



Control Number: 46451



Item Number: 1

Addendum StartPage: 0



PURSUANT TO PUC CHAPTER 24, SUBSTANTIVE RULES APPLICABLE TO WATER AND SEWER
SERVICE PROVIDERS, SUBCHAPTER G: CERTIFICATES OF CONVENIENCE AND NECESSITY

Application to Obtain or Amend a Water or Sewer Certificate of Convenience and Necessity (CCN)

Docket Number: **46451**

(this number will be assigned by the Public Utility Commission after your application is filed)

7 copies of the application, including the original, shall be filed with

Public Utility Commission of Texas
Attention: Filing Clerk
1701 N. Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326

If submitting digital map data, two copies of the portable electronic storage medium (such as CD or DVD) are required.

RECEIVED
2016 OCT 18
12:23
PUBLIC UTILITY
COMMISSION
FILING CLERK

Table of Contents

Purpose of Application	2
1. Applicant Information.....	2
2. Location Information.....	3
3. Map Requirements.....	5
4. New System Information or Utilities Requesting a CCN for the First Time	5
5. Existing System Information	6
6. Financial Information	9
7. Notice Requirements.....	10
OATH.....	12
Notice for Publication	13
Notice to Neighboring Systems, Landowners and Cities	15
Notice to Customers of IOUs in Proposed Area	17

Historical Balance Sheets	19
Historical Income Statement.....	20
Historical Expenses Statement	21
Projected Balance Sheets	22
Projected Income Statement	23
Projected Expenses Statement.....	24
Projected Sources And Uses Of Cash Statements	25

Application to Obtain or Amend a Water or Sewer Certificate of Convenience and Necessity (CCN)

Purpose of Application

<input type="checkbox"/> Obtain	<input type="checkbox"/> New Water CCN	<input type="checkbox"/> New Sewer CCN
<input checked="" type="checkbox"/> Amend	<input checked="" type="checkbox"/> Water CCN# (s)	12827 and 13101
<input checked="" type="checkbox"/> Amend	<input checked="" type="checkbox"/> Sewer CCN#(s)	20813 and 20958

1. Applicant Information

Applicant

Utility name: City of Royse City

Certificate number: City of Royse City

Street address (City/ST/ZIP/Code): 305 N. Arch Street, Royse City, Texas 75189-8718

Mailing address(City/ST/ZIP/Code): 305 N. Arch Street, Royse City, Texas 75189-8718

Utility Phone Number and Fax: (972) 636-2250

Contact information

Please provide information about the person(s) to be contacted regarding this application. Indicate if this person is the owner, operator, engineer, attorney, accountant manager, or other title related to the applicant.

Name: Georgia N. Crump

Title: Attorney

Mailing address: 816 Congress Avenue, Suite 1900, Austin, Texas 78701

Email: gcrump@lglawfirm.com

Phone and Fax: (512) 322-5832

List all counties in which service is proposed:

Hunt, Rockwall

A. Check the appropriate box and provide information regarding the legal status of the applicant:

- ☐ Investor Owned Utility ☐ Individual ☐ Partnership
- ☐ Home or Property Owners Association ☐ For-profit Corporation
- ☐ Non-profit, member-owned, member-controlled cooperative corporation
(Water Code Chapter 67, Water Supply or Sewer Service Corporation)
- ☒ Municipality ☐ District ☐ Other - Please explain:

B. If the applicant is a For-Profit business or corporation, please include the following information:

- i. A copy of the corporation's "Certification of Account Status" from the Texas State Comptroller of Public Accounts.
- ii. The corporation's charter number as recorded with the Office of the Texas Secretary of State: _____
- iii. A listing of all stockholders and their respective percentages of ownership.
- iv. A copy of the company's organizational chart, if available.
- v. A list of all directors and disclose the title of each individual.
- vi. A list of all affiliated organizations (if any) and explain the affiliate's business relationship with the applicant.

C. If the applicant is a Texas Water Code (TWC) Chapter 67 water supply or sewer service corporation please provide:

- i. A copy of the Articles of Incorporation and By-Laws.
- ii. The corporation's charter number as recorded with the Office of the Texas Secretary of State.
- iii. Identification of all board members including name, address, title, and telephone number.
- iv. A copy of the corporation's *Certificate of Account Status* from the Texas Comptroller of Public Accounts.

2. Location Information

- A. Are there people already living in the proposed area? ☐ Yes ☒ No
- If YES, are any currently receiving utility service? ☐ Yes ☐ No
- If YES, from WHOM? _____

B. Demonstrate the Need for Service by providing the following:

Have you received any requests for service in the requested service area?

☐ Yes ☐ No

If YES, provide the following:

- i. Describe the service area and circumstances driving the need for service in the requested area. Indicate the name(s) and address(es) of landowner(s), prospective landowner(s), tenant(s), or resident(s) that have requested service; and/or
- ii. Describe the economic need(s) for service in the requested area (i.e. plat approvals, recent annexation(s) or annexation request(s), building permits, septic tank permits, hospitals, etc.); and/or
- iii. Discuss in detail the environmental need(s) for service in the requested area (i.e. failing septic tanks in the requested area, fueling wells, etc.); and/or
- iv. Provide copies of any written application(s) or request(s) for service in the requested area; and/or
- v. Provide copies of any reports and/or market studies demonstrating existing or anticipated growth in the requested area.
- vi. If none of these items exist or are available, please justify the need for service in the proposed area in writing.

Note: Failure to demonstrate a need for additional service in the proposed service area may result in the delay and /or possible denial of the application.

See Supplemental Information.

C. Is any portion of the proposed service area inside an incorporated city or district?

☒ Yes ☐ No

If YES, within the corporate limits of: Royse City

Provide a copy of any franchise, permit, or consent granted by the city or district. If not available please explain:

N/A

D. Is any portion of the proposed service area inside another utility's CCN area?

☒ Yes ☐ No

If YES, has the current CCN holder agreed to decertify the proposed area?

Yes. See Attachment 2.B. - Development Agreement - Union Square.

If NO, are you seeking dual or single certification of the area? Explain why decertification of the area is in the public interest:

3. Map Requirements

Attach the following hard copy maps with each copy of the application:

- A. A location map delineating the proposed service area with enough detail to accurately locate the proposed area within the county.
- B. A map showing only the proposed area by:
 - i. metes and bounds survey certified by a licensed state or register professional land surveyor; or
 - ii. projectable digital data with metadata (proposed areas should be in a single record and clearly labeled). Also, a data disk labeled with the applicant's name must be provided; or
 - iii. following verifiable natural and man-made landmarks; or
 - iv. a copy of recorded plat map with metes and bounds.
- C. A written description of the proposed service area.
- D. Provide separate and additional maps of the proposed area(s) to show the following:
 - i. all facilities, illustrating separately facilities for production, transmission, and distribution of the applicant's service(s); and
 - ii. any facilities, customers or area currently being served outside the applicant's certificated area(s).

Note: Failure to provide adequate mapping information may result in the delay or possible denial of your application.

Digital data submitted in a format other than ArcView shape file or Arc/Info E00 file may result in the delay or inability to review applicant's mapping information.

For information on obtaining a CCN base map or questions about sending digital map data, please visit the Water Utilities section of the PUC website for assistance.

4. New System Information or Utilities Requesting a CCN for the First Time

- A. Please provide the following information:
 - i. a list of public drinking water supply system(s) or sewer system(s) within a 2 mile radius of the proposed system;
 - ii. copies of written requests seeking to obtain service from each of the public drinking water systems or sewer systems listed in a. 1 above or documentation that it is not economically feasible to obtain service from each entity;
 - iii. copies of written responses from each system or evidence that they did not reply; and
 - iv. for sewer utilities, documentation showing that you have obtained or applied for a wastewater discharge permit.
- B. Were your requests for service denied? ☐ Yes ☐ No

i. If yes, please provide documentation of the denial of service and go to c.

ii. If no, please provide a detailed analysis which justifies your reasons for not accepting service. A separate analysis must be prepared and submitted for each utility that granted your request for service.

C. Please summarize how the proposed utility system will be constructed and describe each projected construction phase, if any:

D. Date of plat approval, if required: _____
 Approved by: _____

E. Date Plans & Specifications submitted to the TCEQ for approval: _____
 Attach copy of approval letter, if available. If the letter is not available by the time your CCN application is submitted, please supplement your application with a copy of the letter once you receive it from the TCEQ.

F. Date construction is scheduled to commence: _____

G. Date service is scheduled to commence: _____

5. Existing System Information

A. Please provide the following information for each water and/or sewer system, attach additional sheets if necessary.

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

1	9	9	0	0	0	2												

ii. Sewer system(s): TCEQ Discharge Permit number(s)

See Supplemental Information.

W	Q						-			
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W	Q								
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W	Q						-			
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W	Q								
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- iii. Date of last TCEQ water and/or sewer system inspection(s): 4/5/2016
- iv. Attach a copy of the most recent TCEQ water and/or sewer inspection report letter(s). **See Attachment 5.A.**
- v. For each system deficiency listed in the TCEQ inspection report letter; attach a brief explanation listing the actions taken or being taken by the utility to correct the listed deficiencies, including the proposed completion dates.

B. Provide the following information about the utility's certified water and/or sewer operators

Name	Classes	License Number
Dario Lopez Jr.	Water Distribution Operator C	WD0007518
Dario Lopez Jr.	Wastewater Collection Operator II	WW0041119
Joshua K. White	Backflow Prevention Assembly Tester	BP0014006
Joshua K. White	Customer Service Inspector	CI0007351
Joshua K. White	Water Distribution Operator C	WD0007752
Joshua K. White	Wastewater Collection Operator II	WW0038145
Christopher W. McDaniel	Water Distribution Operator C	WD0012904
Joseph A. Adams	Water Operator D	WO0037411
Dylan R. Tawwater	Water Operator D	WO0037416

- Attach additional sheet(s) if necessary -

- C. Using the current number of customers, is any facility component in systems named in #5A above operating at 85% or greater of minimum standard capacity?

☐ Yes

☒ No

Attach a copy of the 85% rule compliance document filed with the TCEQ if the system is operating at 85% or greater of the TCEQ's minimum standard capacity requirements.

- D. In the table below, the number of existing and/or proposed metered and non-metered connections (by size). The proposed number should reflect the information presented in the business plan or financial **documentation** and reflect the number of service requests identified in Question 2.b in the application.

TCEQ Water System			TCEQ Sewer System		
Connection	Existing	Proposed	Connection	Existing	Proposed
5/8" or 3/4" meter		500	Residential		500
1" meter or larger			Commercial		
Non-Metered			Industrial		

TCEQ Water System			TCEQ Sewer System		
Other:			Other:		
Total Water		500	Total Sewer		500

- E. If this application is for a water CCN only, please explain how sewer service is or will be provided:

N/A

- F. If this application is for a sewer CCN only, please explain how water service is or will be provided:

N/A

- G. Effect of Granting a Certificate Amendment.

Explain in detail the effect of granting of a certificate or an amendment, including, but not limited to regionalization, compliance and economic effects on the following:

- i. the applicant,
- ii. any retail public utility of the same kind already serving the proximate area; and
- iii. any landowner(s) in the requested area.

See Supplemental Information.

- H. Do you currently purchase or plan to purchase water or sewer treatment capacity from another source?

i. ☐ No, (skip the rest of this question and go to #6)

ii. ☒ Yes, Water

Purchased on a ☒ Regular ☐ Seasonal ☐ Emergency basis?

Water Source	% of Total Treatment
North Texas Municipal Water District	100.00%

Water Source	% of Total Treatment
	0.00%
	0.00%

iii. ☒ Yes, Sewer treatment capacity

Purchased on a ☒ Regular ☐ Seasonal ☐ Emergency basis?

Sewer Source	% of Total Treatment
North Texas Municipal Water District	100.00%
	0.00%
	0.00%

iv. Provide a signed and dated copy of the most current water or sewer treatment capacity purchase agreement or contract. **See Attachment 5.H.**

I. Ability to Provide Adequate Service. **See Supplemental Information.**

Describe the ability of the applicant to provide adequate service, including meeting the standards of the commission, taking both of the following items into consideration:

- the current and projected density; and
- the land use of the requested area.

J. Effect on the Land. Explain the effect on the land to be included in the certificated area.

The land has been deannexed from Verandah MUD and annexed into the City of Royse City. It will be developed under the provisions of the Development Agreement as a planned residential community. The Development Agreement provides for the City to be the provider of retail water and sewer utility services.

6. Financial Information

- A. For new water and/or sewer systems and for applicants with existing CCNs who are constructing a new stand-alone water and/or sewer system:
- the applicant must provide an analysis of all necessary costs for constructing, operating, and maintaining the system, and the source of that capital (such as a financial statement for the developing entity) for which the CCN is requested for at least the first five years. In addition, if service has been offered by an existing retail water service provider as stated in #4.A., but the applicant has determined that the cost of service as finally offered renders the project not economically feasible, the applicant must provide a comparison analysis of all necessary costs for acquiring and continuing to receive service from the existing system for the same period.
 - Attach projected profit and loss statements, cash flow worksheets, and balance sheets (projected five year financial plan worksheet is attached) for each of the first five years of operation. Income from rates

- should correlate to the projected growth in connections, shown on the projected profit and loss statement.
- iii. Attach a proposed rate schedule or tariff. Describe the procedure for determining the rates and fees and indicate the date of last change, if applicable. Attach copies of any cost of service studies or rate analysis worksheets.
- B. For existing water and/or sewer systems:
 - i. Attach a profit and loss statement and current balance sheet for existing businesses (end of last fiscal year is acceptable). Describe sources and terms for borrowed capital such as loans, bonds, or notes (profit and loss and balance sheet worksheets are attached, if needed).
 - ii. Attach a proposed rate schedule or tariff.
See Supplemental Information.
- ❖ **Note: An existing water and/or sewer system may be required to provide the information in 6.A.i. above during the technical review phase if necessary for staff to completely evaluate the application**
- C. Identify any funds you are required to accumulate and restrict by lenders or capital providers.
- D. In lieu of the information in #6.A. thru #6.C., you may provide information concerning loan approvals within the last three (3) years from lending institutions or agencies including the most recent financial audit of the applicant.
- ❖ **Note: Failure to provide adequate financial information may result in the delay or possible denial of your application.**

7. Notice Requirements

- A. All proposed notice forms must be completed and submitted with the application. Do not mail or publish the notices until you receive written approval from the commission to do so.
- B. The commission cannot grant a CCN until proper notice of the application has been given. Commission rules do not allow a waiver of notice requirements for CCN applicants.
- C. It is the applicant's responsibility to ensure that proper notice is given to all entities that are required to receive notice.
- D. Recommended notice forms for publication, neighboring cities and systems, landowners with 25 acres or more, and customers are included with this application for use in preparing proposed notices. (Notice forms are available in Spanish upon request.)
- E. After reviewing and, if necessary, modifying the proposed notice, the commission will send the notice to the applicant after the application is accepted for filing along with instructions for publication and/or mailing. Please review the notice carefully before providing the notice.
- F. Notice For Publication:
 - The applicant shall publish the notice in a newspaper with general circulation in the county(ies) where a CCN is being requested. The notice must be published once each week for two consecutive weeks beginning with the week after the notice is received from the commission. Proof of publication in the form of a publisher's affidavit shall be submitted to the commission within 30 days of the last publication date. The affidavit shall state with specificity each county in which the newspaper is of general circulation.
- G. Notice To Neighboring Utilities:
 - i. List all neighboring retail public utilities and cities providing the same utility service within the following vicinities of the applicant's proposed certificate area.
 - ii. For applications for the issuance of a NEW CCN, the applicant must mail the notice with a copy of the proposed CCN map to all cities and neighboring retail public utilities providing the same utility service within five (5) miles of the requested service area.

- iii. For applications for the AMENDMENT of a CCN, the applicant must mail the notice with a copy of the proposed CCN map to all cities and neighboring retail public utilities providing the same utility service within two (2) miles of the requested service area.
- H. Notice to Customers:
Investor Owned Utilities (IOUs) that are currently providing service without a CCN must provide individual mailed notice to all current customers. The notice must contain the current rates, the date those rates were instituted and any other information required in the application.
- I. The commission may require the applicant to deliver notice to other affected persons or agencies.

Do not publish or send copies of the proposed notices to anyone at the time you submit the application to the commission. Wait until you receive written authorization to do so. Authorization occurs after the commission has reviewed the notices for completeness, and your application has been accepted for filing. Once the application is accepted for filing, you will receive written authorization to provide notice. Please check the notices for accuracy before providing them to the public. It is the applicant's burden to ensure that correct and accurate notice is provided.


OATH

STATE OF TEXAS
COUNTY OF ROCKWALL

I, CARL ALSABROOK, being duly sworn, file this application as CITY MANAGER (indicate relationship to Applicant, that is, owner, member of partnership, title as officer of corporation, or other authorized representative of Applicant); that, in such capacity, I am qualified and authorized to file and verify such application, am personally familiar with the maps and financial information filed with this application, and have complied with all the requirements contained in this application; and, that all such statements made and matters set forth therein are true and correct. I further state that the application is made in good faith and that this application does not duplicate any filing presently before the Public Utility Commission of Texas.

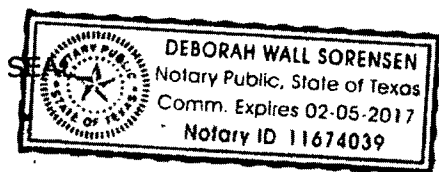
I further represent that the application form has not been changed, altered or amended from its original form.

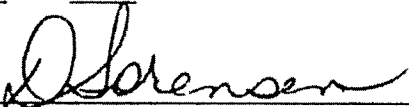
I further represent that the Applicant will provide continuous and adequate service to all customers and qualified applicants for service within its certificated service area.


AFFIANT
(Utility's Authorized Representative)

If the Affiant to this form is any person other than the sole owner, partner, officer of the Applicant, or its attorney, a properly verified Power of Attorney must be enclosed.

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public in and for the State of Texas,
This day 27th of September 20 16




NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS

Deborah Sorensen
PRINT OR TYPE NAME OF NOTARY

MY COMMISSION EXPIRES 2/5/17

Notice for Publication

NOTICE OF APPLICATION FOR CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN) TO
PROVIDE WATER/SEWER UTILITY SERVICE IN
Hunt and Rockwall COUNTY(IES), TEXAS

Name of Applicant City of Royse City has filed an application for a
CCN to obtain or amend CCN No. (s) 12827 and 20813 and to
decertify a portion(s) of Verandah MUD with the
(Name of Decertified Utility)

Public Utility commission of Texas to provide 3) water & sewer
(specify 1) water or 2) sewer or 3) water & sewer)

utility service in Hunt and Rockwall County
(ies).

The proposed utility service area is located approximately 2 miles east
[direction] of downtown Royse City, [City or Town] Texas, and is
generally bounded on the north by Interstate Hwy 30; on the east by
FM 2642; on the south by FM 35; and on the west by the Western boundary of Verandah MUD

The total area being requested includes approximately 162 acres and 0
current customers.

