



Control Number: 47113



Item Number: 8

Addendum StartPage: 0

DOCKET NO. 47113

RECEIVED

APPLICATION OF BLACKLAND §  
WATER SUPPLY CORPORATION §  
AND CITY OF ROYSE CITY FOR §  
SALE, TRANSFER, OR MERGER OF §  
FACILITIES AND CERTIFICATE §  
RIGHTS IN ROCKWALL COUNTY §

PUBLIC UTILITY COMMISSION

2017 JUL 6 AM 9:04  
PUBLIC UTILITY COMMISSION  
FILING CLERK

OF TEXAS

**BLACKLAND WATER SUPPLY CORPORATION'S  
AND CITY OF ROYSE CITY'S  
RESPONSE TO ORDER NO. 2**


COME NOW, Blackland Water Supply Corporation (Blackland) and files its Response to Order No. 2.

In response to the Staff's list of deficiencies, Blackland herewith files:

1. Oath signed by City of Royse City;
2. Wastewater Treatment Agreement between North Texas Municipal Water District and City of Royse City;
3. Parker Creek Wastewater Interceptor System Contract;
4. North Texas Municipal Water District Regional Water Supply Facilities Amendatory Contract; and
5. Email exchange verifying that Royse City violations have been resolved.

Blackland and City are working to obtain the other documentation requested by Staff and request an extension of two weeks to provide the additional information.

Respectfully submitted,

By: 

Mark H. Zeppa  
State Bar No. 22260100  
Law Offices of Mark H. Zeppa, PC  
4833 Spicewood Springs Road #202  
Austin, Texas 78759-8435  
markzeppa@austin.twcbc.com  
(512) 346-4011, Fax (512) 346-6847  
ATTORNEY FOR BLACKLAND WSC

8

## CERTIFICATE OF SERVICE

I, Mark H. Zeppa, counsel for the Applicant, certify the foregoing pleading was served in accordance with 16 TAC § 22.74 on July 6, 2017.

A handwritten signature in black ink that reads "Mark H. Zeppa". The signature is written in a cursive style with a prominent initial "M".

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Mark H. Zeppa

**OATH FOR PURCHASER OR ACQUIRING ENTITY**


STATE OF TEXAS

COUNTY OF ROCKWALL

I, Carl Alsabrook, being duly sworn, file this application for

sale, lease, rental or merger or consolidation 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 documents filed with this application, and have complied with all the requirements contained in the application; and, that all such statements made and matters set forth therein with respect to applicant are true and correct. Statements about other parties are made on information and belief. I further state that the application is made in good faith and that this application does not duplicate any filing presently before the Commission.

I am also authorized and do agree to be bound by and comply with any outstanding orders of the Texas Commission on Environmental Quality, the Public Utility Commission of Texas or the Attorney General which have been issued to the system or facilities being acquired and recognize that I will be subject to administrative penalties or other enforcement actions if I do not comply.

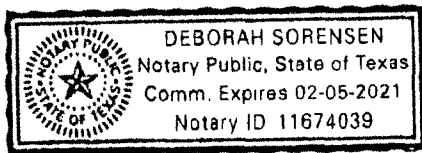
  
\_\_\_\_\_  
AFFIANT  
(Utility's Authorized Representative)

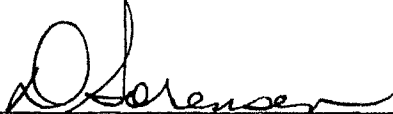
If the Affiant to this form is any person other than the sole owner, partner, officer of the Applicant, or its attorney, a properly verified Power of Attorney must be enclosed.

Applicant represents that all other parties to this transaction have been furnished copies of this completed application.

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public in and for the State of Texas, this day 21st of June, 20 17.

SEAL



  
\_\_\_\_\_  
NOTARY PUBLIC IN AND FOR THE  
STATE OF TEXAS

Deborah Sorensen  
\_\_\_\_\_  
PRINT OR TYPE NAME OF NOTARY

MY COMMISSION EXPIRES

2/5/21

One copy of this page must be submitted for each utility involved in this transaction.

WASTEWATER TREATMENT AGREEMENT

STATE OF TEXAS        Ø

COUNTY OF ROCKWALL Ø

COUNTY OF COLLIN    Ø

AN AGREEMENT BETWEEN THE CITY OF ROYSE CITY  
AND THE NORTH TEXAS MUNICIPAL WATER DISTRICT  
FOR WASTEWATER TREATMENT PLANT OPERATION.

This contract, made and entered into as of the 28<sup>th</sup> day  
of MARCH, 1974, by and between the NORTH TEXAS  
MUNICIPAL WATER DISTRICT, hereinafter called "District", and  
the CITY OF ROYSE CITY, a municipal corporation in Rockwall County,  
Texas, hereinafter called "City"

W I T N E S S E T H :

WHEREAS, City owns and operates a wastewater treatment plant  
which discharges into Pond Creek thence into Sabine Creek and  
thence into South Fork Creek thence into the Sabine River.

WHEREAS, City has a permit from the Texas Water Quality Board  
to discharge an average amount of 260,000 gallons per day of  
treated waste, and

WHEREAS, District has been designated by the Texas Water  
Quality Board to function as a regional agency in connection with  
the design, construction and operation of systems in the area  
tributary to the East Fork of the Trinity River in the Counties of  
Dallas, Collin, Rockwall and Kaufman, and

WHEREAS, District, because of its water supply responsibilities  
and the capability to contract with others in the region, appears to  
be in the best position to fully develop the potential for advanced  
wastewater treatment in the East Fork area;

NOW, THEREFORE, in consideration of the mutual covenants and  
agreements herein contained, District agrees to operate the existing  
plant and City agrees to pay for such service upon the terms and  
conditions hereinafter set forth, to-wit:

1. Operating Responsibility. It is the intent of this  
agreement that the operation of the plant shall be the responsi-  
bility of the District and that the plant shall be operated in a  
manner that will provide a water quality conforming to the waste  
control order issued by the Texas Water Quality Board, or any  
subsequent order issued relating to this plant.

2. Financing. The plant is presently owned by the City,  
and it shall be City's responsibility to provide such facilities,

operating funds, and capital expenditures as are necessary to accomplish the quality of discharge stipulated in the waste control order issued by the Texas Water Quality Board, or any subsequent orders. At an appropriate time and under terms agreeable to both parties City may transfer ownership of the plant to District in order that it may be incorporated in a regional system.

3. Operating Budget. The District shall prepare an annual operating budget reflecting all anticipated costs in connection with the operation of the plant in sufficient detail to justify expenditures for salaries, materials, supplies and contractual services. The proposed operating budget shall be submitted to City on or before August 1 of each year. If a protest or request for a hearing on the Budget is not presented prior to September 1, the proposed Budget, on adoption by the District, shall be considered the "Annual Budget" for the ensuing fiscal year.

In the event City and District are not able to agree on the operating budget prior to October 1, the budget for the previous year shall apply for the first sixty (60) days of the new fiscal year, with adjustments only to those items that are agreed to by City. If, at the end of this sixty (60) day period, no agreement has been reached on the operating budget this contract shall be terminated in accordance with the termination provisions herein provided.

In first year a budget will be prepared for a full twelve (12) months with payments based thereon, but on the next October a new Budget will be implemented and fiscal year shall thereafter be October 1 to September 30 of each year.

4. Annual Charges. Monthly payments shall be made by City equal to the total operating budget divided by twelve (12) and these payments shall be made in advance on or before the tenth (10th) day of each month. The first monthly payment due October 10 of each year shall be twice the calculated monthly payment with no payment due in September of each year except for any adjustments previously approved by City. At the end of each fiscal year any surplus balance would be carried forward to reduce the overall cost during the next budgetary period.

Emergency expenditures not budgeted may be incurred with the concurrence of the District's Executive Director and the City's designated representative, subject to limitations placed on each by respective governing bodies, with appropriate adjustments in monthly payments. Routine requests for adjustments in monthly payments must receive approval by the City.

In the event the City shall fail to make any monthly payment by the twentieth (20th) day of the month in which due,

after notice to City, the District may terminate services as of the first day of the following month.

5. Additional Connections. District may provide service to other municipalities subject to approval of City, and the charge which is levied for such service shall include adequate compensation to the City for its capital investment as well as operating expenditures.

6. Termination. Either City or District may require that this operational agreement be terminated. The party desiring to terminate this agreement shall submit notice in writing to the other party, after which a period of thirty (30) days shall be allowed before termination becomes final. Once this agreement is terminated District shall continue its operating responsibility for a period of forty-five (45) days at the request of the City.

7. Industrial Waste. City agrees to enforce its industrial waste ordinance and to take such action as is necessary to control the strength of raw sewage reaching the plant in order that the quality of discharge required in the waste control order may be maintained.

