a steel fence post found for the southeast corner of said second Adkisson tract;

THENCE North 02°28'55" East, continuing along the common line between said Dickson and Adkisson tracts, a distance of 611.02 feet to a 5/8-inch iron rod with

cap set for the northeast corner of said Dickson tract, said point being located in the south line of Fish Trap Road;

THENCE South 88°05'21" East, along the north line of said Dickson tract and the south line of Fish Trap Road, passing at a distance of 1614.69 feet a 1/2-inch iron rod found in Fish Trap Road for the northeast corner of said Dickson tract and the northwest corner of said Chisholm tract, continuing along the north line of said Chisholm tract and said Fish Trap Road, a total distance of 2203.02 feet to a 5/8-inch iron rod with cap set in said Fish Trap Road;

THENCE in a southeasterly direction, leaving said Fish Trap Road and along the common line between said Chisholm tract and the west line of Lewisville Lake as monumented by the U.S. Army Corps of Engineers as follows:

South 13°23'17" West, passing at a distance of 261.25 feet, a U.S. Army Corps of Engineers brass monument set in concrete, marked K919-POT-2, continuing in all a distance of 540.45 feet to a U.S. Army Corps of Engineers brass monument set in concrete, marked K919-3 (reset 1980) found for corner;

North 49°24'48" East, a distance of 191.50 feet to a U.S. Army Corps of Engineers brass monument set in concrete, marked K919-A-4 (reset 1980) found for corner;

South 84°58'52" East, a distance of 345.95 feet to a U.S. Army Corps of Engineers brass monument set in concrete, marked K919-5 found for corner;

South 25°50'27" East, a distance of 451.30 feet to a U.S. Army Corps of Engineers brass monument set in concrete, marked K919-6 found for corner;

South 27°39'32" East, a distance of 420.25 feet to a U.S. Army Corps of Engineers brass monument set in concrete, marked K919-7 found for corner;

South 06°35'19" West, a distance of 179.18 feet to a U.S. Army Corps of Engineers brass monument set in concrete, marked K919-8 found for corner;

South 19°52'13" West, a distance of 183.19 feet to a U.S. Army Corps of Engineers brass monument set in concrete, marked K919-9 found for corner;

North 57°17'41" East, a distance of 131.94 feet to a U.S. Army Corps of Engineers brass monument set in concrete, marked K919-10 found for corner;

North 48°12'41" East, a distance of 207.30 feet to a U.S. Army Corps of Engineers brass monument set in concrete, marked K919-11 found for corner;

South 62°54'54" East, a distance of 168.05 feet to a U.S. Army Corps of Engineers brass monument set in concrete, marked K919-12 found for corner;

South 36°59'54" East, a distance of 230.15 feet to a U.S. Army Corps of Engineers brass monument set in concrete, marked K919-13 found for corner;

South 25°47'54" East, a distance of 180.30 feet to a U.S. Army Corps of Engineers brass monument set in concrete, marked K919-14 found for corner;

South 01°27'01" West, passing at a distance of 250.00 feet, a U.S. Army Corps of Engineers brass monument set in concrete, marked K919-POT-15, continuing in all a distance of 511.50 feet to a U.S. Army Corps of Engineers brass monument set in concrete, marked K919-16 found for corner;

South 40°23'19" West, a distance of 222.00 feet to a broken U.S. Army Corps of Engineers concrete monument found for corner;

South 59°04'41" East, a distance of 288.60 feet to a U.S. Army Corps of Engineers brass monument set in concrete, marked K919-18 found for corner;

South 00°59'38" West, a distance of 186.03 feet to a 1/2-inch iron rod found for corner, said point being the southeast corner of said Chisholm tract and in the north line of the Robert D. West, et ux, tract as described in Volume 3086, Page 15, Denton County Land records;

THENCE North 88°00'35" West, along the south line of said Chisholm tract and the north line of said West tract a distance of 2,089.42 feet to a 1/2-inch iron rod found for corner, said point being the southwest corner of said Chisholm tract, the northwest corner of said West tract and in the east line of said Dickson tract;

THENCE South 02°13'50" West, along the east line of said Dickson tract and the west line of said West tract a distance of 77.79 feet to a 5/8-inch iron rod with cap set for corner;

THENCE South 02°22'36" West, continuing along the common line of said Dickson and West tracts, a distance of 1,047.06 feet to a steel fence post found for corner, said point being the northeast corner of The Little Chapel tract as described in Volume 1058, Page 457, Denton County Land records;

THENCE North 88°14'22" West, along the south line of said Dickson tract and the north line of said Little Chapel tract a distance of 214.16 feet to a 5/8-inch iron rod with cap set for corner;

THENCE South 01°45'38" West, continuing along the south line of said Dickson tract a distance of 16.16 feet to a 5/8-inch iron rod with cap set for corner, said point being the northeast corner of the Jessie Bishop, Alice Hilliard and Geneva Ritchie tract as described in County Clerk's Document No. 98-088152 of the Denton County Land Records.