A copy of the proposed service area map is available at (Utility Address and Phone
Number): 305 N. Arch Street, Royse City, Texas 75189-8718; (972) 524-4825

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

Persons who wish to intervene or comment should file with the PUC at the following address:

Filing Clerk
Public Utility Commission of Texas
1701 North Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326

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

If a public hearing is requested, the commission will not issue the CCN and will forward the application to the State Office of Administrative Hearings (SOAH) for a hearing. If no settlement is reached and an evidentiary hearing is held, the SOAH will submit a recommendation to the commission for final decision. If an evidentiary hearing is held, it will be a legal proceeding similar to a civil trial in state district court.

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

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

Filing Clerk
Public Utility Commission of Texas
1701 North Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326

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

Si desea informacion en Espanol, puede llamar al 1-888-782-8477

Notice to Neighboring Systems, Landowners and Cities

NOTICE OF APPLICATION FOR CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN) TO
PROVIDE WATER/SEWER UTILITY SERVICE IN

Hunt and Rockwall COUNTY(IES), TEXAS

To: _____ Date Notice Mailed _____ 20 _____
(Neighboring System, Landowner or City)

(Address)

City State Zip

Name of Applicant City of Royse City has filed an application for a
CCN to obtain or amend CCN No. (s) 12827 and 20813 and to
decertify a portion(s) of Verandah MUD with the
(Name of Decertified Utility)

Public Utility Commission of Texas to provide 3) water & sewer
(specify 1) water or 2) sewer or 3) water & sewer)
utility service in Hunt and Rockwall County(ies).

The proposed utility service area is located approximately 2 miles east
[direction] of downtown Royse City, [City or Town] Texas, and is
generally bounded on the north by Interstate Hwy 30; on the east by
FM 2642; on the south by FM 35; and on the west by the Western boundary of Verandah MUD

See enclosed map of the proposed service area.

The total area being requested includes approximately 162 acres and 0
current customers.

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

Persons who wish to intervene or comment should write the:

Filing Clerk
Public Utility Commission of Texas
1701 North Congress Avenue
P.O. Box 13326
Austin, Texas 78711-3326

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

If a public hearing is requested, the commission will not issue the CCN and will forward the application to the State Office of Administrative Hearings (SOAH) for a hearing. If no settlement is reached and an evidentiary hearing is held, the SOAH will submit a recommendation to the commission for final decision. If an evidentiary hearing is held, it will be a legal proceeding similar to a civil trial in state district court.

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

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

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P.O. Box 13326
Austin, Texas 78711-3326

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

Si desea informacion en Espanol, puede llamar al 1-888-782-8477

**Application to Amend Water and Sewer Certificates of Convenience and Necessity
Nos. 12827 and 20813 (City of Royse City)
Nos. 13101 and 20958 (Verandah Municipal Utility District of Hunt County)**

Supplemental Information

Q. 2.B. Need for Service.

Please see Attachment 2.B., which is the “Development Agreement – Union Square” (“Development Agreement”) between the City of Royse City (“City”) and the Verandah Municipal Utility District of Hunt County (“MUD”). In the Development Agreement, the City and the MUD agreed that approximately 117.332 acres currently within the MUD, and within the MUD’s water and sewer CCNs, would be deannexed by the MUD and removed from the MUD’s CCN in order for the acreage to be annexed by the City and included within the City’s water and sewer CCN areas. This acreage will be developed as a master-planned residential community, following the development standards set forth in the Development Agreement. The property has subsequently been deannexed by the MUD and annexed into the City.

Properties lying to the north of the Union Square development and south of I.H. 30 (approximately 44.018 acres) had originally been included in the MUD, but were disannexed by the MUD several years ago and annexed by the City, and the MUD retained the CCNs when that disannexation occurred. By this current application, the City and the MUD intend for all of the MUD’s water and sewer CCN territories to be transferred to the City, comprising 161.35 acres, leaving no area certified to the MUD for either water or sewer.

Q. 5.A.ii. TCEQ Discharge Permit.

The City contracts with North Texas Municipal Water District for wastewater treatment services. Therefore, although the City provides retail sewer utility service, it does not have a TCEQ Discharge Permit.

Q.5.G. Effect of Granting Certificate.

Pursuant to Attachment 2.B. (Development Agreement), the approval of this Application will allow for the planned development of the property to take place. The area is currently surrounded by the City of Royse City, as well as the City’s water and sewer CCN areas. Therefore, retail utility services are closely proximate to the area, and the provision of such services by the City will prevent the proliferation of smaller, less efficient systems. The area is within rapidly-growing Hunt and Rockwall Counties, just east of the DFW Metroplex.

Q.5.I. Ability to Provide Service

Royse City is a home rule municipality with a population of over 10,000. The City currently provides retail water utility service to 4,046 connections, and retail sewer utility service to 3,770 connections. The City is a Member City of the North Texas Municipal Water District

("NTMWD") and as such has contractual rights to treated water and to wastewater treatment services from NTMWD. The proposed land use of the area that is the subject of this Application is primarily residential, with some amount of commercial and amenities to provide services to the residents.

Q.6.B.i. Financial Information

The City's Annual Financial Report for FYE September 30, 2015, is attached as Attachment 6.B.i.

Q.6.B.ii. Rate Schedule

A copy of the City's current water and sewer rates is attached as Attachment 6.B.ii.

Q. 7.G. Notice to Neighboring Utilities within Two Miles

The City has identified the following entities for notice:

BHP Water Supply Corporation (10064)

Cash SUD (10824)

Hunt County

Rockwall County

DEVELOPMENT AGREEMENT Union Square

THIS DEVELOPMENT AGREEMENT (this "**Agreement**") is executed between D.R. HORTON-TEXAS, LTD., a Texas limited partnership ("**Owner**") and the CITY OF ROYSE CITY, TEXAS, a home rule municipal corporation of the State of Texas (the "**City**"), to be effective April 28, 2015 (the "**Effective Date**"). Owner and the City are sometimes individually referred to as a "**Party**" and collectively as the "**Parties**." The VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY, a conservation and reclamation district operating pursuant to Article XVI, Section 59, Texas Constitution and Chapters 49 and 54, Texas Water Code (the "**MUD**") joins in this Agreement solely for the limited purposes set forth in Article XI hereof.

RECITALS

WHEREAS, Owner is the owner of real property located in Rockwall County and Hunt County (collectively, the "**Counties**") depicted on Exhibit A attached hereto and described by metes and bounds on Exhibit B attached hereto (the "**Property**"); and

WHEREAS, the Property is located wholly within the extraterritorial jurisdiction ("**ETJ**") of the City and not within the ETJ or corporate limits of any other town or city; and

WHEREAS, the Property is currently included within the MUD; and

WHEREAS, the Parties intend for the Property to be developed within the City's corporate limits, that the City have and exercise exclusive jurisdiction over the subdivision and platting of the Property and the design, construction, installation, and inspection of water, wastewater, drainage, roadway, and other public infrastructure ("**Public Infrastructure**") to serve the Property, and that the Counties and the MUD have and exercise no jurisdiction over such matters; and

WHEREAS, the Parties intend for the Property to be developed within the City's municipal limits and subject to full-purpose annexation by the City for the term of, and as otherwise provided by, this Agreement; and

WHEREAS, the Parties are cooperating with the MUD for release of the property described on Exhibit C from the MUD by substitution pursuant to Section 54.739, Texas Water Code (such property is referred to herein as the "**Excluded Property**"); and

WHEREAS, the Parties intend that the City will be the retail provider of water service to the Property; and

WHEREAS, the City and the MUD intend that the City obtain from the MUD the Certificate of Convenience and Necessity for water service, CCN No. 13101 (the "**Water CCN**") for the property generally described on Exhibit D attached hereto; and

WHEREAS, Owner intends to support such transfer of the Water CCN and will reasonably cooperate with the City and the MUD in order to obtain such transfer of the Water CCN; and

WHEREAS, the Parties intend that the City will be the retail provider of wastewater service to the Property; and

WHEREAS, the City and the MUD intend that the City obtain from the MUD the Certificate of Convenience and Necessity for wastewater service, CCN No. 20958 (the "Wastewater CCN") for the property generally described on Exhibit D attached hereto; and

WHEREAS, Owner intends to support such transfer of the Wastewater CCN and will reasonably cooperate with the City and the MUD in order to obtain such transfer of the Wastewater CCN; and

WHEREAS, the City has submitted an application to expand its current Certificate of Convenience and Necessity for wastewater service; and

WHEREAS, neither the MUD nor Owner will contest such application for the expansion of the City's wastewater CCN; and

WHEREAS, the Parties intend that the Property be developed: (i) as a high-quality, master-planned, residential community including park land, open space, and other public and private amenities that will benefit and serve the present and future citizens of the City; and (ii) pursuant to binding, contractual development regulations that are approved by Owner and the City, that are recorded in the deed records of the Counties (so as to bind Owner and all future owners of the Property or any portion thereof), and that will provide regulatory certainty during the term of this Agreement; and

WHEREAS, Public Infrastructure is not currently available to serve Owner's intended development of the Property; and

WHEREAS, Owner will submit or has submitted a written petition to the City Council pursuant to Tex. Local Gov't Code Chapter 372, requesting that the City Council consent to the creation of a public improvement district, substantially upon the terms attached hereto as Exhibit E, in order to promote the interests of the City; and

WHEREAS, Owner shall design, construct and install the Public Infrastructure, in accordance with the Development Standards (as hereinafter defined), in accordance with applicable law and statute, and otherwise in accordance with the terms and of this Agreement; and

WHEREAS, Owner's intended development of the Property, including the design, construction and installation of Public Infrastructure, is intended to promote the interests of the City; and

WHEREAS, the Parties intend that this Agreement be a development agreement as provided for by Section 212.172 of the Texas Local Government Code; and

WHEREAS, the Parties have the authority to enter into this Agreement pursuant to Section 212.171 *et seq.* of the Texas Local Government Code.

NOW THEREFORE, for and in consideration of the mutual covenants of the Parties set forth in this Agreement, and for other good and valuable consideration the receipt and adequacy of which are acknowledged and agreed by the Parties, the Parties agree as follows:

ARTICLE I

DEVELOPMENT REGULATIONS

1.1 Development Standards. All regulations and standards pertaining to the development of the Property set forth in this Agreement and all exhibits hereto, together with the following regulations and standards as modified by this Agreement, shall constitute the exclusive development standards and conditions applicable to the Property (the regulations and standards described above and set forth below, and as set forth in or modified by all exhibits attached hereto, are hereinafter collectively referred to as the “**Development Standards**”):

- (a) the Concept Plan exhibits attached hereto as **Exhibit F** (the “**Concept Plan**”);
- (b) the City’s Subdivision Regulations adopted by the City Council on April 24, 2006, by Ordinance No. 06-04-501, and amendments thereto in effect on the Effective Date, and all generally applicable policies and standards that implement the same; including but not limited to the Technical Construction Standards and Specifications Manual, March 2012, City of Royse City, Texas, as supplemented by the North Central Texas Council of Governments Standard Specifications for Public Works Construction, North Central Texas, 4th Edition 2004 (NCTCOG Manual).
- (c) all uniform building, fire, plumbing, electrical, mechanical, and energy codes adopted by the City from time-to-time, including generally applicable local amendment thereto, to the extent that any provisions of any codes, and any local amendments to any codes, are universally applicable to all properties within the City limits (the “**Building Codes**”);
- (d) generally applicable regulations for sexually oriented businesses adopted by the City from time-to-time;
- (e) generally and universally applicable regulations, adopted and enacted by the City from time-to-time, to prevent imminent destruction of property or injury to persons from flooding that are effective only within a flood plain established by a federal flood control program and enacted to prevent the flooding of buildings intended for public occupancy, which regulations shall be deemed to be met with respect to the Property upon approval of drainage plans and construction plans for the Property;
- (f) generally applicable construction standards for public works located on public lands or easements adopted by the City from time-to-time;

- (g) generally applicable regulations, adopted and enacted by the City from time-to-time, to prevent imminent destruction of property or injury to persons but only to the extent such regulations do not affect lot size, lot dimensions, lot coverage, building size, residential or commercial density, the timing of a project or the Development Standards set forth herein;
- (h) the design guidelines set forth on **Exhibit G** (the “**Design Guidelines**”);
- (i) except as expressly modified by the Design Guidelines, the City’s comprehensive zoning ordinance, adopted by the City Council on May 16, 2006, by Ordinance No. 06-05-503, and amendments thereto in effect on the Effective Date (the “**Zoning Ordinance**”), and all generally applicable policies and standards that implement the same, for the Single-Family Residential District - SF-2;
- (j) the Master Plat (as hereinafter defined) approved by the City in accordance with this Agreement, and the preliminary and final plats for phases of the Property that are approved, from time to time, by the City in accordance with this Agreement (the “**Final Plat(s)**”);
- (k) State and Federal Requirements described in Section 1.4 below, as may be amended as set forth in Section 1.4 below;
- (l) the Development Processes described in Article II;
- (m) the Development Charges described in Article III, as may be amended from time to time as set forth in this Agreement;
- (n) Ordinances enacted pursuant to Texas Local Government Code Section 217.041 *et seq.*; provided, however, so long as Owner’s performance is in compliance with the Development Agreement, the City cannot claim that such performance is a nuisance;
- (o) the Public Infrastructure and Retail Utility Service provisions of Article IV; and
- (p) drought guidelines enacted pursuant to State law or rules, regulations or requirements promulgated by the North Texas Municipal Water District and adopted by the City.

Subject to the City’s rights to amendment stated hereinabove, the Development Standards are exclusive, and no other ordinances, rules, regulations, standards, policies, orders, guidelines, or other City-adopted or City-enforced requirements of any kind (including but not limited to any moratorium adopted by the City after the Effective Date) apply to the development of the Property.

1.2 Concept Plan. The Concept Plan is the initial general development plan of the Property and identifies the proposed land uses, phases, major streets, major drainage ways, utility trunk lines, and the location of sites for parks and other present and proposed land uses. It is intended that the Concept Plan shall include, at a minimum, the detail and information required for

submittal of a "Conceptual Plan" and a "Development Plan or Detailed Site Plan" for a Planned Development District as set forth in Section 5-1D of the Zoning Ordinance. By virtue of and at the time that the City approved the execution of this Agreement the City made a determination that the Concept Plan, in the form attached as **Exhibit F** to this Agreement, meets the requirements of Section 5-1D of the Zoning Ordinance for a Conceptual Plan and Development Plan or Detailed Site Plan, and that a single public hearing is adequate for the approval of said Conceptual Plan and Development Plan or Detailed Site Plan. Development of the Property during the Term of this Agreement shall be in accordance with the Concept Plan and Master Plat, as the same may be modified from time-to-time: (a) by written agreement between Owner and the City and, as applicable, the owners of the portions of the Property within the area being revised on the Concept Plan; (b) by ordinance of the City Council approved at the request of Owner; and/or (c) upon City approval of any Final Plat(s) for any phase(s) of the Property, provided that any plat application that does not substantially comply with the Master Plat shall be subject to full review and comment by the City. If the Concept Plan is revised as provided by this Section, the revision shall be considered an amendment to this Agreement, and the City shall cause the revised Concept Plan to be attached to the official version of this Agreement on file with the City's Secretary's Office.

1.3 Building Code Amendments. The City shall have the right to amend the Building Codes, from time to time, to include changes, including local amendments to the Building Codes that have been adopted by the City Council for uniform application throughout the corporate limits of the City.

1.4 State and Federal Requirements. Development of the Property shall also be subject to ordinances that the City is required to adopt, from time to time, by state or federal law. Notwithstanding the foregoing, however, nothing in this section constitutes a waiver of Owner's right to claim that a City ordinance required by state or federal: (A) does not apply to the Property based on any legal or equitable theory, whether based on existing or future common-law or state or federal statutes; or (B) constitutes an illegal exaction or a "taking" without compensation.

1.5 Conflicts. In the event a court of competent jurisdiction determines there is a conflict between this Agreement and the application of any other ordinance, rule, regulation, standard, policy, order, guideline or other City-adopted or City-enforced requirement, whether existing on the Effective Date or hereinafter adopted, then this Agreement shall control. In the event of any conflict between any Final Plat and any of the other Development Standards, the Final Plat shall control.

1.6 Inconsistent Development. Any development application that is submitted to the City for any portion of the Property during the Term that is not substantially similar to the Development Standards may be denied by the City. Except as set forth or contemplated in this Agreement and/or in the Concept Plan, the Master Plat, and any Final Plats and construction plans hereafter approved by the City, Owner (i) expressly waives any vested rights claim that might otherwise arise under Tex. Loc. Gov't Code section 43.002 or Chapter 245, or successor statute, from the submittal of such inconsistent development application, and (ii) agrees that no use commenced or completed on the Property that is not substantially similar to the Development Standards, the Master Plat, and any Final Plats and construction plans hereafter approved by the City shall be

considered commenced; established or in existence for vested rights purposes prior to the date that the City annexes and zones the Property. A development application shall be considered not substantially similar and materially different from the Development Standards if it has more lots than as set forth in the Concept Plan, or the Master Plat, or is for a development that would have a greater infrastructural impact on the City than that approved herein.

1.7 Zoning Following Annexation. Following and/or commensurately with annexation of the Property, the City shall have all of the same enforcement rights to enforce compliance with the Development Standards with respect to the Property that it otherwise enjoys under the law to enforce development regulations within the City limits, provided that such enforcement is consistent with the terms and provisions of this Agreement and the Concept Plan, the Master Plat and any Final Plats and construction plans hereafter approved by the City for the Property. Upon annexation in compliance with this Agreement, the Property will be zoned a Planned Development (“**PD**”) District that is consistent with the Development Standards. In any event, the Property shall be developed in accordance with the Development Standards, and each phase of the Property shall additionally be developed in accordance with the Final Plat and approved construction plans for such phase, regardless of the zoning of the Property after annexation, and nothing herein shall be construed to prevent the Property from being developed in accordance with this Agreement. The “concept plan” for the PD District shall be consistent with the Concept Plan, the Master Plat and the Final Plats hereafter approved by the City for each phase of the Property, and the allowed uses, development standards and conditions described herein.

ARTICLE II **DEVELOPMENT PROCESS**

2.1 Jurisdiction. The Parties intend that the City shall have and exercise exclusive jurisdiction over the review and approval of preliminary and final plats, the design, construction, installation and inspection of Public Infrastructure, and the construction and occupancy of structures; and that the Counties shall have and exercise no jurisdiction over such matters.

2.2 Plat Approval. Pursuant to Section 2-2(b) of the City’s subdivision regulations, a master plat shall be required for any division of the Property (the “**Master Plat**”). The Master Plat shall be consistent with the Development Standards and otherwise comply with the City’s subdivision regulations. Preliminary and final plats consistent with the Development Standards and otherwise in compliance with the City’s subdivision regulations shall be required for each phase of development. **NOTWITHSTANDING THE FOREGOING, IT SHALL BE A CONDITION TO ACCEPTANCE BY THE CITY, AS WELL AS A REQUIREMENT FOR COMPLETENESS, OF ANY APPLICATION FOR A PRELIMINARY PLAT OR FINAL PLAT OF ANY PORTION OF THE PROPERTY, THAT OWNER SHALL NOT BE IN DEFAULT OF ANY MATERIAL OBLIGATION OF OWNER UNDER THIS AGREEMENT WHICH HAS NOT BEEN CURED AS OF THE FILING DATES FOR SUCH APPLICATIONS.**

2.3 Public Infrastructure. Public Infrastructure shall be designed to comply with the Development Standards, and no construction or installation of Public Infrastructure shall begin until plans and specifications have been approved by the City. All Public Infrastructure shall be constructed and installed in compliance with the Development Standards and shall be inspected by the City’s Developmental Services Department to determine compliance. Except as otherwise

provided in this Agreement, Owner is not required to construct the Public Infrastructure serving only future phases of the development, as identified on the Concept Plan, prior to commencing construction of such future phases.