8. Title to Effluent. Title to effluent shall remain with City.

9. Indemnity. City agrees to indemnify and hold harmless the District from any and all causes for loss, liability, or damages arising out of the operation of the plant by the District except for acts of negligence by District Personnel. The City further agrees to maintain adequate fire and extended coverage insurance on said plant.

10. District's Financial Obligation. Nothing in this agreement shall be construed as requiring the District to expend funds from any source other than the revenues received hereunder. All cost required by valid rules, regulations, laws or orders passed or promulgated by the United States of America, the State of Texas, and regulatory or judicial branches thereof having lawful jurisdiction shall be the responsibility of the City.

THIS AGREEMENT APPROVED BY THE RESPECTIVE GOVERNING BODIES WITH THE UNDERSIGNED PROPERLY AUTHORIZED TO EXECUTE IN THEIR BEHALF ON THIS THE 28th DAY OF March, 1974.

NORTH TEXAS MUNICIPAL WATER DISTRICT

ATTEST:  
[Signature]  
Secretary-Treasurer

Alex R. Scholtz  
Vice President

CITY OF ROYSE CITY, TEXAS

ATTEST:  
[Signature]  
City Secretary

[Signature]  
Mayor

THE STATE OF TEXAS §

COUNTY OF COLLIN §

BEFORE ME, the undersigned Notary Public in and for Collin County, Texas, on this day personally appeared Alex R. Schell, III and C. Truett Smith, known to me to be the persons whose names are subscribed to the foregoing instrument and known to me to be, respectively, the Vice President and Secretary of the North Texas Municipal Water District, and each acknowledged to me that he executed said instrument for the purposes and considerations therein expressed and in the capacity therein stated and as the act and deed of the North Texas Municipal Water District.

GIVEN UNDER MY HAND AND SEAL OF OFFICE This the 28<sup>th</sup> day of March, 1974.

*Dana Orstad*  
NOTARY PUBLIC, COLLIN COUNTY,  
TEXAS

(SEAL)

THE STATE OF TEXAS §

COUNTY OF ROCKWALL §

BEFORE ME, the undersigned Notary Public in and for Rockwall County, Texas, on this day personally appeared R. N. Robison and Joe L. Golden, each know to me to be the persons whose name is subscribed to the foregoing instrument and each acknowledged to me that he had executed the same for the purposes and considerations therein expressed and in the capacity therein stated as the act and deed of the City of Royse City, Texas.

EXECUTED under my hand and seal of office this the 18 day of March, 1974.

*Wesley Hayes*  
NOTARY PUBLIC, ROCKWALL COUNTY,  
TEXAS

(SEAL)



## PARKER CREEK WASTEWATER INTERCEPTOR SYSTEM CONTRACT

WHEREAS, North Texas Municipal Water District (the "District") is a conservation and reclamation district created and functioning under Article 16, Section 59 of the Texas Constitution, pursuant to Chapter 62, Acts of the 52nd Legislature of the State of Texas, Regular Session, 1951, as amended, (the "District Act"), with the authority to provide and develop regional systems for wastewater treatment; and

WHEREAS, pursuant to a Sabine Creek Regional Wastewater System Contract, executed concurrently herewith (the "Regional Contract"), the District has agreed to acquire and construct a regional Wastewater treatment system to serve various parties within a watershed or drainage area including Parker Creek, in Collin, Hunt, and Rockwall Counties, Texas (the "Regional Wastewater System"); and

WHEREAS, the Regional Contract requires that each of the parties thereto must arrange to provide for the transportation of its Wastewater to its Point or Points of entry into the District's Regional Wastewater System; and

WHEREAS, the parties hereto wish to provide for the acquisition, construction, improvement, operation and maintenance of a wastewater interceptor system (as further defined herein, the "Interceptor System") for the purpose of providing facilities to adequately transport Wastewater (hereinafter defined) from the Participants (hereinafter defined) to the District's Regional Wastewater System; and

WHEREAS, there has been prepared for and filed with the District the report entitled "City of Fate and City of Royse City Regional Wastewater Treatment System Preliminary Engineering Study" by Hunter Associates Texas, Ltd., Consulting Engineers, Dallas, Texas (the "Initial Engineering Report") with respect to the initial portion of the Interceptor System; and

WHEREAS, the parties hereto are entering into this contract in order to control water pollution, and protect, improve, and enhance the water quality of Parker Creek and the Sabine River and the water supplies impounded therein; and

WHEREAS, each of the Cities of Royse City ("Royse City") and Fate ("Fate") presently owns, operates, and maintains its respective combined waterworks and sanitary sewer systems; and

WHEREAS, Royse City and Fate have deemed it necessary and desirable to contract with the District to provide for the acquisition, construction, improvement, operation and maintenance of the Interceptor Facilities to achieve efficiencies of cost and operation; and

WHEREAS, the District has been and is willing to accept the responsibility of providing improved waste treatment in the service area to protect water quality and develop reuse potential; and

WHEREAS, the District, Royse City and Fate are authorized to make and enter into this Contract under the District Act, Chapter 30, Texas Water Code, as amended, and other applicable laws; and

WHEREAS, the parties hereto recognize these facts:

(a) That the District will use the payments to be received under this Contract and similar contracts, if any, for the payment of Operation and Maintenance Expense of the Interceptor System and for the payment of the principal of, redemption premium, if any, and interest on its Bonds, and to establish and maintain debt service reserves and other funds if and as provided in any Bond Resolution; and that the revenues under such contracts will be pledged to such purposes; and

(b) That contracts similar to this instrument may be executed between the District and subsequent Additional Participants; and

(c) That the District will issue Bonds from time to time in the future to acquire and construct the Interceptor System.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the District and Royse City and Fate hereby contract and agree as follows:

## ARTICLE I

### DEFINITIONS

Section 1.01. DEFINITION OF TERMS. In addition to the definitions stated in the preamble hereof, the terms and expressions as hereinafter used in this contract, unless the context clearly shows otherwise, shall have the following meanings:

(a) "Additional Participants" means any Person or Persons in addition to Royse City and Fate with which the District makes a contract for receiving and transporting Wastewater through the Interceptor System.

(b) "Adjusted Annual Payment" means the Annual Payment, as adjusted in accordance with Section 5.03 of this Contract during or after each Fiscal Year.

(c) "Annual Payment" means the amount of money estimated as provided in Section 5.03 of this Contract to be paid to the District by Participants as their proportionate shares of the Annual Requirement.

(d) "Annual Requirement" means the total amount of money required for the District to pay all Operation and Maintenance Expense of the Interceptor System, with the exception of any surcharges paid directly by Participants under Sections 4.02 and 3.04(c) hereof, and to pay the principal of, and redemption premium, if any, and interest on its Bonds, including all charges and

expenses of the paying agents and registrars for its Bonds, and to pay any amounts required to be deposited in any special or reserve funds, including a debt service reserve fund and a repair and replacement fund, as required to be established and/or maintained by the provisions of any Bond Resolution.

(e) "Bond Resolution" means any resolution of the Board of Directors of the District authorizing the issuance of Bonds and providing for their security and payment, as such resolution(s) may be amended from time to time as therein permitted.

(f) "Bonds" means any bonds, notes, or other obligations to be issued by the District pursuant to this Contract for the acquisition, construction, enlargement, improvement, extension, repair, or replacement of the Interceptor System or any part thereof, whether in one or several issues, or any Bonds issued by the District to refund any or all of same or to refund any such refunding bonds.

(g) "Construction Fund" means the fund by that name established in Section 2.03 hereof.

(h) "Contingency Fund" means the fund by that name established in Section 5.03(g) hereof.

(i) "Contract", or "this contract", means this contract among Royse City, Fate and the District and all similar contracts, if any, executed between the District and Additional Participants.

(j) "Engineering Report" means, collectively, the Initial Engineering Report and any additions, supplements, amendments or modifications thereto, including, without limitation, any additional engineering studies made pursuant to Section 8.02 hereof.

(k) "Fiscal Year" means the twelve (12) month period beginning each October 1 and ending the following September 30, or such other twelve (12) month period as may be established in the future to constitute the District's Fiscal Year.

(l) "Interceptor System" means, collectively, the Wastewater transportation facilities generally as described in the Engineering Report, and all improvements and additions to and extensions, enlargements, and replacements of such facilities which are acquired and constructed by the District in order to receive and transport Wastewater of the Participants to their respective Points of Entry into the Regional Wastewater System. However, and notwithstanding the foregoing, said term includes only those facilities which are acquired or constructed with proceeds from the sale of Bonds issued, or payments made, pursuant to this Contract and any similar contracts with Additional Participants. Said term does not include any part of the Regional Wastewater System or 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 secured by or payable from Annual Payments made under this Contract and similar contracts with Additional Participants, and which are payable solely from other sources.

(m) "Local Wastewater Facilities" means the waste collection and treatment facilities owned and operated by the Participants.