THENCE North 88°14'22" West, along the common line of said Dickson and Bishop-Hilliard-Ritchie tracts, a distance of 297.36 feet to a 5/8-inch iron rod with cap set for corner;

THENCE South 02°46'19" East, along the common line of said Dickson and Bishop-Hilliard-Ritchie tracts, a distance of 207.69 feet to a metal fence post found for corner, said point being the southeast corner of said Dickson tract and in the north line of said State Highway No. 380;

THENCE North 87°46'21" West, along the south line of said Dickson tract and the north line of said State Highway No. 380 a distance of 1694.65 feet to the POINT OF BEGINNING and containing 330.006 acres of land, more or less.

TRACT 2

BEING a tract of land situated in the JAMES BRIDGES SURVEY, ABSTRACT NO.36, in Denton County, Texas, and being part of a called 50 acre tract described in a deed from W. I. Daugherty to H. Rowe, Jr., recorded in Volume 238, Page 388 of the Real Property Records of Denton County, Texas, and part of a called 50 acre tract described in a deed from H. H. Barnum to H. Rowe, Jr., recorded in Volume 241, Page 250 of Real Property Records, and being more particularly described as follows;

BEGINNING at a 5/8-inch iron rod with cap (stamped PETITT-RPLS 4087) set in the center of Fish Trap Road (undedicated public road) in a flare in the east right-of-way line of F.M. 2931(100 foot right-of-way);

THENCE North 43 degrees 47 minutes 02 seconds West, with the east line of said F.M. 2931, a distance of 98.62 feet to a wooden Texas Department of Transportation (TxDOT) monument found for corner;

THENCE North 01 degree 25 minutes 58 seconds East, along the east line of said F.M. 2931, a distance of 752.12 feet to a wooden TxDOT monument found for the beginning of a curve to the right;

THENCE Northeasterly, continuing along the east line of F. M. 2931 and along the curve to the right which has a chord that bears North 17 degrees 44 minutes 59 seconds East for 1045.07 feet, a central angle of 32 degrees 38 minutes 02 seconds and a radius of 1859.87 feet, for an arc distance of 1059.33 feet to a wooden TxDOT monument found for the end of said curve;

THENCE North 34 degrees 04 minutes 00 seconds East, continuing along the east line of said F. M. 2931, a distance of 299.92 feet to a 5/8-inch iron rod with cap set for the southwest corner of a tract of land described in a deed to Teddy

C. Johnson and wife, Cheryl Ann Johnson, recorded in Volume 1168, Page 696 of said Real Property Records;

THENCE North 87 degrees 41 minutes 22 seconds East, along the south line of said Johnson tract, a distance of 1562.71 feet to a 5/8-inch iron rod with cap set for the southeast corner of a tract of land described in a deed to J. D. Brown recorded in Volume 2655, Page 757 of said Real Property Records, and in the west line of a tract of land described in a deed to Southern Building and Investment Corporation recorded in Volume 770, Page 290 of said Real Property Records;

THENCE South 01 degrees 47 minutes 40 seconds West, along the west line of said Southern Building and Investment Corporation tract, a distance of 2087.01 feet to a 5/8-inch iron rod with cap set in said Fish Trap Road;

THENCE North 87 degrees 34 minutes 02 seconds West, along said Fish Trap Road, a distance of 1935.00 feet to the POINT OF BEGINNING and containing 91.832 acres of land, more or less.

TRACT 3

BEING a tract of land situated in the JAMES BRIDGES SURVEY, ABSTRACT NO. 36 in Denton County, Texas, and being part of a called 114.4193 acre tract of land described in a deed to Sherry Stallings, Ronald Bailey Stallings and Dennis Stallings recorded as County Clerk's Document Number 94-R0094767 in the Real Property Records of Denton County, Texas, and part of a called 84.04 acre tract described in a deed to Sherry Stallings and Dennis Stallings recorded in Volume 4797, Page 2057 of said Real Property Records, and being more particularly described as follows:

BEGINNING at a re-entry corner on said 114.4193 acre tract, said point also being the northwest corner of a called 14.991 acre tract of land described in a deed from Thomas R. Willett and Denise M. Willett to Providence Properties Associates, L. P., recorded in Volume 5076, Page 326 of said Real Property Records;

THENCE South 01 degree 06 minutes 21 seconds West, along the west line of said 14.991 acre tract and the west line of the remainder of a called 25.70 acre tract described in a deed to Dennis Stallings recorded as County Clerk's Document Number 94-R0042718 of said Real Property Records, a distance of 1544.45 feet to the southwest corner of said 25.70 acre tract in the general center of Fish Trap Road (undedicated public road);

THENCE North 87 degrees 40 minutes 47 seconds West, generally along the center of Fish Trap Road and the south line of said 114.4193 acre tract, a

distance of 1164.31 feet to a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" set for the southeast corner of a called 5.00 acre tract of land described in a deed to Howard J. Frank and Judy A. Frank recorded in Volume 4471, Page 1236 of said Real Property Records;