2.4 Building Permits. No permanent structure, including, without limitation, every structure designed or intended for human occupancy and every accessory structure intended for human occupancy (each, a “**Structure**”) shall be constructed unless a building permit has been issued by the City’s Developmental Services Department certifying that the plans and specifications for the Structure are in compliance with the Building Codes and Design Guidelines. No building permit shall be issued for a Structure unless a Final Plat has been recorded for the lot on which the Structure is being constructed. Building permits shall be issued for model homes prior to the recordation of a Final Plat only if water capacity for basic fire services to serve the model homes is available; however, no model home may be sold to any end buyer of a fully developed and improved lot within the Property (“**End Buyer**”) until a Final Plat has been recorded. Building inspections and permits shall be through the administrative control of the City. No building permit may be issued to a builder who does not own land within the Property unless such builder agrees in writing to be bound by this Agreement and delivers a copy of such writing to the City Secretary. All inspections and building permits shall be paid to the City by the builder performing the work or by Owner.

2.5 Use Standards. The only uses permitted on the Property are:

- (a) single-family detached dwellings on land designated as Single-Family in the Concept Plan, on the Master Plat or on the approved Final Plats for any phases in the Property, whichever applies;
- (b) public uses on tracts designated as public in the Concept Plan, on the Master Plat or on the approved Final Plats for any phases in the Property, whichever applies; and
- (c) private recreational uses on tracts designated as common areas in the Concept Plan, Master Plat or on the approved Final Plats for any phases in the Property, whichever applies.

2.6 Certificates of Occupancy. No Structure shall be occupied or used until any required certificate of occupancy has been issued for such Structure by the City.

2.7 Inspections by the City. The City shall have the right to inspect, from time to time, the construction of any Public Infrastructure and any Structure. If the City determines that any Public Infrastructure or any Structure is not being constructed in compliance with the Development Standards and the contractor or builder fails to correct the non-compliance within a reasonable period of time after notice thereof, the City shall have the right to enforce compliance and to stop new work on the Public Infrastructure or Structure by the issuance of a “stop-work order” until the non-compliance is corrected to the reasonable satisfaction of the City. If any inspection conducted by the City determines that any Public Infrastructure or any Structure is not being constructed in compliance with the Development Standards, all costs and expenses paid or incurred by the City in exercising its rights under this section shall be paid by the contractor or

builder or by Owner. Owner shall have the right to appeal any order, decision or determination made hereunder, in accordance with the administrative hearing process established by Article 7.02 of the City's Code of Ordinances; and any such appeal will be conducted in accordance with Article 7.02 of the City's Code of Ordinances. Nothing in this Section is intended to create any liability of the City to determine whether any Public Infrastructure or Structure is constructed in accordance with the Development Standards. Fees for the inspection of Public Infrastructure shall be limited to the City's stated inspection fee without inclusion of any percentage based on the cost of the Public Infrastructure.

ARTICLE III **DEVELOPMENT CHARGES**

Development of the Property shall be subject to payment to the City of all of the fees and charges universally applicable to the City's review, inspection and approval process, including meter fees, tap fees and deposits, according to the fee schedule adopted by the City Council then in effect. Such fee schedule shall be uniformly applicable to all development within the corporate limits of the City; provided, however, that development of the Property shall not be subject to the payment of any impact, pro rata, lot or acreage, assessment, park, or similar fees. All park fee obligations shall be met by completion of development in accordance with the Development Standards.

ARTICLE IV **PUBLIC INFRASTRUCTURE; RETAIL UTILITY SERVICE**

4.1 Description of Public Infrastructure. This Section generally describes the on-Property and off-Property Public Infrastructure which will be designed, constructed and installed as set forth herein and within the time periods or milestones set forth herein.

(a) **Water.**

1. The City and Owner shall not be required to upgrade or expand the City's off-Property water Public Infrastructure.
2. Prior to the issuance of the first building permit for any occupied structure, and at no cost to the City, Owner shall design, construct, and tender for dedication to and acceptance by the City, (A) two (2) 12-inch tap-ins for the provision of retail water service to the Property of the size and in the locations shown in the Concept Plan, and (B) a 12-inch water line on the north side of Shaw Drive (as defined below) with bore under FM 2642 to connect to the City water line on the east side of FM 2642.

(b) **Wastewater.**

1. The City and Owner shall not be required to upgrade or expand the City's off-Property wastewater Public Infrastructure.
2. Prior to the issuance of the first building permit for any occupied structure, and at no cost to the City, Owner shall:

- A. design, construct, and tender for dedication to and acceptance by the City, a gravity main sized to Owner's project only, subject to Owner's obligation in Section 4.5 below, to convey flow from the Property to the City's existing lift station; and
- B. lower the City's 16-inch sanitary sewer force main so as not to conflict with drainage or other utilities.

(c) Roadway and Associated Improvements.

1. The City shall acquire the northern half of the property for the construction of Shaw Drive (as defined below). The City shall cooperate with Owner, at Owner's sole cost and expense, in exercise of the City's power of eminent domain (to the extent applicable) for purposes of obtaining all other right-of-way areas described in Section 4.1(c)2 below; provided, however, that the City shall have the sole discretion as to whether any eminent domain proceeding requested by Owner is initiated.
2. At no cost to the City, Owner shall fund, construct and dedicate the following with respect to the roadway Public Infrastructure:
 - A. Dedicate for the roadway facilities designated "Shaw Drive" (formerly CR 2515) on the Concept Plan, the northern most 32.5' of the Property between FM 2642 and the common boundary line between Rockwall County and Hunt County.
 - B. The City will coordinate with Owner the application to be submitted to TxDOT for curb cut access for Shaw Drive. Prior to the issuance of the first certificate of occupancy, design, construct, and tender for dedication to and acceptance by the applicable jurisdiction(s) the roadway facilities designated "Shaw Drive" (formerly CR 2515) on the Concept Plan to the point of the development's northern entry as shown on the Concept Plan. Such facilities shall consist of 65' of right-of-way and two lanes of paved road 41' in width, measured from back-of-curb to back-of-curb, and otherwise in accordance with the Development Standards. Owner shall not be required to construct turn lanes or medians on Shaw Drive or FM 2642. Owner shall construct sidewalks on the north and south side of Shaw Drive from FM 2642 to the point of the development's northern entry as shown on the Concept Plan. The adjacent developer shall be required to construct sidewalks on the north and south side of Shaw Drive from such point westward.
 - C. Prior to the issuance of the first certificate of occupancy, design and construct a public storm water system, including utility relocation, to meet 100 year conditions from the northwest corner

of the high school on the east side of FM 2642, under FM 2642 and beneath that portion of Shaw Drive to be constructed by Owner.

D. Design, construct, and tender for dedication to and acceptance by the applicable jurisdiction(s) all other on-Property roadways, hike and bike trails, sidewalks, landscaping, irrigation and drainage improvements, utilities, street lighting and signage, and all other improvements within or adjacent to the Property required to serve the Property or that may be required by the City, as more particularly shown on the Concept Plan or the Design Guidelines, as and when such portion of the Property is platted or when otherwise required hereunder. Except as set forth in Section 4.1(c)(2), Owner shall not be required to widen or improve any perimeter roads.

(d) Operation of the Public Infrastructure. If dedicated to and accepted by the City, the City shall at all times maintain the Public Infrastructure, or cause such Public Infrastructure to be maintained, in good condition and working order in compliance with all applicable laws and ordinances and all applicable regulations, rules, policies, standards, and orders of any governmental entity with jurisdiction over same. To the extent the City accepts and utilizes the water and wastewater Public Infrastructure, the City shall operate the water and wastewater Public Infrastructure serving the Property and will use the Public Infrastructure to provide service to all customers within the Property in accordance with and subject to any and all applicable laws, ordinances, rules, regulations, policies or standards regarding the provision of water service and wastewater service by the City.

(e) Owner's Guarantee. Owner guarantees and warrants that, with respect to that portion of the Public Infrastructure for which the City has agreed to consider ownership and/or maintenance thereof, if, within one (1) year after the acceptance by the City of such portion of the Public Infrastructure, defects should appear in the materials or workmanship relating to such portion of the Public Infrastructure, Owner shall have such defects promptly repaired at no cost or expense to the City. This guarantee will apply to all parts of the Public Infrastructure that have been accepted by the City. This provision is for the sole benefit of the City and shall not in any way be construed to limit or modify any right or claim that Owner may have against any person or entity that may have furnished such defective materials or performed such defective work.

4.2 Retail Water Provider. The City shall be the retail water provider to the Property. Provided Owner constructs adequate water Public Infrastructure under this Agreement, the City shall provide retail water service sufficient to serve no more than 500 Dwelling Units and the amenity center and common areas shown on the Concept Plan. Retail customers within the Property shall pay the applicable water rates for customers inside the City limits. The City agrees to take, and to cooperate with Owner in taking, such other actions as may be necessary or

desirable to Owner to ensure uninterrupted, equitable and uniform retail water service to the Property. The City agrees not to take any action or to permit any action to be taken which would have a material adverse effect on uninterrupted, equitable and uniform retail water service to the Property.

4.3 Retail Wastewater Provider. The City shall be the retail wastewater provider to the Property sufficient to serve all Dwelling Units and the amenity center shown on the Concept Plan provided Owner constructs adequate wastewater Public Infrastructure under this Agreement. Retail customers within the Property shall pay the applicable wastewater rates for customers inside the city limits. The City agrees to take, and to cooperate with Owner in taking, such actions as may be necessary or desirable to Owner to ensure uninterrupted, equitable and uniform retail wastewater service by the City as the retail wastewater provider to the Property. Owner will support the City's Wastewater CCN application and reasonably cooperate with the City to obtain wastewater service to the Property. The City agrees not to take any action or to permit any action to be taken which would have a material adverse effect on uninterrupted, equitable and uniform retail wastewater service by the City as the retail wastewater provider to the Property.

4.4 Availability of Water and Wastewater Service in the Future. The City makes no guarantee that water supply and wastewater treatment capacity will be available at any particular time or place, it being fully understood by the Parties that the ability of the City to supply water and wastewater services is subject to its contract with the North Texas Municipal Water District ("NTMWD"), and that this Agreement will only allow utilization of the City's water and wastewater system capacity when and if the same is present and available from NTMWD. Notwithstanding the foregoing, the City will supply the Property with adequate water supply and wastewater treatment capacity if such capacity is present and available from NTMWD; and the City shall use commercially reasonable efforts to insure that said water supply and wastewater treatment capacity are available.

4.5 Oversizing and Stub Outs. Owner agrees to oversize lines and create stub outs, as requested by the City and at the City's expense, for development of property in the vicinity of the Property.

ARTICLE V

CONDITIONS; TERMINATION; TERM OF AGREEMENT

5.1 Conditions. The following shall be conditions to the effectiveness of this Agreement and the Parties' obligations hereunder: (A) the Property shall have been excluded from the boundaries of the MUD; (B) the Water CCN shall have been transferred to the City or an interim agreement for the provision of water services shall have been entered into; (C) the Wastewater CCN shall have been transferred to the City or an interim agreement for the provision of wastewater services shall have been entered into; (D) the Property shall have been annexed into the corporate boundaries of the City in accordance with Section 1.7 and Article VI; and (E) the PID (as hereinafter defined) shall have been authorized by the City. The Property shall not be excluded from the boundaries of the MUD until after the PID is authorized by the City. Subject to the submittal by Owner of petitions and applications consistent with this Agreement and that otherwise comply with applicable law and ordinance, the City shall cooperate with Owner in

good faith to obtain all of the approvals described in this Section 5.1. If the PID is not authorized by the City by July 15, 2015, then this Agreement may be terminated by Owner. If the other conditions have not been satisfied by January 31, 2016, then this Agreement may be terminated by either Party by giving written notice thereof to the other Party, and upon such termination the Parties shall be relieved from any and all obligations hereunder. If this Agreement is so terminated after the Property has been excluded from the boundaries of the MUD, the City will not thereafter oppose Owner's petition for inclusion of the Property in the MUD. Following a termination of this Agreement pursuant to this Section, the City may dissolve the PID if the PID has been formed.

5.2 Early Termination of Agreement. Notwithstanding anything to the contrary set forth in this Agreement, the City may terminate this Agreement in its sole discretion upon (A) failure of Owner to complete internal streets and water and wastewater utilities to serve 100 residential lots within the time period set forth in Section 7.3 of this Agreement, (B) failure of Owner to complete the amenity center shown on the Concept plan prior to completion of the 135th residential Structure, or (C) failure of Owner to complete the community hike and bike trail adjacent to those phases of development containing the first 100 residential structures prior to completion of the 135th residential Structure. The City Council shall evidence its election to terminate this Agreement pursuant to clauses (A) – (C) of this Section by resolution of the City Council. Following such election to terminate this Agreement, the City may thereafter dissolve the PID. Notwithstanding anything to the contrary contained herein, Owner shall not be entitled to notice of a failure of, nor opportunity to cure, the matters for which termination shall or may occur pursuant to this Section.

5.3 Term. Subject to satisfaction of the conditions set forth in Section 5.1 and the early termination provisions set forth in Section 5.2, the term of this Agreement shall be 15 years after the Effective Date unless extended by mutual agreement of Owner and the City (the "Term").

ARTICLE VI ANNEXATION

6.1 Waiver of Non-Annexation Development Agreement. The Parties agree that, for purposes of Tex. Local Gov't Code §43.035, the City has offered to make a development agreement with the Owner under Tex. Local Gov't Code §212.172 that would: (A) guarantee the continuation of the extraterritorial status of the Property; and (B) authorize the enforcement of all regulations and planning authority of the City that do not interfere with the use of the area for agriculture, wildlife management, or timber; and that the Owner has declined to enter into such an agreement.

6.2 Full Purpose Annexation. By its execution of this Agreement, Owner hereby agrees that it will submit a petition to the City for the voluntary full purpose annexation of the Property into the corporate boundaries of the City contingent upon satisfaction of any remaining conditions set forth in Section 5.1. **SUBJECT ONLY TO THE EXCLUSION OF THE PROPERTY FROM THE MUD AS CONTEMPLATED IN SECTION 11.1, OWNER AND ALL FUTURE OWNERS OF THE PROPERTY (INCLUDING END-BUYERS) AND DEVELOPERS IRREVOCABLY AND UNCONDITIONALLY CONSENT TO THE FULL PURPOSE ANNEXATION OF THE PROPERTY INTO THE CORPORATE LIMITS OF THE CITY IN**

ACCORDANCE WITH THIS AGREEMENT AND WAIVE ALL OBJECTIONS AND PROTESTS TO SUCH ANNEXATION. THIS AGREEMENT SHALL SERVE AS THE PETITION OF OWNER AND ALL FUTURE OWNERS AND DEVELOPERS TO FULL PURPOSE ANNEXATION OF THE PROPERTY IN ACCORDANCE WITH THIS AGREEMENT AND THE CONSENT AGREEMENT FOLLOWING EXCLUSION OF THE PROPERTY FROM THE MUD.

6.3 Annexation Service Plan. The Parties agree that this Agreement shall serve as an annexation service plan meeting the requirements of Tex. Local Gov't Code §43.065. The Parties further agree that the services and infrastructure to serve the Property provided by Owner are undertaken voluntarily by Owner.

ARTICLE VII.

PID CREATION

7.1 PID Petition. Subject to the submittal of a petition by Owner (the "**PID Petition**") that substantially incorporates the terms attached hereto as **Exhibit E** and that otherwise complies with Tex. Local Gov't Code §372.005, the City shall cooperate with Owner in good faith in the formation of a Public Improvement District ("**PID**") covering the Property. The PID Petition must be submitted for City Council approval before the first Final Plat is filed. Owner shall deliver to the City for the City's review a preliminary service and assessment plan demonstrating the feasibility, desirability and advisability of the PID no less than 21 days prior to the public hearing on the establishment of the PID. Owner agrees to the execution and delivery of such further documents or instruments as may be reasonably necessary to effectuate formation of the PID, including all petitions and supporting data necessary for the establishment thereof pursuant to Tex. Local Gov't Code Chapter 372.

7.2 Purpose of PID. The purpose of the PID shall be to (a) pay for the PID qualified costs associated with the construction of the on-site Public Improvements permitted under Tex. Local Gov't Code Chapter 372; (b) pay for the PID qualified costs associated with the construction of the off-site Public Improvements described in Article IV that are permitted under Tex. Local Gov't Code Chapter 372; and (c) reimburse the City for costs above and beyond the City's ordinary costs, including additional administrative and/or operational costs as well as additional maintenance costs resulting from the PID; and (d) to finance any of the foregoing activities through the levy and collection of special assessments against the Property. Owner shall reimburse the City for any extraordinary costs incurred by the City which are not reimbursed by the PID. The foregoing notwithstanding, the PID shall not incur any expenses, obligations or liabilities, or levy any assessment, unless and until the Property has been excluded from the MUD.

7.3 Governmental Discretion. Notwithstanding the foregoing or anything to the contrary contained herein, Owner acknowledges that the creation of the PID requires compliance with the provisions of the Tex. Local Gov't Code which, in turn, requires the exercise by the City of its governmental discretion; and that approval of the PID in compliance with such provisions and in the exercise of the City's discretion shall be a condition to the City's obligations under this Agreement. Owner shall have the right to terminate this Agreement by written notice to the City if, after Owner submits a PID Petition complying with the terms of this Agreement and

applicable law, the City fails to approve the PID. Upon such notice of termination from Owner, this Agreement shall terminate in all respects and the Parties shall be relieved from any and all obligations hereunder. In the event that internal streets and water and wastewater facilities sufficient to serve at least 100 residential lots on the Property are not completed within five (5) years from the Effective Date, at the City's sole discretion, the PID may be dissolved and its affairs liquidated. The Parties agree that such terms and conditions shall be included in and made a part of the PID Petition and any ordinance or legislation authorizing same.

ARTICLE VIII

EVENTS OF DEFAULT; REMEDIES

8.1 Events of Default. No Party shall be in default under this Agreement ("**Default**") unless and until (a) notice of the alleged failure of such Party to perform has been given (which notice shall set forth in reasonable detail the nature of the alleged failure), and (b) such Party has been given a reasonable time to cure the alleged failure (such reasonable time determined based on the nature of the alleged failure, but in no event less than twenty (20) days after written notice of the alleged failure has been given). In addition, there shall be no Default if, within the applicable cure period, the Party to whom the notice was given begins performance and thereafter diligently and continuously pursues performance until the alleged failure has been cured. Notwithstanding the foregoing, however, a Party shall be in Default with respect to its obligation to make any payment required under this Agreement if such payment is not made within five (5) business days after it is due.