(n) "Operation and Maintenance Expense" means all costs of operation and maintenance of the Interceptor System including, but not limited to, repairs and replacements for which no special fund is created in a Bond Resolution, the cost of utilities, supervision, engineering, accounting, auditing, legal services, insurance premiums, and any other supplies, services, administrative costs, and equipment necessary for proper operation and maintenance of the Interceptor System, any payments required to be made hereunder into the Contingency Fund, payments made for the use of operation of any property, payments of fines, and payments made by the District in satisfaction of judgments or other liabilities resulting from claims not covered by the District's insurance or not paid by one particular Participant arising in connection with the operation and maintenance of the Interceptor System. Depreciation shall not be considered an item of Operation and Maintenance Expense.

(o) "Participants" means Royse City, Fate, and all Additional Participants.

(p) "Participant" means any of the Participants.

(q) "Person" shall have the meaning set forth in the Texas Code Construction Act, Chapter 311, Texas government Code, as amended.

(r) "Point of Entry" means any point or points at which Wastewater enters the Interceptor System as such point or points shall be agreed upon between the District and the applicable Participant.

(s) "Regional Wastewater System", "District's System", "Regional System", or "System" means all of the District's facilities acquired, constructed, used, or operated by the District for treating and disposing of Wastewater of and for the Participants pursuant to the Regional Contract, together with any improvements, enlargements, or additions to the Regional Wastewater System facilities and any extensions, repairs, or replacements of the System facilities acquired, constructed, used, operated, or otherwise incorporated into or made a part of the Regional Wastewater System facilities in the future by the District. Said terms do not include the Interceptor System.

(t) "Service Commencement Date" means the first date upon which the Interceptor System is available to receive and transport Wastewater from the Participants.

(u) "Wastewater" means Sewage, Industrial Waste, Municipal Waste, Recreational Waste, and Agricultural Waste, as defined in the Texas Water Code, together with properly shredded garbage, and such infiltration water that may be present.

## ARTICLE II

### PROVIDING OF INTERCEPTOR SYSTEM BY THE DISTRICT

Section 2.01. INTERCEPTOR SYSTEM AND INITIAL CONTRACT. In order to provide services for receiving and transporting Wastewater for the Participants, the District will use its best efforts to design, acquire, construct, and complete the Interceptor System and will own, operate and maintain the Interceptor System, and from time to time enlarge, improve, repair, replace, and/or extend the Interceptor System to provide service to the Participants. The District shall obtain and hold in its name all required permits from the appropriate Federal and State agencies, and each Participant shall assist the District in obtaining same. The District shall provide, manage, operate, and maintain the Interceptor System in such manner as it determines is necessary for providing adequate, efficient, and economical service to Participants.

Section 2.02. CONSULTING ENGINEERS. The District and the Participant agree that Hunter Associates Texas, Ltd., Consulting Engineers, shall constitute and be defined as the "Consulting Engineers" for the Interceptor System. However, the District reserves the right to enter into any such contracts with other engineers deemed necessary to provide engineering services to design the Interceptor System. Engineering fees and expenses, if any, paid by the District shall be reimbursed from proceeds of the Bonds as a cost of acquisition and construction of the Interceptor System.

Section 2.03. ACQUISITION AND CONSTRUCTION CONTRACTS. The District will enter into such contracts as are necessary to provide for acquiring and constructing the Interceptor System, and said contracts shall be executed as required by the laws applicable to the District. The District shall cause the amounts due under such contracts to be paid from the proceeds from the sale of its Bonds. The District shall deposit the proceeds from the sale of its Bonds into a special Parker Creek Wastewater Interceptor System Construction Fund (the "Construction Fund"). The Construction Fund shall be used for paying the District's costs and expenses incident to the Bonds and the Interceptor System, and to pay the costs of acquiring, by purchase and construction, the Interceptor System. Pending use as required by this Contract, the amounts in the Construction Fund may be invested in accordance with law, provided that all investment earnings therefrom (excepting any which may be required to be rebated to the federal government to prevent the Bonds from becoming "arbitrage bonds" under the Internal Revenue Code of 1986, as amended) shall be deposited in and become a part of the Construction Fund. If, after final completion of all facilities constituting the Interceptor System, any surplus remains on hand in the Construction Fund, such surplus shall be deposited into the interest and sinking fund for the Bonds. Any proceeds from the sale of its Bonds remaining after completion of the Interceptor System shall be used to pay principal and interest on the Bonds, and reduce to that extent the Annual Payments required to be made by the Participants under this Contract.

Section 2.04. ACQUISITION AND CONSTRUCTION. The District agrees to proceed promptly with the acquisition and construction of the Interceptor System. The District does not anticipate any delays in commencing or completing the Interceptor System, but the District shall not

be liable for any damages occasioned by, or arising out of, the construction or completion of the Interceptor System, any delays in completion of the Interceptor System, or the performance of the Interceptor System for its intended purpose.

Section 2.05. **CONDITIONS PRECEDENT.** The obligation on the part of the District to acquire and construct the Interceptor System shall be conditioned upon the following:

- (a) sale of Bonds in an amount sufficient to assure the acquisition and construction of the Interceptor System; and
- (b) the District's ability, or the ability of the contractors, to obtain all permits, material, labor, and equipment necessary for the acquisition and construction of the Interceptor System.

Section 2.06. **USE OF PUBLIC PROPERTY.** By these presents, the Participants authorize use by the District of any and all real property, streets, alleys, public ways and places, and general utility or sewer easements of the Participants determined by the Participants and the District to be necessary for acquiring and constructing the Interceptor System.

### ARTICLE III

#### DISCHARGE OF WASTEWATER AND METERING

Section 3.01. **DISCHARGE.** In consideration of the payments to be made under its respective contract with the District, each of the Participants have and shall have the right to discharge into the Interceptor System such Wastewater from its respective sewer system as is required or permitted to be discharged into the District's Regional Wastewater System by such Participant under the Regional Contract; provided that such Wastewater meets the requirements for quantity and quality as set forth in this Contract and in the Regional Contract.

Section 3.02. **POINT OF ENTRY.** Each Participant may discharge all such Wastewater generated from such Participant's sewer system into the designated Point or Points of Entry for such Participant.

Section 3.03. **CONVEYANCE TO POINT OF ENTRY.** It shall be the sole responsibility of each Participant to transport, or cause to be transported, at no cost to the District or the other Participants, its Wastewater to its Point or Points of Entry.

Section 3.04. **QUANTITY OF WASTEWATER DELIVERED.** (a) The quantity of Wastewater delivered hereunder by each Participant shall be metered by the District and the total annual contributing flow of Wastewater received during any Fiscal Year, as determined by such metering, shall be used to determine each Participant's Annual Payment as set forth in Article V.

(b) The maximum discharge rate is defined as a rate in million gallons per day (MGD), exceeded for a period of sixty minutes, which, if continued over a period of 24 hours, would be equal to 3.50 times the Participant's average daily flow during that Fiscal Year. The total quantity of Wastewater discharged into the Interceptor System shall never exceed the amount which the Interceptor System and the Regional Wastewater System are capable of receiving, treating, and disposing, unless approved by the District, subject to terms and conditions to be established by the District. Notwithstanding the foregoing, no Contracting Party shall ever make any discharge into the Interceptor System or the Regional Wastewater System which would cause them to be overloaded or be in violation of its permits from the State of Texas and/or the United States of America.

(c) Any Participant exceeding the maximum discharge rate shall have a surcharge applied to its next Fiscal Year's Annual Payment equal to 1% of the Annual Payment in that Fiscal Year for each 1/10th that the ratio of the maximum discharge to the average daily flow exceeds 3.50.

Section 3.05. LIABILITY FOR DAMAGES AND RESPONSIBILITY FOR TREATMENT AND DISPOSAL OF WASTEWATER. Liability for damages arising from the reception and transportation of all Wastewater discharged shall remain in each Participant to Points of Entry, and upon passing through the Points of Entry, liability for such damages shall pass to the District. As between the District and each Participant, each party agrees, to the full extent permitted by law, to indemnify and to save and hold the other party harmless from any and all claims, demands, causes of action, damages, losses, costs, fines, and expenses, including reasonable attorney's fees, which may arise or be asserted by anyone at any time on account of the reception and transportation while Wastewater is in the control of such responsible party, or on account of a prohibited discharge by a Participant. The District has the responsibility as between the parties for the proper reception and transportation of all Wastewater, but not for prohibited discharges passing through any Point of Entry.

Section 3.06. METERING. The District will furnish, install, operate and maintain as part of the Interceptor System the necessary equipment and devices for measuring properly all Wastewater to be discharged into the Interceptor System by each Participant. The location of the meter for each Participant shall be agreed upon between the District and each Participant. Such meters and other equipment shall remain the property of the District. Each Participant shall have access to such metering equipment at all reasonable times for inspection and examination, but the reading, calibration, and adjustment thereof shall be done only by employees or agents of the District in the presence of a representative of the Participant if requested by such Participant. All readings of meters will be entered upon proper books of record maintained by the District. Upon written request the Participant may have access to said record books during reasonable business hours.