THENCE North 02 degrees 21 minutes 36 seconds East, along the east line of said 5.00 acre tract, a distance of 839.05 feet to a 1/2-inch iron rod found in the south line of a called 28.215 acre tract of land described as First Tract in a deed to J. H. Byrom recorded in Volume 319, Page 375 of said Real Property Records, said point being the northeast corner of said 5.00 acre tract;

THENCE North 87 degrees 51 minutes 49 seconds East, along the south line of said 28.215 acre tract, a distance of 394.42 feet to a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" set for the southeast corner thereof;

THENCE North 01 degree 18 minutes 59 seconds East, along the east line of said 28.215 acre tract, a distance of 772.33 feet to a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" set for the northeast corner thereof;

THENCE North 89 degrees 19 minutes 51 seconds West, along the north line of said 28.215 acre tract, a distance of 1627.10 feet to a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" set at the most westerly southwest corner of said 114.4193 acre tract in the general center of Dr. Sanders Road (undedicated public road);

THENCE North 01 degree 40 minutes 41 seconds East, generally along the center of Dr. Sanders Road and the west line of said 114.4193 acre tract, a distance of 2288.75 feet to a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" set at the northwest corner of said 114.4193 acre tract;

THENCE North 89 degrees 22 minutes 47 seconds East, along the north line of said 114.4193 acre tract and the north line of said 84.04 acre tract, a distance of 2532.50 feet to a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" set at the most northerly northeast corner of said 84.04 acre tract and a re-entrant corner in a called 29.465 acre tract of land described in a deed to Ruth E. Carter and Edith G. Sims recorded in Volume 1365, Page 635 of said Real Property Records;

THENCE South 00 degrees 20 minutes 24 seconds West, along the most northerly east line of said 84.04 acre tract and the most southerly west line of said 29.465 acre tract, a distance of 813.13 feet to a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" set for the southwest corner of said 29.465 acre tract and a re-entrant corner in said 84.04 acre tract;

THENCE South 88 degrees 18 minutes 36 seconds East, along the south line of said 29.465 acre tract and the most easterly north line of said 84.04 acre tract, a

distance of 596.00 feet to a 1/2-inch iron rod found for corner at a point in the west line of a called 5.000 acre tract of land described in a deed to Larry Andes and Judy Andes recorded as County Clerk's Document Number 95-R0036037 in said Real Property Records for the most easterly northeast corner of said 84.04 acre tract and the southeast corner of said 29.465 acre tract;

THENCE South 01 degree 43 minutes 49 seconds West, along the east line of said 84.04 acre tract, a distance of 1650.13 feet to a 5/8-inch iron rod with cap stamped "PETITT-RPLS 4087" set at the northeast corner of said 14.991 acre tract;

THENCE North 88 degrees 40 minutes 27 seconds West, along the north line of said 14.991 acre tract, a distance of 766.96 feet to the POINT OF BEGINNING and containing 8,490,750 square feet, or 194.921 acres of land, more or less.

TRACT 4

BEING a tract of land situated in the JAMES BRIDGES SURVEY, ABSTRACT NO.36, in Denton County, Texas, and being all of a called 14.991 acre tract described in a deed to Providence Properties Associates, L. P., recorded in Volume 5076, Page 326 of the Real Property Records of Denton County, Texas, and being more particularly described as follows;

