



Control Number: 47452



Item Number: 1

Addendum StartPage: 0



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

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

Docket Number: **47452**

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

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

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

RECEIVED
2017 JUL 28 PM 1:50
PUBLIC UTILITY COMMISSION
FILING CLERK

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

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

Purpose of Application		
<input type="checkbox"/> Obtain	<input type="checkbox"/> New Water CCN	<input type="checkbox"/> New Sewer CCN
<input checked="" type="checkbox"/> Amend	<input checked="" type="checkbox"/> Water CCN# (s)	11856
<input checked="" type="checkbox"/> Amend	<input checked="" type="checkbox"/> Sewer CCN#(s)	20930

1. Applicant Information

Applicant	
Utility name: Mustang Special Utility District	
Certificate number: 11856 and 20930	
Street address (City/ST/ZIP/Code): 7985 FM 2931 Aubrey, Texas 76227	
Mailing address(City/ST/ZIP/Code): 7985 FM 2931 Aubrey, Texas 76227	
Utility Phone Number and Fax: (940) 440-9561	Fax: (940) 440-9686
Contact information	
Please provide information about the person(s) to be contacted regarding this application. Indicate if this person is the owner, operator, engineer, attorney, accountant manager, or other title related to the applicant.	
Name: Leonard Dougal	Title: Attorney
Mailing address: 100 Congress Avenue, Suite 1100, Austin, TX 78701	
Email: ldougal@jw.com	Phone and Fax: (512) 236-2000
List all counties in which service is proposed: Denton County and Collin County	Fax: (512) 391-2112

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

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

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

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

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

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

2. Location Information

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

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

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

Yes No Please see Attachments 2.B., 2.B.1, 2.B.2. and 2.B.3 & 2.B.4

If YES, provide the following:

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

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

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

Yes No

City of Aubrey

If YES, within the corporate limits of: _____

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

Please see **Attachment 2.C.**, Transfer and Service Agreement between the City of Aubrey, Mustang Special Utility District, CADG Comanche 248 LLC and Pulte Homes of Texas, L.P.

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

Yes No

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

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

3. Map Requirements

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

- A. A location map delineating the proposed service area with enough detail to accurately locate the proposed area within the county. **Please see Attachment 3.A. & 3.B.**
- B. A map showing only the proposed area by: **Please see Attachment 3.B.ii.**
 - i. metes and bounds survey certified by a licensed state or register professional land surveyor; or
 - ii. projectable digital data with metadata (proposed areas should be in a single record and clearly labeled). Also, a data disk labeled with the applicant's name must be provided; or
 - iii. following verifiable natural and man-made landmarks; or
 - iv. a copy of recorded plat map with metes and bounds.
- C. A written description of the proposed service area. **Please see Attachment 3.C**
- D. Provide separate and additional maps of the proposed area(s) to show the following:
 - i. all facilities, illustrating separately facilities for production, transmission, and distribution of the applicant's service(s); and
 - ii. any facilities, customers or area currently being served outside the applicant's certificated area(s).

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

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

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

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

- A. Please provide the following information:
 - i. a list of public drinking water supply system(s) or sewer system(s) within a 2 mile radius of the proposed system; **Please see Attachment 4.A.**
 - ii. copies of written requests seeking to obtain service from each of the public drinking water systems or sewer systems listed in a. 1 above or documentation that it is not economically feasible to obtain service from each entity; **N/A; for further information, see Attachment 5.G.**
 - iii. copies of written responses from each system or evidence that they did not reply; and **N/A**
 - iv. for sewer utilities, documentation showing that you have obtained or applied for a wastewater discharge permit. **N/A; See Section 5.**
- B. Were your requests for service denied? Yes No N/A

- i. If yes, please provide documentation of the denial of service and go to c. N/A
 - ii. If no, please provide a detailed analysis which justifies your reasons for not accepting service. A separate analysis must be prepared and submitted for each utility that granted your request for service. N/A
- C. Please summarize how the proposed utility system will be constructed and describe each projected construction phase, if any:

Not applicable.

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

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

F. Date construction is scheduled to commence: N/A

G. Date service is scheduled to commence: N/A

5. Existing System Information

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

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

0	6	1	0	2	0	0	0	6	1	0	0	2	2	0	6	1	0	0	3	6
0	6	1	0	2	2	6														

ii. Sewer system(s): TCEQ Discharge Permit number(s) **None, all wastewater is currently treated by Upper Trinity Regional Water District**

TCEQ Water System			TCEQ Sewer System		
Other:			Other:	0	0
Total Water	0	5,895	Total Sewer	0	1,395

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

For the Green Meadows tracts, Mustang SUD is requesting only water service because sewer service is already certificated to Mustang SUD under CCN No. 20930.

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

N/A

G. Effect of Granting a Certificate Amendment. **Please see Attachment 5.G.**
 Explain in detail the effect of granting of a certificate or an amendment, including, but not limited to regionalization, compliance and economic effects on the following:

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

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

- i. No, (skip the rest of this question and go to #6)
- ii. Yes, Water

Purchased on a Regular Seasonal Emergency basis?

Water Source	% of Total Treatment
Upper Trinity Regional Water District	100.00%

Water Source	% of Total Treatment
	0.00%
	0.00%

iii. Yes, Sewer treatment capacity

Purchased on a Regular Seasonal Emergency basis?

Sewer Source	% of Total Treatment
Upper Trinity Regional Water	100.00%
District	0.00%
	0.00%

iv. Provide a signed and dated copy of the most current water or sewer treatment capacity purchase agreement or contract. **Please see Attachment 5.H.1 and 5.H.2**

I. Ability to Provide Adequate Service. **Please see Attachment 5.I.**

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

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

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

Granting the proposed CCN amendment will allow the area to receive service from Mustang SUD and to be developed in the manner requested by the landowners. The proposed areas currently contain 0 water residential connections, 0 commercial water connections, and 0 sewer connections and growth in the area is anticipated of additional residential customers, currently estimated at approximately 5,895 proposed water connections and 1,395 sewer connections over the next 7-10 years.

6. Financial Information

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

should correlate to the projected growth in connections, shown on the projected profit and loss statement.

- iii. Attach a proposed rate schedule or tariff. Describe the procedure for determining the rates and fees and indicate the date of last change, if applicable. Attach copies of any cost of service studies or rate analysis worksheets.

B. For existing water and/or sewer systems:

- i. Attach a profit and loss statement and current balance sheet for existing businesses (end of last fiscal year is acceptable). Describe sources and terms for borrowed capital such as loans, bonds, or notes (profit and loss and balance sheet worksheets are attached, if needed). See Attachment 6.B.i.
- ii. Attach ^a Proposed rate schedule or tariff. See Attachment 6.B.ii.

❖ **Note: An existing water and/or sewer system may be required to provide the information in 6.A.i. above during the technical review phase if necessary for staff to completely evaluate the application**

C. Identify any funds you are required to accumulate and restrict by lenders or capital providers.

D. In lieu of the information in #6.A. thru #6.C., you may provide information concerning loan approvals within the last three (3) years from lending institutions or agencies including the most recent financial audit of the applicant.

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

7. Notice Requirements

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

iii. For applications for the AMENDMENT of a CCN, the applicant must mail the notice with a copy of the proposed CCN map to all cities and neighboring retail public utilities providing the same utility service within two (2) miles of the requested service area. **See Attachment 4.A. & 7.D.**

H. Notice to Customers:

Investor Owned Utilities (IOUs) that are currently providing service without a CCN must provide individual mailed notice to all current customers. The notice must contain the current rates, the date those rates were instituted and any other information required in the application.

I. The commission may require the applicant to deliver notice to other affected persons or agencies.

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

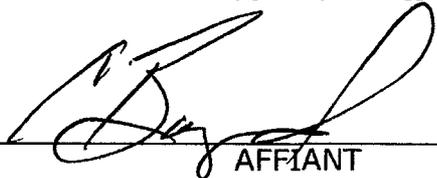
OATH

STATE OF Texas
COUNTY OF Denton

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

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

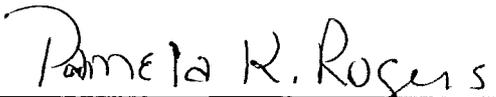
I further represent that the Applicant will provide continuous and adequate service to all customers and qualified applicants for service within its certificated service area.

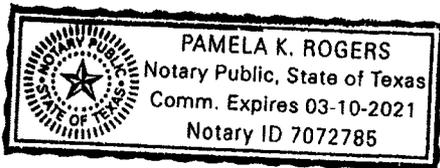

AFFIANT
(Utility's Authorized Representative)

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

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public in and for the State of Texas,
This day 27th of July 20 17

SEAL


NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS



PAMELA K. ROGERS
PRINT OR TYPE NAME OF NOTARY

MY COMMISSION EXPIRES 3/10/2021

Notice for Publication

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

Denton & Collin

COUNTY(IES), TEXAS

Name of Applicant Mustang Special Utility District has filed an application for a CCN to obtain or amend CCN No. (s) 11856 and 20930 and to decertify a portion(s) of _____ with the
(Name of Decertified Utility)

Public Utility commission of Texas to provide

Water & Sewer

(specify 1) water or 2) sewer or 3) water & sewer)

utility service in

Denton, Collin

County
(ies).

The proposed utility service area is located approximately 7 miles Southwest
[direction] of downtown Celina, [City or Town] Texas, and is
generally bounded on the north by FM 428; on the east by
County Line Rd./N.Legacy Dr.; on the south by Parvin Rd./Fish Trap Rd.; and on the west by Little Elm Creek, FM 2931

The total area being requested includes approximately 1,460 acres and 0
current customers.

A copy of the proposed service area map is available at (Utility Address and Phone Number): 7985 FM 2931, Aubrey, Texas 76227; Telephone (940) 440-9561

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

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

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

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

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

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

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

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

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

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

Notice to Neighboring Systems, Landowners and Cities

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

Denton & Collin COUNTY(IES), TEXAS

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

(Address)

City State Zip

Name of Applicant Mustang Special Utility District has filed an application for a CCN to obtain or amend CCN No. (s) 11856 and 20930 and to decertify a portion(s) of _____ with the
(Name of Decertified Utility)

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

The proposed utility service area is located approximately 7 miles southwest
[direction] of downtown Celina, [City or Town] Texas, and is generally bounded on the north by FM 428; on the east by County Line Rd./N. Legacy Dr.; on the south by Parvin Rd./Fish Trap Rd.; and on the west by Little Elm Creek, FM 2931

See enclosed map of the proposed service area.

The total area being requested includes approximately 1,460 acres and 0 current customers.

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

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

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

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

Notice to Customers of IOUs in Proposed Area

NOTICE OF APPLICATION FOR CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN) TO PROVIDE WATER/SEWER UTILITY SERVICE IN _____ COUNTY(IES), TEXAS
 N/A

Dear Customer: N/A _____ Date Notice Mailed N/A _____ 20 _____

Name of Applicant N/A _____ has filed an application for a CCN to obtain or amend CCN No. (s) N/A _____ and to decertify a portion(s) of N/A _____ with the _____ (Name of Decertified Utility)

Public Utility commission of Texas to provide _____ (specify 1) water or 2) sewer or 3) water & sewer) utility service in N/A _____ County(ies).

The proposed utility service area is located approximately 7 _____ miles _____ [direction] of downtown N/A _____, [City or Town] Texas.