Not more than three times in each year of operation, the District shall calibrate its meters, if requested in writing by a Participant to do so, in the presence of a representative of such Participant, and the parties shall jointly observe any adjustments which are made to the meters in case any adjustment is found to be necessary.

If, for any reason, any meters are out of service or out of repair, or if, upon any test, the percentage of inaccuracy of any meter is found to be in excess of five (5%) per cent, registration

thereof shall be corrected for a period of time 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 (1/2) of the time elapsed since the date of the last calibration, but in no event further back than a period of six (6) months.

Each Participant may, at its option and its own expense, install and operate a check meter to check each meter installed by the District, but the measurement for the purpose of this agreement shall be solely by the District's meters.

Section 3.07. **UNIT OF MEASUREMENT.** The unit of measurement for Wastewater delivered hereunder shall be 1,000 gallons, U. S. Standard Liquid Measure.

#### ARTICLE IV

##### QUALITY

Section 4.01. **GENERAL.** Each Participant agrees to limit discharge into the Interceptor System to Wastewater that complies with quality requirements of the Regional Contract for discharge into the Regional Wastewater System. No discharge shall be made into the Interceptor System which would cause the District to violate any permit granted, or any rule or regulation promulgated, by any State or Federal agency having jurisdiction over the District. Each Participant specifically covenants that it will enact and enforce procedures which will prohibit or prevent customers of its sewer system from making any discharge which would cause such Participant to violate the provisions of this contract or any applicable State or Federal permit, law, rule, or regulation.

Section 4.02. **SURCHARGE.** With approval of the District, Wastewater with concentrations of Biological Oxygen Demand ("BOD") and Total Suspended Solids ("TSS") greater than that permitted by the Regional Contract may be discharged by a Participant into the Interceptor System with the payment of a surcharge, which shall be in addition to such Participant's proportionate share of the Annual Payment as outlined in Article V of this Contract, and this surcharge shall be sufficient to cover and pay for the additional cost of services hereunder.

#### ARTICLE V

##### PAYMENTS

Section 5.01. **FINANCING.** The District will use its best efforts to issue its Bonds, in amounts and at times as determined by the District, to provide the Interceptor System. The proceeds from the sale of the Bonds will be used for the payment of all of the District's costs and expenses in connection with the design, acquisition, and construction of the Interceptor System and the Bonds, including, without limitation, all financing, legal, printing, administrative overhead, and other expenses and costs incurred in issuing its Bonds and to fund a debt service reserve and other funds if required by any Bond Resolution. Each Bond Resolution of the District shall specify the exact



principal amount of the Bonds initially issued, which shall mature not more than 40 years from the date of such Bonds, and shall bear interest at not to exceed the maximum legal rates, and the Bond Resolution may create and provide for the maintenance of a revenue fund, an interest and sinking fund, a debt service reserve fund, and other funds and accounts, all in the manner and amounts as provided in such Bond Resolution. Prior to the sale of any such Bonds, the District shall provide to the Participants a copy of the Preliminary Official Statement relating to such Bonds, which shall include, among other things, proposed maturity schedule and optional and mandatory redemption provisions. The Participants agree that if such Bonds are actually issued and delivered to the purchaser thereof, the Bond Resolution authorizing the Bonds shall for all purposes be deemed to be in compliance with this Contract in all respects, and the Bonds issued thereunder will constitute Bonds as defined in this Contract.

Section 5.02. ANNUAL REQUIREMENT. It is acknowledged and agreed that payments to be made under this Contract will be the only source available to the District to provide the Annual Requirement; and that the District has a statutory duty to establish and from time to time to revise the charges for services to be rendered and made available to Participants hereunder so that the Annual Requirement 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 Expense; 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 (by maturity, redemption, or otherwise), less interest to be paid out of Bond proceeds if permitted by any Bond Resolution; and
  - (2) during each Fiscal Year, the proportionate part of any special or reserve funds required to be established and/or maintained by the provisions of any Bond Resolution; and
  - (3) an amount in addition thereto sufficient to restore any deficiency in any of such funds required to be accumulated and maintained by the provisions of any Bond Resolution; and
  - (4) the charges of paying agents and registrars for paying principal of, redemption premium, if any, and interest on, all Bonds, and for registering and transferring Bonds.

Section 5.03. PAYMENTS BY PARTICIPANTS. (a) For services to be rendered to each Participant by the District under this Contract and other similar contracts, if any, each Participant has agreed to 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 Participant's Annual Payment or Adjusted Annual Payment. For the Fiscal Year beginning on October 1, 2002, and for each Fiscal Year thereafter each Participant's proportionate share of the Annual Requirement shall, subject to the subsequent provisions hereof, be a percentage obtained by dividing such Participant's estimated contributing flow to the Interceptor System for the next succeeding Fiscal Year or portion thereof by the total estimated contributing flow to the Interceptor System by all Participants during such Fiscal Year or portion thereof. The calculation of each Annual Payment as determined herein, and each Adjusted Annual Payment, shall be determined as provided in this Section. The terms "contributing flow to the Interceptor System" and "contributing flow" as used in this Contract with respect to any Fiscal Year, commencing with the Fiscal Year beginning October 1, 2002, shall mean the greater of (i) the actual metered contributing flow of a Participant or (ii) the minimum annual contributing flow for which a Participant has agreed to pay (regardless of whether such amount was actually discharged into the Interceptor System), which minimum annual contributing flow for Royse City and Fate are as follows:

Royse City	255,000 gallons per day
Fate	1,445,000 gallons per day

The above minimum annual contributing flow may be adjusted by the District and the Participants to include minimum annual contributing flows of Additional Participants should Additional Participants become parties to this Contract, in accordance with Section 8.02 hereof. Each Participant's Annual Payment shall be calculated by the District by multiplying such Participant's estimated percentage of the estimated total contributing flow times the Annual Requirement. Each Participant's Annual Payment shall be made to the District in monthly installments, on or before the twentieth (20th) day of each month, for its required part of the Annual Requirement for each Fiscal Year, commencing with the Fiscal Year beginning October 1, 2002. Such payments shall be made in accordance with a Schedule of Payments for each Fiscal Year which will be supplied to each Participant. At the close of the Fiscal Year which commenced on October 1, 2002, and for each Fiscal Year thereafter, the District shall redetermine each Participant's percentage by dividing each Participant's contributing flow to the Interceptor System by the total contributing flow of all Participants. Each Participant's Adjusted Annual Payment shall be calculated by multiplying each Participant's redetermined percentage times the Annual Requirement. The difference between the Adjusted Annual Payment and the Annual Payment, if any, when determined, shall be applied as a credit or a debit to each Participant's account with the District and shall be credited or debited to such Participant's next subsequent monthly payment or payments.

(b) If a Participant fails to pay its monthly charge on or before the twentieth (20th) day of any month, it shall incur and pay a penalty of ten percent of the amount due together with any legal or other costs incurred by the District in collecting the amount due. The District is authorized to discontinue service to any Participant which fails to make any monthly payment, and which, after written notice, does not make such payment.

(c) If, during any Fiscal Year, the District begins providing services to an Additional Participant, each Participant's Annual Payment for such Fiscal Year shall be redetermined consistent with the provisions of this Contract.

(d) Each Participant's Annual Payment also shall be adjusted and redetermined for the balance of any applicable Fiscal Year, consistent with the provisions of this contract, and initially based on estimated contributing flow, at any time during any Fiscal Year if:

- (i) Additions, enlargements, repairs, extensions, or improvements to the Interceptor System are placed in service by the District which require an increase and redetermination of the Annual Requirement; or
- (ii) Unusual or extraordinary expenditures for operation and maintenance of the Interceptor System are required which are not provided for in the Annual Budget or in a Bond Resolution; or
- (iii) A Participant's contributing flow to the Interceptor System, after the beginning of the Fiscal Year, is estimated to be substantially different from that on which Annual Payments are based as determined by the District, to the extent that such difference in flow will substantially affect such Participant's Budget, and consequently such Participant's Annual Payment to the District; or
- (iv) The District issues additional Bonds, the payments in connection with which require an increase and redetermination of the Annual Requirement; or
- (v) The District receives significantly more or significantly less revenues or other amounts than those contemplated.
- (vi) It appears to the District that for any other reason it will not receive the full amount of the Annual Requirement unless such adjustment and redetermination are made.

(e) During each Annual Payment Period all revenues received by the District from providing services of the Interceptor System to parties which are not Participants, shall (i) first be credited to the Operation and Maintenance Component of the Annual Requirement, and (ii) then any remainder credited to the Bond Service Component of the Annual Requirement, with the results that such credits under (i) and (ii), respectively, shall reduce, to the extent of such credits, the amounts of such Components, respectively, which otherwise would be payable by the Contracting parties pursuant to the method prescribed in (a) above. The District may estimate all such credits which it expects to make during each Annual Payment Period in calculating each Annual Payment.