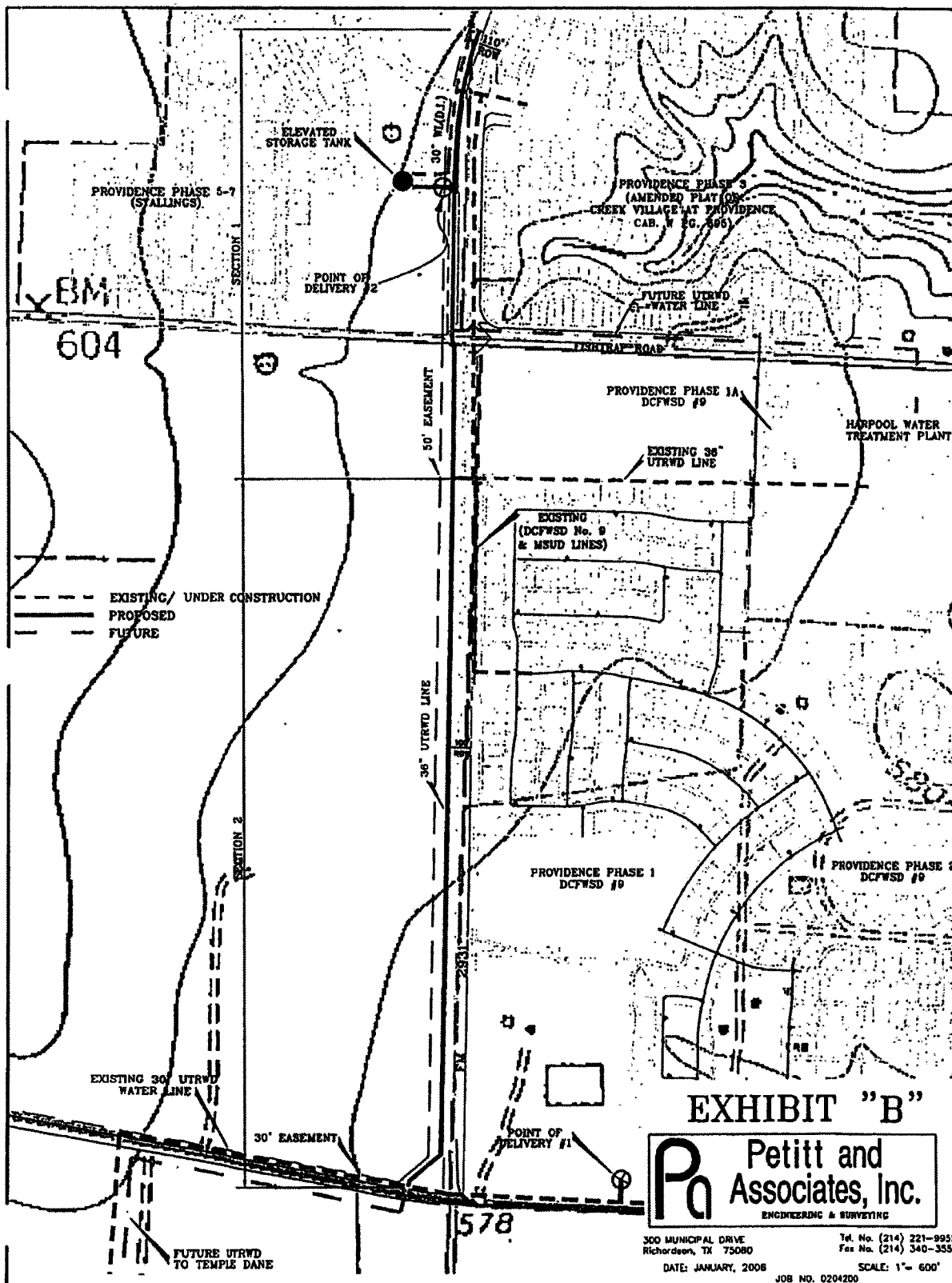
BEGINNING at the southeast corner of said 14.991 acre tract, said point being in the west right-of-way line of F.M. 2931(100 foot right-of-way);

THENCE South 89 degrees 35 minutes 00 seconds West, along the south line of said 14.991 acre tract, a distance of 737.83 feet to the southwest corner thereof;

THENCE North 01 degree 06 minutes 21 seconds East, along the west line of said 14.991 acre tract, a distance of 878.09 feet to the northwest corner thereof;

THENCE South 88 degrees 40 minutes 27 seconds East, along the north line of said 14.991 acre tract, a distance of 766.96 feet to the northeast corner thereof, said point being in the west line of a called 3.958 acre tract land described in a deed to Wayne D. Hollar and wife, Sandra J. Hollar recorded in Volume 622, Page 515 of said Real Property Records;

THENCE South 01 degree 24 minutes 42 seconds West, along the east line of said 14.991 acre tract and the west line of said Hollar tract, a distance of 69.05 feet to the northwest corner of a called 0.311 acre tract of land described in a deed to Valerian Properties Associates, L. P., recorded as Document Number 2004-530277 of said Real Property Records;



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Exhibit C

Pipeline Estimated Cost and Allocation

ENGINEERING and SERVICES DURING CONSTRUCTION

BID SCHEDULE	LINE SEGMENT	COST	FWSD No. 9 Initial Contribution	FWSD No. 9 Carrying Cost Amount	Cost to Others
Schedule A	Section I-A	\$20,520.10	\$15,260.31	\$5,259.79	- -
Schedule B	Section I-B	\$25,301.57	\$1,519.42	\$23,782.15	- -
Schedule C	Section II	\$16,475.29	- -	\$16,475.29	- -
Alternates (A-G)	Fiber	\$9,903.04	- -	\$7,475.51	\$2,427.53
Subtotal		\$72,200.00	\$16,779.73	\$52,992.74	\$2,427.53

CONSTRUCTION

BID SCHEDULE	LINE SEGMENT	COST	FWSD No. 9 Initial Contribution	FWSD No. 9 Carrying Cost Amount	Cost to Others
Schedule A	Section I-A	\$318,722.97	\$237,026.73	\$81,696.24	- -
Schedule B	Section I-B	\$392,989.92	\$23,600.00	\$369,389.92	- -
Schedule C	Section II	\$677,695.67	- -	\$677,695.67	- -
Alternates (A-G)	Fiber	\$151,744.00	- -	\$114,547.02	\$37,196.98
Subtotal		\$1,541,152.56	\$260,626.73	\$1,243,328.85	\$37,196.98

Subtotal Engineering Services & Construction		\$1,613,352.56	\$277,406.46	\$1,296,321.59	\$39,624.51
Section I-A Easement		\$10,000.00	\$4,893.09	\$5,106.91	
Subtotal Engineering, Services During Construction, Construction & Easement		\$1,623,352.56	\$282,299.55	\$1,301,428.50	

\$26,062.67 (a)