A copy of the proposed service area map is available at (Utility Address and Phone Number): N/A _____

The current utility rates which were first effective on N/A _____ 20 _____

Monthly Flat Rate of \$ _____ Per connection
 -OR-
 Monthly Base Rate Including per _____ gallons connection for:
 5/8" meter \$ _____
 1" meter \$ _____
 1 1/2" meter \$ _____
 2" meter \$ _____
 Other\$ _____
 Gallonage charge of \$ _____ Per 1,000 Gallons above minimum (same for all meters sizes)

Miscellaneous Fees	
Regulatory Assessment	1%
Tap Fee (Average Actual Cost)	\$
Reconnecting fee:	\$
- Non Payment (\$25.00 max)	\$
- Transfer	\$
- Customer's request	\$
Late fee	\$5.00 or 10%
Returned Check charge	\$
Customer Deposit (\$50.00 max)	\$
Meter test fee	
(Actual Cost not Exceed \$25.00)	\$
Other Fees	\$

Your utility service rates and fees cannot be changed by this application. If you are currently paying rates, those rates must remain in effect unchanged. Rates may only be increased if the utility files and gives notice of a separate rate change application.

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

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

IF A HEARING IS HELD, it is important that you or your representative attend to present your concerns. Your request serves only to cause a hearing to be held and is not used during the hearing.

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

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

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

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

HISTORICAL BALANCE SHEETS

	CURRENT YEAR (A)	A-1 YEAR	A-2 YEAR	A-3 YEAR	A-4 YEAR	A-5 YEAR
CURRENT ASSETS						
Cash						
Accounts Receivable						
Inventories						
Income Tax Receivable						
Other						
Total						
FIXED ASSETS						
Land						
Collection/Distribution System						
Buildings						
Equipment						
Other						
Less: Accum. Depreciation or Reserves						
Total						
TOTAL ASSETS						
CURRENT LIABILITIES						
Accounts Payable						
Notes Payable, Current						
Accrued Expenses						
Other						
Total						
LONGTERM LIABILITIES						
Notes Payable, Long-term						
Other						
TOTAL LIABILITIES						
OWNER'S EQUITY						
Paid in Capital						
Retained Equity						
Other						
Current Period Profit or Loss						
TOTAL OWNER'S EQUITY						
TOTAL LIABILITIES AND EQUITY						
WORKING CAPITAL						
CURRENT RATIO						
DEBT TO EQUITY RATIO						
EQUITY TO TOTAL ASSETS						

HISTORICAL INCOME STATEMENT

	CURRENT YEAR (A)	A-1 YEAR	A-2 YEAR	A-3 YEAR	A-4 YEAR	A-5 YEAR
METER NUMBER						
Existing Number of Taps						
New Taps per Year						
Total Meters at Year End						
METER REVENUE						
Fees Per Meter						
Cost Per Meter						
Operating Revenue Per Meter						
GROSS WATER REVENUE						
Fees						
Other						
Gross Income						
OPERATING EXPENSES						
General & Administrative						
Interest						
Other						
NET INCOME						

HISTORICAL EXPENSES STATEMENT

	CURRENT YEAR (A)	A-1 YEAR	A-2 YEAR	A-3 YEAR	A-4 YEAR	A-5 YEAR
GENERAL/ADMINISTRATIVE EXPENSES						
Salaries						
Office Expense						
Computer Expense						
Auto Expense						
Insurance Expense						
Telephone Expense						
Utilities Expense						
Depreciation Expense						
Property Taxes						
Professional Fees						
Other						
Total						
% Increase Per Year	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
OPERATIONAL EXPENSES						
Salaries						
Auto Expense						
Utilities Expense						
Depreciation Expense						
Repair & Maintenance						
Supplies						
Other						
Total						
% Increase Per Year	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ASSUMPTIONS						
Interest Rate/Terms						
Utility Cost/gal.						
Depreciation Schedule						
Other						

PROJECTED BALANCE SHEETS

	START UP	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
CURRENT ASSETS						
Cash						
Accounts Receivable						
Inventories						
Income Tax Receivable						
Other						
Total						
FIXED ASSETS						
Land						
Collection/Distribution System						
Buildings						
Equipment						
Other						
Less: Accum. Depreciation or Reserves						
Total						
TOTAL ASSETS						
CURRENT LIABILITIES						
Accounts Payable						
Notes Payable, Current						
Accrued Expenses						
Other						
Total						
LONGTERM LIABILITIES						
Notes Payable, Long-term						
Other						
TOTAL LIABILITIES						
OWNER'S EQUITY						
Paid in Capital						
Retained Equity						
Other						
Current Period Profit or Loss						
TOTAL OWNER'S EQUITY						
TOTAL LIABILITIES AND EQUITY						
WORKING CAPITAL						
CURRENT RATIO						
DEBT TO EQUITY RATIO						
EQUITY TO TOTAL ASSETS						

PROJECTED INCOME STATEMENT

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
METER NUMBER						
Existing Number of Taps						
New Taps per Year						
Total Meters at Year End						
METER REVENUE						
Fees Per Meter						
Cost Per Meter						
Operating Revenue Per Meter						
GROSS WATER REVENUE						
Fees						
Other						
Gross Income						
OPERATING EXPENSES						
General & Administrative						
Interest						
Other						
NET INCOME						

PROJECTED EXPENSES STATEMENT

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
GENERAL/ADMINISTRATIVE EXPENSES						
Salaries						
Office Expense						
Computer Expense						
Auto Expense						
Insurance Expense						
Telephone Expense						
Utilities Expense						
Depreciation Expense						
Property Taxes						
Professional Fees						
Other						
Total						
% Increase Per Year						
OPERATIONAL EXPENSES						
Salaries						
Auto Expense						
Utilities Expense						
Depreciation Expense						
Repair & Maintenance						
Supplies						
Other						
Total						
% Increase Per Year						
ASSUMPTIONS						
Interest Rate/Terms						
Utility Cost/gal.						
Depreciation Schedule						
Other						

PROJECTED SOURCES AND USES OF CASH STATEMENTS

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTALS
SOURCES OF CASH						
Net Income						
Depreciation (if Funded)						
Loan Proceeds						
Other						
Total Sources						
USES OF CASH						
Net Loss						
Principle Portion of Pmts.						
Fixed Asset Purchase						
Reserve						
Other						
TOTAL USES						
NET CASH FLOW						
DEBT SERVICE COVERAGE						
Cash Available for Debt						
Service (CADS)						
Net Income (Loss)						
Depreciation , or Reserve Interest						
TOTAL						
REQUIRED DEBT SERVICE (RDS)						
Principle Plus Interest						
DEBT SERVICE COVERAGE RATIO						
CADS Divided by RDS						

LIST OF ATTACHMENTS

Section 1:

None

Section 2:

Attachment 2.B. – Description of service area, etc.

Attachment 2.B.1 - PUC Docket No. 45450, Notice of Approval

Attachment 2.B.2 - PUC Docket No. 45462, Notice of Approval

Attachment 2.B.3. – Non-Standard Service Contract by and Between Mustang Special Utility District and Smiley Road WCID No. 1 and Smiley Road, Ltd.

Attachment 2.B.4 – Non-Standard Service Contract by and Between Mustang Special Utility District and CADG Aubrey 107, LLC, and Pulte Homes of Texas L.P.

Attachment 2.C. – Transfer and Service Agreement between the City of Aubrey, Mustang Special Utility District, CADG Comanche 248 LLC and Pulte Homes of Texas, L.P.

Section 3:

Attachment 3.A. and 3.B. – General Location Maps

Attachment 3.B.ii. – Projectable digital data map and accompanying metadata

Attachment 3.C. – Written description of proposed service areas

Section 4:

Attachment 4.A. – List of cities and neighboring retail public utilities within 2 miles of requested service area

Section 5:

Attachment 5.A. – TCEQ PWS Inspection

Attachment 5.A.v – Mustang SUD Response to TCEQ Violations

Attachment 5.G. – Effect of Granting a Certificate Amendment

Attachment 5.H.1 – Amendment to Treated Water System Contract with Upper Trinity Regional Water District

Attachment 5.H.2 – Sewer Treatment Capacity Agreements with Upper Trinity Regional Water District

Attachment 5.I. – Ability to provide Adequate Service

Section 6:

Attachment 6.B.i. – FY 2017 Budget, 2016 Comprehensive Annual Financial Report

Attachment 6.B.ii. – Excerpt from Rate Order effective 09/26/2016

Section 7:

See Attachment 4.A. - List of cities and neighboring retail public utilities within 2 miles of requested service area

See Attachment 7.D. – List of Landowners greater than 25 acres

Attachment 2.B

Question 2.B.: This application covers the follows tracts:

i. Describe the service area and circumstances driving the need for service in the requested area. Indicate the name(s) and address(es) of landowner(s), prospective landowner(s), tenant(s), or resident(s) that have requested service; and/or

Green Meadows/Smiley Road Tracts

As background, Mustang Special Utility District (“Mustang SUD”) has already received PUC approval to serve the approximate 111 acre and 899 acre tracts known as Green Meadows/Smiley Road, but Mustang SUD now in this application desires to extend its water CCN to cover the properties. Specifically, in PUC Docket Nos. 45450 and 45462, on March 14, 2016, the PUC signed two Notices of Approval. In Docket No. 45450, the PUC approved Mustang Special Utility District’s (“Mustang SUD”) Notice of Intent to provide water service to an approximately 111 acre tract decertified from water CCN No. 13201 held by Aqua Texas, Inc. In Docket No. 45462, the PUC approved Mustang SUD’s Notice of Intent to provide water service to an approximately 899 acre tract of land decertified from water CCN No. 13201 held by Aqua Texas, Inc. Currently, both tracts are already included in Mustang SUD’s sewer CCN No. 20930 but, as noted above, are currently uncertified for water service. Mustang SUD is seeking to incorporate the properties into its water CCN No. 18156 in this application. See Attachment 2.B.1, PUC Docket No. 45450, Notice of Approval and Attachment 2.B.2, PUC Docket No. 45462, Notice of Approval.

Smiley Road Water Control Improvement District No. 1 and Smiley Road, Ltd., a Texas Limited Liability Company has requested water and wastewater service for the Green Meadows properties. See Attachment 2.B.3.

Winn Ridge

In PUC Docket Nos. 44580 and 44581, on July 16, 2015, the PUC signed two Orders on July 16, 2015. In Docket No. 44580, the PUC approved Comanche Ridge 52 Partners, Ltd.’s expedited release petition to remove 52.613 acres from Mustang SUD’s CCN No. 11856 and sewer CCN No. 20930. In Docket No. 44581, the PUC approved CADG Comanche 248, LLC’s expedited release petition to remove 393.77 acres from Mustang SUD’s CCN No. 11856 and sewer CCN No. 20930. Currently, both of these tracts are not receiving water or sewer service. The developers intended for the City of Aubrey, Texas, to provide service to the property but the parties (Mustang SUD, City of Aubrey and the developers) reached a settlement agreement whereby Mustang SUD will provide the service. At the request of the landowner, Mustang SUD is now seeking to incorporate the area back into its water CCN No. 18156 and its sewer CCN No. 20930.