(f) The District shall give all Participants at least 21 days written notice prior to consideration by the Board of Directors of the District of making any Adjusted Annual Payment for any Participant during any Fiscal Year.

(g) The Annual Payment set forth in this section shall be considered the basic charge for service hereunder, and each Participant shall pay a surcharge in addition to the Annual Payment for excess BOD and/or TSS as provided in Section 4.02, and for excessive discharge in the manner set forth in Section 3.04(c).

(h) The District may establish and maintain a separate fund entitled the "Parker Creek Wastewater Interceptor System Contingency Fund" (the "Contingency Fund"). The Contingency Fund shall be used solely for the purpose of paying unexpected or extraordinary Operation and Maintenance Expenses of the Interceptor System for which funds are not otherwise available under this Contract. The Contingency Fund shall initially be funded, and any subsequent deficiency shall be restored, with amounts included as Operation and Maintenance Expenses in the Annual Budget.

(i) The facilities and services of the Interceptor System to be provided to each Participant pursuant to this Contract are and will be essential and necessary to the operation of such Participant's combined waterworks and sanitary sewer system, and all payments to be made hereunder by each Participant will constitute reasonable and necessary "operating expenses" of such Participant's combined waterworks and sanitary sewer system, within the meaning of Section 30.030, Texas Water Code, as amended, and Section 1502.056, Texas Government Code, and the provisions of all ordinances authorizing the issuance of all waterworks and sanitary sewer system revenue bond issues of such Participant, with the effect that such Participant's obligation to make payments from its waterworks and sanitary sewer system revenues under this Contract shall have priority over its obligations to make payments of the principal of and interest on any and all of its waterworks and sanitary sewer system revenue bonds. Each Participant agrees to fix and collect such rates and charges for waterworks and sanitary sewer system services to be supplied by its waterworks and sanitary sewer system as will make possible the prompt payment of all expenses of operating and maintaining its entire waterworks and sanitary sewer system, including all payments, obligations, and indemnities contracted hereunder, and the prompt payment of the principal of and interest on its bonds payable from the net revenues of its waterworks and sanitary sewer system. The District shall never have the right to demand payment of the amounts due hereunder from funds raised or to be raised from taxation by a Participant. Each Participant's payments hereunder shall be made pursuant to the authority granted by Section 30.030, Texas Water Code, as amended, and Section 1502.056, Texas Government Code. Recognizing the fact that the Participants urgently require the facilities and services covered by this Contract, and that such facilities and services are necessary for actual use and for stand-by purposes; and further recognizing that the District will use the payments received from the Participants hereunder to pay, secure, and finance the issuance of its Bonds, it is hereby agreed that the Participants shall be obligated unconditionally, and without offset or counterclaim, to make the payments designated as the "Bond Service Component" of the Annual Requirement, in the manner provided in this Contract, regardless of whether or not the District actually provides such facilities and services, or whether or not any Participant actually receives or uses such facilities and services, and regardless of the validity or performance of the other parts of this or any other contract, and such "Bond Service Component" shall in all events be applied and used for providing debt service and other requirements of the Bonds, and the holders of the Bonds shall be entitled to rely on the foregoing agreement and representation, regardless of any other agreement between the District and the Participants. Each Participant further agrees that it shall be obligated to make the payments designated as the "Operation and Maintenance Component" of the Annual Requirement as described in Section 5.02 of this Contract, so long as the District is willing and able to provide the facilities and services contemplated hereunder to any Participant.

(j) As soon as practicable after issuance of the initial series of Bonds, the District shall furnish each Participant with a schedule of monthly payments to be made for the balance of its Fiscal Year commencing October 1, 2002. On or before August 1 of each year, commencing August 1, 2003, the District will furnish each Participant with a tentative budget and an estimated schedule of monthly payments to be made by such Participant for the ensuing Fiscal Year. On July 1 of each year, commencing July 1, 2003, the District shall be in a position to furnish any Participant an estimate of the Participant's annual requirement. On or before October 1 of each year, commencing October 1, 2003, the District shall furnish such Participant with a finalized schedule of the monthly payments to be made by such Participant to the District for the ensuing Fiscal Year. Each Participant agrees that it will make such payments to the District on or before the twentieth (20th) day of each month of such Fiscal Year. If any Participant shall dispute the Annual Budget, and proceed as provided in Article VII, such Participant nevertheless promptly shall make the payment or payments determined by the District, and if it is subsequently determined by agreement that such disputed payments made by such Participant should have been less, the District shall promptly revise, reallocate, and readjust the charges among all Participants then being served by the District in such manner that such Participant will recover its overpayment. In the event any Participant is assessed a surcharge for excess BOD and/or TSS pursuant to Section 4.02 hereof, the District will bill such Participant for such surcharge on or before the tenth (10th) day of the month following the determination of the surcharge and such Participant shall pay such surcharge on or before the twentieth (20th) day of the month of receipt of any such bill. Any such surcharge collected by the District shall be applied by the District against the total cost of Operation and Maintenance Expense of the Interceptor System.

(k) If any Participant's Annual Payment is redetermined as is herein provided, the District will promptly furnish such Participant with an updated schedule of monthly payments reflecting such redetermination.

(l) All interest income earned by the investment of any Funds created pursuant to any Bond Resolution shall be credited towards the payment of the Bond Service Component and taken into account in determining the Annual Requirement; except that as to any Acquisition or Construction Fund created from any Bond proceeds all interest income earned by the investment thereof may, at the option of the District, be credited to such Acquisition or Construction Fund and used for the Interceptor System purposes for which the Bonds are issued, or be credited towards the payment of the Bond Service Component.

**Section 5.04. ADDITIONAL CAPACITY AND FACILITIES.** As the responsible agency for the establishment, administration, management, operation, and maintenance of the Interceptor System, the District will, from time to time, determine when and to what extent it is necessary to provide additions, enlargements, improvements, repairs, and extensions to the Interceptor System to receive and transport Wastewater of any Participant, including all Additional Participants, and to issue its Bonds to accomplish such purposes, and all Participants, including Additional Participants, shall be obligated to pay both the Operation and Maintenance Components and the Bond Service Component included in the Annual Requirements with respect to the entire Interceptor System, as expanded, as provided in Section 5.03; provided that this Section shall not be construed so as to reduce or alter the requirements of Sections 5.03 or 8.02 with respect to minimum payments.

## ARTICLE VI

### GENERAL PROVISIONS

Section 6.01. FORCE MAJEURE. In case by reason of "Force Majeure" the District or any Participant shall be rendered unable wholly or in part to carry out its obligations under this agreement, 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 (with the exception of the obligation of each Participant to make the payments required in Section 5.03 of this Contract, which in all events shall be made as provided therein) shall be suspended during the continuance of the inability then claimed, but for no longer periods, and any such party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "Force Majeure" as employed herein, shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of public enemy, orders of any kind of the Government of the United States or the State of Texas or any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipelines or canals, partial or entire failure of water supply, and inability on the part of a Participant to provide water necessary for operation of its water and Local Wastewater Facilities hereunder, or of the District to receive or transport Wastewater on account of any other causes not reasonably within the control of the party claiming such inability. It is understood and agreed that the settlement of strikes and lockouts shall be entirely within the discretion of the party having the difficulty, and that the above requirement that any Force Majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes and lockouts by acceding to the demands of the opposing party or parties when such settlement is unfavorable to it in the judgment of the party having the difficulty.

Section 6.02. INSURANCE. The District will carry insurance (including self-insurance) for such purposes and in such amounts as are determined by the District to be necessary or advisable.

Section 6.03. REGULATORY BODIES. This Contract shall be subject to all valid rules, regulations and laws applicable hereto passed or promulgated by the United States of America, the State of Texas, or any authorized representative or agency of any of them.

Section 6.04. ANNUAL AUDIT OF SYSTEM. The District shall, at the close of each Fiscal Year, commencing with the Fiscal Year beginning October 1, 2003, cause an annual audit of the Interceptor System to be prepared.

Section 6.05. PUBLICATIONS, REFERENCE WORKS, GOVERNMENTAL REGULATIONS. In each instance herein where reference is made to a publication, reference work or Federal or State regulation, it is the intention of the parties that at any given time the then current edition of any such publication of reference work or Federal or State regulation shall apply. If a publication or reference work is discontinued or ceases to be the generally accepted work in its field or if conditions change or new methods or processes are implemented by the District, new standards shall be adopted which are in compliance with State and Federal laws and any valid rules and regulations issued pursuant thereto.

Section 6.06. OPERATION OF THE INTERCEPTOR SYSTEM. The District covenants that it will operate and maintain the Interceptor System in accordance with accepted good business and engineering practices.