\$124,332.89 (b)

TOTAL FWSD No. 9 INITIAL CONTRIBUTION **\$282,299.55**

TOTAL FWSD No. 9 CARRYING COST AMOUNT **\$1,451,824.05**

(a) Estimated Management, Inspection & Overhead Amount @10% (Initial Contribution)

(b) Estimated Management, Inspection & Overhead Amount @10% (Carrying Cost Amount)

Note: FWSD No. 9 deposit for Schedule A construction based on 50 % of \$59,838.83 for pipe and connection near US 380 plus 80.0% of remaining Schedule A construction cost. FWSD No. 9 deposit for Schedule B based on cost for connection for line to elevated tank near FM 2931. Also, FWSD No. 9 deposit for engineering services based on pro-rata portion of construction cost.

UPPER TRINITY REGIONAL WATER DISTRICT
DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 9

UTRWD
OFFICIAL
DOCUMENT

AMENDMENT TO PARTICIPATING CUSTOMER CONTRACT

STATE OF TEXAS §
 §
COUNTY OF DENTON §

This AMENDMENT ("Amendment") to the Participating Customer Contract dated August 29, 2001, as amended (the "Contract") is made and entered into this 19th day of March, 2004 ("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 DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 9 ("FWSD"), a special district and political subdivision of the State of Texas, created, organized and operated pursuant to the Texas Water Code, Chapters 49,50 and 51.

WITNESSETH:

WHEREAS, FWSD is a special district and political subdivision of the State of Texas, created and organized pursuant to the Texas Constitution and the Texas Water Code; and

WHEREAS, FWSD entered into the Contract, as amended, for participation in the District's Regional Treated Water System ("System") to purchase treated water on a wholesale basis from the District to enable service to retail customers within FWSD's service area; and

WHEREAS, FWSD, as required by the Contract, was to levy a Contract Tax within twelve months of the effective date of said Contract on all taxable property within its boundaries sufficient to accomplish the payment of FWSD's obligations imposed on it by virtue of said Contract; and

WHEREAS, FWSD requested to delay said requirement to levy the Contract Tax and agreed by an amendment to the Contract dated September 6, 2001, to provide optional and additional security to District regarding the collection of all payment obligations of FWSD under the Contract, said additional security as described above is called herein the "Alternative Project Payment"; and

WHEREAS, development within FWSD is proceeding, and the District deems it appropriate to accept from FWSD a one-time cash payment to be used by District to finance and/or purchase certain rights or interests in real property if necessary for the security and efficiency of District facilities in lieu of a portion of the Alternative Project required under said Contract; and

WHEREAS, District agrees to refund to FWSD with interest, a portion of the previously deposited Alternative Project Payment, to forego any additional Alternative Project Payment which otherwise may be required by the Contract as amended, and to defer the levy of the Contract as herein provided.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the District and FWSD agree as hereinafter set forth to wit:

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

Section 2. One-Time Cash Payment Option. FWSD currently has on deposit with the District \$1,200,00.00 (\$666,667 per MGD) as its Alternative Project Payment required by the Contract for its original Minimum Demand of 1.8 MGD in the System. Both parties agree that the District may accept a one-time nonrefundable cash payment from FWSD in lieu of any additional Alternative Project Payments required for increases in its Minimum Demand and may refund a portion of said existing payments now on deposit. Accordingly, FWSD hereby agrees to pay to District one hundred thirty-five thousand dollars (\$135,000) within forty-five (45) days of the Effective Date as its one-time non-refundable cash payment. Said funds will be used by the District for the security and efficiency of District facilities in the northeastern portion of Denton County. Subject to FWSD compliance with Section 49.108, Texas Water Code, as amended, to the extent applicable, the Contract Tax shall be levied by FWSD within two (2) years of the Effective Date of this Amendment, unless extended by mutual agreement.

Section 3. Refund of Alternative Project Payment. The District agrees to refund to FWSD a portion of the Alternative Project Payment currently on deposit by FWSD with District. The District will within twenty (20) days of receipt of the cash payment from FWSD provided in Section 2 herein refund that portion of the Alternative Project Payment, including earned interest thereon, that exceeds \$94,450.00, which amount shall remain as a continuing security deposit. The District will retain the balance in an interest bearing account until such time as FWSD has levied the required Contract Tax. All the provisions in the Contract relating to the District's right to use said funds and the obligation of District to refund upon levy of Contract Tax shall remain in full force and effect.

Section 4. Contract Provisions. All other provisions on the Contract, as amended, shall continue in full force and effect.

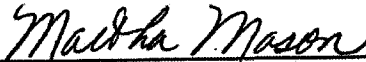
IN WITNESS WHEREOF, the parties hereto acting under authority of their respective governing bodies have caused this Amendment to be duly executed in several counterparts, each of which constitute an original, all as of the day and year first written above, which is the Effective Date.