Attached as Attachment 2.C. is the Transfer and Service Agreement between the City of Aubrey, Mustang Special Utility District, CADG Comanche 248 LLC and Pulte Homes of Texas, L.P. CADG Aubrey 107, LLC and Pulte Homes of Texas, L.P. have requested water and wastewater service for the Winn Ridge property. See also the Non-Standard Service Contract between

Application to Obtain or Amend a Water or Sewer Certificate of Convenience and Necessity, 9/1/14 (formerly TCEQ form 10362) – Mustang SUD CCN No. 20930 & No. 11856

Mustang SUD and CADG Aubrey 107, LLC and Pulte Homes of Texas, L.P. for water and wastewater service for the Winn Ridge property. See Attachment 2.B.4.

ii. Describe the economic need(s) for service in the requested area (i.e. plat approvals, recent annexation(s) or annexation request(s), building permits, septic tank permits, hospitals, etc.); and/or

The landowners have requested water and sewer service from Mustang SUD. Such service will economically benefit the land and region by allowing the area to develop into a residential subdivision.

iii. Discuss in detail the environmental need(s) for service in the requested area (i.e. failing septic tanks in the requested area, fueling wells, etc.); and/or

Service by Mustang SUD will avoid the need for individual septic systems for treating domestic wastewater, and will allow potable water to be provided from regional facilities, rather than local groundwater.

iv. Provide copies of any written application(s) or request(s) for service in the requested area; and/or

See the Non-Standard Service Contract attached as Attachment 2.B.3. wherein Smiley Road Water Control Improvement District No. 1 and Smiley Road, Ltd., a Texas Limited Liability Company has contracted water and wastewater service for the Green Meadows property. See also Attachment 2.B.4 , which is the Non-Standard Service Contract between Mustang SUD and CADG Aubrey 107, LLC and Pulte Homes of Texas, L.P. for water and wastewater service for the Winn Ridge property.

v. Provide copies of any reports and/or market studies demonstrating existing or anticipated growth in the requested area.

N/A

vi. If none of these items exist or are available, please justify the need for service in the proposed area in writing.

See the discussion above.

DOCKET NO. 45450

RECEIVED

MUSTANG SPECIAL UTILITY §
DISTRICT'S NOTICE OF INTENT TO §
PROVIDE WATER SERVICE TO §
AREA DECERTIFIED FROM AQUA §
TEXAS, INC. IN DENTON COUNTY §

PUBLIC UTILITY COMMISSION
OF TEXAS

2016 MAR 14 PM 2:56
PUBLIC UTILITY COMMISSION
FILING CLERK

NOTICE OF APPROVAL

This Notice addresses Mustang Special Utility District’s (Mustang SUD) notice of intent to provide water service to a 111-acre tract of land (property) in an area decertified from water certificate of convenience and necessity (CCN) No. 13201 held by Aqua Texas, Inc. (Aqua) in Denton County.

The Public Utility Commission of Texas (Commission) adopts the following findings of fact and conclusions of law:

I. Findings of Fact

Procedural History, Description and Background

1. On November 9, 2015, the property owned by Smiley Road, Ltd. was decertified from Aqua’s water CCN No. 13201 in Docket No. 45100,¹ pursuant to Tex. Water Code § 13.254(a-5) (TWC) and 16 Tex. Admin. Code § 24.113(r)-(s) (TAC).
2. On December 18, 2015, Mustang SUD filed a notice of intent (NOI) to provide water service to the property.
3. On December 23, 2015, Order No. 1 was issued, requiring Mustang SUD and Aqua to notify the Commission whether they had agreed on an independent appraiser no later than December 28, 2015.
4. On December 28, 2015, Mustang SUD and Aqua notified the Commission that they had agreed on an independent appraiser, NewGen Strategies & Solutions (NewGen).
5. Notice of the NOI was published in the *Texas Register* on January 8, 2016.

¹ *Petition of Smiley Road, Ltd. to Amend Aqua Texas, Inc.’s Certificate of Convenience and Necessity in Denton County by Expedited Release*. Docket No. 45100, Order (Nov. 9. 2015).

6. On February 16, 2016, Mustang SUD filed an appraisal prepared by NewGen.

The Appraisal

7. NewGen's review included the filings contained in the underlying decertification Docket No. 45100 and a summary of legal costs incurred by Aqua.
8. Mustang SUD and Aqua did not provide NewGen information that demonstrates the existence of any facilities dedicated or committed solely to the property.
9. NewGen concluded that no property has been rendered useless or valueless as a result of decertification of the property and, therefore, no compensation is necessary.
10. NewGen concluded that if a monetary compensation determination were to be made, the monetary amount should be \$541.96 because to the best of NewGen's knowledge:
 - a. There are no facilities in the decertified area;
 - b. There is no debt that has been used to fund facilities to serve the decertified area;
 - c. Aqua did not demonstrate or quantify the expenditure of any funds associated with planning, designing, or constructing facilities associated with the decertified area;
 - d. Aqua has no contractual obligations associated with the decertified area;
 - e. There is no demonstrated impairment or foreseeable cost increase to the existing customers;
 - f. Aqua will not experience a loss in revenues associated with the loss of the decertified area; and
 - g. Aqua provided proof of costs for incurred legal fees associated with the decertification of the area in question. These costs were incurred in defending its CCN in Docket Nos. 45099 and 45100, as well as the related valuation in Docket Nos. 45450 and 45462. NewGen distributed these costs between the dockets ratably by acreage. Docket No. 45450 is the subject of this valuation and concerns 111.88 acres, or 11.1% of the combined acreage totaling of 1,011.77. As such, 11.1% of Aqua's legal fees are assigned to this docket.

Evidentiary Record

11. On March 10, 2016, Order No. 3 was issued, admitting evidence into the record of this proceeding.

II. Conclusions of Law

1. The Commission has jurisdiction over this proceeding pursuant to TWC §§ 13.041 and 13.254.
2. Mustang SUD is a district as defined in TWC § 65.001(1).
3. Aqua is a retail public utility as defined in TWC § 13.002(19).
4. Public notice of the NOI was provided as required by 16 TAC § 24.106.
5. The NOI was processed in accordance with the requirements of TWC § 13.254 and 16 TAC § 24.113.
6. The determination of NewGen is binding on the Commission in accordance with TWC § 13.254(f) and 16 TAC § 24.113(j).
7. The requirements in 16 TAC § 22.35 have been met in this proceeding.

III. Ordering Paragraphs

In accordance with these findings of fact and conclusions of law, the Commission issues the following order:

1. Mustang SUD owes no compensation to Aqua and may provide retail water service to the property.
2. No property has been rendered useless or valueless, therefore Aqua shall receive no compensation for incurred legal fees.
3. Entry of this Notice does not indicate the Commission's endorsement or approval of any principle or methodology that may underlie the determination of compensation. Entry of this Notice consistent with the determination of compensation shall not be regarded as binding holding or precedent as to the appropriateness of any principle or methodology underlying the determination of compensation.
4. All other motions, requests for entry of specific findings of fact or conclusions of law, and any other requests for general or specific relief, if not expressly granted herein, are denied.

SIGNED AT AUSTIN, TEXAS the 14th day of March 2016.

PUBLIC UTILITY COMMISSION OF TEXAS



JEFFREY J. HUHN
ADMINISTRATIVE LAW JUDGE

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DOCKET NO. 45462

RECEIVED

MUSTANG SPECIAL UTILITY §
DISTRICT NOTICE OF INTENT TO §
PROVIDE WATER SERVICE TO §
LAND DECERTIFIED FROM AQUA §
TEXAS, INC. IN DENTON COUNTY §

PUBLIC UTILITY COMMISSION 2016 NOV 17 PM 2:57
OF TEXAS PUBLIC UTILITY COMMISSION
FILING CLERK

NOTICE OF APPROVAL

This Notice addresses Mustang Special Utility District’s (Mustang SUD’s) notice of intent to provide water service to an approximately 899-acre tract of land (property) in an area decertified from water certificate of convenience and necessity (CCN) No. 13201 held by Aqua Texas, Inc. (Aqua) in Denton County.

The Public Utility Commission of Texas (Commission) adopts the following findings of fact and conclusions of law:

I. Findings of Fact

Procedural History, Description and Background

1. On December 18, 2015, the property owned by Smiley Road, Ltd. was decertified from Aqua’s water CCN No. 13201 in Docket No. 45099,¹ pursuant to Tex. Water Code § 13.254(a-5) (TWC) and 16 Tex. Admin. Code § 24.113(r)-(s) (TAC).
2. On December 21, 2015, Mustang SUD filed a notice of intent (NOI) to provide water service to the property.
3. On December 28, 2015, Order No. 1 was issued, requiring Mustang SUD and Aqua to notify the Commission whether they agreed on an independent appraiser no later than December 31, 2015.
4. On December 29, 2015, Mustang SUD and Aqua notified the Commission that they had agreed on an independent appraiser, NewGen Strategies & Solutions (NewGen).
5. Notice of the NOI was published in the *Texas Register* on January 8, 2016.

¹ *Petition of Smiley Road, Ltd. to Amend Aqua Texas, Inc.’s Certificate of Convenience and Necessity in Denton County by Expedited Release*, Docket No. 45099, Order (Dec. 18, 2015).

6. On February 16, 2016, Mustang SUD filed the appraisal prepared by NewGen.

The Appraisal

7. NewGen's review included the filings contained in the underlying decertification Docket No. 45099 and a summary of legal costs incurred by Aqua.
8. Mustang SUD and Aqua did not provide NewGen information that demonstrates the existence of any facilities dedicated or committed solely to the property.
9. NewGen concluded that no property has been rendered useless or valueless as a result of decertification of the property and, therefore, no compensation is necessary.
10. NewGen concluded that if a monetary compensation determination were to be made, the monetary amount should be \$4,340.54 because to the best of NewGen's knowledge:
 - a. There are no facilities in the decertified area;
 - b. There is no debt that has been used to fund facilities to serve the decertified area;
 - c. Aqua did not demonstrate or quantify the expenditure of any funds associated with planning, designing, or constructing facilities associated with the decertified area;
 - d. Aqua has no contractual obligations associated with the decertified area;
 - e. There is no demonstrated impairment or foreseeable cost increase to the existing customers;
 - f. Aqua will not experience a loss in revenues associated with the loss of the decertified area; and
 - g. Aqua provided proof of costs for incurred legal fees associated with the decertification of the area in question. These costs were incurred in defending its CCN in Docket Nos. 45099 and 45100, as well as the related valuation in Docket Nos. 45450 and 45462. NewGen distributed these costs between the dockets ratably by acreage. Docket No. 45462 is the subject of this valuation and concerns 899.89 acres, or 88.9% of the combined acreage totaling of 1,011.77. As such, 88.9% of Aqua's legal fees are assigned to this docket.

Evidentiary Record

11. On February 24, 2016, Order No. 3 was issued, admitting evidence into the record of this proceeding.

II. Conclusions of Law

1. The Commission has jurisdiction over this proceeding pursuant to TWC §§ 13.041 and 13.254.
2. Mustang SUD is a district as defined in TWC § 65.001(1).
3. Aqua is a retail public utility as defined in TWC § 13.002(19).
4. Public notice of the NOI was provided as required by 16 TAC § 24.106.
5. The NOI was processed in accordance with the requirements of TWC § 13.254 and 16 TAC § 24.113.
6. The determination of NewGen is binding on the Commission in accordance with TWC § 13.254(f) and 16 TAC § 24.113(j).
7. The requirements in 16 TAC § 22.35 have been met in this proceeding.

III. Ordering Paragraphs

In accordance with these findings of fact and conclusions of law, the Commission issues the following order:

1. Mustang SUD owes no compensation to Aqua and may provide retail water service to the property.
2. No property has been rendered useless or valueless, therefore Aqua shall receive no compensation for incurred legal fees.
3. Entry of this Notice does not indicate the Commission's endorsement or approval of any principle or methodology that may underlie the determination of compensation. Entry of this Notice consistent with the determination of compensation shall not be regarded as binding holding or precedent as to the appropriateness of any principle or methodology underlying the determination of compensation.
4. All other motions, requests for entry of specific findings of fact or conclusions of law, and any other requests for general or specific relief, if not expressly granted herein, are hereby denied.

SIGNED AT AUSTIN, TEXAS the 14th day of March 2016.