8.2 Remedies. If a Party is in Default, the aggrieved Party may, at its option and without prejudice to any other right or remedy under this Agreement, seek any relief available at law or in equity, including, but not limited to, an action under the Uniform Declaratory Judgment Act, specific performance, mandamus, and injunctive relief. **NOTWITHSTANDING THE FOREGOING, HOWEVER, NO DEFAULT UNDER THIS AGREEMENT SHALL:**

- (a) entitle the aggrieved Party to terminate this Agreement; or
- (b) except as expressly provided in Section 2.2 with respect to the City's approval of plats, entitle the aggrieved Party to suspend performance under this Agreement unless the portion of the Property for which performance is suspended is the subject of the Default; or
- (c) entitle the aggrieved Party to seek or recover monetary damages or attorney's fees of any kind; or
- (d) adversely affect or impair the validity of any consents given by the City in this Agreement; or
- (e) limit the Term.

8.3 Governmental Powers; Waivers of Immunity. By its execution of this Agreement, the City does not waive or surrender any of its governmental powers, immunities, or rights except as follows:

- (a) The City waives its governmental immunity from suit as to any action brought by a Party to pursue the remedies available under this Agreement, but only to the extent necessary to pursue such remedies. Nothing in this section shall waive any claims, defenses or immunities that the City has with respect to suits against the City by persons or entities other than a Party to this Agreement.
- (b) Nothing in this Agreement is intended to delegate or impair the performance by the City of its governmental functions; provided however, the City waives any claim or defense that any provision of this Agreement is unenforceable on the grounds that it constitutes an impermissible delegation or impairment of the City's performance of its governmental functions.

ARTICLE IX **ASSIGNMENT**

9.1 Assignment by Owner to Successor Owner. Except as expressly set forth in this Agreement, this Agreement may not be assigned by a Party without the prior written consent of the other Party. The foregoing notwithstanding, Owner may from time-to-time with the consent of the City, which consent shall not be unreasonably withheld, assign this Agreement, in whole or in part, and including any obligation, right, title, or interest of Owner under this Agreement, to any person or entity (an "**Assignee**") that is or will become an owner of any portion of the Property or that is an entity that is controlled by or under common control with Owner. Each assignment shall be in writing executed by Owner and the Assignee and shall obligate the Assignee to be bound by this Agreement to the extent this Agreement applies or relates to the portion of the Property being acquired and the obligations, rights, titles, or interests being assigned. A copy of each assignment shall be provided to all Parties within fifteen (15) days after execution. No assignment by Owner shall release Owner from any liability that resulted from an act or omission by Owner that occurred prior to the effective date of the assignment. Owner shall maintain written records of all assignments made by Owner to Assignees, including a copy of each executed assignment and the Assignee's notice information as required by this Agreement, and, upon written request from any Party or Assignee, shall provide a copy of such records to the requesting person or entity.

9.2 Continuing Obligations of Owner. Owner shall continue to be obligated for completion of the construction of the improvements described in Sections 4.1(a)-(c) and the obligation set forth in Section 4.1(e) (collectively, the "**Major Infrastructure**") in the event Assignee fails to complete construction of the Major Infrastructure, or any part thereof, in accordance with this Agreement. When construction of the Major Infrastructure, or part thereof, has been completed in accordance with this Agreement, Owner shall be released from any continuing obligations under this Agreement with respect to the completed Major Infrastructure, and the City agrees to look solely to Assignee.

ARTICLE X **RECORDATION, RELEASES, AND ESTOPPEL CERTIFICATES**

10.1 Binding Obligations. Pursuant to the requirements of Section 212.172(f) of the Texas Local Government Code, this Agreement and all amendments hereto (including amendments to

the Concept Plan) shall be recorded in the deed records of the Counties. In addition, all assignments to this Agreement shall be recorded in the deed records of the Counties. This Agreement, when recorded, shall be a covenant running with the land and binding upon the Property, the Parties and their grantees, successors, trustees and assigns and all others holding any interest in the Property now or in the future; however, this Agreement shall not be binding upon, and shall not constitute any encumbrance to title as to, any End-Buyer of a fully developed and improved lot except for the PID ordinance and land use and development regulations that apply to specific lots.

10.2 Estoppel Certificates. From time to time upon written request of Owner, the City Manager will execute a written estoppel certificate identifying any obligations of Owner under this Agreement that are in default or, with the giving of notice or passage of time, would be in default; and stating, to the extent true, that to the best knowledge and belief of the City, Owner is in compliance with its duties and obligations under this Agreement.

ARTICLE XI **THE MUD**

11.1 Exclusion of Property from MUD. Owner shall promptly, but in no event later than five (5) business days after authorization of the PID by the City, make application to the MUD for the exclusion of the Excluded Property from the MUD boundaries by substitution pursuant to the procedure described in Sections 54.739-54.737, Texas Water Code. The MUD shall approve the exclusion of the Excluded Property from the MUD boundaries and simultaneously approve an application for inclusion of substitute land of equal or greater value. The City shall consent to any petition for exclusion of the Excluded Property from the MUD boundaries and the petition for consent to the addition of the substituted land to the MUD boundaries. It shall be a condition to the City's obligations under this Agreement that the Board of Directors of the MUD shall have adopted and entered in its minutes a resolution and order excluding all of the Excluded Property from the MUD boundaries and including the land proposed for inclusion as substitute land.

11.2 Annexation into the City. By its execution hereof, the MUD hereby consents to the annexation by the City of the Excluded Property, and agrees to cooperate in good faith with the City and Owner to effectuate such annexation, including the execution of any additional documents and taking of further action reasonably necessary under applicable laws.

11.3 Transfer of Water CCN. The MUD shall convey to the City the Water CCN for the property described on **Exhibit D** attached hereto at no acquisition cost to the City. The Parties and the MUD agree to cooperate with each other in presenting the Water CCN transfer application to the PUC, at no cost to the MUD.

11.4 Transfer of Wastewater CCN. The MUD shall convey to the City the Wastewater CCN for the property described on **Exhibit D** attached hereto at no acquisition cost to the City. The Parties and the MUD agree to cooperate with each other in presenting the Wastewater CCN transfer application to the PUC, at no cost to the MUD.

11.5 Expansion of Existing Wastewater CCN. Neither the MUD nor Owner will contest the application of the City for the expansion of the City's current wastewater CCN.

11.6 City of Royse City/Verandah Settlement Agreement. Owner, the City and the MUD each acknowledge and agree that, as among Owner, the City and the MUD, neither Owner, the City nor the MUD has any obligations nor is entitled to any benefits under that certain City of Royse City/Verandah Settlement Agreement, dated effective as of June 3, 2004, with regard to the Excluded Property. The foregoing shall in no way limit any right of Owner to reimbursement from the MUD arising out of the Property's inclusion in the MUD.

ARTICLE XII
ADDITIONAL PROVISIONS

12.1 Recitals. The recitals contained in this Agreement: (a) are true and correct as of the Effective Date; (b) form the basis upon which the Parties negotiated and entered into this Agreement; (c) are legislative findings of the City Council, and (d) reflect the final intent of the Parties with regard to the subject matter of this Agreement. In the event it becomes necessary to interpret any provision of this Agreement, the intent of the Parties, as evidenced by the recitals, shall be taken into consideration and, to the maximum extent possible, given full effect. The Parties have relied upon the recitals as part of the consideration for entering into this Agreement and, but for the intent of the Parties reflected by the recitals, would not have entered into this Agreement.

12.2 Notices. All notices required or contemplated by this Agreement (or otherwise given in connection with this Agreement) (a "**Notice**") shall be in writing, shall be signed by or on behalf of the Party giving the Notice, and shall be effective as follows: (a) 3 business days after deposit with the United States mail service, Certified Mail, Return Receipt Requested; (b) on the day delivered by a private delivery or private messenger service (such as FedEx or UPS) which provides confirmation of delivery; (c) when transmitted via facsimile (with confirmation receipt); or (d) otherwise on the day actually received by the person to whom the Notice is addressed, including, but not limited to, delivery in person and delivery by regular mail. Notices given pursuant to this section shall be addressed as follows:

To the City: Attn: Carl Alsabrook, City Manager
 P.O. Box 638
 305 N. Arch Street
 Royse City, Texas 75189
 E-mail: carl.alsabrook@roysecity.com
 FAX: 972-635-2434

With a copy to: Attn: Jason Day, City Attorney
 P.O. Box 638
 305 N. Arch Street
 Royse City, Texas 75189
 E-mail: Jason.day@roysecity.com
 FAX: 972-635-2434

To Owner: Attn: David Booth
 D.R. Horton
 4306 Miller Road
 Suite A
 Rowlett, Texas 75088
 E-mail: dbooth@drhorton.com
 FAX: (214) 607-4195

With a copy to: Attn: Arthur J. Anderson
 Winstead PC
 500 Winstead Building,
 2728 N. Harwood Street
 Dallas, Texas 75201
 E-mail: aanderson@winstead.com
 FAX: 214-745-5390

To MUD: Attn: Ross S. Martin
 Kelly Hart & Hallman LLP
 201 Main Street, Suite 2500
 Fort Worth, Texas 76102
 E-mail: ross.martin@kellyhart.com
 FAX: 817-878-9717

Notices shall be deemed given (even if rejected by the addressee) when sent in accordance with the requirements of this Section. Notices sent by email or other electronic means (other than facsimile as set forth above) shall not be effective.

12.3 Indemnification/Continuing Obligation. Owner shall indemnify and hold harmless the City against claims or suits (including the City's reasonable attorney's fees, damages, and judgments) by any Assignee arising out of any obligation imposed on such Assignee under this Agreement.

12.4 Interpretation. The Parties acknowledge that each of them has been actively involved in negotiating this Agreement. Accordingly, the rule of construction that any ambiguities are to be resolved against the drafting Party will not apply to interpreting this Agreement. In the event of any dispute over the meaning or application of any provision of this Agreement, the provision will be interpreted fairly and reasonably and neither more strongly for nor against any Party, regardless of which Party originally drafted the provision.

12.5 Authority and Enforceability. The City represents and warrants that this Agreement has been approved by ordinance duly adopted by the City Council in accordance with all applicable public notice requirements and that the individual executing this Agreement on behalf of the City has been duly authorized to do so. Owner represents and warrants that this Agreement has been approved by appropriate action of Owner, that the individual executing this Agreement on behalf of Owner has been duly authorized to do so. Each Party acknowledges and agrees that this Agreement is binding upon such Party and enforceable against such Party in accordance with its

terms and conditions and that the performance by the Parties under this Agreement is authorized by Tex. Local Gov't Code Chapter 212.

12.6 Entire Agreement; Severability. This Agreement constitutes the entire agreement between the Parties and supersedes all prior agreements, whether oral or written, covering the subject matter of this Agreement. This Agreement shall not be modified or amended except in writing signed by the Parties. The provisions of this Agreement are severable and, in the event any word, phrase, clause, sentence, paragraph, section, or other provision of this Agreement, or the application thereof to any person or circumstance, shall ever be held or determined to be invalid, illegal, or unenforceable for any reason, and the extent of such invalidity or unenforceability does not cause substantial deviation from the underlying intent of the parties as expressed in this Agreement, then such provision shall be deemed severed from this Agreement with respect to such person, entity or circumstance, without invalidating the remainder of this Agreement or the application of such provision to other persons, entities or circumstances except to the extent that the severed provision(s) is a dependent substantive term the removal of which affects the intent and effect of the remaining provisions.

12.7 Applicable Law; Venue. This Agreement is entered into under and pursuant to, and is to be construed and enforceable in accordance with, the laws of the State of Texas, and all obligations of the Parties are performable in Rockwall County. Venue for any action to enforce or construe this Agreement shall be Rockwall County.

12.8 Non Waiver. Any failure by a Party to insist upon strict performance by another Party of any material provision of this Agreement shall not be deemed a waiver thereof, and the Party shall have the right at any time thereafter to insist upon strict performance of any and all provisions of this Agreement. No provision of this Agreement may be waived except by writing signed by the Party waiving such provision. Any waiver shall be limited to the specific purposes for which it is given. No waiver by any Party of any term or condition of this Agreement shall be deemed or construed to be a waiver of any other term or condition or subsequent waiver of the same term or condition.

12.9 No Third Party Beneficiaries. This Agreement only inures to the benefit of, and may only be enforced by, the Parties. No other person or entity shall have any right, title, or interest under this Agreement or otherwise be deemed to be a third-party beneficiary of this Agreement.

12.10 Force Majeure. Each Party shall use good faith, due diligence and reasonable care in the performance of its respective obligations under this Agreement, and time shall be of the essence in such performance; however, in the event a Party is unable, due to force majeure, to perform its obligations under this Agreement, then the obligations affected by the force majeure shall be temporarily suspended. Within ten (10) business days after the occurrence of a force majeure, the Party claiming the right to temporarily suspend its performance, shall give Notice to all the Parties, including a detailed explanation of the force majeure and a description of the action that will be taken to remedy the force majeure and resume full performance at the earliest possible time. The term "force majeure" shall include events or circumstances that are not within the reasonable control of the Party whose performance is suspended and that could not have been avoided by such Party with the exercise of good faith, due diligence and reasonable care, including without limiting a delay or failure of performance caused by any act of God, war,

natural disaster, strike, lockout, labor dispute, work stoppage, fire, third-party criminal act, or quarantine restriction.

12.11 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and constitute one and the same instrument.

12.12 Further Documents. Each Party shall, upon request of the other Party, execute and deliver such further documents and perform such further acts as may reasonably be requested to effectuate the terms of this Agreement and achieve the intent of the Parties.

12.13 Exhibits. The following Exhibits are attached to this Agreement and are incorporated herein for all purposes:

- Exhibit A Depiction of the Property
- Exhibit B Legal Description of the Property
- Exhibit C Excluded Property
- Exhibit D Water and Wastewater CCN Area
- Exhibit E PID Terms
- Exhibit F Concept Plan
- Exhibit G Design Guidelines

[THE BALANCE OF THIS PAGE IS INTENTIONALLY BLANK]
[SIGNATURE PAGES IMMEDIATELY FOLLOW]

Executed by Owner and the City to be effective on the Effective Date.

CITY:

ATTEST:

CITY OF ROYSE CITY, TEXAS

Name: _____
Title: City Secretary

By: _____
Name: _____
Title: _____
Date: _____

APPROVED AS TO FORM AND LEGALITY

Name: _____
Title: City Attorney

STATE OF TEXAS §
 §
COUNTY OF _____§

This instrument was acknowledged before me on the ____ day of _____, 2015 by _____,
_____ of the City of Royse City, Texas, on behalf of said city.

Notary Public, State of Texas

OWNER:

D.R. HORTON-TEXAS, LTD.,
a Texas limited partnership,

By: D.R. Horton, Inc.,
a Delaware corporation,
its general partner

By: _____

Name: _____

Title: _____

Date: _____

STATE OF TEXAS §
 §
COUNTY OF _____§

This instrument was acknowledged before me on the ____ day of _____, 2015 by _____,
_____ of D.R. Horton, Inc., a Delaware corporation, as general partner of D.R. HORTON-
TEXAS, LTD., a Texas limited partnership, on behalf of said limited partnership.

Notary Public, State of Texas

Executed by the MUD, for the limited purposes set forth in Article XI above, to be effective on the Effective Date.

ATTEST:

Name: _____
Title: City Secretary

MUD:

VERANDAH MUNICIPAL UTILITY
DISTRICT OF HUNT COUNTY

By: _____
Name: _____
Title: _____
Date: _____

STATE OF TEXAS §
 §
COUNTY OF _____§

This instrument was acknowledged before me on the ____ day of _____, 2015 by _____,
_____ of Verandah Municipal Utility District of Hunt County, on behalf of thereof.

Notary Public, State of Texas

EXHIBIT A
DEPICTION OF THE PROPERTY

EXHIBIT B

LEGAL DESCRIPTION OF THE PROPERTY

BEING a parcel of land located in Rockwall and Hunt Counties, Texas, a part of the Richard Mead Survey, Abstract No. 141 (Rockwall County) and Abstract No. 1226 (Hunt County), and being a part of a called 129.2103 acre tract of land described in a special warranty deed to D.R. Horton – Texas, Ltd., as recorded in Volume 3285, Page 296, Hunt County Deed Records, and being further described as follows:

BEGINNING at a one-half inch iron rod with yellow cap stamped “PATE” found at the southwest corner of said 129.2103 acre tract, said point being the southeast corner of a called 65.34 acre parcel of land described in correction deed to Crowell Development, Co., Inc. as recorded in Volume 5032, Page 188, Hunt County Deed Records, said point also being the southeast corner of a called 5.00 acre parcel of land described in deed to BHP Water Supply Corporation as recorded in Volume 5290, Page 231, Hunt County Deed Records, said point also being in the north right-of-way line of Farm to Market Highway 35 (a variable width right-of-way);

THENCE North 00 degrees 17 minutes 46 seconds West along the west line of said 129.2103 acre tract and the east line of said 65.34 acre tract, at 871.31 feet passing a one-half inch iron rod with yellow cap stamped “R.S.C.I. RPLS 5034” found at the northeast corner of said 5.00 acre parcel, in all a total distance of 2437.98 feet to a one-half inch iron rod with yellow cap stamped “JBI” set at the southwest corner of a called 0.742 acre parcel of land described in deed to Royse City/I-30, LLP as recorded in Volume 5042, Page 82, Hunt County Deed Records;

THENCE North 88 degrees 55 minutes 19 seconds East, at 51.96 feet passing a 4 inch metal post found at the southeast corner of said 0.742 acre parcel, and continuing a distance of 896.72 feet passing a one-half inch iron rod found at the southeast corner of a called 11.88 acre parcel of land described in deed to Royse City I30 LLP as recorded in Volume 4827, Page 133, Hunt County Deed Records, said point being the most southerly southwest corner of a called 30.83 acre parcel of land described in deed to Royse City/I-30, LLP as recorded in Volume 4827, Page 123, Hunt County Deed Records, said point also being in the north line of said 129.2103 acre tract, in all a total distance of 2111.09 feet to a one-half inch iron rod with yellow cap stamped “PATE” found at the northeast corner of said 129.2103 acre tract, said point being the southeast corner of said 30.83 acre tract, said point also being in the west right-of-way line of Farm to Market Highway No. 2642 (a 100 foot wide right-of-way);

THENCE along the east line of said 129.2103 acre tract of land and along the west right-of-way line of Farm to Market Highway No. 2642 as follows:

Southeasterly, 39.07 feet along a curve to the right which has a central angle of 02 degrees 02 minutes 34 seconds, a radius of 1095.92 feet, a tangent of 19.54 feet, and whose chord bears South 01 degrees 30 minutes 04 seconds East, 39.07 feet to a one-half inch iron rod found for corner;

South 00 degrees 28 minutes 47 seconds East, 2149.00 feet to a concrete monument found (disturbed) at the southeast corner of said 129.2103 acre tract, said point being at the intersection of the west right-of-way line of Farm to Market 2642 with the north right-of-way line of Farm to Market 35;

THENCE along the south line of said 129.2103 acre tract and the north right-of-way line of Farm to Market 35 as follows:

South 44 degrees 03 minutes 40 seconds West, 332.30 feet to a concrete monument found (disturbed) for corner;

South 88 degrees 45 minutes 28 seconds West, 1055.70 feet to a one-half inch iron rod with yellow cap stamped "JBI" set for corner, said point being on the west line of Hunt County and the east line of Rockwall County;

South 01 degrees 14 minutes 32 seconds East, 10.00 feet to a one-half inch iron rod found for corner;

South 88 degrees 45 minutes 28 seconds West, 831.00 feet to the POINT OF BEGINNING and containing 5,110,966 square feet or 117.332 acres of land.