UPPER TRINITY REGIONAL WATER DISTRICT



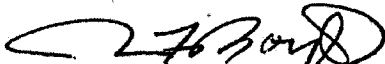
Oscar Burchard, President, Board of Directors

ATTEST:



Martha Mason, Secretary, Board of Directors

APPROVED AS TO FORM AND LEGALITY:



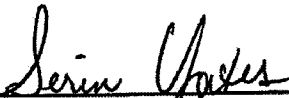
John Boyle, General Counsel

DENTON COUNTY FRESH WATER SUPPLY
DISTRICT NO. 9



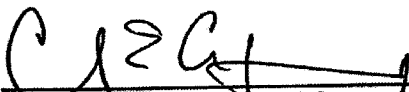
Debbie Reutter, President, Board of Directors

ATTEST:



Serin Upes, Secretary, Board of Directors

APPROVED AS TO FORM AND LEGALITY:



Clay E. Crawford, General Counsel

**UPPER TRINITY REGIONAL WATER DISTRICT
DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 9**

**FIRST AMENDMENT TO
PARTICIPATING CUSTOMER CONTRACT**

water

THE STATE OF TEXAS §
 §
COUNTY OF DENTON §

As of September 6, 2001, this FIRST AMENDMENT ("AMENDMENT") is made TO THE REGIONAL TREATED WATER SUPPLY CONTRACT (the "Contract") dated the 29th day of August, 2001, 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 DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 9 ("FWSD") which may be referred to herein as ("Participating Customer" or "Customer").

WITNESSETH

WHEREAS, FWSD is a special district and political subdivision of the State of Texas created and organized pursuant to the Texas Constitution and the Texas Water Code; and

WHEREAS, FWSD entered into a Participating Customer Contract with District, for participation in the District's Regional Treated Water System; and

WHEREAS, the District and FWSD desire to amend Exhibit C of the Contract to enable expedited construction of the Project and provide optional and additional security to District regarding the collection of all payment obligations of FWSD under the Contract.

NOW THEREFORE, in consideration of the foregoing and the mutual covenants and agreements contained in the Contract, the District and FWSD agree as hereinafter set forth, to-wit:

Section 1. Adoption of Preamble. The matters stated in the preamble are found to be true and correct and are incorporated into the body of this Amendment as if copied in their entirety.

Section 2. Alternative Project Payment. The following paragraph(s) is hereby added to Exhibit C in all respects.

26. Alternate Project Payment. The District and FWSD agree that it is mutually beneficial to implement the Project in an expeditious

manner and to proceed with construction of said Project. In recognition of the District's agreement that the levy of the Contract Tax may occur at any time as may be determined by FWSD, notwithstanding the time limits established in Section 2 of this Exhibit C, it is agreed that alternative security may be provided to the District. Accordingly, this section establishes an alternative security procedure to that set forth in Section 2 of this Exhibit C. Within thirty (30) days of the Contract Date, FWSD must give notice to District if it elects to accept said alternative security procedure. If FWSD makes such election, within forty-five (45) days of District's notice of intent to award the first construction contract for the Project, FWSD shall deposit, pay or cause to be paid to the District an amount equal to \$666,667 per MGD of Minimum Demand subscribed to as specified in Exhibit B (herein referred to as "Alternative Project Payment(s)"). Said payment shall release FWSD from the obligations set forth in Section 2(a) relating to initial project payments for oversizing cost and Section 2(c) relating to subsequent project payments for system cost all as provided in this Exhibit C.

Said payment shall reserve certain rights of FWSD to receive future service from said pipeline and the system under this Contract, and vest the Minimum Demand set forth in Exhibit B hereto in FWSD, subject to FWSD's compliance with its other obligations under this Contract.

In the event FWSD elects to proceed with the payment of the Alternative Project Payments under this Section 26, FWSD will remain obligated to comply with Section 2(b) and (d) of this Exhibit C.

The District and FWSD agree that any Alternative Project Payments made pursuant to the preceding paragraphs shall constitute a refundable interest bearing deposit to secure the timely satisfaction of FWSD's payment obligations under this Contract. Further, it is the mutual intent of District and FWSD to provide for the future refund of FWSD's Alternative Project Payments, as provided herein. Provided further, however, in the event FWSD fails to make a timely payment under the Contract, District may use the deposit to make said timely payment with the amount of the payment not subject to refund to FWSD. Accordingly, within forty-five (45) days from the District's receipt of satisfactory evidence that FWSD has levied the Contract Tax, in a manner satisfactory to District, District shall refund to FWSD the remaining balance of Alternative Project Payments made, including accrued interest, less any amounts then due and owing to District by FWSD under this Contract and less any amounts previously used to make a payment under the Contract.

At such time as FWSD elects to proceed with the levy of the Contract Tax, it will follow the procedures set forth in the Contract, including introductory paragraph and subparagraph (g) of Section 2 of Exhibit C, and including compliance with Section 49.108, Texas Water Code, as amended, to the extent applicable.

Section 3. Contract Provisions. All other provisions of said Contract shall continue in full force and effect.