PUBLIC UTILITY COMMISSION OF TEXAS



JEFFREY J. HUHN
ADMINISTRATIVE LAW JUDGE

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**NON-STANDARD SERVICE CONTRACT
BY AND BETWEEN
MUSTANG SPECIAL UTILITY DISTRICT
AND
SMILEY ROAD WATER CONTROL IMPROVEMENT DISTRICT No. 1
AND SMILEY ROAD, Ltd., a Texas Limited Liability Company**

[GREEN MEADOWS]

This Non-Standard Service Contract (“Contract”) is entered into on the date set forth below by and between, Mustang Special Utility District, of Denton County, Texas (“Mustang”), a special utility district operating under the authority of Chapters 49 and 65 of the Texas Water Code, as amended, Smiley Road Water Control Improvement District No. 1 of Denton County (“WCID”) operating under the authority of Article XVI, Section 59, of the Texas Constitution, and Smiley Road, Ltd., a Texas Limited Partnership (“SRL”). The consideration for this Non-Standard Service Contract is set forth below.

DEFINITIONS

“**CCN**” shall refer to and mean a Certificate of Convenience and Necessity issued by the Texas Commission on Environmental Quality or the Public Utility Commission of Texas, or a predecessor/successor agency as prescribed by Chapter 13 of the Texas Water Code.

“**Connection Fee**” shall refer to and mean the fee charged by Mustang for obtaining Water Service or Wastewater Service as defined in Mustang’s Rate Order.

“**Decertification**” shall mean either a decertification permitted by either Section 13.254 and/or Section 13.255 of the Texas Water Code and/or any other means by which a CCN of a holder may be decertified.

“**Mustang**” shall refer to and mean “Mustang Special Utility District” which is located in Denton County, Texas.

“**Off-site Improvement**” or “**Off-site Improvements**” shall refer to and mean all water and sewer pipelines, wells, pump stations, both ground and elevated storage tanks and other facilities located at the take point for the Water System, or the discharge point for the Wastewater System, or needed to complete or connect the Water System constructed outside the boundaries of the Property, as well as metering stations, and ground and elevated storage tanks, to the Water System constructed or completed inside the boundaries of the Property.

“**Party**” or “**Parties**” shall refer collectively to and mean “Mustang Special Utility District”, “the Smiley Road Water Control Improvement District No. 1”, and “Smiley Road, Ltd., a Texas limited liability company.”

“**Property**” shall mean and refer to approximately 1,408 acres (which may be expanded to a total of approximately 3,500 acres of land), as more particularly described and shown in

Exhibit "A" (also known as "Green Meadows") that SRL owns and on which currently intends to develop a mixed use Project.

"Project" shall mean and refer to the development of the Property, as well as installation of the Water System and other infrastructure required to develop the Property.

"SRL" shall refer to and mean the "Smiley Road, Ltd., a Texas Limited Partnership" located in Dallas County, Texas.

"Water System" shall mean and refer to both the retail water facilities ("Water System") and retail wastewater facilities (Wastewater System") to be constructed within the Property for the provision of water and sewer service to the Property and any Off-site Improvements.

"WCID" shall refer to and mean the "Smiley Road Water Control Improvement District No. 1" located in Denton County, Texas.

Some terms used herein are defined by the Texas Water Code or Mustang's Rate Order. To the extent a term or phrase is defined therein, each shall mean and refer to the definition prescribed by Texas Water Code or Mustang's Rate Order.

RECITALS

WHEREAS, Mustang was created, organized and exists for the purpose of furnishing potable water and wastewater service as a retail public utility within its certificated service area (the "Service Area") under Certificate of Convenience and Necessity Nos. 11856 for water and 20930 for wastewater (the "CCNs") and within Mustang political boundaries;

WHEREAS, Smiley Road, Ltd. ("SRL") is a limited liability company organized under the laws of the State of Texas who owns the Property;

WHEREAS, the Smiley Road Water Control Improvement District No. 1 of Denton County ("WCID") is a Water Control Improvement District organized pursuant to Article XVI, Section 59, of the Texas Constitution and the laws of the State of Texas;

WHEREAS, SRL and Mustang entered into a Lease Agreement with Option to Purchase on or about April 27, 2015, a copy of which is attached hereto as Exhibit "B" and incorporated by reference as if fully set out herein.

WHEREAS, Aqua Texas. ("Aqua") currently holds a water CCN (CCN No. 13201), to provide retail water service to a portion of the area in which the Property is located. Mustang is a certificated retail public utility for wastewater service for the area in which the Property is located, and is also a certificated retail public utility for water service for the area in which the Property is located, although Mustang's certificated water area does not include that portion of the Property located within the Aqua's CCN 13201 for water. The Property is also located within the boundaries of the WCID;

WHEREAS, the WCID has requested that retail water service ("Water System") and retail wastewater service ("Wastewater System") (collectively the "Water System" or the "System") be provided to the Property by Mustang. The WCID desires to make a financial commitment for the construction of the Water System. Mustang has agreed to provide retail water service and retail wastewater service to the Property in accordance with the terms of this Agreement;

WHEREAS, pursuant to Section 51.150(g) of the Texas Water Code, the WCID may enter into a contract to authorize the WCID to acquire, through the issuance of debt or other means, and convey to Mustang all or part of a water supply, treatment, or distribution system, and a sanitary sewage collection or treatment system;

WHEREAS, the WCID is applying for a discharge permit (#WQ0014817001) and if granted, the WCID shall transfer the Discharge Permit to Mustang in accordance with this Contract;

WHEREAS, the WCID and SRL agree to take the actions necessary to make the Water System available to the Property pursuant to the terms and conditions of this Contract.

WHEREAS, this Contract is intended to relate to the construction, permits, transfer and ownership of the Water System., and all appurtenant real estate to be located on or near the Property;

WHEREAS, pursuant to Section 51.125 of the Texas Water Code, the WCID may construct all works and improvement necessary to supply water for municipal uses, domestic uses, power and commercial purposes, and all other beneficial uses or controls.

WHEREAS, SRL, WCID and Mustang intend that the Water System facilities (such as groundwater wells, well permits, water mains, pumping facilities, storage facilities, elevated storage tanks, and appurtenances thereto), and land, easements and rights-of-way therefore will be acquired, constructed and installed within the WCID or outside the WCID Area for the benefit of the Property (including additional land if requested by SRL and/or affiliates), and that such facilities will be dedicated to Mustang in accordance with this Agreement, and when such facilities have been accepted by Mustang in accordance with the terms of this Agreement, those facilities (excepting any oversized facilities as provided for in Section 2.1.5, of this Agreement) will adequately serve the Property with Water Service;

WHEREAS, SRL, the WCID and Mustang intend that the Wastewater System facilities (such as sewer lines and facilities and appurtenances thereto) and land, easements and rights-of-way therefore will be acquired, constructed and installed within the WCID or outside the WCID area for the benefit of the Property, and that such facilities will be dedicated to Mustang in accordance with this Agreement, and when such facilities have been accepted by Mustang in accordance with the terms of this Agreement, those facilities (excepting any oversized facilities as provided for in Section 2.1.5 of this Contract) will adequately serve the Property with Wastewater Service;

WHEREAS, the WCID intends for the Water System to be phased-in over a period of

time commensurate with the projected build-out schedule for the Property;

NOW THEREFORE, KNOW ALL MEN BY THESE PRESENTS, that for and in consideration for the mutual promises hereinafter expressed, and other good and valuable consideration, the sufficiency of which is hereby acknowledged and confessed by the Parties, Mustang, WCID and SRL agree as follows:

1.1 Decertification.

A. Decertification of Aqua Water CCN. The WCID and SRL intend for Mustang to be the retail water service and retail wastewater service provider for the Property. Aqua currently holds water CCN 13201 to provide retail water service to a portion of the area in which the Property is located. The WCID and SRL have already begun to decertify or seek decertification of Aqua's CCN 13201 so Mustang can provide both retail water service and retail wastewater service to the entire area in which the Property is located. The WCID and SRL agree to use their best efforts to decertify the Aqua CCN or alternatively obtain dual certification of that portion of the Property covered by Aqua's CCN. The WCID, SRL and Mustang agree that when and if decertification or dual certification of Aqua's CCN is complete, that Mustang shall be the holder of both a water CCN and the wastewater CCN for the Property. The WCID and SRL agree further not to seek decertification of the CCN obtained by Mustang after decertification of the Aqua's CCN. After decertification of the Aqua CCN, the WCID and SRL agree further to not seek decertification of Mustang interests or obtain dual certification with Mustang in connection with the area currently served by Aqua or the Mustang CCNs. The WCID and SRL agree to cooperate with and aid Mustang in the defense of Mustang's CCN in any action brought by any third party.

1.2 Service.

A. Retail Water Service. Subject to the terms and conditions of this Agreement and Mustang's Rate Order, Mustang will provide retail public water service of sufficient quality and quantity for all uses within the Property;

B. Retail Wastewater Service. Subject to the Waste Water Treatment Plant ("WWTP") capacity serving the Property and the wastewater gathering system in place, which may be expanded from time to time, Mustang will provide retail wastewater service of sufficient quantity for all uses within in the property.

C. Fire Flow. Mustang will at all times provide "fire flows" to the developed portions of the property as defined by the applicable fire code or similar code or regulation to fight structure fires under normal conditions and at a rate consistent with the capacity of the Water System existing at the time of any required "fire flow." The WCID will take all reasonable actions necessary to ensure that permanent non-residential structures which would require fire flows in excess of 1,500 GPM will be required to have an internal fire suppression system installed that will mitigate the necessity of extraordinary fire flow

requirements;

D. Conditions Precedent. Notwithstanding the foregoing provisions in this section above, Mustang will have no obligation to provide water service or wastewater service to the property until: (i) a final plat for such property has been approved by the applicable governmental authority and recorded in the appropriate property records, (ii) all of the improvements for the Project (as defined herein) are completed for each respective phase of development, become operational and are inspected and tested, are approved by Mustang, and are accepted by Mustang, (iii) all required fees and charges have been paid, and all applicable expenses and costs have been paid to Mustang as set forth herein or as otherwise applicable, and (iv) all other applicable requirements for service as set forth in this Agreement and in Mustang's Rate Order. If a provision of the Rate Order conflicts with this Agreement, the terms and provisions of this Agreement shall control.

E. Water Services for Construction Purposes. Notwithstanding any of the foregoing provisions in this section, Mustang will provide reasonable water service for construction purposes so long as the WCID or SRL has delivered a preliminary or similar plat in accordance with SRL's development agreement with any applicable political subdivision and paid to Mustang the necessary and reasonable expenses for temporary water service. Alternatively, water for construction or irrigation purposes can be provided in a non-potable or pretreated condition from other sources.

2.1 Construction.

A. Engineering, Design, Inspection and Easements.

1. Plans and Specifications. Development of the Property will be in phases and in accordance with the development plans of SRL. The WCID shall cause the Water System to be engineered and designed by a Texas Licensed Professional Engineer in accordance with the applicable specifications of Mustang and all applicable regulatory agencies having jurisdiction, including but not limited to the Upper Trinity Regional Water District ("UTRWD"). All plans and specifications for the Water System must be reviewed and approved by Mustang's consulting engineer prior to construction and to the extent required, by the UTRWD. Mustang shall use its best efforts to obtain the UTRWD's approval of the plans and specifications if required. Upon written approval of the plans and specifications by the District's consulting engineer and to the extent required by the UTRWD, the plans and specifications shall become part of this Contract by reference and shall more particularly define the Water System improvements. The design, plans (including engineering plans), specifications, and contract documents for the construction and installation of the Water System shall be prepared by the WCID or SRL at the WCID's or SRL's sole cost and shall be approved by Mustang. The WCID shall construct the Water System in a good and workmanlike manner and fit for its intended purpose.