EXHIBIT C

EXCLUDED PROPERTY

The Excluded Property shall include the Property described on Exhibit B, together with the following additional property:

A strip of land running generally north and south, of variable width between 10' and 41', and running generally between points "W" and "X", and "Y" and "Z" as shown on the attached Exhibit C-1, said location to be determined by the City and the MUD.

EXHIBIT D

WATER AND SEWER CCN AREA

All of the real property included within the Certificate of Convenience and Necessity for water service, CCN No. 13101; and the Certificate of Convenience and Necessity for wastewater service, CCN No. 20958; situated in Hunt County, Texas, and Rockwall County, Texas, and being a tract or parcel of land, a part of the R. Mead Survey, Hunt County, Abstract No. 1226, and Rockwall County, Abstract No. 141 and also being a part of 160.0145 acres, more or less, of land described in a deed from Western Union Investment Company to Verandah Communities, LP, Document No. 00261751, of the Rockwall County Deed Records, and being more particularly described as follows:

BEGINNING at iron stake for corner at the intersection of the West bdry. Line of said Russell 183.63 acres with the North R.O.W. line of F. M. Hwy. No. 35, said point being in Rockwall County and also identified as being 40 feet North of the intersection of the W.B.L. of said Russell 183.63 acres with the S.B.L. of said Mead Survey line;

THENCE N. 88° 51' E., 831 feet with the North R.O.W. line of said F.M. Hwy. No. 35 to point at its intersection with the county line of Rockwall County and Hunt County;

THENCE N. 1° 09' W., 10 feet with Hwy. R.O.W. and also county line to point for corner;

THENCE N. 88° 51' E., 1055.7 feet with North R.O.W. line of said F.M. Hwy. No. 35 to Hwy. monument for corner;

THENCE 44° 19' E., 332.3 feet with Hwy. R.O.W. flare to monument for corner and said point being at the Southwest corner of 2.483 acres of land from Russell to State of Texas per Vol. 605, page 318 of the Hunt County Deed Records.

THENCE N. 1° W., 2163 feet along the West R.O.W. line of F.M. Hwy. No. 3642 to hwy. monument for corner at the beginning of a curve to the left;

THENCE in a Northwesterly direction with said Hwy. R.O.W. curve to the left a distance of 405 feet to point where said curve continues to curve to the right;

THENCE in a Northerly direction with said curve to the right, 446 feet to end of said curve and at hwy. monument for corner;

THENCE N. 41° 08' W., 141.4 feet with hwy. R.O.W. flare to monument for corner and said point being on the Southerly R.O.W. line of Interstate hwy. No. 30;

THENCE N. 86° 08' W., 550 feet with Southerly R.O.W. line of said I.H. Hwy. No. 30 to hwy. marker for corner;

THENCE N. 74° 49' W., 205 feet with hwy. R.O.W. to hwy. marker for corner;

THENCE 86° 08' W., and with said hwy. R.O.W. and crossing Hunt and Rockwall County line at 300 feet and continuing on this line for a total distance of 733.5 feet to hwy. marker for corner and at the beginning of a curve to the left;

THENCE in a Westerly direction with said curve to the left, a distance of 366 feet to iron stake for corner and said point being at the intersection of the Westerly bdry. Line of said Russell 183.63 acres with the Southerly R.O.W. line of Interstate hwy. No. 30;

THENCE S. 1° E., 3351 feet with the Westerly bdry. Line of said Russell land to the Place of Beginning, and containing 161.67 acres of land, of which 63 acres lie in Rockwall County and 98.67 acres lie in Hunt County.

EXHIBIT E

PID TERMS

GENERAL DISTRICT CRITERIA

1. Maximum Authorized Improvements (including hard costs, soft costs, contingency and a construction management fee) for the PID: \$10,000,000
2. Maximum total equivalent tax rate including PID assessment: \$3.50 per \$100 of AV
3. Term of the PID: 35 years

PID BOND FINANCING CRITERIA

4. Minimum appraised value to lien ratio: 3:1
5. Maximum annual permitted debt service escalation: 2.0%
6. Maximum years of capitalized interest: 2
7. Maturity of bonds (to extend allowed by law): 30 years
8. The aggregate principal amount of bonds required to be issued shall not exceed an amount sufficient to fund: (i) the actual costs of the qualified public improvements (ii) required reserves and capitalized interest during the period of construction and not more than 12 months after the completion of construction and in no event for a period greater than 3 years from the date of the initial delivery of the bonds and (iii) any costs of issuance. Provided, however that to the extent the law(s) which limit the period of capitalized interest to 12 months after completion of construction change, the foregoing limitation may be adjusted to reflect the law(s) in effect at the time of actual bond issuance.

MISCELLANEOUS

1. No General Obligation or Certificate of Obligation bonds will be utilized by the City of Royse City (the "City") to fund the PID.
2. No PID bonds will be issued without the approval by the City of a Service and Assessment Plan for the PID
3. The PID Bond Indenture will contain language precluding the City from making any debt service payments for the PID Bonds other than from dedicated and available special assessment revenues.
4. The City shall not be obligated to provide funds for any Authorized Improvements except from the proceeds of the bonds.

5. The PID may seek bond issues in advance of construction of Authorized Improvements subject to compliance with these standards..
6. Special assessments on any portion of the property will bear a direct proportionate relationship to the special benefit of the public improvements to that improvement area. Scheduled special assessments will not be increased on any lot once conveyed to an end user.
7. All of the City's reasonable and customary costs with respect to issuance of the bonds and creation of the PID will either be funded by Owner or paid from bond proceeds. Ongoing administrative costs of the PID will be paid through the special assessments and are estimated to total \$35,000 per year escalating at 2% beyond the initial year.
8. It is agreed that the PID will be exempt from any public bidding or other purchasing and procurement policies per Texas Local Government Code Section 252.022(a)(9) which states that a project is exempt from such policies if "paving drainage, street widening, and other public improvements, or related matters, if at least one-third of the cost is to be paid by or through special assessments levied on property that will benefit from the improvements."
9. It is agreed that all principal landowners will provide any required continuing disclosure obligations associated with the issuance of PID Bonds as required under the Indenture or any other regulatory agreement or regulatory agency.

EXHIBIT F
CONCEPT PLAN

EXHIBIT G

DESIGN GUIDELINES

A. General Standards.

1. Development shall take place in general accordance with the Concept Plan.
2. The maximum number of homes in Union Square neighborhood shall be 500.
3. All open space and common area shall be owned and maintained by a Homeowners Association ("HOA").

B. Dimensional Standards.

Development shall take place in accordance with the following dimensional standards:

1. The minimum lot area shall be 5,750 square feet.
2. The minimum lot width shall be 50' measured at the building line.
3. The minimum lot depth shall be 115' measured at the midpoint of the lot on cul-de-sacs and/or elbows, the minimum lot depth may be 105' measured at the midpoint of the lot.
4. The minimum front building line shall be 20'.
5. The minimum rear building line shall be 15'.
6. The minimum side yard shall be 5'. The minimum side yard on a corner lot adjacent to a street shall be 15'.
7. The maximum lot coverage (total under roof) shall be 75%.
8. The following applies for each phase of development:
 - The minimum dwelling area shall be 1,700 square feet.
 - No more than 10% of the homes shall have a dwelling area of between 1,700 and 1,800 square feet.
 - 90% of the homes shall have a dwelling area of greater than 1,800 square feet.
 - For each home in the 1,700 – 1,800 square foot range, at least one home with a dwelling area of greater than 2,300 square feet.
9. The maximum height shall be 2.5 stories or 35' for the main building.
10. Garage doors may face a public street.

C. Neighborhood Standards.

1. A swim center shall be provided with a pool, bathrooms and shade structures as generally located on the Concept Plan. The following minimum standards apply to the swim center:
 - Brick Veneer Cabana Building approximately 1150 sq. ft. with men's/women's bathrooms, shower, drinking fountain, covered cabana, storage area, mechanical room.
 - 3,500 Sq. Ft. Swimming Pool with two tanning ledges, handicap accessible lift.
 - Two (2) Wood trellis structures
 - 6,000 Sq. Ft. Pool Deck with Spray Deck Surface coating.
 - 6 Ft. Powder coated steel fence around pool deck with an entry and egress gate.

- LED pole lights around pool deck and parking lot.
 - Landscape and irrigation around the pool area.
2. A 5 piece playground area shall be provided as generally located on the Concept Plan.
 3. An 8' wide hike and bike trail shall be provided as generally shown on the Concept Plan. Owner shall pave all hike and bike trails with concrete approved by the City. Such trails will be dedicated to the City upon the City's request, at the City's sole discretion and upon such dedication the City shall maintain such trails and the HOA shall be responsible for mowing adjacent to such trails. Such trails shall be stubbed to the property line for future connection to the City-wide trail system. At three (3) locations along and adjacent to the trail, a commercial grade painted steel bench, waste container and pet waste disposal station shall be installed. Trees and drought tolerant landscaping shall be installed around the bench area.
 4. Entry monuments shall be provided at all entries to the neighborhood.
 5. All detention areas shall be wet ponds with fountains or aerators for circulation or otherwise erected. Ponds that are not kept wet shall be landscaped with trees.
 6. A 10' wide HOA buffer space shall be provided for all lots backing or siding to FM 2642, FM 35 and the minor collector street on the north side of the property.
 7. Lots that back or side to (i.e. are contiguous to) detention areas, common recreation areas or other open spaces shall be fenced with 6' high metal fence or masonry thinwall fencing, as shown on the Concept Plan.
 8. All common areas and open space shall be grassed with drought tolerant grass and irrigated with an efficient irrigation system and shall be generally landscaped with hardwood and ornamental trees as shown on the Concept Plan.
 9. Upgraded black metal street signs shall be provided.
 10. Owner shall build and the HOA shall maintain, a 100% masonry thinwall screening fence, not to exceed six feet (6') along all streets located along the perimeter of the Property. No wood fencing shall be permitted for required perimeter and collector street fencing. Minor and principal arterials shall be fenced with 6' high masonry thinwall fence. Collector streets may be fenced with 6' high ornamental metal fence or 6' high masonry thinwall fence. Fencing along collector streets shall be located only where the lots either side or back to the collector roadway. The design of masonry thinwall fence walls shall include articulation, including, but not limited to, variations in construction materials, color/texture and, architectural elements and detailing such as decorative columns, iron rails or decorative concrete caps.
 11. Owner shall design and construct each pond/drainage holding area with a safety shelf and with safety concerns addressed.
 12. Ponds/drainage holding areas will incorporate water features approved by the City and will have park benches in various locations around the pond/drainage holding areas. Said park benches in this paragraph can count toward the park benches specified in paragraph C3.
 13. Except as otherwise set forth herein, Owner shall install wooden privacy fencing according to City standards on all residential lots.
 14. Owner will incorporate the following green building design standards in all homes: WATER EFFICIENCY.

Must meet at least 3 of the following water reduction strategies:

1. The average flow rate for all lavatory faucets must be less than or equal to 2.0 gallons per minute.
2. The average flow rate for all shower heads must be less than or equal to 2.0 gallons per minute.
3. The average flow rate for all toilets must be:
 - a. Less than or equal to 1.3 gallons per flush, or
 - b. Dual flush complying with ASME A 112.19.14, or
 - c. Comply with US EPA Water Sense; certified and labeled
4. Utilize ENERGY STAR labeled dishwashers that use 6.0 gallons or less per cycle.
5. Utilize ENERGY STAR labeled clothes washer with a modified energy factor ≥ 2.0 and water factor of ≤ 5 .

ENERGY EFFICIENCY

Meet the performance requirements of ENERGY STAR for Homes to achieve a HERS rating of 75

HEAT ISLAND MITIGATION

Proposed houses shall contain one of the following options:

Option 1: An ENERGY STAR qualified roof on all roofs with a slope of 2:12 or greater.

Option 2: Radiant barrier with conventional shingles.

INDOOR AIR QUALITY

1. HVAC and ductwork located outside of fire rated garage envelope.
2. Minimize Pollutants

Conditioned spaces adjacent to attached garage:

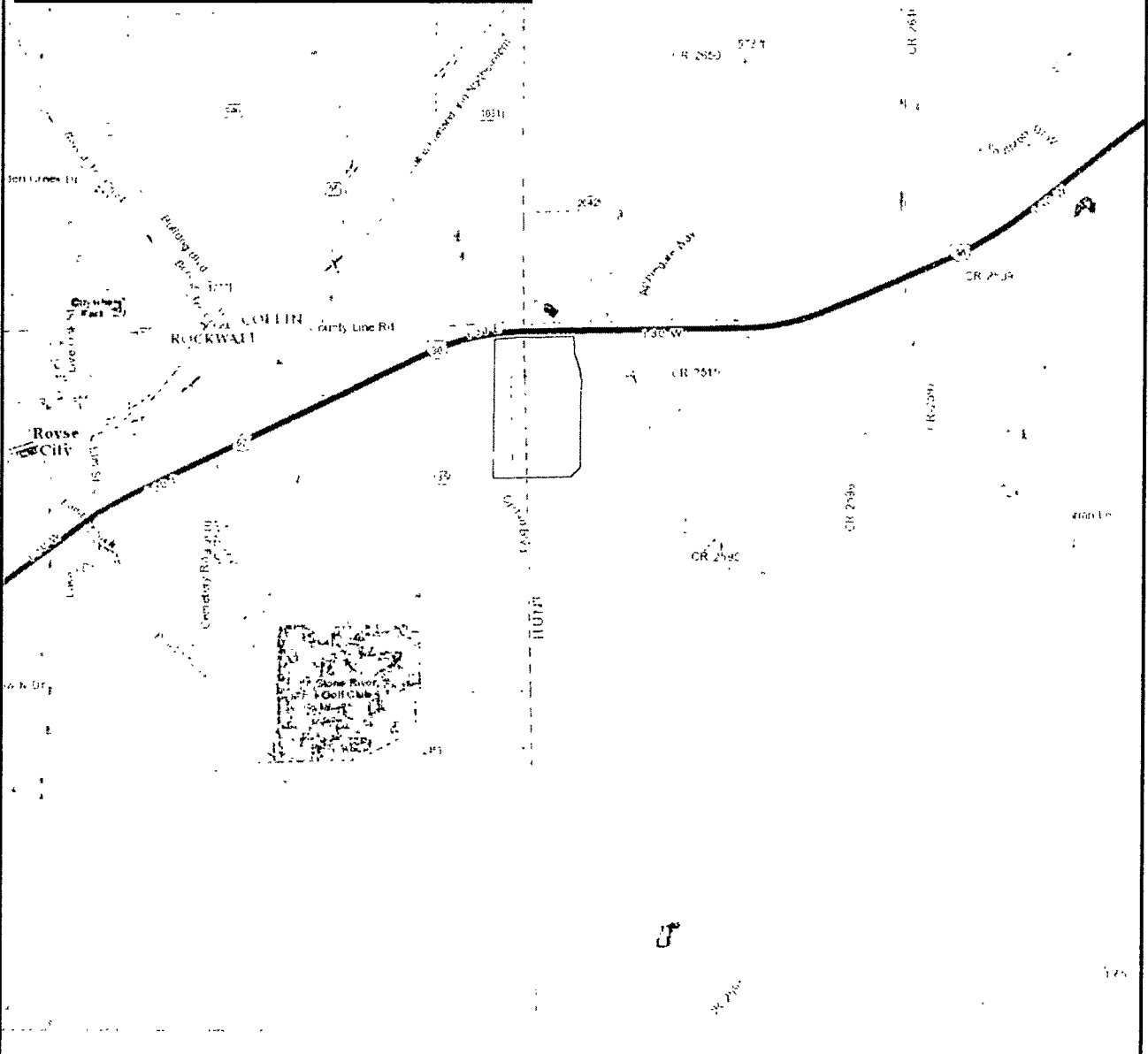
- a. Penetration sealed.
- b. Doors weather stripped.
- c. Cracks at wall base sealed.
3. Air Filters:
 - a. Air handlers sized to maintain air pressure and air flow
 - b. Airtight air filter housing.

15. Alleys are not required.

D. Architectural Standards.

1. All of the homes shall have at least one front elevation option which includes an integrated, unenclosed front porch.
2. Garage doors facing the street shall comprise no more than 40% of the total width of a house's facade. (16' wide garage door.)
3. Garage doors shall be architectural style doors with black decorative hardware.
4. Front and sides of homes, and the backs of homes required to have ornamental iron fences, shall be 100% masonry, exclusive of doors, windows, dormers and other architectural appurtenances. Except as set forth in the preceding sentence, backs of

- homes can be masonry or cementations siding. Homes shall have 80% masonry coverage overall.
5. Front elevations shall not repeat along any block face without at least four (4) intervening homes of differing appearance on the same side of the street and two (2) intervening homes of differing appearance on the opposite side of the street. The rear elevation of homes backing to open spaces or thoroughfares shall not repeat without at least two (2) intervening homes of differing appearance. Identical brick blends shall not repeat along any block face without at least four (4) intervening homes of differing appearance on the same side of the street and two (2) intervening homes of differing appearance on the opposite side of the street. Homes may differ in appearance in any two of the following ways: number of stories, garage location, roof type and layout, or articulation of the front façade.
 6. A hip roof which faces the street and which comprises greater than 35% of the total width of a house's facade measured at the plate line shall be broken up with dormers or other architecturally compatible appurtenances.
 7. Roof pitches shall be minimum 6:12 for main gables and hips. Dormer roofs and roofs over porches may have a lesser pitch. Shingles shall be 30-year shingles.
 8. Trees and landscaping on lots shall be in accordance with then current City ordinances; provided that common areas shall be landscaped with native, drought tolerant plants and grass and irrigated with a water efficient irrigation system.
 9. Address blocks on houses shall be cast stone to be inset into the brick façade with numbers no smaller than 6" in height and visible from the street.
 10. Mailboxes to be brick matching the home brick.
 11. Accessory buildings shall be allowed on a case-by-case basis by application for special exception to the City's Zoning Board of Adjustment. Zoning classification SF-2 shall not be applicable to the development as relates to accessory buildings.