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Upper Trinity Regional Water District
Amendment To Participating Customer Contract
Denton County Fresh Water Supply District No. 9

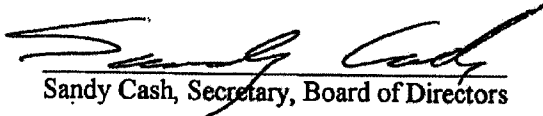
IN WITNESS WHEREOF, the parties hereto acting under the authority of their respective governing bodies have caused this Amendment to be fully executed in several counterparts, each of which shall constitute an original, all as of the day and year first above written, which is the effective date of this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

UPPER TRINITY REGIONAL
WATER DISTRICT



Richard Lubke, President Board of Directors

ATTEST:


Sandy Cash, Secretary, Board of Directors

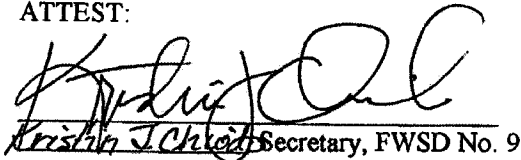
APPROVED AS TO FORM AND LEGALITY:


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

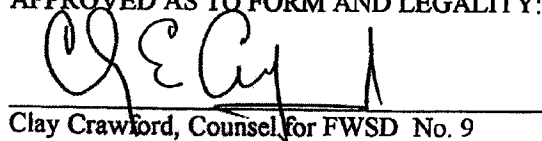
DENTON COUNTY FRESH WATER
SUPPLY DISTRICT No. 9


Debbie Reuther, President, FWSD No. 9

ATTEST:


Kristin J. Chisholm, Secretary, FWSD No. 9

APPROVED AS TO FORM AND LEGALITY:


Clay Crawford, Counsel for FWSD No. 9

520135.2

**UPPER TRINITY REGIONAL WATER DISTRICT
REGIONAL TREATED WATER SYSTEM**

**PARTICIPATING CUSTOMER CONTRACT
WITH
DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 9**

THE STATE OF TEXAS §
 §
COUNTY OF DENTON §

This REGIONAL TREATED WATER SUPPLY CONTRACT (the "Contract") made and entered into as of the 29th day of August, 2001 (the "Contract 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 DENTON COUNTY FRESH WATER SUPPLY DISTRICT NO. 9 ("FWSD"), is a special district and political subdivision of the State of Texas, created, organized and operated pursuant to the Texas Water Code, Chapters 49, 51 and 53. FWSD also may be referred to herein as "Customer", and specifically as "Participating Customer."

WITNESSETH:

WHEREAS, FWSD, the boundaries of which are illustrated in Exhibit A to this Contract, is a conservation and reclamation district and a duly created and validly existing political subdivision of the State of Texas, operating under the constitution and laws of the State of Texas; and

WHEREAS, FWSD is a governmental entity in Denton County that is taking definitive steps satisfactory to the District to provide retail utility service to retail customers within its boundaries; and

WHEREAS, FWSD is authorized to provide both water and wastewater (sewer) service to retail customers within its boundaries and desires to enter into a separate contract with District for wastewater treatment service in addition to water supply under this Contract; and

WHEREAS, FWSD is wholly within the water service area of Mustang Water Supply Corporation (MWSC), an area for which MWSC has been granted a Certificate of Convenience and Necessity (CCN) by the State of Texas; and

WHEREAS, District and FWSD agree that the provision of retail water service for FWSD will be coordinated with MWSC in a manner satisfactory to the District and consistent with MWSC's separate contract with the District as a Participating Utility in the Regional Treated Water System; and

**UPPER TRINITY REGIONAL WATER DISTRICT
Regional Treated Water Supply Service Contract
Denton County Fresh Water Supply District No. 9**

WHEREAS, FWSD agrees to submit to the District for its review and approval a proposed contract between FWSD and MWSC for operation of FWSD's water distribution system to assure that such contract does not impair the tax exempt status of either District Bonds or FWSD bonds, notes or other obligations; and

WHEREAS, one of the purposes for which the District was created was to provide wholesale treated water services to cities and water distribution utilities of the Denton County area; and

WHEREAS, the District has a contract with City of Dallas dated February 12, 1992, under which the District has the right to purchase untreated surface water out of Ray Roberts Lake and Lewisville Lake to serve cities and utilities within the District's service area; and

WHEREAS, the District is developing a Regional Treated Water System for Participating Members and other Customers, including raw water transmission lines, water treatment plant, pump stations, treated water transmission lines, storage tanks and metering facilities, Phase 1 of which is operational and is currently serving Participating Members and Participating Utilities; and

WHEREAS, District has entered into prior contracts with Participating Members and Participating Utilities for participation in the Regional Treated Water System (herein "System"), under which contracts the District is authorized to enter into contracts with additional parties such as this Contract for wholesale treated water service; and

WHEREAS, FWSD is not a Member of the District; has not paid membership or System development fees prior to date of this Contract; and, is therefore willing to pay rates for water service which are reasonably higher than rates enjoyed by Members of the District; and