2. Approval of Plans and Specifications. The Water System shall be constructed

in accordance with the plans and specifications approved by Mustang's engineer, Mustang's Rate Order, Mustang's rules and regulations and any other agencies having jurisdiction. Mustang shall have the right to inspect and approve all phases of the construction of the Water System. The WCID must give written notice to the Mustang of the date on which construction is scheduled to commence so that the Mustang may assign an inspector.

3. Inspection and Inspection Fees. Mustang shall have the right to inspect all phases of the construction of the Project, and Mustang may charge and the WCID or SRL will be obligated to pay Mustang its standard inspection fee for such inspections. Inspection Fees may include the actual costs of labor, travel and incidental expenses of the inspectors, plus ten percent (10%) overhead, as well as all other incidental expenses. The WCID or SRL agree that Mustang's engineers or other representatives may inspect, test and approve the construction of the Water System at any time to determine compliance with the approved designs, plans and specifications. Mustang is entitled to receive at least twenty-four (24) hours' notice prior to any test of any portion of the Water System or prior to the covering of any portion of any facilities that are constructed below grade. Only Mustang will make connections to the Water System. SRL and the WCID may request that Mustang permit the SRL and the WCID be allowed to use third party inspectors. Each third party inspector proposed by the WCID or SRL shall be subject to Mustang's approval, which will not be unreasonably withheld. In the event that SRL and the WCID use an approved third party inspector, no inspection fee shall be required or paid to Mustang.

4. Stoppage for Non-Conformance. Mustang may stop any work on any portion of the Water System until such time as the WCID or SRL and the WCID's or the SRL's contractor(s) agree, in consultation with Mustang's engineer, to construct that portion of the Water System in accordance with Mustang's regulations and standards and the approved plans and specifications. In addition, the Mustang may require that any substandard work be removed or corrected prior to resuming construction of the remainder of such system improvements yet to be constructed.

5. Oversizing. The Water System shall be sized to provide continuous and adequate water service and wastewater service, including adequate fire flow to the Property based on plats and plans for the Development submitted to Mustang by SRL and/or the WCID. Mustang may require portions of the Water System to be upsized in anticipation of the needs of other or future customers of the District. Should Mustang require any part of the Project to be oversized, Mustang shall deliver written notice to the WCID no later than the time of Mustang's review of the WCID's and/or SRL's plans and specifications for the Water System. In the event that the WCID or SRL elects to construct any portion of the Water System using lines sized ten inches (10") or greater where an eight inch (8") is acceptable to Mustang or has otherwise been specified in the approved plans and specifications for the Project, then Mustang shall determine and credit the cost difference between the design and construction of the ten inch (10") or greater line and the eight inch (8") line against Connection Fees.

6. Easements and Land Costs. The WCID shall be responsible for dedicating

or acquiring all easements, rights-of-way and land necessary for construction of the Water System, and water distribution lines or wastewater gathering lines, at its sole expense, which Mustang may determine is necessary for the construction or operation of the Water System, including but not limited to obtaining any governmental approvals necessary to construct the Water System in public right-of-ways. The WCID and Mustang agree that the easements or right-of-ways acquired by the WCID to be used in conjunction with the take point for the Water System or the discharge point for the Wastewater System shall remain the property of the WCID, on the sole condition that the current ownership and control of the WCID that exists on the date of execution of this Contract remains unchanged thereafter. In the event that the current ownership and control of the WCID should change or be altered, for whatever reason or circumstance, then all right, title and interest held by the WCID in the easements, right-of-ways, land, water distribution lines or wastewater gathering lines shall immediately vest in favor of and automatically transfer to Mustang. For the same consideration enumerated herein, the WCID grants to Mustang the right to use, access and control the easements, right-of-ways, dedicated or acquired by the WCID for the Property, along with all water distribution lines or wastewater gathering lines. The legal instruments by which the WCID will acquire, assign or dedicate any such easements to Mustang must be approved by Mustang prior to the acquisition of such easements by the WCID, whose approval shall not be unreasonably withheld. Mustang and WCID agree to support each other's condemnation efforts relating to the acquisitions of easements and right-of-way. Mustang's property rights pursuant to this paragraph shall not be assigned without prior written consent of the WCID or SRL.

7. Pre-Construction Meeting. Prior to commencing construction and installation of any of the Water System, the WCID and SRL shall provide advance written notification to Mustang of such commencement so that a pre-construction meeting may be scheduled. At least two weeks advance prior notice to Mustang's engineer shall be given before making any tap or connection into the Water System.

8. Drawings. The WCID and/or SRL shall furnish Mustang with one reproduction and two copies of the as-built or record drawings in an appropriate AutoCAD format for each phase of the Water System promptly upon completion of construction and installation of such facilities and improvements. If required, Mustang agrees to use its best efforts to obtain UTRWD approval of the drawings, as needed.

9. Agency Approval. If any approval or authorization from any applicable governmental body is required for the installation of the Water System, Mustang and the WCID agree to cooperate fully to obtain the approval or authorization necessary to construct or complete the Water System

2.2 Service Connection Fees.

A. Connection Fee Rate.

SRL intends to develop the Property in phases, with Phase 1 consisting of approximately 124 acres to be divided into approximately 396 lots of various sizes.

1. Connection Fees for Phase 1. Mustang will charge for each lot in Phase 1 a Connection Fee in the amount of \$2,500.00 for a standard water service connection and the UTRWD Building Activity Fee as defined in 2.2.C. in the amount of \$500.00 for a standard wastewater service connection. The Connection Fees for water and wastewater service includes all fees and charges required for customers within the Property to obtain water and wastewater service from the Mustang, except for the cost of meter installation and the customer deposit.

2. Connection Fees for Phase 2 and all subsequent Phases. In the event that the 200,000 gallons or more per day of wastewater capacity ("Wastewater Capacity") provided for in Paragraph 2.2.E. has been utilized by Phase I of the Project, Mustang will charge for each lot in all Phases subsequent to Phase 1 a Connection Fee for a standard water service connection and a Connection Fee for a standard wastewater service connection that is consistent with Mustang's Rate Order in effect at the time, plus the UTRWD Fee charged by the UTRWD at the time. In the event that less than 200,000 gallons of Wastewater Capacity has been utilized by Phase I, the Connection Fee for a standard water service connection shall remain at \$2,500.00 per lot until such time that the 200,000 gallons of Wastewater Capacity has been fully utilized. The Connection Fees for water and wastewater service includes all fees and charges required for customers within the Property to obtain water and wastewater service from the Mustang, except for the cost of meter installation and the customer deposit.

C. UTRWD Building Activity Fee. In addition to the Connection Fees listed in Mustang Rate Order, the UTRWD requires Mustang to collect an Upper Trinity Regional Water District Building Activity Fee in the amount of \$500.00 for each wastewater connection ("UTRWD Fee"). Mustang shall collect the UTRWD Fee for each lot in all phases of the Property in accordance with the requirements of the UTRWD as provided by Paragraphs 2.2.A.1. & 2. of this Contract.

D. Payment of Connection Fees. Subject to the credits provided herein, all Connection Fees and the UTRWD Fee shall be paid to Mustang by the person or party (usually the Builder) at the time of purchase of each lot. The Builder will remit with its payment a list of customers, service addresses and number of connections for which the Connection Fees and the UTRWD Fee are paid. Mustang shall prepare and provide a quarterly summary to the WCID and SRL showing the payment of Connection Fees and the credits applied.

E. Payment for Wastewater Capacity. Mustang has an allocation of 200,000 gallons per day of wastewater capacity from the Doe Branch Waste Water Treatment Plant. ("Wastewater Capacity"). The Doe Branch Wastewater Capacity is currently dedicated to another Mustang water customer. Beginning in June 2016, the dedication of that 200,000 gallon Wastewater Capacity is scheduled to be relinquished by that water customer. Providing that the Doe Branch Wastewater Capacity is relinquished and in an effort to provide Wastewater Capacity to the development of the Property, the WCID and/or SRL desires to obtain Mustang's Doe Branch

Wastewater Capacity, or the equivalent, beginning September 1, 2016 for the sum of \$20,000.00 dollars paid annually by the WCID or SRL with payments to begin on September 15, 2016. The annual payment shall continue until such time as the entire Wastewater Capacity has been utilized by the WCID or SRL. The WCID or SRL shall pay all fees assessed by the UTRWD for any reassignment, allocation or dedication of the Wastewater Capacity to the Property.

2.3. Construction Costs.

A. Payment of Construction Costs. The WCID and/or SRL agree to pay or cause to be paid all costs of permitting, designing and constructing the Water System in accordance with the phased development of the Property, including but not limited to, the costs for all planning, surveying, geotechnical, materials, labor, inspection, and general liability insurance, payment, performance and maintenance bond coverage, interest costs, easement acquisition costs, of all (1) groundwater wells, any ground or elevated storage tank(s), water mains, water lines, and related fittings, equipment and appurtenances necessary to transmit water within and for the Property and (2) sewer lines, sewer mains, and lift stations, and for the collection and treatment of wastewater produced within the Property.

2.4 Improvements.

A. Water Service Improvements. The WCID shall be solely responsible for the permitting, design, payment, construction or installation of the portion of the Project necessary for installation of the Water System within the Property including but not limited to water pipelines, wells, pump stations and storage tanks both ground and elevated in accordance with the terms and conditions of this Agreement.

B. Wastewater Service Improvements. The WCID shall be solely responsible for the permitting, design, payment, construction and installation of the portion of the Project necessary for installation of the Wastewater System within the Property including a wastewater collection system and lift stations (such facilities and improvements referred to hereinafter as the "Wastewater Facilities") in accordance with the terms and conditions of this Agreement.

C. Water Tower Site. SRL agrees to convey a site comprised of approximately two acres ("Site") at the approximate location shown on Exhibit "C" to Mustang for the use of elevated and ground storage tanks. The Site shall be of a size and configuration to permit the installation of the elevated and ground storage tanks as required by Mustang.

D. Facilities or Off-site Improvements. The WCID shall be solely responsible for the permitting, design, payment, construction or installation of that portion of the Project necessary for installation of the Off-site Improvements. Once any Off-site Improvement is completed and dedicated to Mustang, the WCID and/or SRL shall be entitled to be reimbursed 125% of the cost of the improvements by offset against connections fees until fully satisfied. In the event that the WCID or SRL fails to fund and construct all Off-site improvements required by Mustang, then Mustang may undertake to complete the Off-site Improvements; and as a result, no off set shall be permitted and all Connection Fees shall be then be charged thereafter at

the rate established by Mustang's Rate Order in effect at the time.

2.5 Maintenance and Maintenance Bond.

A. Maintenance Bond. After completion of construction of any phase of the Water System, the WCID will provide to Mustang a concurrence letter from the WCID's and/or SRL's engineers certifying that the construction of such Water Facilities or Wastewater Facilities has been completed in accordance with the designs, plans, specifications and change orders, and that the facilities have been tested and approved for use in accordance with the approved contract documents, TCEQ rules and Mustang's Rate Order. The WCID shall also provide Mustang with a two-year maintenance bond in the amount of not less than 20%, as stated in Mustang's Rate Order, of the final construction cost of the applicable portion of the Water Facilities and the Wastewater Facilities.

B. Maintenance. Upon the WCID's and/or SRL's dedication of each of the Water System and Mustang's inspection and acceptance of the same, Mustang shall be solely responsible for operation, maintenance and administration of the accepted Water System. Notwithstanding the foregoing, it is expressly understood and agreed by the Parties that Mustang shall not accept ownership of, shall have no responsibility for, and shall not operate or maintain any facilities constructed on the customer's side of individual meters located within any property within the Property, and Mustang will own all of the Water System up to the point of connection with the customer's service line.