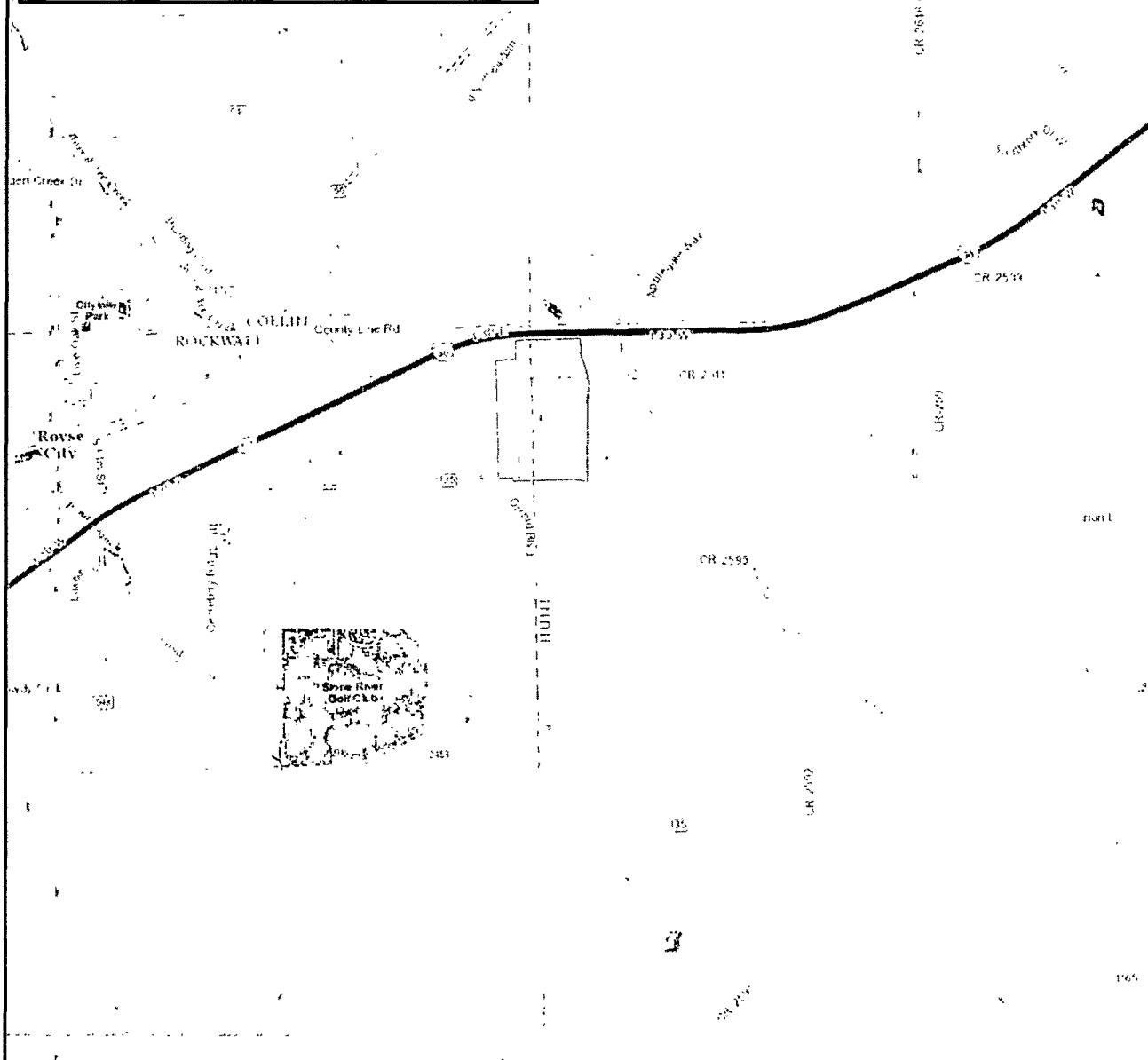
Proposed Water CCN Amendment

Attachment 3.A.



Legend

 Proposed Water CCN Amendment



Proposed Sewer CCN Amendment Attachment 3.A.

 Proposed Sewer CCN Amendment

TCEQ EXIT INTERVIEW FORM: Potential Violations and/or Records Requested					
Regulated Entity/Site Name	City of Roysse City		TCEQ Add. ID No. RN No. (optional)	1990002	
Investigation Type	CCI	Contact Made In-House (Y/N)	Purpose of Investigation	Routine	
Regulated Entity Contact	Dario Lopez		Telephone No.		
Title	Public Works Director		Fax No.		
			Date Contacted		
			Date Faxed		

NOTICE: The information provided in this form is intended to provide clarity to issues that have arisen during the investigation process between the TCEQ and the regulated entity named above and does not represent final TCEQ findings related to violations. Any potential or alleged violations discovered after the date on this form will be communicated by telephone to the regulated entity representative prior to the issuance of a notice of violation or enforcement. Conclusions drawn from this investigation, including additional violations or potential violations discovered (if any) during the course of this investigation, will be documented in a final investigation report.

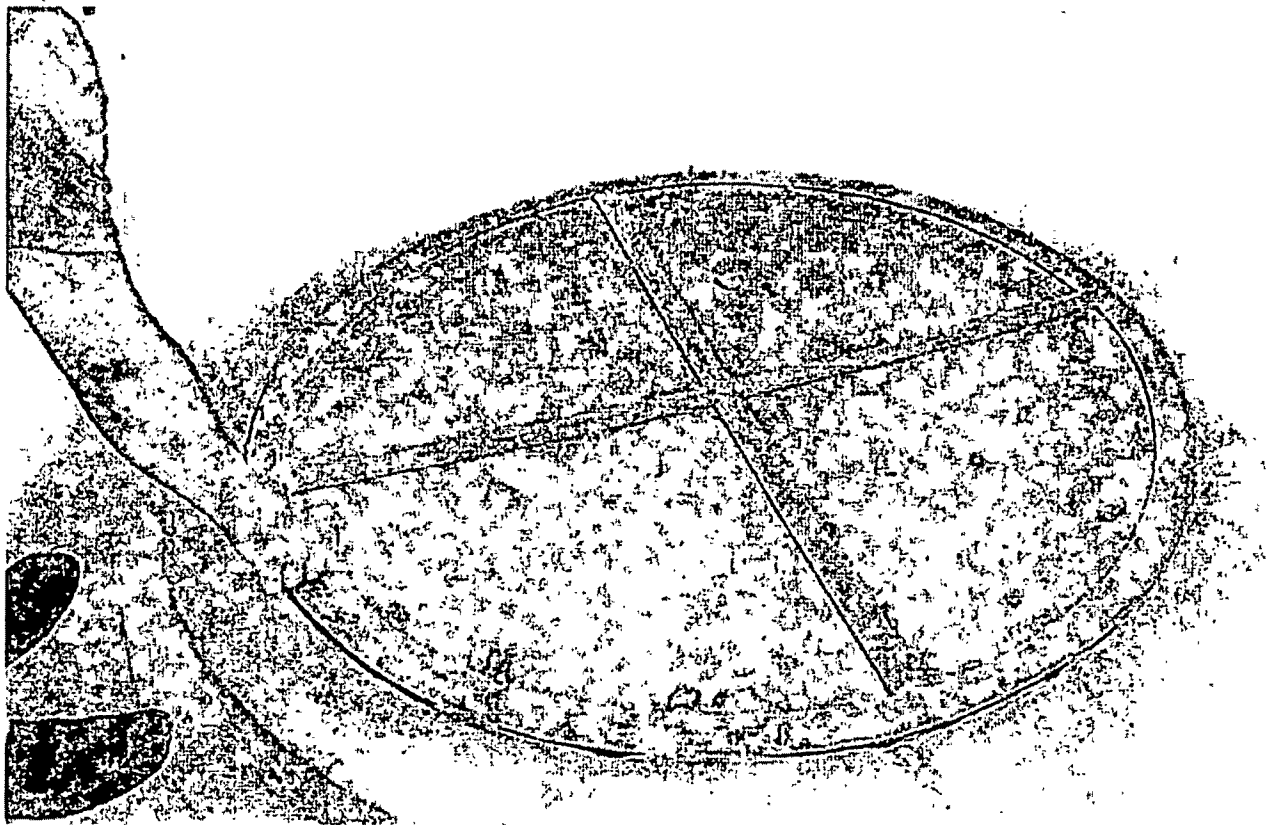
Issue		For Records Request: Identify the necessary records, the company contact and date due to the agency. For Alleged and Potential Violation issues: include the rule in question with the clearly described potential problem. Other type of issues: fully describe.	
No.	Type ¹	Rule Citation (if known)	Description of Issue
1	AV	30 TAC 290	Failure to maintain a Notification Action Plan.
2	AV	30 TAC 290	Failure to monitor the effectiveness of the chloramine. At designated sample sites.
3	AV	30 TAC 290	Failure to maintain the vent on the Center St. Ground Storage Tank
4	AI		Please ensure the water system is maintaining 0.5 mg/L total and 0.2 mg/L free chlorine residual during the transition 'Issue Type Can Be One or More of: AV (Alleged Violation), PV (Potential Violation), O (Other), or RR (Records Request) from free chlorine burn out.
Did the TCEQ document the regulated entity named above operating without proper authorization?		<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Did the investigator advise the regulated entity representative that continued operation is not authorized?		<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

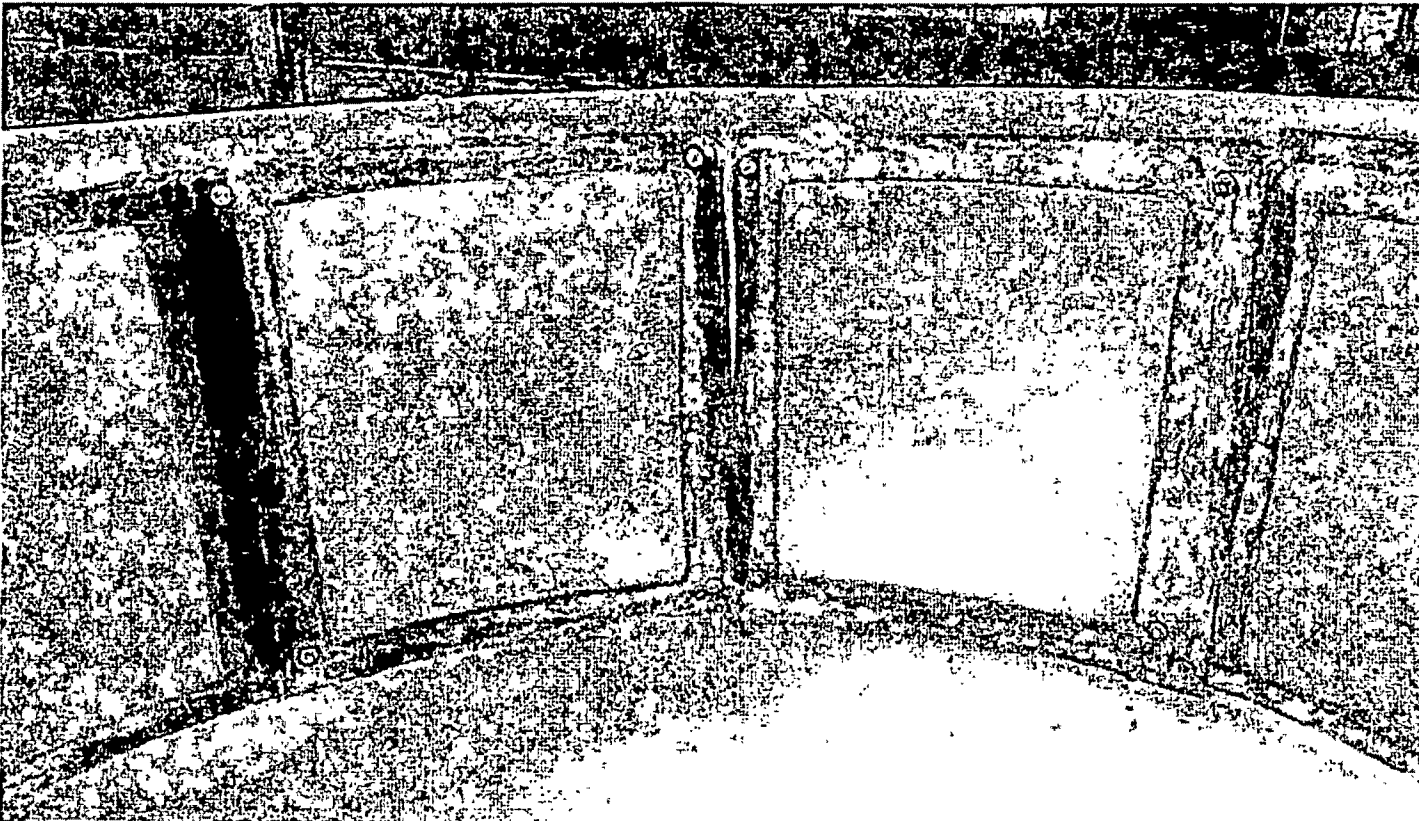
Document Acknowledgment. Signature on this document establishes only that the regulated entity (company) representative received a copy of this document and associated continuation pages on the date noted. If contact was made by telephone, document will be faxed to regulated entity; therefore, signature not required.

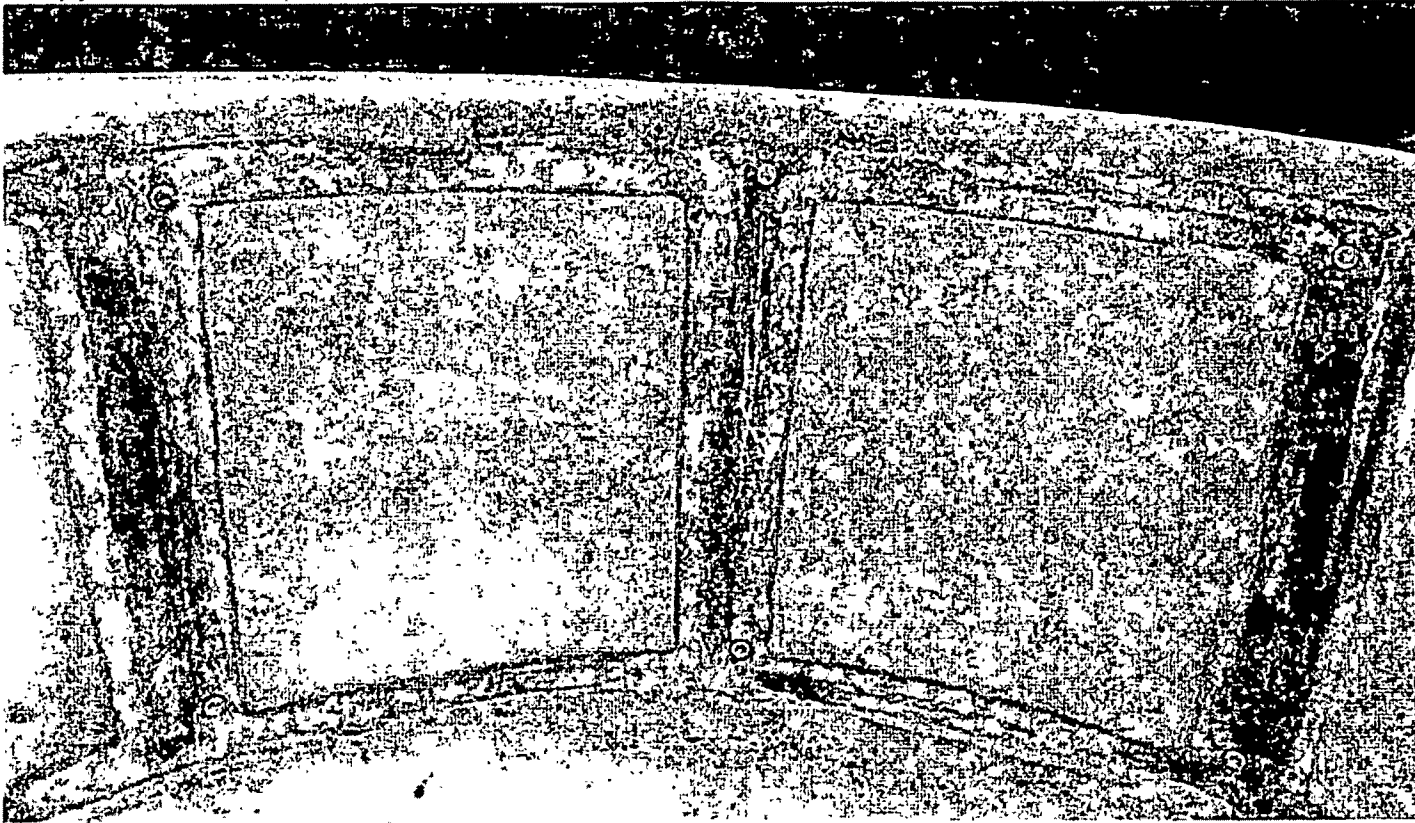
Investigator Name (Signed & Printed)	Date	Regulated Entity Representative Name (Signed & Printed)	Date
Crystal D. Watkins	4/5/16	Dario Lopez	4/6/2016

If you have questions about any information on this form, please contact your local TCEQ Regional Office.

Individuals are entitled to request and review their personal information that the agency gathers on its forms. They may also have any errors in their information corrected. To review such information, call 512-239-3282.







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



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

September 16, 2016

The Honorable Janet Nichol
Mayor of Royse City
PO Box 638
Royse City, Texas 76249

Re: Notice of Compliance with Notice of Violation (NOV) dated May 27, 2016:
City of Royse City PWS, 1101 N Josephine, Royse City, Rockwall County, Texas
RN101391696, PWS ID No. 1990002, Investigation No. 1330579, Incident No. 228753

Dear Mayor Nichol:

This letter is to inform you that Texas Commission on Environmental Quality (TCEQ) Dallas/Fort Worth (D/FW) Regional Office has received adequate compliance documentation on August 23, 2016, to resolve the alleged violation documented during the investigation of the above-referenced regulated entity conducted on April 5, 2016. Based on the information submitted, TCEQ records indicate that compliance with the above-referenced NOV has been achieved.

The TCEQ appreciates your assistance in this matter and your compliance efforts to ensure protection of the State's environment. If you or members of your staff have any questions, please feel free to contact Ms. Crystal Watkins at the D/FW Regional Office at (817) 588-5804.

Sincerely,

A handwritten signature in black ink, appearing to read "Charles Marshall".

Charles Marshall
Team Leader, Public Water Supply Program
D/FW Regional Office
Texas Commission on Environmental Quality

CM/cdw

Enclosure: Summary of Investigation Findings

cc: Mr. Dario Lopez, City of Royse City, PO Box 638, Royse City, Texas 76249

Summary of Investigation Findings

CITY OF ROYSE CITY PWS

Investigation #

1101 N JOSEPHINE

1358630

ROYSE CITY, ROCKWALL COUNTY, TX 75189

Investigation Date: 09/06/2016

Additional ID(s): 1990002

ALLEGED VIOLATION(S) NOTED AND RESOLVED

Track No: 603104

30 TAC Chapter 290.110(c)(5)

Alleged Violation:

Investigation: 1330579

Comment Date: 05/17/2016

Failure to perform chloramine effectiveness sampling.

30 TAC 290.110(c)(5) states that public water systems with a chloramine residual shall monitor to ensure that monochloramine is the prevailing chloramine species and that nitrification is controlled. Sample sites and procedures used for chloramine effectiveness sampling must be documented in the system's nitrification action plan (NAP) required by §290.46(z) of this title (relating to Minimum Acceptable Operating Practices for Public Drinking Water Systems). Sample results determined by monitoring required under this paragraph will not be used to determine compliance with the maximum contaminant levels, MRDLs, action levels, or treatment techniques of this subchapter.