WHEREAS, District, in conjunction with MWSC, proposes to extend a major treated water transmission line generally along U.S. 380 in northeast Denton County as an expansion of the System, in general accordance with the January 2000 "Engineering Report for Upper Trinity Regional Water District and Mustang Water Supply Corporation and City of Celina", prepared by Hunter Associates, Texas LTD., consulting engineers, together with other facilities determined by District to be necessary to render the contracted services, collectively herein referred to as the "Project"; and

WHEREAS, FWSD desires that the District undertake steps to provide treated water service to FWSD as a "Participating Customer" in the Regional Treated Water System as defined in this Contract; and

WHEREAS, the District and FWSD are authorized to enter into this Contract pursuant to the District's enabling statute, Chapter 1053 Acts of the 71st Legislature, Regular Session 1989 as amended (the "Act"), the Texas Water Code, and other applicable laws; and

WHEREAS, the parties agree that the FWSD may own its internal water distribution system, and shall contract with MWSC to operate said distribution facilities for retail service within FWSD boundaries; and

WHEREAS, FWSD specifically agrees to respect the service area of MWSC for which it has been granted a CCN, providing herein for coordination with MWSC, with its service area and with services provided by MWSC to the balance of its service area; and

WHEREAS, FWSD acknowledges that the District may enter into similar contracts as this Contract with Additional Participating Members, additional Participating Utilities, and other Customers in the future; and

WHEREAS, the parties hereto acknowledge that a portion of the cost of the District's Regional Treated Water System has been funded by State of Texas through the "State Participation Program," administered by the Texas Water Development Board and that District is obligated to repurchase said portion in future years from the State; and

WHEREAS, District has established an "Equity Fee" to be paid by Customers who contract for capacity in the Regional Treated Water System to help repurchase State Participation, and FWSD is willing to pay the applicable "Equity Fee" as a condition of this Contract; and

WHEREAS, it is expected by the parties hereto that the District will issue an installment of Bonds to provide money to construct the Project, with said Bonds to be payable from and secured by Annual Payments made under this Contract and all other similar contracts for participation in the System.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the District agrees to provide treated water supply services under this Contract, and use its best efforts to issue its Bonds to acquire, construct and complete the Project and other facilities of the System 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 the 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 (Chapter 494, 74th Legislature, Regular Session 1995), which amendment became effective August 28, 1995.
2. "Additional Participating Member" means any member of the District other than the existing Participating Members with which the District makes a contract for supplying treated water from the System.
3. "Administrative Payment" means the amount of money to be paid to the District by each of the Participating Members, Participating Utilities, and other Customers during each Annual Payment Period as their 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.

**UPPER TRINITY REGIONAL WATER DISTRICT
Regional Treated Water Supply Service Contract
Denton County Fresh Water Supply District No. 9**

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 Customer during each Annual Payment Period 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 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, 2000, through September 30, 2001. Any service provided during FY 2000-2001 for a partial year will be on a pro rated basis.
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 are entitled to appoint a qualified person to serve on the Board.
10. **"Boardmembers"** means a member or members of the Board.
11. **"Bond Resolution"** means any resolution of the District, which authorizes any Bonds.
12. **"Bonds"** means all bonds issued by the District to construct the System, whether in one or more series or issues, and the interest thereon, and hereafter issued to acquire, construct and complete the Project, and 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.
13. **"County"** means Denton County, Texas.
14. **"Customer(s)"** means specifically FWSD, and according to context may refer to any wholesale user participating in the water services provided by the District from the System, which user provides retail utility service within its boundaries.
15. **"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.
16. **"Demand"** means the maximum rate of flow expressed in MGD mutually established by Customer and District that is or may be taken by Customer within a Water Year.

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. "MGD" is an abbreviation for "million gallons of water per day".
19. "North Service Area" means generally the northern portion of Denton County and more specifically any related service area designated by the District to be provided treated water service by the District from a water treatment plant other than the existing plant near Lewisville Lake in City of Lewisville, which service area may be separate from other service areas of the District for purposes of determining the Annual Requirement and for delivery of services and which may be modified from time to time by the District.
20. "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, the amounts required to pay the U.S. Army Corps of Engineers or any other federal, state, or local agency for water storage rights or other interests in water in any reservoir, or for the purchase of water, or for the use or operation of any property or facilities; the costs of supervision, engineering, accounting, auditing, legal services, insurance premiums, supplies, services, administration of the System, Administrative and Planning Expenses, 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.
21. "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 water projects to be financed from time to time by the District. A Participating Customer is required to meet similar requirements, except those related to "membership".
22. "Participating Utility" (or "Utility") means a non-governmental entity, such as a water supply corporation who entered into an agreement with the District to be part of the District's regional program, 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 water projects to be financed from time to time by the District.
23. "Point of Delivery" means the point designated in this Contract where treated water will be delivered to FWSD from the System.
24. "Project" means the "Project" as defined in the Preamble of this Contract.
25. "South Service Area" means generally the southern portions of Denton County and more specifically any related service area designated by the District to be provided treated water service by the District, from the existing water treatment plant near Lewisville Lake in City of Lewisville, or from other sources, which service area may be separate from other water service areas of the District, for purposes of determining the Annual Requirement and for delivery of service, and which may be modified from time to time by the District.