## ARTICLE VII

### DISTRICT ANNUAL BUDGET

Section 7.01. FILING WITH PARTICIPANT. (a) Not less than sixty (60) days before the commencement of each Fiscal Year while this Contract is in effect, the District shall cause its tentative budget for operation and maintenance of the Interceptor System for the ensuing Fiscal Year to be prepared and a copy thereof filed with each Participant. If no protest or request for a hearing on such tentative budget is presented to the District within thirty (30) days after such filing of the tentative budget by one or more Participants, the tentative budget for the Interceptor System, when adopted by the District's Board of Directors, shall be considered for all purposes as the "Annual Budget" for the Interceptor System ensuing Fiscal Year. But if a protest or request for a hearing is duly filed, it shall be the duty of the District to fix the date and time for a hearing on the tentative budget. The Board of Directors of the District shall consider the testimony and showings made in such hearing. The Board of Directors of the District may adopt the budget or make such amendments thereof as to it may seem proper. The budget thus approved by the Board of Directors of the District shall be the Annual Budget for the next ensuing Fiscal Year.

(b) The Annual Budget may be amended to provide for transfers of budgeted funds between expenditure accounts, provided however that said transfers do not result in an overall increase in budgeted funds as provided in the Annual Budget. The Annual Budget may be amended and increased through formal action by the Board of Directors of the District, if required. Certified copies of any amended Annual Budget and the resolution authorizing same shall be filed immediately by the District with each Participant.

## ARTICLE VIII

### OTHER CONTRACTS

Section 8.01. OTHER CONTRACTS BETWEEN THE DISTRICT AND THE PARTICIPANTS. Nothing contained in this Contract shall in any way affect any payments to the District by a Participant or rates charged by the District to such Participant for the providing of water, wastewater or other services or facilities pursuant to other contractual relationships between the District and such Participant, including particularly, but not by way of limitation, the Regional Contract.

Section 8.02. DISTRICT CONTRACTS WITH ADDITIONAL PARTICIPANTS. (a) The District reserves the right to contract with subsequent Additional Participants to provide the services of the Interceptor System to such Additional Participants; provided that the terms and provisions of such contracts with Additional Participants shall be, to the extent practicable and applicable, the same

as the terms and provisions of this Contract except that such contract shall provide for payments calculated on the basis of adequate minimum flows as hereinafter provided and further provided that, prior to or concurrently with becoming an Additional Participant, such party shall have become a party to the Treatment Contract. The District shall not obligate itself to receive Wastewater into the Interceptor System from any future Additional Participant, in the judgment and discretion of the District, such obligation would jeopardize the District's ability to meet its obligation to receive and transport Wastewater discharged into the Interceptor System by prior Participants.

(b) A Person may become an Additional Participant in the following manner and under the following conditions;

- (i) A formal request must be submitted to the District furnishing information on the area to be served, a description of existing facilities, and the latest annual audit of such proposed Additional Participant's waterworks and/or sewer systems, if any.
- (ii) Such proposed Additional Participant must provide funds for any necessary engineering studies if funds are not available from the appropriate Federal or State agencies. The preliminary studies must determine or estimate, for the ensuing five year period, the size and type of any proposed improvements, enlargements, or extensions of the Interceptor System to serve such Additional Participant, their estimated cost, and estimated flows of Wastewater, so as to enable the District to ascertain or estimate the requirements of the proposed Additional Participant for the ensuing five year period.

(c) Each Additional Participant must agree to make minimum payments under its contract, on the basis of estimated annual minimum flows, that would provide amounts annually at least sufficient, as determined by the District, to pay such Additional Participant's proportionate share of the Annual Requirement.

(d) The provisions of this Section and the payments to be made under an Additional Participant's contract are further subject to the provisions of Section 5.03 of this Contract.

**Section 8.03. USE OF EXCESS CAPACITY.** Notwithstanding any other provisions of this Contract, the District may provide any excess available capacity or service of the Interceptor System to any Person; provided that such service does not interfere with or impair the rights of any Participant under this Contract, and any such service shall in all events be subordinate and subject to such rights; and provided further that the District must charge for such service in amounts at least sufficient to pay all Operation and Maintenance Expense attributable thereto plus an amount which will produce an estimated reasonable allocation as determined by the District to be credited to the Bond Service Component of the Annual Requirement, plus an additional amount of not less than 20% of the foregoing to cover prior incurred costs. The District is not authorized to issue Bonds, as defined in this Contract, to provide the services of the Interceptor System to any persons other than Participants (including Additional Participants).



## ARTICLE IX

### REMEDIES

Section 9.01. **LEGAL AND EQUITABLE.** Any party to this Contract, and any holder of the District's Bonds, may require any party hereto, and its officials and employees, to carry out, respect, and enforce the covenants and obligations of this Contract, by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings, in any court of competent jurisdiction, against such party, and its officials and employees.

## ARTICLE X

### CONTINUING DISCLOSURE OF INFORMATION

Section 10.01. **PARTICIPANTS TO COMPLY.** The Participants shall comply or, upon request of the District, shall provide to the District such information as will enable the District to comply, with any continuing disclosure requirements with respect to the Bonds imposed by Securities and Exchange Commission Rule 15c2-12.

## ARTICLE XI

### EFFECTIVE DATE AND TERM

Section 11.01. **EFFECTIVE DATE.** This Contract shall become effective as of the date of execution hereof.

Section 11.02. **TERM OF CONTRACT.** This Contract shall continue in force from the effective date hereof at least until all Bonds, including any Bonds issued to refund same, shall have been paid in full; and shall also remain in force thereafter throughout the useful life of the Interceptor System.

## ARTICLE XII

### NOTICES

Section 12.01. **NOTICES.** Any notice, request or other communication under this Contract shall be given in writing and shall be deemed to have been given by either party to the other party at the addresses shown below upon any of the following dates:

- (a) The date of notice by telefax, telecopy, or similar telecommunications, which is confirmed promptly in writing;

(b) Three business days after the date of the mailing thereof, as shown by the post office receipt if mailed to the other party hereto by registered or certified mail;

(c) The date of actual receipt thereof by such other party if not given pursuant to (a) or (b) above.

The address for notice for each of the parties shall be as follows:

North Texas Municipal Water District  
505 East Brown Street  
Wylie, Texas 75098  
Attention: Executive Director and General Manager  
Fax #: (972) 442-5405

City of Royse City, Texas  
100 West Main Street  
Royse City, Texas 75189  
Attention: City Manager  
Fax #: (972) 635-2434

City of Fate, Texas  
105 E. Fate Main Place  
Fate, Texas 75132  
Attention: City Manager  
Fax #: (972) 771-4601

or the latest address specified by such other party in writing.

### ARTICLE XIII

#### SEVERABILITY

Section 13.01. SEVERABILITY. If any clause, provision or Section of this Contract should be held illegal or invalid by any court, the invalidity of such clause, provision or Section shall not affect any of the remaining clauses, provisions or Sections hereof and this Contract shall be construed and enforced as if such illegal or invalid clause, provision or Section had not been contained herein. In case any agreement or obligation contained in this Contract should be held to be in violation of law, then such agreement or obligation shall be deemed to be the agreement or obligation of the Participants or the District, as the case may be, to the full extent permitted by law.

## ARTICLE XIV

MODIFICATION

Section 14.01. MODIFICATION. This Contract may be changed or modified only with the consent of the governing bodies of the District and the affected Participant or Participants. No such change or modification may be made which will affect adversely the prompt payment when due of all moneys required to be paid by the Participants under the terms of this Contract.

## ARTICLE XV

VENUE

Section 15.01. VENUE. All amounts due under this Contract, including, but no limited to, payments due under this Contract or damages for the breach of this Contract, shall be paid and be due in Collin County, Texas, which is the County in which the principal administrative offices of the District are located. It is specifically agreed among the parties to this Contract that Collin County, Texas, is the place of performance of this Contract; and in the event that any legal proceeding is brought to enforce this Contract or any provision hereof, the same shall be brought in Collin County, Texas.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the parties hereto acting under authority of their respective governing bodies have caused this Contract to be duly executed in several counterparts, each of which shall constitute an original, all as of the 3rd day of March, 2003, which is the date of this Contract.

NORTH TEXAS MUNICIPAL WATER DISTRICT

By: Bobby Robinson  
President, Board of Directors

ATTEST:

Joe Pinner  
Secretary, Board of Directors

(SEAL)

CITY OF ROYSE CITY, TEXAS

By: Angel Chaney  
Mayor

ATTEST:

Brenda Craft  
City Secretary

(SEAL)

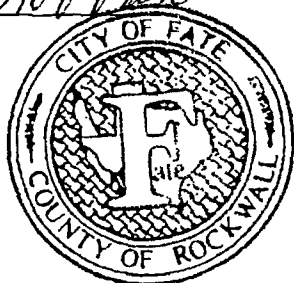
CITY OF FATE, TEXAS

By: Lynnda H. Tolbert  
Mayor *Pro-Tem*

ATTEST:

Lynnda Tolbert  
City Secretary

(SEAL)



*newest contract  
10-1-96  
change in prices only*

**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 hereinafter 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



party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "Force Majeure" as employed herein shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of public enemy, orders of any kind of the Government of the United States or the State of Texas, or any Civil or military authority, insurrection, riots, epidemics, landslides, lightning, earthquake, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipelines or canals, partial or entire failure of water supply, or on account of any other causes not reasonably within the control of the party claiming such inability.