On the day of the investigation, the water system distributes chloraminated water but was not monitoring the monochloramine and free ammonia to ensure that monochloramine was the prevailing chloramine species. Nitrate and nitrite were also not being monitored to ensure nitrification is controlled.

Investigation: 1345369

Comment Date: 07/31/2016

Failure to perform chloramine effectiveness sampling.

During the file record review investigation, compliance documentation submitted by the water system was not sufficient to resolve the alleged violation.

Investigation: 1358630

Comment Date: 09/06/2016

Failure to perform chloramine effectiveness sampling

During the file record review investigation, compliance documentation had been submitted by the water system to resolve the alleged violation.

Recommended Corrective Action: Begin monitoring for total chlorine, monochloramine, free ammonia, nitrate, and nitrite levels at the entry point and in the distribution system at the frequency required by 30 TAC 290.110(c)(5). Provide one month of documentation to the regional office to verify that the alleged violation has been resolved.

Resolution: On August 23, 2016, the water system provided one month's worth of sampling data for total chlorine, monochloramine, and free ammonia. It appears the alleged violation has been resolved.

**NORTH TEXAS MUNICIPAL WATER DISTRICT
REGIONAL WATER SUPPLY FACILITIES AMENDATORY CONTRACT**

THE STATE OF TEXAS :

NORTH TEXAS MUNICIPAL WATER DISTRICT :

THIS AMENDATORY CONTRACT (the "Contract") made and entered into as of the 1st day of AUGUST, 1988 (the "Contract Date"), by and between NORTH TEXAS MUNICIPAL WATER DISTRICT (the "District"), a conservation and reclamation district and political subdivision of the State of Texas, created and functioning under Article 16, Section 59, of the Texas Constitution, pursuant to Chapter 62, Acts of the 52nd Legislature, Regular Session, 1951, as amended (the "District Act"), and the following:

CITY OF FARMERSVILLE, IN COLLIN COUNTY, TEXAS,
CITY OF FORNEY, IN KAUFMAN COUNTY, TEXAS,
CITY OF GARLAND, IN DALLAS COUNTY, TEXAS
CITY OF MCKINNEY, IN COLLIN COUNTY, TEXAS,
CITY OF MESQUITE, IN DALLAS COUNTY, TEXAS,
CITY OF PLANO, IN COLLIN AND DENTON COUNTIES, TEXAS,
CITY OF PRINCETON, IN COLLIN COUNTY, TEXAS,
CITY OF RICHARDSON, IN DALLAS AND COLLIN COUNTIES, TEXAS,
CITY OF ROCKWALL, IN ROCKWALL COUNTY, TEXAS,
CITY OF ROYSE CITY, IN ROCKWALL AND COLLIN COUNTIES, TEXAS, and
CITY OF WYLIE, IN COLLIN COUNTY, TEXAS

(collectively the "Initial Contracting Parties").

W I T N E S S E T H

WHEREAS, each of the Initial Contracting Parties is a duly incorporated city and political subdivision of the State of Texas operating under the Constitution and laws of the State of Texas; and

WHEREAS, the District and the Initial Contracting Parties are authorized to enter into this Contract pursuant to the District Act, Vernon's Ann. Tex. Civ. St. Article 4413(32c) (the "Interlocal Cooperation Act"), and other applicable laws; and

WHEREAS, the District presently owns water rights in Lavon Reservoir on the East Fork of the Trinity River in Collin County, Texas, and owns and operates other water supply and treatment facilities which serve the Initial Contracting Parties (the "Existing System"); and

WHEREAS, the District has duly issued and delivered the following described bonds (the "Outstanding Bonds") which were issued to acquire and construct, and to refund bonds issued to acquire and construct, the Existing System:

North Texas Municipal Water District Water System Revenue Bonds, Series 1985, dated August 1, 1985, now outstanding in the aggregate principal amount of \$78,967,321.45; and

North Texas Municipal Water District Water System Revenue Bonds, Series 1987, dated March 1, 1987, now outstanding in the aggregate principal amount of \$24,565,000; and

WHEREAS, the District presently supplies and sells treated water from the Existing System to the Initial Contracting Parties under eleven separate treated water supply contracts, including various amendments thereto, now in effect; and it is acknowledged and agreed that the Existing System is inadequate to provide known future treated water requirements of the Initial Contracting Parties, thus making this Contract

necessary to enable the District to acquire and construct additional treated water supply and treatment facilities and make it possible for the District to supply such requirements; and

WHEREAS, the existing treated water supply contracts recognize that the District has assumed the responsibility for supplying all treated water needs of the Initial Contracting Parties; and

WHEREAS, each of said existing treated water supply contracts originally was dated as of December 12, 1953, except for the City of Richardson contract originally dated as of April 7, 1965, and each is similar in form and substance, and such contracts, including all amendments thereto, collectively presently provide the principal source and security for the payment of the District's Outstanding Bonds; and

WHEREAS the District proposes to acquire, construct, and complete additional surface water supply and treatment facilities from the following additional sources: Lake Texoma on the Red River, Cooper Dam and Reservoir in Hopkins and Delta Counties, Texas, a proposed new Bonham Dam and Reservoir in Fannin County, Texas, and other facilities wherever located to enable the District to supply treated water as needed to Contracting Parties and others (the "Projects"); and

WHEREAS, it is deemed necessary and advisable by the parties hereto that each of the eleven separate existing

treated water supply contracts, and amendments thereto, between the District and each Initial Contracting Party be amended and completely replaced with this single Contract so that the entire relationship between the District and all of the Initial Contracting Parties with respect to the System and the Bonds (as such terms are hereinafter defined) will be set forth in this Contract; and

WHEREAS, it is specifically represented, certified, and covenanted by the District that none of the amendments or modifications to the aforesaid existing treated water supply contracts with the Initial Contracting Parties which will occur as a result of entering into this Contract will in any way have an adverse affect on the operation of the System or the rights of the owners of any Bonds; and that this Contract will provide security for the owners of all Bonds and obligate the Initial Contracting Parties to make and assume unconditional specific payments with respect to the System and the Bonds; and

WHEREAS, the provisions of this Contract are similar in concept, essence, and intent to the provisions of the aforesaid existing treated water supply contracts and basically restate, reorganize, and expand same, including certain clarifications and updating, and establishing certain billing procedures and adjustments between the parties with respect to the use of, and payments with respect to, treated water from the System, which billing procedures and adjustments are solely between the

Initial Contracting Parties and do not affect the unconditional obligations of such parties with respect to the System and Bonds; and

WHEREAS, it is expected by the parties hereto that after the execution of this Contract, Bonds for parts of the Projects will be issued as soon as deemed advisable and necessary by the District.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the District agrees to use its best efforts to acquire, construct, and complete the Projects and other System facilities, when and as the District deems it advisable, and to supply treated water to Contracting Parties and others from the System, upon and subject to the terms and conditions hereinafter set forth, and, subject to the provisions of Section 13(b) and (c) hereof, the District and the Initial Contracting Parties agree that each of the eleven presently existing treated water supply contracts described above between the District and the Initial Contracting Parties are hereby amended, modified, combined, and consolidated so as henceforth to be in their entirety and for all purposes as follows, to-wit:

Section 1. DEFINITION OF TERMS. The following terms and expressions as used in this Contract, unless the context clearly shows otherwise, shall have the following meanings:

(a) "Additional Contracting Party" means any party not defined as one of the Initial Contracting Parties with which the District makes a contract similar to this Contract for supplying treated water from the System, provided that after execution of any such contract such party shall become one of the Contracting Parties for all purposes of this Contract.

(b) "Annual Payment" means the amount of money to be paid to the District by each of the Contracting Parties during each Annual Payment Period as its proportionate share of the Annual Requirement.

(c) "Annual Payment Period" means the District's fiscal year, which currently begins on October 1 of each calendar year and ends on September 30 of the next following calendar year, but which may be any twelve consecutive month period fixed by the District; and the first Annual Payment Period under this Contract shall be the period of October 1, 1988, through September 30, 1989.

(d) "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 Bond Service Component of the Annual Requirement as described in Section 9(a) hereof, 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.

(e) "Bond Resolution" means any resolution of the District which authorizes any Bonds.

(f) "Bonds" means the Outstanding Bonds listed in the preamble to this Contract, and all bonds hereafter issued by the District, whether in one or more series or issues, and the interest thereon, to acquire, construct, complete, improve, and/or extend the System or any System facilities, including the Projects, and/or otherwise to improve or extend the System, and any bonds issued to refund any Bonds or to refund any such refunding bonds.

(g) "Contracting Parties" means the "Initial Contracting Parties", as defined in the first paragraph of this Contract, together with any other party or parties which hereafter becomes one of the Contracting Parties by becoming an Additional Contracting Party.

(h) "Contracting Party" means any one of the Contracting Parties.

(i) "District" means the "District" as defined in the preamble to this Contract.

(j) "Existing System" means the "Existing System" as defined in the preamble to this Contract.

(k) "MGD" is an abbreviation for "million gallons of water per day" and means a quantity of water during a period of time expressed for convenience in terms of an average annual daily quantity during an Annual Payment Period. The value of 2

MGD, for example, is calculated as follows: two million gallons multiplied by the number of days in an Annual Payment Period.

(l) "Operation and Maintenance Expenses" means all reasonable 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, 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.

(m) "Outstanding Bonds" means the Outstanding Bonds, as defined in the preamble to this Contract.

(n) "Projects" means the "Projects" as defined in the preamble to this Contract.

(o) "System" means collectively the Existing System and the Projects, and all of the District's existing water rights, and water storage, treatment, transportation, distribution, and supply facilities, including all dams, reservoirs, and other properties or interests therein wherever located, which heretofore have been acquired or constructed with the proceeds from the sale of the Outstanding Bonds, or the bonds refunded by same, or with any other bonds or other obligations of the District payable from and secured by a lien on and pledge of any part of the revenues of the System, or with revenues from said System, together with all future improvements, enlargements, extensions, and additions to any of the foregoing, and all future new facilities and/or water rights, which are acquired or constructed with the proceeds from the sale of any Bonds or revenues from the System, and any water supply or treatment facilities which are deliberately and specifically, at the option of the District, made a part of the System by resolution of the Board of Directors of the District, and all repairs to or replacements of the System. Said terms do not include any District facilities which provide wastewater treatment or disposal services, or solid waste disposal services, of any kind. Said terms do not include any facilities acquired or constructed by the District with the proceeds from

the issuance of "Special Facilities Bonds", which are hereby defined as being revenue obligations of the District which are not issued as Bonds (as hereinbefore defined), and which are payable from any source, contract, or revenues whatsoever other than revenues from the System.

(p) "treated water" means potable water treated to the standards of quality specified in Section 5 of this Contract. Such term does not include non-potable water such as wastewater or other non-potable water derived, treated, or produced from any source by any Contracting Party.

(q) "Water Year" means the period of August 1 of each calendar year through July 31 of the next following calendar year.

Section 2. CONSTRUCTION OF PROJECTS. The District agrees to use its best efforts to issue its Bonds, payable from Annual Payments under this Contract, to acquire and construct the Projects and other System facilities when and as needed, as determined by the District, to supply treated water to all Contracting Parties. It is anticipated that such acquisition and construction will be in phases and that each phase will be financed by the District through the issuance of one or more series or issues of its Bonds; and the District agrees to use its best efforts to issue its Bonds for such purpose. Bonds also may, at the discretion of the District, be issued to refund any Bonds, and be issued to improve and/or extend

any System facilities. The proceeds from the sale and delivery of the Bonds may be used to fund debt service reserve funds or contingency funds and interest during construction to the extent deemed advisable by the District, and for the payment of all of the District's expenses and costs in connection with any Projects or other System facilities and the Bonds, including, without limitation, all financing, legal, printing, and other expenses and costs related to the Bonds and the Projects and other System facilities.

Section 3. QUANTITY. (a) The District agrees to sell and to deliver treated water under this Contract to each Initial Contracting Party, respectively, at its Point or Points of Delivery as described in Section 6 hereof, and each Initial Contracting Party agrees to take at its Point or Points of Delivery all treated water required for use by such Initial Contracting Party during the term of this Contract, including all treated water for such Initial Contracting Party's own use and for distribution to all customers served by such Initial Contracting Party's treated water distribution system, whether inside or outside its boundaries. It is specifically provided, however, that after the Contract Date, no Contracting Party shall enter into, renew, or amend with regard to volume of water to be supplied, any agreement to supply any such treated water for use outside its boundaries or the area of its statutory extraterritorial jurisdiction unless each such agreement

is approved by the Board of Directors of the District (which approval shall not be unreasonably withheld) and made subject and subordinate in all respects to the water requirements of all of the Contracting Parties collectively. No Contracting Party shall become a party to any contract for the sale of treated water which would violate or be inconsistent with the provisions of this Contract, and all such contracts shall recognize the priority of treated water use as provided in this Contract. It is the intention of the parties hereto that the System shall be the sole and exclusive source of all treated water supply for each of the Contracting Parties. However, notwithstanding the foregoing provisions of this subsection (a), if, after the Contract Date, any Contracting Party should legally and finally annex or consolidate with any territory which has a source of treated water supply other than from such Contracting Party, then the District and such Contracting Party are authorized to, and may, negotiate and enter into agreements which would allow the continued use of such other source within such annexed territory upon such terms and conditions as are mutually agreeable to the District and such Contracting Party, and as an exception to the foregoing requirements with respect to exclusivity. The District will use its best efforts to furnish and remain in position to furnish treated water sufficient for all reasonable treated water requirements of each Contracting Party, but its obligation shall be limited to the

amount of treated water available to it from the System; and provided that the maximum rate of delivery shall be consistent with the capacities and abilities of System facilities, and shall not exceed the amounts fixed on an equitable and uniform basis by the Board of Directors of the District. The District agrees to use its best efforts to issue its Bonds in amounts necessary to acquire, construct, maintain, improve, and extend the entire System, including the Projects and other System facilities, so as to enable the District to furnish such treated water. As between the Contracting Parties, if treated water from the System must be rationed such rationing shall, within the limits permitted by law, be done by the District on the basis of the relative actual total amount of all treated water from the entire System taken by each such Contracting Party, respectively, during the last preceding Annual Payment Period in which rationing among said parties was not necessary.

(b) If the District is at any time during the term of this Contract unable to supply all the treated water requirements of the Contracting Parties for any reason, or if it should become apparent that the District will become unable to supply the Contracting Parties with their water requirements, and any Contracting Party determines that it is necessary to procure treated water from sources other than the District, then such Contracting Party shall give written notice to the District of its intention and desire to procure treated water

from sources other than the District, and its reasons therefor. Unless, within sixty (60) days from the receipt by the District of such written notice, the District shall object to such procurement (such objection to be evidenced by a resolution adopted by a vote of a majority of all members of the District's Board of Directors), then such Contracting Party may proceed to procure such treated water from other sources at its sole cost, and without any liability for damages accruing in favor of or against the District by reason thereof. However, such Contracting Party shall nevertheless continue to be obligated to take from the District and pay for all treated water at any time available to such Contracting Party from the District's System up to the full treated water requirements of such Contracting Party. In no event shall the taking of treated water from a source other than the District relieve any Contracting Party from making all payments due the District under this Contract. Further, all Contracting Parties shall at all times have the right to secure treated water from any possible source (i) in any emergency when the District is unable to deliver treated water from the System because of any "Force Majeure" as defined in this Contract, or (ii) in any other emergency situation, as determined by a Contracting Party for a period not to exceed thirty days, or for any longer period approved in writing by the District. Notwithstanding the foregoing provisions of this Contract, any Contracting

Party also may purchase treated water from a source other than the System, if the District determines that such purchase is in the best interests of the District and the Contracting Parties and gives written approval to such purchase; and in such case, for the purposes of this Contract, the District shall be deemed to be the constructive purchaser of such water and such water shall be deemed to be System water, and the District shall either pay for said water on behalf of such Contracting Party or reimburse such Contracting Party for the cost of such water, and such Contracting Party shall pay the District for such water the same as if it were regular System water.

Section 4. OTHER CONTRACTS. (a) The District reserves the right to supply treated water from the System to Additional Contracting Parties under contracts similar to this Contract, subject to the requirements concerning "minimums" as provided in Section 9(c) hereof. Each contract with any Additional Contracting Party shall comply with the requirements of this Contract, shall substantially restate the essential provisions of this Contract, and shall be structured to be similar hereto to the fullest extent applicable and practicable, with such additions or changes as are necessary to meet the actual circumstances, with the effect that each Additional Contracting Party will in effect adopt the provisions of this Contract, as supplemented and necessarily changed by its contract.

(b) It is recognized and agreed that the District now has many System water supply contracts with entities other than the Initial Contracting Parties, which contracts will remain in full force and effect, in accordance with their terms and provisions, after the Contract Date. The District shall enforce the aforesaid existing water supply contracts during the entire terms thereof, unless any such contract is replaced by a contract with an Additional Contracting Party hereunder. Upon the expiration of each such contract with any party the District thereafter may sell water to such party only on the basis that it is a new customer with respect to System water.

(c) It is further recognized and agreed that in the future the District may sell any water from the System to parties which are not Additional Contracting Parties, provided that all such future sales of water from the System to parties which are not Additional Contracting Parties shall, within the limits permitted by law, in all respects be subordinate to the prior rights of the Contracting Parties to water from the System, and all such sales and contracts relating thereto shall recognize, and be made subordinate to, such prior rights.

(d) It is recognized and agreed that concurrently with the execution of this Contract the District and the City of Garland will execute a separate agreement with respect to raw industrial water to be taken directly by Garland from Lavon Reservoir for use as cooling water for its steam electric

generating plant. Such agreement will substantially restate and completely replace the rights and obligations of the parties with respect to raw industrial water from Lavon Reservoir under the presently existing additions and modifications dated November 6, 1964, and August 7, 1973, respectively, to the original treated water contract dated December 12, 1953, between the District and Garland. After the execution of said separate agreement, it will constitute the sole agreement between said parties with respect to raw industrial water in Lavon Reservoir, and this Contract will constitute the sole agreement between said parties with respect to treated water from the System.

Section 5. QUALITY. The water to be delivered by the District and received by each Contracting Party shall be treated water from the System. Each Initial Contracting Party has satisfied itself that such water will be suitable for its needs, but the District is obligated to treat such water so as to meet the standards of all State and Federal agencies having jurisdiction over water quality. The District and the Contracting Parties shall cooperate, each within its legal powers, in preventing, to the extent practicable, the pollution and contamination of the reservoirs and watersheds from which System water is obtained.

Section 6. POINTS OF DELIVERY. The Point or Points of Delivery for each Initial Contracting Party shall be the Point

or Points of Delivery applicable to it under its present treated water supply contract with the District, or at any other Point or Points of Delivery mutually agreed upon between the District and such Initial Contracting Party. Each Contracting Party shall construct, maintain, and operate, at its own cost and expense, all facilities and equipment necessary to receive and take all treated water delivered to it under this Contract.

Section 7. MEASURING EQUIPMENT.