C. Meters. Mustang agrees to install standard water meters to serve each approved service address within the Property that receives Water Service and Wastewater Service from Mustang hereunder, in accordance with Mustang's Rate Order governing the same and subject to payment of all applicable security deposits and installation fees (other than payment of any Connection Fee). Any connection of individual customers to the Water System shall be made only by Mustang.

3.1 Service from the Water System.

A. Continuous Water Flow. After proper completion and dedication of the Water System to Mustang, Mustang shall provide continuous and adequate water service sufficient to meet all of the fire flow requirements and potable needs of the Property and wastewater service sufficient to collect and treat wastewater of the Property, subject to all duly adopted and general applicable rules and regulations of Mustang and payment of the following:

- (1) all standard rates, fees and charges adopted by the WCID;
- (2) all service investigation fees; and
- (3) all connection fees.

It is understood and agreed by the Parties that the obligation of Mustang to provide water service in the manner contemplated by this Contract is subject to the decertification or dual certification contemplated herein, issuance of all permits, certificates, or approvals required to lawfully provide retail water and wastewater service by the TCEQ and all other governmental

agencies having jurisdiction.

B. Prior Approval Required. Without the prior approval of Mustang, the WCID shall not:

(1) construct or install additional water or sewer lines or facilities to service areas outside its boundaries; and

(2) connect or serve any person or entity who, in turn, sells water or sewer service directly or indirectly to any other person or entity.

4.1 Dedication of Water System and Conveyance of Ground Water.

A. Dedication of Water System. Upon proper completion of construction of a phase of the Water System, and final inspection and approval thereof by Mustang, the WCID shall dedicate the Water System to Mustang by Bill of Sale or other conveyance document in form reasonably acceptable to Mustang. Mustang agrees that the Water System conveyed to Mustang shall be used to serve customers located within the Property, except that capacity in any overhead or ground storage provided for herein or oversized facilities funded may be used to serve customers located outside the Property, subject to the needs of the customers located within the Property. Mustang's rights pursuant to this Paragraph may not be assigned without prior written consent of the WCID or SRL.

B. Ground Water Rights. Concomitant with this Agreement, SRL will execute a Deed for Groundwater Rights in substantially the same form as contained in Exhibit "D" attached hereto, that sells, grants, quitclaims and conveys solely to Mustang the Groundwater Rights of the Property, together with all and singular the rights and appurtenances thereto or in any way relating to the ground water belonging to SRL for the Property, for so long as Mustang holds a CCN that permits Mustang to provide water and wastewater to the Property and/or Mustang is actually providing water and wastewater to the Real Property. The conveyance shall be limited in the respect that SRL shall retain the right to use a portion of the Groundwater in connection with its surface estate for construction use and for domestic irrigation of those areas in the Project designated as "common" and/or "park" areas. The WCID and SRL shall have the right to explore, permit, drill, construct and operate a water well, at their own expense, to access the Groundwater. In the event that the WCID and SRL require Mustang to explore, drill, construct and operate a water well to access Groundwater, then the WCID and SRL shall be required to pay all costs and expenses related to the exploration, design, permitting construction and/or operation of a water well. The placement, design, construction or operation of any water well shall conform to all the North Texas Groundwater Conservation District's rules, regulations and specifications, or any other applicable regulatory authority, including Mustang. SRL agrees that Mustang will file a copy of the executed Deed for Groundwater Rights in the public property records of Denton County, Texas. The WCID and/or SRL can assign these rights to one or more homeowner associations for the Project at their sole discretion.

C. Effluent. To the extent allowed by law and to the extent that Mustang contracts for use of any capacity in the UTRWD WRP, and subject to the terms and conditions of any such

contract or other rights, conditions or limitations required or imposed by the UTRWD, Mustang and the WCID agree that the WCID shall own and have rights to wastewater effluent produced now or in the future from a WWTP. Subject to the rights, if any, of UTRWD, WCID and SRL shall have the right to use existing or future flows available to Mustang or WCID for the purposes of reducing the potable water necessary to irrigate amenities such as parks, medians, hike and bike areas and other green spaces. The WCID and SRL will also have the right to permit a scalping plant to produce gray water for irrigations or construction purposes.

5.1 Effect of Force Majeure.

In the event that any Party is rendered unable by force majeure to carry out any of its obligations under this Contract, in whole or in part, then the obligations of that Party, to the extent affected by the force majeure shall be suspended during the continuance of the inability, provided however, that due diligence is exercised to resume performance at the earliest practical time. As soon as reasonably possible after the occurrence of the force majeure relied upon to suspend performance, the party whose contractual obligations are affected thereby shall give notice and full particulars of the force majeure to the other Party. The cause, as far as possible, shall be remedied with all reasonable diligence. The term "force majeure" includes acts of God, strikes, lockouts or other industrial disturbances, acts of the public enemy, orders of the government of the United States or the State of Texas or any civil or military authority, insurrections, riots, epidemics, landslides, lightening, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, restraints of government and civil disturbances, explosions, breakage or accidents to equipment, pipelines or canals, partial or complete failure of water supply, and any other inability of either party, whether similar to those enumerated or otherwise, that are not within the control of the party claiming the inability and that could not have been avoided by the exercise of due diligence and care. 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 requirement that any force majeure be remedied with all reasonable dispatch shall not require the settlement of strikes and lockouts by acceding to the demands of the opposing party if the settlement is unfavorable in the judgment of the party having the difficulty. Notwithstanding any term to the contrary in this section, "force majeure" does not apply to the failure of a party to timely make any payments required by this contract.

6.1 Warranties and Representations.

The WCID acknowledges, represents and agrees that:

A. It is a water control and improvement district organized under the provisions of Article XVI, Section 59, of the Texas Constitution;

B. The WCID has not created or permitted any third person to create any liens, leases, options, claims, encumbrances or any other adverse rights, claims or interests with respect to the Water System or the Property, that will prevent or hinder its ability to transfer good and warrantable title in same to Mustang;

C. Upon acceptance of the Water System, Mustang will be the true and lawful owner of the Water System to be conveyed hereunder and, no other third person or entity, public or private, will possess a right or interest, legal or equitable, nor any lien, encumbrance or other adverse claim, present or contingent, in or to the Water System;

D. Execution of this Agreement and the consummation of the transactions contemplated hereunder will not constitute an event of default under any contract, covenant or agreement binding upon it;

E. Except as provided herein, it has not previously entered into any agreement or caused or otherwise authorized any action that would diminish, eliminate or adversely affect Mustang's contemplated ownership or use of the System or the value of same.

7.1 Notices.

Any notice to be given hereunder by either party to the other party shall be in writing and may be by delivery in person or by facsimile, or by sending said notices by certified mail, return receipt requested, to the address set forth below. Notice shall be deemed given by mail when deposited with the United States Postal Service with sufficient postage affixed.

To Mustang: Mustang Special Utility District
Attn: General Manager
7985 FM 2931
Aubrey, Texas 76227
Fax: 940-440-7686

To the WCID: The WCID
Attn. Board President
4625 Kellway Circle
Addison, Texas 75001
972-788-4247

To SRL: Smiley Road Ltd., L.L.C.
Attn. Scott Norris
4625 Kellway Circle
Addison, Texas 75001
972-788-4247

Either party may change the address for notice to it by giving written, notice of such change in accordance with the provisions of this paragraph.

8.1 Breach of Contract and Remedies.

If any Party breaches any term or condition of this Contract, the non-breaching party shall provide the breaching party with notice of the breach within sixty (60) days of discovery of the breach by the non-breaching party. Upon its receipt of a notice of breach, the breaching party shall

have sixty (60) days to cure the breach. If the breaching party does not cure the breach within the sixty (60) days, the non-breaching party shall have all rights and remedies at law and in equity including, without limitation, the right to enforce specific performance of this Contract by the breaching party and the right to perform the obligation in question and to seek restitution for all damages incurred in connection therewith. Notwithstanding the preceding, neither party shall have the right to terminate this Contract. The rights and remedies granted in this Contract to the parties in the event of default are cumulative, and the exercise of such rights shall be without prejudice to the enforcement of any other right or remedy authorized by law or this Contract.

9.1 Indemnity.

To the extent permitted by law, Mustang and the WCID shall indemnify and save harmless the other and its officers, agents, representatives and employees from all suits, actions, losses, damages, claims or liability of any character, type or description, including without limiting the generality of the foregoing all expenses of litigation, court costs and attorney's fees, for injury or death to any person, or injury to any property, received or sustained by any person or persons or property, arising out of, or occasioned by, the acts of it or its agents, representatives or employees in connection with or related to the Development, the construction of the Water System or its execution or performance of this Contract.

10.1 Waiver of Sovereign Immunity.

Mustang, SRL and the WCID agree that this Contract constitutes an agreement for providing goods and services to Mustang and is subject to the provisions of the Subchapter I of Chapter 271, Texas Local Government Code, as amended, and any successor statute(s), as and if in effect. In accordance with Sections 271.152 and 271.153 thereof, to the extent limited, however, by the provisions thereof, Mustang and WCID each hereby waive any constitutional, statutory or common law right to sovereign or governmental immunity from liability or suit and expressly consents to be sued and liable to the extent necessary for the other party hereto to enforce this Contract, but only as to the parties hereto and this Agreement. This waiver shall not intended to extend to any third party or non-signatory. Notwithstanding the forgoing, this Section is not intended by the Parties to expand or increase the liability or the measure of damages that Mustang, SRL or the WCID may have for a breach of this Agreement pursuant to §271.151 through §271.160 of the Texas Local Government Code.

11.1 No Third Party Beneficiaries.

This Contract is solely for the benefit of the parties hereto, and no other person or entity shall have any right, interest or claim whatsoever under this Contract. Should a third party seek to either enforce or invalidate this Contract for any reason whatsoever, the Parties, collectively and individually, agree to defend the validity of this Contract, and will seek to enforce all its provisions, as well as the Parties CCNs, in any action brought by any third party.

12.1 Context.

Whenever the context requires, the gender of all words herein shall include the masculine,

feminine and neuter, and the number of all words shall include singular and plural.

13.1 Litigation Expenses.

Either party to this Contract who is the prevailing party in any legal proceeding against the other party, brought in relation to this Contract, shall be entitled to recover court costs, expenses and reasonable attorneys' fees from the non-prevailing party.

14.1 Intent.

The parties hereto covenant and agree that they shall execute and deliver such other and further instruments and documents as are, or may become, necessary or convenient to effectuate and carry out the intent of this Contract. In particular, in the event a court of competent jurisdiction should ever rule all or any provision of the contract to be unconstitutional or otherwise unenforceable to parties agree to negotiate in good faith to otherwise accomplish the intent of the invalid provisions.

15.1 Authority.

The signatories hereto represent and affirm that they have authority to execute this Contract on behalf of the respective parties hereto.

16.1 Severability.

The provisions of this Contract are severable, and if any word, phrase, clause, sentence, paragraph, section, or other part of this Contract or the application thereof to any person or circumstance shall ever be held by any court of competent jurisdiction to be invalid or unconstitutional for any reason, the remainder of this Contract and the application of such word, phrase, clause, sentence, paragraph, section, or other part of this Contract to other persons or circumstances shall not be affected thereby and this Contract shall be construed as if such invalid or unconstitutional portion had never been contained therein.

17.1 Entire Agreement.

This Contract, including any exhibits and/or addendums attached hereto and made a part hereof, constitutes the entire agreement between the parties relative to the subject matter of this Contract. All prior agreements, covenants, representations, or warranties, whether oral or in writing, between the parties are merged herein.

18.1 Amendment.

No amendment of this Contract shall be effective unless and until it is duly approved by each party and reduced to a writing signed by the authorized representatives of Mustang, the WCID and SRL, respectively, which amendment shall incorporate this Contract in every particular not otherwise changed by the amendment.