Section 12. INSURANCE. The District agrees to carry and arrange for fire, casualty, public liability, and/or other insurance, including self insurance, on the System for purposes and in amounts which, as determined by the District, ordinarily would be carried by a privately owned utility company owning and operating such facilities, except that the District shall not be required to provide liability insurance except to insure itself against risk of loss due to claims for which it can, in the opinion of the District's legal counsel, be liable under the Texas Tort Claims Act or any similar law or judicial decision. Such insurance will provide, to the extent feasible and practicable, for the restoration of damaged or destroyed

properties and equipment, to minimize the interruption of the services of such facilities. All premiums for such insurance shall constitute an Operation and Maintenance Expense of the System.

Section 13. TERM AND EFFECT OF CONTRACT. (a) This Contract shall, upon execution by the District and all of the Initial Contracting Parties, be effective as of the Contract Date, and this Contract shall continue in force and effect until all Bonds and all interest thereon shall have been paid or provided for, and thereafter shall continue in force and effect during the entire useful life of the System. The requirement for making the Annual Payments as prescribed in Section 9 of this Contract shall commence as of October 1, 1988. Until October 1, 1988, payments for treated water shall continue to be made to the District by the Initial Contracting Parties in accordance with the eleven separate existing treated water supply contracts, and amendments thereto, between the District and the Initial Contracting Parties.

(b) It is specifically agreed and understood that this Contract, as of the Contract Date, will supersede all of the contracts, agreements, and arrangements between each of the parties hereto with respect to the System and treated water from the System and the Bonds, and that this Contract, as of the Contract Date, will completely amend and supersede all such contracts, agreements, and arrangements with respect to the

System and treated water from the System and the Bonds, and will constitute the sole agreement between the parties hereto or any of them with respect to the System and treated water from the System and the Bonds; and all such previous contracts, agreements, and arrangements shall be void and shall be of no force or effect, except for payments due and liabilities accrued thereunder prior to October 1, 1988, and except as provided in subsections (a) and (c), of this Section 13, and except that the "AGREEMENT BETWEEN THE NORTH TEXAS MUNICIPAL WATER DISTRICT AND THE CITY OF MCKINNEY FOR AN ADDITIONAL POINT OF DELIVERY", authorized by said City's resolution adopted September 2, 1986, and the District's resolution adopted December 18, 1986, shall be and remain in full force and effect until its expiration, and said City shall make payments to the District thereunder in addition to those required under this Contract, with such additional payments to be treated and applied as "other revenues" in accordance with Section 9(b) of this Contract.

(c) It is recognized by the parties to this Contract that the eleven previous treated water supply contracts, and amendments thereto, between the District and the Initial Contracting Parties, respectively, which are being amended hereby, together with the proceedings relating thereto, previously have been submitted to an Attorney General of Texas, along with bonds of the District heretofore issued, as provided in the District

Act, and that an Attorney General, in his certificates and opinions relating to such bonds, found that such contracts were made in accordance with the Constitution and laws of the State of Texas, and that they are valid and enforceable in accordance with their terms and provisions. Further, an Attorney General approved each of such contracts, with the effect that pursuant to the provisions of the District Act such contracts "shall be valid and binding and shall be incontestable for any cause". In order to protect the rights of the owners of the Bonds and the parties to this Contract, it is specifically agreed and understood by the parties to this Contract that, any provisions of this Contract to the contrary notwithstanding, if for any reason whatsoever this Contract, or any part of this Contract significantly affecting the rights of the owners of the Bonds, should be held to be invalid or unconstitutional, or in contravention of any law or any constitutional provisions, then the foregoing contracts shall be construed and deemed to be and to have been in full force and effect at all times to the extent required to protect the rights of the owners of the Bonds and the parties to such contracts. It is further agreed and understood by the parties to this Contract that this Contract is amendatory in nature and is not intended to, and does not, abrogate the rights of the owners of any Bonds, and is not intended to, and does not, affect adversely in any way the security therefor, but is intended to and does confirm the

security therefor, substantially restate, clarify, carry forward, update, improve, and extend the provisions of the previous contracts.

Section 14. MODIFICATION. No change or modification of this Contract shall be made which will affect adversely the prompt payment when due of all moneys required to be paid by any Contracting Party under the terms of this Contract or any similar contract, and no such change shall be effective which would cause a violation of any provisions of any Bond Resolution. No change or modification of this Contract shall be made without the written consent of all parties hereto.

Section 15. REGULATORY BODIES AND LAWS. This Contract is subject to all applicable Federal and State laws and any applicable permits, ordinances, rules, orders, and regulations of any local, state, or federal governmental authority having or asserting jurisdiction, but nothing contained herein shall be construed as a waiver of any right to question or contest any such law, ordinance, order, rule, or regulation in any forum having jurisdiction.

Section 16. NOTICES. Unless otherwise provided herein, any notice, communication, request, reply, or advice (herein severally and collectively, for convenience, called "Notice") herein provided or permitted to be given, made, or accepted by any party to any other party must be in writing and may be

given or be served by depositing the same in the United States mail postpaid and registered or certified and addressed to the party to be notified, with return receipt requested, or by delivering the same to an officer of such party, or by prepaid telegram when appropriate, addressed to the party to be notified. Notice deposited in the mail in the manner hereinabove described shall be conclusively deemed to be effective, unless otherwise stated herein, from and after the expiration of three days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the party to be notified. For the purposes of notice, the addresses of the parties shall, until changed as hereinafter provided, be as follows:

If to the District, to:

North Texas Municipal Water District  
 P. O. Drawer C  
 Wylie, Texas 75098

If to the Initial Contracting Parties, as follows:

City of Farmersville  
 303 S. Main  
 Farmersville, Texas 75031

City of Forney  
 101 E. Main Street  
 Forney, Texas 75126

City of Garland  
 200 N. Fifth Street  
 P. O. Box 469002  
 Garland, Texas 75040

City of McKinney  
 P. O. Box 517  
 McKinney, Texas 75069

City of Mesquite  
711 N. Galloway  
Mesquite, Texas 75149

City of Plano  
P. O. Box 860358  
Plano, Texas 75086-0358

City of Princeton  
306 N. Front Street  
Princeton, Texas 75077

City of Richardson  
411 W. Arapaho Road  
Richardson, Texas 75080

City of Rockwall  
205 W. Rusk  
Rockwall, Texas 75087

City of Royse City  
P. O. Drawer A  
Royse City, Texas 75089

City of Wylie  
P. O. Box 428  
Wylie, Texas 75098

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

Section 17. SEVERABILITY. The parties hereto specifically agree that in case any one or more of the sections, subsections, provisions, clauses, or words of this Contract or the application of such sections, subsections, provisions, clauses, or words to any situation or circumstance should be, or should be held to be, for any reason, invalid or unconstitutional,

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

Section 18. REMEDIES UPON DEFAULT. It is not intended hereby to specify (and this Contract shall not be considered as specifying) an exclusive remedy for any default, but all such other remedies (other than termination) existing at law or in equity may be availed of by any party hereto and shall be cumulative. Recognizing however, that the District's undertaking to provide and maintain a supply of water hereunder is an obligation, failure in the performance of which cannot be adequately compensated in money damages alone, the District agrees, in the event of any default on its part, that each Contracting Party shall have available to it the equitable remedy of mandamus and specific performance in addition to any



other legal or equitable remedies (other than termination) which may also be available. Recognizing that failure in the performance of any Initial Contracting Party's obligations hereunder could not be adequately compensated in money damages alone, each Initial Contracting Party agrees in the event of any default on its part that the District shall have available to it the equitable remedy of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available to the District. No waiver or waivers of any breach or default (or any breaches or defaults) by any party hereto or of performance by any other party of any duty or obligation hereunder shall be deemed a waiver thereof in the future, nor shall any such waiver or waivers be deemed or construed to be waiver of subsequent breaches or defaults of any kind, character, or description, under any circumstances.

Section 19. VENUE. All amounts due under this Contract, including, but not limited to, payments due under this Contract or damages for the breach of this Contract, shall be paid and be due in Collin County, Texas, which is the County in which the principal administrative offices of the District are located. It is specifically agreed among the parties to this Contract that Collin County, Texas, is a principal place of performance of this Contract; and in the event that any legal

proceeding is brought to enforce this Contract or any provision hereof, the same shall be brought in Collin County, Texas.