(a) District shall furnish, install, operate, and maintain at its own expense at each Point of Delivery of each Contracting Party the necessary equipment and devices of standard type for measuring properly the quantity of treated water delivered under this agreement. Such meter or meters and other equipment so installed shall remain the property of District. Each Contracting Party shall have access to such metering equipment at all reasonable times, but the reading, calibration, and adjustment thereof shall be done only by the employees or agents of the District. For the purpose of this agreement the original record or reading of the meter or meters shall be the journal or other record book of District in its office in which the records of the employees or agents of District who take the reading are or may be transcribed. Upon written request of any Contracting Party, District will send it a copy of such journal or record book, or permit it to have

access to the same in the office of District during reasonable business hours.

Not more than once in each calendar month, on a date as near the end of such calendar month as practical, District shall calibrate its meters if requested in writing by a Contracting Party to do so, in the presence of a representative of the Contracting Party, and the parties shall jointly observe any adjustments which are made to the meters in case any adjustments shall be necessary, and if the check meters herein-after provided for have been installed, the same shall also be calibrated by Contracting Party in the presence of a representative of District and the parties shall jointly observe any adjustment in case any adjustment is necessary. If any Contracting Party shall in writing request District to calibrate its meters and District shall give the Contracting Party notice of the time when any such calibration is to be made and a representative of the Contracting Party is not present at the time set, District may proceed with calibration and adjustment in the absence of any representative of the Contracting Party.

If a Contracting Party or the District at any time observes a variation between the delivery meter or meters and the check meter or meters at that Contracting Party's Point or Points of Delivery, if any such check meter or meters shall be installed, such party will promptly notify the other party, and the District and such Contracting Party shall then cooperate to

procure an immediate calibration test and joint observation of any adjustment and the same meter or meters shall then be adjusted to accuracy. The party performing the test shall give the other party forty-eight (48) hours' notice of the time of all tests of meters so that the other party may conveniently have a representative present.

If upon any test, the percentage of inaccuracy of any metering equipment is found to be in excess of two per cent (2%), registration thereof shall be corrected for a period extending back to the time when such inaccuracy began, if such time is ascertainable, and if such time is not ascertainable, then for a period extending back one-half ($\frac{1}{2}$) of the time elapsed since the last date of calibration, but in no event further back than a period of six (6) months. If for any reason any meters are out of repair so that the amount of water delivered to a Contracting Party cannot be ascertained or computed from the reading thereof, the water delivered through the period such meters are out of service or out of repair shall be estimated and agreed upon by the District and such Contracting Party upon the basis of the best data available. For such purpose, the best data available shall be deemed to be the registration of any check meter or meters if the same have been installed and are accurately registering. Otherwise, the amount of water delivered during such period may be estimated (i) by correcting the error if the percentage of the error is

ascertainable by calibration tests or mathematical calculation, or (ii) estimating the quantity of delivery by deliveries during the preceding periods under similar conditions when the meter or meters were registering accurately.

Any Contracting Party may, at its option and its own expense, install and operate a check meter to check each meter installed by District, but the measurement of water for the purpose of this agreement shall be solely by District's meters, except in the cases hereinabove specifically provided to the contrary. All such check meters shall be of standard make and shall be subject at all reasonable times to inspection and examination by any employee or agent of District, but the reading, calibration and adjustment thereof shall be made only by the Contracting Party, except during any period when a check meter may be used under the provisions hereof for measuring the amount of water delivered, in which case the reading, calibration, and adjustment thereof shall be made by District with like effect as if such check meter or meters had been furnished or installed by District.

Section 8. UNIT OF MEASUREMENT. The unit of measurement for treated water delivered under this Contract shall be 1,000 gallons of water, U.S. Standard Liquid Measure.

Section 9. PRICES AND TERMS; PAYMENTS BY CONTRACTING PARTIES. (a) Annual Requirement and Proportionate Payment.

It is acknowledged and agreed that payments to be made under this Contract and any similar contracts with Additional Contracting Parties will be the primary source available to the District to provide the Annual Requirement, and that, in compliance with the District's duty to fix and from time to time revise the rates of compensation or charges for water sold and services rendered and made available by the District, the Annual Requirement will change from time to time, and that each such Annual Requirement shall be allocated among the Contracting Parties as hereinafter provided, and that the Annual Requirement for each Annual Payment Period shall at all times be not less than an amount sufficient to pay or provide for the payment of:

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

(B) A "Bond Service Component" equal to:

(1) the principal of, redemption premium, if any, and interest on, its Bonds, as such principal, redemption premium, if any, and interest become due, less interest to be paid out of Bond proceeds or from other sources if permitted by any Bond Resolution, and all amounts required to redeem any Bonds prior to maturity when and as provided in

any Bond Resolution; and

- (2) the proportionate amount of any special, reserve, or contingency funds required to be accumulated and maintained by the provisions of any Bond Resolution; and
- (3) any amount in addition thereto sufficient to restore any deficiency in any of such funds required to be accumulated and maintained by the provisions of any Bond Resolution.

It is agreed that for the treated water supply to be provided to Contracting Parties under this Contract and similar contracts, each of the Contracting Parties shall pay, at the time and in the manner hereinafter provided, its proportionate share of the Annual Requirement, which shall be determined as hereafter described and shall constitute a Contracting Party's Annual Payment. Each of the Contracting Parties shall pay its proportionate share of the Annual Requirement for each Annual Payment Period directly to the District, in approximately equal monthly installments, or before the 10th day of each month.

(b) Calculation of Proportionate Payments; Rates. For each Annual Payment Period each Contracting Party's proportionate share of the Annual Requirement shall be a percentage obtained by dividing the minimum amount specified and calculated for it for such period, in accordance with sub-section (c)

of this Section 9, by the aggregate minimum amounts specified and calculated for all Contracting Parties for such period in accordance with said sub-section (c). Thus the base "rate" per 1,000 gallons of treated water which each Contracting Party must pay for treated water during any Annual Payment Period may be calculated and expressed by dividing the dollar amount of such Contracting Party's proportionate share of the Annual Requirement by the number of 1,000 gallons contained within its specified minimum amount for such Annual Payment Period. All such payments for each Annual Payment Period shall be made in accordance with a schedule of payments for the appropriate Annual Payment Period which will be supplied to each of the Contracting Parties by the District.

(c) Minimums. For the purpose of calculating the minimum amount of each Annual Requirement for which each Initial Contracting Party is unconditionally liable, without offset or deduction (also see Section 10(g)), each Initial Contracting Party, during each Annual Payment Period, shall be deemed to have taken and used the minimum annual average daily amount of System treated water (regardless of whether or not such amount is or was actually taken or used) specified for such Initial Contracting Party as follows:

for each of the Initial Contracting Parties, respectively, a minimum amount, expressed in MGD, during each Annual Payment Period, equal to the greater of:

- (1) .898 MGD for the City of Farmersville
1.159 MGD for the City of Forney
32.476 MGD for the City of Garland
4.433 MGD for the City of McKinney
15.806 MGD for the City of Mesquite
28.688 MGD for the City of Plano
.634 MGD for the City of Princeton
19.760 MGD for the City of Richardson
2.633 MGD for the City of Rockwall
.523 MGD for the City of Royse City
1.186 MGD for the City of Wylie; or
- (2) the maximum number of MGD actually taken from the System by such Initial Contracting Party during any previous Water Year (as hereinbefore defined) during the term of this Contract; it being agreed and understood that any use of System water in any Water Year by any Initial Contracting Party in excess of (i) the minimum amount specified for it in clause (1), above, or (ii) as determined in accordance with this clause (2), will establish a new minimum amount to be effective for the next following Annual Payment Period and thereafter until any previously increased minimum amount is further

exceeded in any subsequent Water Year, with each such increase in minimums to be effective for the next following Annual Payment Period and thereafter until further increased in accordance with this clause (2) .

Notwithstanding the foregoing provisions of this subsection (c), if any portion of an Initial Contracting Party's minimum amount is attributable to treated water sold or delivered to an entity outside of its boundaries, pursuant to a treated water supply contract, and (i) if such entity should become an Additional Contracting Party and such treated water supply contract be terminated, or (ii) if such treated water supply contract with such Initial Contracting Party otherwise should be terminated and in lieu thereof such entity should enter into a treated water supply contract with the District as permitted in Section 4 hereof, then such Initial Contracting Party's minimum amount for the next Annual Payment Period and thereafter shall be reduced by the maximum MGD previously taken by said entity from such Initial Contracting Party during any previous Water Year pursuant to such terminated treated water supply contract with such Initial Contracting Party.

All contracts with Additional Contracting Parties shall provide for equitable minimums similar to those provided for above. Such minimums shall be fixed in amounts at least sufficient, as determined by the District, to assure an initial

Annual Payment by each Additional Contracting Party, for not less than the amount of its estimated use of treated water during the first year of service under such contract.

(d) Excess Water Charges. It is further agreed that, in addition to the amounts required to be paid by Contracting Parties pursuant to sub-sections (a), (b), (c), and (e) of this Section 9, if any Contracting Party during any Water Year uses System treated water in excess of the minimum amount applicable to it for the Annual Payment Period which commenced during such Water Year, then such Contracting Party shall pay an "Excess Water Charge" equal to that part of the Operation and Maintenance Expenses (electric power, chemicals, and other similar costs) directly attributable to supplying such excess treated water to such Contracting Party, all as determined by the District. Such Excess Water Charge shall be billed by the District to such Contracting Party as soon as practicable after the end of such Water Year and shall be paid to the District as soon as practicable thereafter, and in all events prior to the beginning of the next Annual Payment Period. Such Excess Water Charges shall be credited to and be used for paying part of the Operation and Maintenance Expenses for the then current Annual Payment Period and reduce to the extent of such credits the amounts which otherwise would be payable by the Contracting Parties during such then current Annual Payment Period.

(e) Redetermination of Annual Requirement. Each Contracting Party's share of the Annual Requirement shall be redetermined, after consultation with each of the Contracting Parties, at any time during any Annual Payment Period, to the extent deemed necessary or advisable by the District, if:

- (i) The District commences supplying System treated water to an Additional Contracting Party or Parties;
- (ii) Unusual, extraordinary, or unexpected expenditures for Operation and Maintenance Expenses are required which are not provided for in the District's Annual Budget for the System or in any Bond Resolution;
- (iii) Operation and Maintenance Expenses are substantially less than estimated;
- (iv) The District issues Bonds which require an increase in the Bond Service Component of the Annual Payment; or
- (v) The District receives either significantly more or significantly less revenues or other amounts than those anticipated.

(f) Other Revenues. During each Annual Payment Period the revenues derived from sales of System water, other than sales of treated water to Contracting Parties, shall be credited to and be used for paying part of the Annual Requirement in the manner determined by the District, with the result that

such credits shall reduce, to the extent of such credits, the amounts which otherwise would be payable by the Contracting Parties pursuant to the methods prescribed in sub-sections (a) (b), (c), and (e), above. The District shall estimate all such credits which it expects to make during each Annual Payment Period in calculating each Annual Payment.

(g) Annual Budget. On or before the first day of the fourth calendar month prior to the beginning of each Annual Payment Period hereafter the District shall furnish each Contracting Party with a tentative or preliminary estimated schedule of the monthly payments to be made by such party to the District for the ensuing Annual Payment Period. On or before the first day of the second calendar month prior to the beginning of each Annual Payment Period hereafter the District shall furnish each Contracting Party with an updated estimated schedule of the monthly payments to be made by such Party to the District for the next ensuing Annual Payment Period. Prior to the first day of each Annual Payment Period hereafter the District shall furnish each Contracting Party with a final estimated schedule of the monthly payments to be made by such Party to the District for the next ensuing Annual Payment Period, together with the supporting budgetary data showing the basis for arriving at such schedule. Any surplus budgeted funds remaining on hand at the end of any Annual Payment Period shall be used during the following Annual Payment Period and

reduce in the manner determined by the District, to the extent of any such surplus funds, the amounts which otherwise would be payable by the Contracting Parties under sub-sections (a), (b), (c), and (e), above. Each Contracting Party hereby agrees that it will make such payments to the District on or before the 10th day of each month of such Annual Payment Period. If any Contracting Party at any time disputes the amount to be paid by it to the District, such complaining party shall nevertheless promptly make such payment or payments, but if it is subsequently determined by agreement or court decision that such disputed payments made by such complaining party should have been less, or more, the District shall promptly revise and reallocate the charges among all Contracting Parties in such manner that such complaining party will recover its overpayment or the District will recover the amount due it.

(h) Delinquencies. All amounts due and owing to the District by each Contracting Party or due and owing to any Contracting Party by the District shall, if not paid when due, bear interest at the rate of ten (10) percent per annum from the date when due until paid. The District shall, to the extent permitted by law, suspend delivery of water from the System to any Contracting Party which remains delinquent in any payments due hereunder for a period of sixty days, and shall not resume delivery of water while such Contracting Party is so delinquent. It is further provided and agreed that if any

Contracting Party should remain delinquent in any payments due hereunder for a period of one hundred twenty days, and if such delinquency continues during any period thereafter, such Contracting Party's minimum amount of MGD as described in sub-section (c), above, shall be deemed to have been zero MGD during all periods of such delinquency, for the purpose of calculating and redetermining the percentage of each Annual Payment to be paid by the non-delinquent Contracting Parties. However, the District shall promptly pursue all legal remedies against any such delinquent Contracting Party to enforce and protect the rights of the District, the other Contracting Parties, and the owners of the Bonds, and such delinquent Contracting Party shall not be relieved of the liability to the District for the payment of all amounts which would have been due hereunder, in the absence of the next preceding sentence. It is understood that the foregoing provisions are for the benefit of the owners of the Bonds so as to insure that all of each Annual Requirement will be paid by the non-delinquent Contracting Parties during each Annual Payment Period regardless of the delinquency of a Contracting Party. If any amount due and owing by any Contracting Party to the District is placed with an attorney for collection, such Contracting Party shall pay to the District all attorneys fees, in addition to all other payments provided for herein, including interest.

(i) Updated Schedules of Payment. If, during any Annual Payment Period, any Contracting Party's Annual Payment is redetermined as provided in this Section, the District will promptly furnish such Contracting Party with an updated schedule of monthly payments reflecting such redetermination.

Section 10. SPECIAL CONDITIONS AND PROVISIONS. (a) Operation and Maintenance of System. The District will continuously operate and maintain the System in an efficient manner and in accordance with good business and engineering practices, and at reasonable cost and expense. By executing this Contract the Initial Contracting Parties waive any and all claims, as against each other, to any preferential right or entitlement to the capacity or use of specific water sources of the District. The District recognizes its right and duty to operate the various facilities of the System in the most prudent and economical manner for the benefit of all the Contracting Parties. The District shall exercise loyalty, good faith, and fair dealing relating to all System activities undertaken by the District as between the District and the Contracting Parties.

(b) Permits, Financing, and Applicable Laws. It is understood that any obligations on the part of the District to acquire, construct, and complete the Projects and other System facilities and to provide treated water from the Projects and other System facilities to the Contracting Parties shall be (i) conditioned upon the District's ability to obtain all necessary

permits, material, labor, and equipment, and upon the ability of the District to finance the cost of the Projects and other System facilities through the actual sale of the District's Bonds and (ii) subject to all present and future valid laws, orders, rules, and regulations of the United States of America, the State of Texas, and any regulatory body having jurisdiction.

(c) Title to Water; Indemnification. Title to all treated water supplied to each Contracting Party shall be in the District up to each Point of Delivery, at which point title shall pass to the receiving Contracting Party. The District and each of the Contracting Parties shall save and hold each other party harmless from all claims, demands, and causes of action which may be asserted by anyone on account of the transportation and delivery of said water while title remains in such party. Notwithstanding any other provision of this Contract, it is specifically provided that water obtained or resulting from the wastewater treatment operations of any Contracting Party shall be under the sole and exclusive dominion, control, and ownership of such Contracting Party and the District shall have no right, title, or interest in or claim against such water of any nature whatsoever.

(d) Payments Solely From Revenues. The District shall never have the right to demand payment by any Initial Contracting Party of any obligations assumed by it or imposed on it under and by virtue of this Contract from funds raised or to be raised by taxes, and the obligations under this Contract shall

never be construed to be a debt of such kind as to require any of the Initial Contracting Parties to levy and collect a tax to discharge such obligation.

(e) Operating Expenses of Initial Contracting Parties.

Each of the Initial Contracting Parties represents and covenants that all payments to be made by it under this Contract shall constitute reasonable and necessary "operating expenses" of its waterworks system, in accordance with Vernon's Ann. Tex. Civ. St. Articles 1113 and 4413(32c). It is further recognized that the waterworks system of each Initial Contracting Party is presently combined with its sewer system in accordance with law for operating and financing purposes. Each of the Initial Contracting Parties, respectively, represents and has determined that the treated water supply to be obtained from the System, including the Projects and other System facilities, is absolutely necessary and essential to the present and future operation of its waterworks system and is the only available and adequate source of supply of treated water therefor. Accordingly, the payments required by this Contract to be made by each Initial Contracting Party shall constitute reasonable and necessary operating expenses of its waterworks system and shall be made as provided by law, including the aforesaid Articles 1113 and 4413(32c). In accordance with said Article 1113, such payments shall have priority over the payment of principal of and interest on all bonds and other

similar obligations heretofore or hereafter issued by any Initial Contracting Party.

(f) Initial Contracting Parties' Rates For Water and Sewer System Services. Each of the Initial Contracting Parties agrees throughout the term of this Contract to continuously operate and maintain its combined waterworks and sewer system, and to fix and collect such rates and charges for water and sewer services to be supplied by its combined waterworks and sewer system as aforesaid as will produce revenues in an amount equal to at least (i) all of its payments under this Contract and (ii) all other amounts required to be paid from said revenues by law and the provisions of the ordinances or resolutions authorizing its revenue bonds or other obligations now or hereafter outstanding.

(g) Initial Contracting Parties' Unconditional Obligations. Recognizing the fact that the Initial Contracting Parties urgently require the facilities and services of the System, and that such facilities and services are essential and necessary for actual use and for standby purposes, and recognizing the fact that the District will use payments received from the Initial Contracting Parties to pay and secure the Bonds, it is hereby agreed that each of the Initial Contracting Parties shall be unconditionally obligated to pay, without

offset or deduction, its proportionate share of each Annual Requirement, as provided and determined by this Contract

(including the obligations for paying for "minimums" as described in Section 9 (c) hereof), regardless of whether or not the District actually acquires, constructs, or completes the Projects or other System facilities or is actually delivering water from the System to any Contracting Party, or whether or not any Contracting Party actually receives or uses water from the System whether due to Force Majeure or otherwise, and regardless of any other provisions of this or any other contract or agreement between any of the parties hereto. This covenant by the Initial Contracting Parties shall be for the benefit of, and enforceable by, the owners of the Bonds as well as the District.

Section 11. FORCE MAJEURE. If by reason of force majeure any party hereto shall be rendered unable wholly or in part to carry out its obligations under this Contract, other than the obligation of each Contracting Party to make the payments required under Section 9 of this Contract, then if such party shall give notice and full particulars of such force majeure in writing to the other parties within a reasonable time after occurrence of the event or cause relied on, the obligation of the party giving such notice, so far as it is affected by such force majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period, and any such