19.1 Governing Law.

This Contract shall be construed under and in accordance with the laws of the State of Texas and all obligations of the parties are expressly deemed performable in Denton County, Texas.

20.1 Venue.

Any action at law or in equity brought to enforce or interpret any provision of this Contract shall be brought in a state court of competent jurisdiction with venue in Denton County, Texas.

21.1 Successors and Assigns.

This Contract shall be binding on and shall inure to the benefit of the heirs, successors and assigns of the parties.

22.1 Assignability.

The rights and obligations of the WCID, SRL and/or Mustang hereunder may not be assigned without the prior written consent of the other, which consent shall not unreasonably be withheld. Notwithstanding the foregoing, SRL has the right to assign this Contract, in whole or in part, and including any obligation, right, title, or interest of SRL under this Agreement, to any person or entity (an "Assignee") that is or will become an owner of any portion of the Property or that is an entity that is controlled by or under common control with the SRL. Absent the express written consent of Mustang, the WCID or SRL shall not assign this Agreement, in part or whole, or any right or obligation hereunder to any municipality or other water service provider who could alter, lessen, affect, diminish or decertify Mustang's CCN's, rights or interests hereunder or in the Water System. Each assignment shall be in writing executed by the WCID and/or SRL and the Assignee, and each such assignment shall obligate the Assignee to be fully bound by this Agreement to the extent this Agreement applies or relates to the obligations, rights, title, or interests being assigned. A copy of each assignment shall be provided to all Parties within 15 days after execution. From and after such assignment, Mustang agrees to look solely to the Assignee for the performance of all obligations assigned to the Assignee and agrees that SRL shall be released from subsequently performing the assigned obligations and from any liability that results from the Assignee's failure to perform the assigned obligations.

23.1 Effective Date.

This Contract shall be effective from and after the date of due execution by both parties.

24.1 Compliance with Laws.

The Parties are of the understanding that this Contract complies with all federal and state statutes and constitutions, local law and common law which may govern the validity of this Contract at the time of execution.

IN WITNESS WHEREOF each of the parties has caused this Contract to be executed by its duly authorized representative in multiple copies, each of equal dignity, on the date or dates indicated below.

/signatures below/

EXECUTED on this the 11th day of September, 2015.

**SMILEY ROAD WATER CONTROL
IMPROVEMENT DISTRICT NO. 1**

By: 

Name: _____

Title: _____

ATTEST:

By: _____

Name: _____

Its: _____

STATE OF TEXAS

COUNTY OF DENTON

Before me the undersigned notary public appeared D. O. Tomlin, III
Gen. Partner of the Smiley Road Water Control and Improvement District No. 1, a
political subdivision of the State of Texas, on behalf of such District for the consideration therein
expressed, executed the foregoing document.



Helga B. Loftin
Notary Public for the State of Texas

EXECUTED on this the 28 day of September, 2015.

MUSTANG SPECIAL UTILITY DISTRICT

By: Bill Hathaway
Bill Hathaway, President

STATE OF TEXAS

COUNTY OF DENTON

Before me the undersigned notary public appeared Bill Hathaway, President of Mustang Special Utility District, a political subdivision of the State of Texas, on behalf of such District for the consideration therein expressed, executed the foregoing document.

(SEAL) Wright

Notary Public for the State of Texas



EXECUTED on this the 11th day of September, 2015.

SMILEY ROAD, Ltd., a Texas Limited Partnership



By: _____

Name: _____

Title: _____

ATTEST:

By: _____

Name: _____

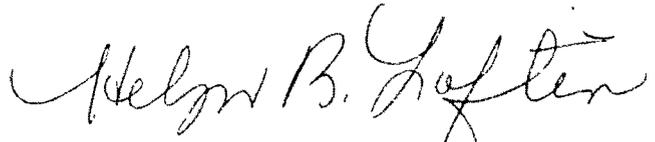
Its: _____

STATE OF TEXAS

COUNTY OF DALLAS

Before me the undersigned notary public appeared D.O. Tomlin, III, President of Land Advisors Management, L.L.C. a Texas limited liability company and general partner of Smiley Road Ltd., a Texas Limited Partnership, and on behalf of such Company for the consideration therein expressed, executed the foregoing document.

(SEAL)



Notary Public for the State of Texas

**EXHIBIT A
TO NON-STANDARD SERVICE CONTRACT
PROPERTY DESCRIPTION**

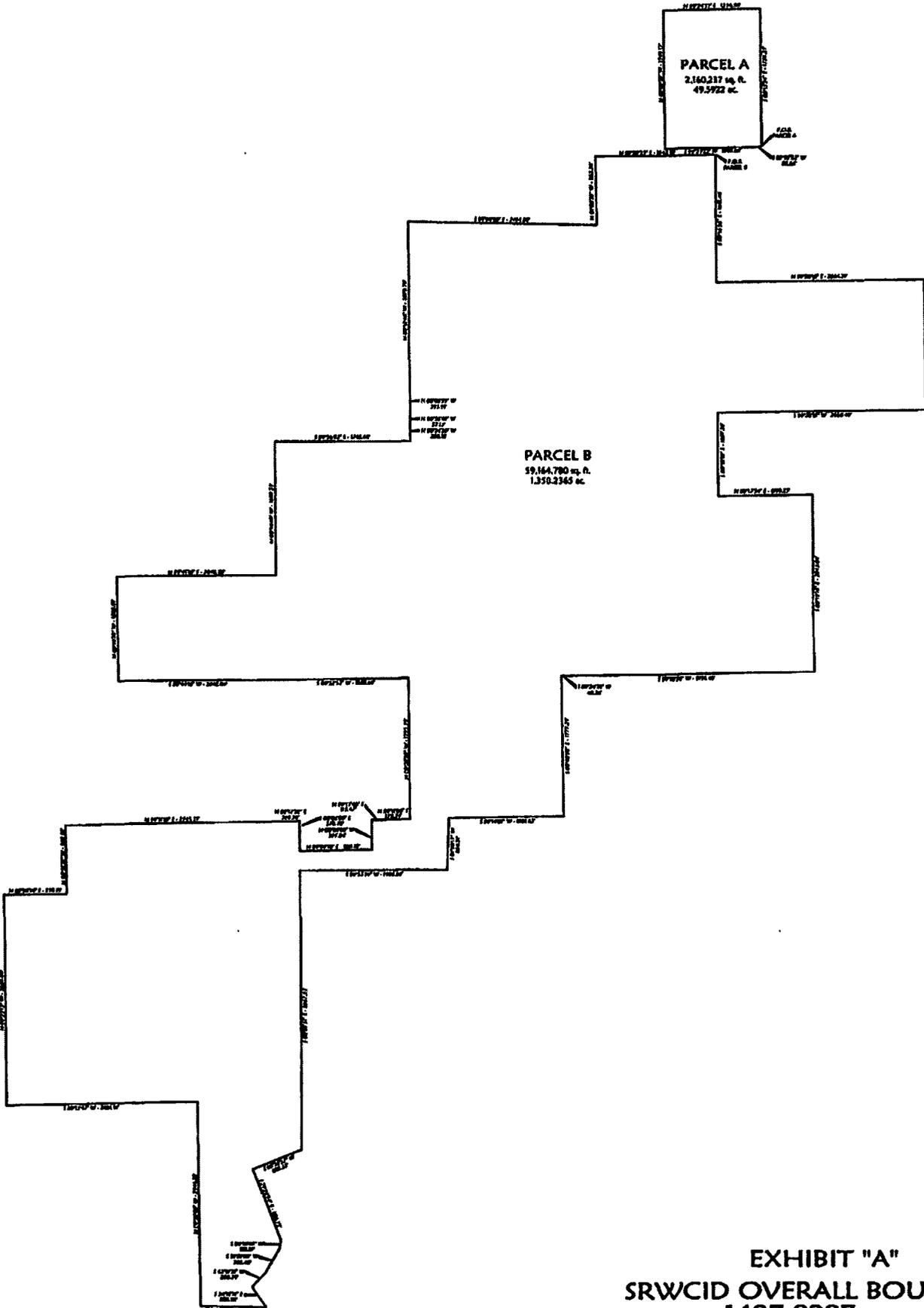


EXHIBIT "A"
SRWCID OVERALL BOUNDARY
1407.8287 acres

DISTRICT LEGAL - 091515-OVERALL SURVEY

04-21-2009

**Smiley Road Water Control and Improvement District
Legal Description**

**PARCEL A
(TITLE COMMITMENT TRACT 1A)**

BEING a 49.5922 acre tract of land situated in the Robert Cowan Survey, Abstract No. 211, Denton County, Texas, and being all of that certain called 49.533 acre tract described in deed to Smiley Road Ltd., recorded as Instrument No. 2005-102909, Official Records of Denton County, Texas, and being more particularly described as follows:

BEGINNING at a 1/2" iron rod with plastic cap stamped "JE SMITH" found in the north line of F.M. HWY No. 428 (variable width public R.O.W.), at the southeast corner of said 49.533 acre tract, also the southwest corner of that certain called 10.00 acre tract described in deed to JPJ Properties, LLC, recorded as Instrument No. 2007-4743, Official Records of Denton County, Texas;

THENCE along the said north line of F.M. HWY No. 428 the following:

S 82°37'22" W a distance of 88.66 feet to a 1/2" iron rod with plastic cap stamped "JE SMITH" found for corner;

S 89°23'22" W a distance of 1149.88 feet to a 60d nail found for corner at the southeast corner of that certain called 3.00 acre tract described in deed to Rex Mask and wife Fran Mask, recorded in Volume 1883, Page 58. Real Property Records, Denton County, Texas;

THENCE N 00°07'19" W departing the said north line of F.M. HWY No. 428 and along the east line of said 3.00 acre tract and a called 7.00 acre tract described in said Mask deed, passing a 3/8" iron rod found at the northeast corner thereof, also the southeast corner of that certain called 233.533 acre tract described in deed to Robert J. and Janis L. Andres, recorded in Volume 1023, Page 77 Real Property Records, Denton County, Texas, and continuing along the east line thereof, in all, a distance of 1748.17 feet to a 1/2" iron rod found for corner at the southwest corner of that certain called 11.430 acre tract described in deed to Smithart, Inc., recorded as Instrument No. 2005-14202, Official Records of Denton County, Texas;

THENCE N 89°24'33" E departing the east line of said Andres tract and along the south line of said Smithart tract, a distance of 1234.50 feet to a 1/2" iron rod found for corner in the west line of that certain called 105.089 acre tract described in deed to NCJI, LLC, recorded as Instrument No. 2006-145001, Official Records of Denton County, Texas;

THENCE S 00°13'54" E along the west line of said NCJI tract and the west line of the aforementioned JPJ Properties tract, a distance of 1737.27 feet to the POINT OF BEGINNING and containing 2,160,237 square feet or 49.5922 acres of land, more or less.