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

NORTH TEXAS MUNICIPAL WATER DISTRICT

BY *[Signature]*  
President, Board of Directors

ATTEST:

*[Signature]*  
Secretary, Board of Directors

APPROVED AS TO FORM AND LEGALITY:

*[Signature]*  
Attorneys for the District

(DISTRICT SEAL)

CITY OF FARMERSVILLE, TEXAS

BY *[Signature]*  
Mayor

ATTEST:

*[Signature]*  
City Secretary

APPROVED AS TO FORM AND LEGALITY:

Joe Costantino  
City Attorney

(CITY SEAL)

CITY OF FORNEY, TEXAS

Don T. Cates  
Mayor

ATTEST:

Shelly Green  
City Secretary

APPROVED AS TO FORM AND LEGALITY:

Robert R. Dilbeck  
City Attorney

(CITY SEAL)

CITY OF GARLAND, TEXAS

Ruth Nicholson  
Mayor

ATTEST:

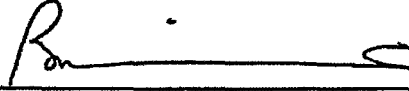
Alice Church  
City Secretary

APPROVED AS TO FORM AND LEGALITY:

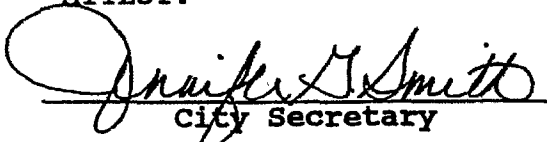
Charles H. Fidelity  
City Attorney

(CITY SEAL)

CITY OF MCKINNEY, TEXAS

BY   
Mayor

ATTEST:

  
City Secretary

APPROVED AS TO FORM AND LEGALITY:

  
City Attorney

(CITY SEAL)

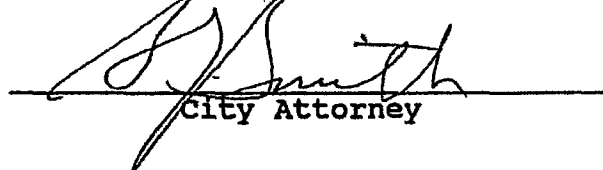
CITY OF MESQUITE, TEXAS

BY   
Mayor

ATTEST:

  
City Secretary

APPROVED AS TO FORM AND LEGALITY:

  
City Attorney

(CITY SEAL)

CITY OF PLANO, TEXAS

BY   
Mayor

ATTEST:

Jackie Blabey  
City Secretary

APPROVED AS TO FORM AND LEGALITY:

Larry Cotton  
City Attorney

(CITY SEAL)

CITY OF PRINCETON, TEXAS

BY Mary K. Edwards  
Mayor

ATTEST:

Hanni Price  
City Secretary

APPROVED AS TO FORM AND LEGALITY:

Mark P.  
City Attorney

(CITY SEAL)

CITY OF RICHARDSON, TEXAS

BY Charles Spann  
Mayor

ATTEST:

Paula Miller  
City Secretary

APPROVED AS TO FORM AND LEGALITY

Peter J. Smith  
City Attorney

(CITY SEAL)

CITY OF ROCKWALL, TEXAS

BY *John R. Miller*  
Mayor

ATTEST:

*Mary Nichols*  
City Secretary

APPROVED AS TO FORM AND LEGALITY

*[Signature]*  
City Attorney

(CITY SEAL)

CITY OF ROYSE CITY, TEXAS

*Ann B. Baker*  
Mayor

ATTEST:

*Dois Williams*  
City Secretary

APPROVED AS TO FORM AND LEGALITY:

*[Signature]*  
City Attorney

(CITY SEAL)

CITY OF WYLIE, TEXAS

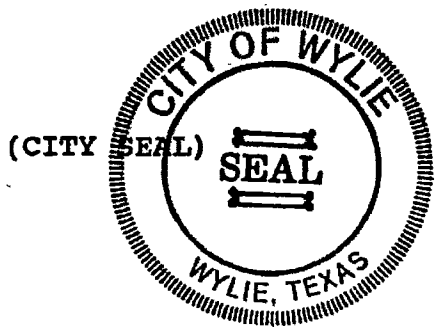
*[Signature]*  
Mayor

ATTEST:

*Caroleen Jones*  
city Secretary

APPROVED AS TO FORM AND LEGALITY

*Robert L. Dillard III*  
City Attorney *PLS*



*This e-mail and/or attachment is for the sole use of the intended recipient(s) and may contain confidential and/or legally privileged information. Any unauthorized review, use, disclosure or distribution is prohibited. If you are not the intended recipient, please contact the sender by reply e-mail and destroy all copies of the original message.*

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**From:** Jason Day [<mailto:Jason.Day@RoyseCity.com>]  
**Sent:** Monday, June 19, 2017 5:06 PM  
**To:** Barry Jameson  
**Cc:** Dario Lopez; Josh White  
**Subject:** FW: City of Royse City (PWS 1990002)

FYI.

---

**From:** Steven Swierenga [<mailto:steven.swierenga@tceq.texas.gov>]  
**Sent:** Monday, June 19, 2017 4:50 PM  
**To:** Jason Day  
**Subject:** FW: City of Royse City (PWS 1990002)

Hi Jason,


The status of the City of Royse City's PN violations have been updated to reflect that these violations have been resolved.

Please let me know if we can be of any further assistance to you.

Thanks,  
 Steven

Steven Swierenga  
 Team Leader, Drinking Water Quality Team  
 Drinking Water Standards Section, Water Supply Division  
 Texas Commission on Environmental Quality  
 Mail: Mail Code 155, P.O. Box 13087, Austin, TX 78711-3087  
 Phone: (512)239-6611, Fax: (512)239-6050  
 E-mail: [Steven.Swierenga@tceq.texas.gov](mailto:Steven.Swierenga@tceq.texas.gov)

Texas Drinking Water Watch: <http://dww2.tceq.texas.gov/DWW/>

 Please consider whether it is necessary to print this e-mail

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**From:** Mike Howell  
**Sent:** Monday, June 19, 2017 4:47 PM  
**To:** Steven Swierenga  
**Cc:** Michele Risko; Mike Howell  
**Subject:** City of Royse City (PWS 1990002)

June 19, 2017

**Re: City of Royse City**

Steven,



The City of Royse City does not have any public notice violations that have not returned to compliance (see below).

Thank you,

Mike Howell  
 Drinking Water Inventory & Protection Team  
 Drinking Water Special Functions Section  
 Water Supply Division  
 TCEQ

Texas Drinking Water Watch

Water System No:	TX1990002	Federal Type:	C
Water System Name:	CITY OF ROYSE CITY	Federal Source:	SWP
Principal County Served:	ROCKWALL	System Status:	A
Principal City Served:		Activity Date:	01-01-1913

Group Violations					
Fed Fiscal Year	Determ Date	Violation Type	Violation Name	Analyte Group	Analyte Group Name

Individual Violations							
Violation No.	Compliance Period	Violation Type Code	Violation Name	Analyte Code	Analyte Name	Has the Violation been Addressed? (On the Path to Compliance)	Has the Violation been Resolved? (Returned to Compliance)
2014-90060316	12-30-2013-10-18-2016	66	LEAD CONSUMER NOTICE (LCR)	5000	LEAD & COPPER RULE	Not yet on path to compliance	Yes
2013-90060313	12-01-2012-12-31-2012	22	MCL (TCR), MONTHLY	3100	COLIFORM (TCR)	Yes - Informal	Yes
2011-90060309	12-01-2007-12-31-2007	75	PUBLIC NOTICE RULE LINKED TO VIOLATION	7500	PUBLIC NOTICE	Not yet on path to compliance	Yes
2011-90060308	09-01-2007-09-30-2007	75	PUBLIC NOTICE RULE LINKED TO VIOLATION	7500	PUBLIC NOTICE	Not yet on path to compliance	Yes
2009-90060304	10-01-2008-12-31-2008	27	MONITORING ROUTINE (DBP) MINOR	0999	CHLORINE	Yes - Informal	Yes

<u>2008-508</u>	12-01-2007-12-31-2007	22	MCL (TCR), MONTHLY	3100	COLIFORM (TCR)	Yes - Informal	Yes	81
<u>2008-308</u>	09-01-2007-09-30-2007	22	MCL (TCR), MONTHLY	3100	COLIFORM (TCR)	Yes - Informal	Yes	
<u>2003-203</u>	01-01-2003-01-31-2003	75	PUBLIC NOTICE RULE LINKED TO VIOLATION	7500	PUBLIC NOTICE	Not yet on path to compliance	Yes	
<u>2003-103</u>	01-01-2003-01-31-2003	24	MONITORING (TCR), ROUTINE MINOR	3100	COLIFORM (TCR)	Yes - Informal	Yes	

**Total Number of Records Fetched = 9**