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**PARCEL B
(TITLE COMMITMENT TRACTS 1B,2,3,4,5,6,7,8,9,10,11,12)**

BEING a 1,358.2365 acre tract of land situated in the Robert Cowan Survey, Abstract No. 211, T. Cox Survey, Abstract No. 309, J. Morton Survey, Abstract No. 791 and the Texas & Pacific Railway Survey, Abstract No. 1299, Denton County, Texas, and being comprised of the following tracts described in deeds to Smiley Road Ltd., a Texas limited partnership recorded as Instrument Nos. 2005-102909, 2005-102910, 2005-88401, and 2005-160823, Official Records of Denton County, Texas, all of that certain called 81.874 acre tract described in deed to Smiley Road Ltd., a Texas limited partnership recorded as Instrument No. 2006-2173, Official Records of Denton County, Texas, all of that certain called 20.13 acre tract described in deed to Smiley Road Ltd., a Texas limited partnership recorded as Instrument No. 2006-45938, Official Records of Denton County, Texas, being comprised of the following tracts described in deeds to Smiley Road Ltd., a Texas limited partnership recorded as Instrument Nos. 2005-77986, 2006-2064, and 2006-15660, Official Records of Denton County, Texas, all of that certain called 62.13 acre tract described in deed to Smiley Road Ltd., a Texas limited partnership recorded as Instrument No. 2006-21488, Official Records of Denton County, Texas, and all of that certain called 49.533 acre tract described in deed to Smiley Road Ltd., recorded as Instrument No. 2005-102909, Official Records of Denton County, Texas, said 1,358.2365 acre tract being more particularly described as follows:

BEGINNING at a 1/2" iron rod found for corner next to a wooden R.O.W. marker, in the south line of F.M. Hwy No. 428 (variable width public R.O.W.), at the northeast corner of that certain called 252.905 acre tract described in said Instrument No. 2005-102909, also the northwest corner of that certain called 100 acre tract described in deed to G Bar 7, Ltd. recorded as Instrument No. 2005-13872 and 2005-13873, O.R.D.C.T.;

THENCE S 00°16'56" E departing the south line of said F.M. Hwy No. 428 and along the west line of said G Bar 7 tract, a distance of 1612.46 feet to a 1/2" iron rod with cap stamped "J E SMITH" found for corner at the southwest corner of said G Bar 7 tract;

THENCE N 89°20'12" E along the south line of said G Bar 7 tract, a distance of 2664.21 feet to a 1/2" iron rod found for corner near the middle of County Line Road (not dedicated);

THENCE S 00°25'38" E along the approximate middle of said County Line Road, a distance of 1657.03 feet to a 60d nail found for corner at the northeast corner of that certain called 32.12 acre tract described in deed to Paul W. Stiles recorded in Volume 4863, Page 2543, Real Property Records, Denton County, Texas;

THENCE S 89°20'12" W departing said County Line Road and along the north line of said Stiles tract, a distance of 2668.49 feet to a 1/2" iron rod found for corner at the northwest corner thereof;

THENCE S 00°18'16" E along the west line of said Stiles tract and the west line of that certain called 10.210 acre tract described in deed to Fred J. Spencer recorded in Volume

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5102, Page 1819, Real Property Records, Denton County, Texas, a distance of 1057.35 feet to a 1/2" iron rod found for corner at the southwest corner thereof;

THENCE N 89°17'34" E along the south line of said Spencer tract and the south line of that certain called 10.68 acre tract described in deed to James Robert Kelley, Jr. and wife Pamela Kelley recorded in Volume 4694, Page 1534, Real Property Records, Denton County, Texas, a distance of 1199.23 feet to a 1/2" iron rod with a plastic cap stamped "J E SMITH" found for corner at the northwest corner of that certain called 6.07 acre tract described in deed to Rick Dean Nelson and wife Trayce Travis Nelson recorded in Volume 1692, Page 341 Real Property Records, Denton County, Texas;

THENCE S 00°19'16" E departing the south line of said Kelley tract and along the west line of said Nelson tract and the west line of that certain called 6.068 acre tract described in deed to Roman L. Gonzalez recorded as Instrument No. 2004-143618, Official Records of Denton County, Texas, the west line of that certain called 24.220 acre tract described in deed to Kirk Dion Willis recorded as Instrument No. 2006-21530, Official Records of Denton County, Texas, the west line of that certain called 12.110 acre tract described in deed to Tommy E. Poole and wife Marian L. Poole recorded in Volume 2323, Page 587, Real Property Records, Denton County, Texas, the west line of that certain called 12.110 acre tract described to Tommy Poole and wife Marian Poole recorded in Volume 3059, Page 270, Real Property Records, Denton County, Texas, and the west line of that certain called 5.00 acre tract described in deed to Amir & Susan Loloï recorded as Instrument No. 2006-152722, Official Records of Denton County, Texas, in all, a total distance of 2243.04 feet to a 3/8" iron rod found for corner near the middle of Carey Road (not dedicated);

THENCE S 89°18'26" W along the approximate middle of said Carey Road a distance of 3196.46 feet to a railroad spike found for corner at the southeast corner of that certain called 150.69 acre tract described in aforementioned Instrument No. 2005-102909, also the southwest corner of that certain called 151.593 acre tract described in aforementioned Instrument No. 2005-88401;

THENCE S 89°24'33" W continuing with the approximate middle of said Carey Road, a distance of 48.26 feet to a 1/2" iron rod with a plastic orange cap stamped "PIBURN PARTNERS" set for corner at the northeast corner of said Smiley Road tract, also the northwest corner of that certain called 86.19 acre tract described in deed to Arthur R. Teasdale, Jr. and wife Mary Louise Teasdale recorded in Volume 1219, Page 998, Real Property Records of Denton County, Texas;

THENCE S 00°48'50" E departing the approximate middle of said Carey Road and along the west line of said Teasdale tract, a distance of 1777.29 feet to a 1/2" iron rod found for corner;

THENCE S 89°14'07" W along the north line of that certain called 60.011 acre tract described in deed to Merrit/Thornton Farm Partnership, L.P. recorded under County Clerk File No. 99-R0096575, a distance of 1501.62 feet to a 5/8" iron rod found for corner at the northeast corner of that certain called 20.13 acre tract described in deed to Smiley Road, Ltd. recorded as Instrument No. 2006-45938, Official Records of Denton County, Texas;

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THENCE S 01°50'17" W along the west line of said 60.011 acre tract, a distance of 654.51 feet to a 3/4" iron pipe found for corner at the northeast corner of the aforementioned 29.996 acre tract;

THENCE S 89°53'39" W along the north line of said 29.996 acre tract, passing a 5/8" iron rod with plastic cap stamped "JE SMITH" at 1853.85 feet and continuing, in all, a total distance of 1903.85 feet to a 3/8" iron rod found in the approximate middle of Smiley Road (not dedicated), at the southwest corner of said Smiley Road tract, also the northwest corner of that certain called 29.996 acre tract described in deed to James H. Merrit, III recorded under County Clerk File No. 95-68384;

THENCE S 00°07'31" E along said approximate middle of Smiley Road (not dedicated), a distance of 3567.93 feet to a 1/2" iron rod found at the northeast corner of that certain called 13.592 acre tract described in deed to Joe D. & Jennifer L. McIntier recorded as Instrument No. 2006-17836, Official Records of Denton County, Texas;

THENCE S 68°33'37" W departing said Smiley Road and along the northwest line of said McIntier tract, passing a 1/2" iron rod with plastic cap stamped "JE SMITH" found for reference at 38.00 feet, and continuing, in all, a total distance of 685.33 feet to a 1/2" iron rod with plastic cap stamped "JE SMITH" found for corner at the northwest corner thereof;

THENCE S 21°28'54" E along the west line of said McIntier tract, a distance of 986.73 feet to a 1/2" iron rod with cap stamped "JE SMITH" found for corner;

THENCE S 09°15'47" W continuing along the west line of said McIntier tract, a distance of 101.17 feet to a 1/2" iron rod found for corner at the southwest corner thereof, in the west line of that certain called 15.7231 acre tract described in deed to Salvador N. Buentello, Jr. and wife, Jere Buentello recorded in Volume 2633, Page 648, Real Property Records, Denton County, Texas;

THENCE along the west line of said Buentello tract the following:

S 31°21'09" W a distance of 360.40 feet to a 1/2" iron rod found for corner;

S 43°11'31" W a distance of 258.39 feet to a 1/2" iron rod found for corner;

S 34°17'11" E a distance of 322.92 feet to a 1/2" capped iron rod found for corner at the southwest corner of said Buentello tract, in the north line of that certain called 76 acre tract described in deed to The Mahard 2003 Partnership, L.P. recorded as Instrument No. 2004-50900, Official Records of Denton County, Texas;

THENCE N 89°06'29" W along the north line of said Mahard tract, a distance of 836.09 feet to an eye bolt found for corner at the southeast corner of that certain called 100 acre tract described in deed to Brice Jackson, Bobby C. Jackson & Nolan P. Jackson recorded under County Clerk File No. 2001-R0089934;

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THENCE N 00°38'09" W along the east line of said Jackson tract, a distance of 2646.23 feet to a 1/2" iron rod with cap stamped "JE SMITH" found for corner at the northeast corner thereof;

THENCE S 89°13'47" W along the north line of said Jackson tract, passing the northwest corner thereof and continuing, along the north line of that certain called 324.305 acre tract described in deed to Sammie Jean Carey and Husband John C. Carey recorded in Volume 2336, Page 541, Real Property Records, Denton County, Texas, in all, a total distance of 2481.91 feet to a 1/2" iron rod found for corner at the southeast corner of that certain called 190.449 acre tract described in deed to Mike A. Myers Investment Holdings, L.P. recorded as Instrument No. 2005-33382, Official Records of Denton County, Texas;

THENCE N 00°23'13" W along the east line of said Myers tract, a distance of 2685.00 feet to a 1/2" iron rod found for corner at the northeast corner thereof, in the south line of that certain called 241.22 acre tract described in deed to Rita L. Sorrels recorded under County Clerk File No. 96-R0068071;

THENCE N 89°30'26" E along the south line of said Sorrels tract, a distance of 830.19 feet to a 1/2" iron rod found for corner at the southeast corner thereof;

THENCE N 00°51'21" W along the east line of said Sorrels tract, a distance of 865.87 feet to a 1/2" iron rod found for corner at the southwest corner of that certain called 113.55 acre tract described in deed to Martha Ann King & Peggy Sue Earthman recorded in Volume 3410, Page 811, Real Property Records, Denton County, Texas;

THENCE N 89°11'15" E along the south line of said Earthman tract a distance of 2745.31 feet to a 1/2" iron rod with plastic cap stamped "JE SMITH" found for corner at the southwest corner of that certain called 32.92 acre tract described in deed to Sangani Properties, Ltd. recorded as Instrument No. 2004-35477, Official Records of Denton County, Texas;

THENCE N 89°17'22" E along the south line of said Sangani tract, a distance of 269.36 feet to a pond;

THENCE S 00°06'00" E, departing the south line of said Sangani tract and with the approximate middle of aforementioned Smiley Road, a distance of 376.75 feet to a 3/8" iron rod found at the southwest corner of that certain called 8.002 acre tract described in deed to Ann A. Keifer & Paul R. Keifer recorded in Volume 4589, Page 1880, Real Property Records, Denton County, Texas;

THENCE N 89°07'15" E departing the approximate middle of said Smiley Road and along the south line of said Keifer tract, passing a 5/8" iron rod with plastic cap stamped "JE SMITH" at 50.00 feet and continuing, in all, a total distance of 925.12 feet to a 1/2" iron rod with a plastic orange cap stamped "PIBURN PARTNERS" set for corner at the southeast corner of said Keifer tract;

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THENCE N 00°04'08" W along the east line of said Keifer tract, a distance of 377.84 feet to a 3/8" iron rod found for corner at the northeast corner of said Keifer tract, in the south line of that certain called 32.92 acre tract described in deed to Sangani Properties, Ltd. recorded as Instrument No. 2004-35477, Official Records of Denton County, Texas;

THENCE N 89°17'40" E along the south line of said Sangani tract, a distance of 115.47 feet to a 3/8" iron rod found for corner;

THENCE N 89°11'08" E continuing along the south line of said Sangani tract, a distance of 378.27 feet to a 1/2" iron rod found for corner at the southeast corner thereof, also the southwest corner of that certain called 81.874 acre tract described in deed to Smiley Road Ltd., a Texas limited partnership recorded as Instrument No. 2006-2173, Official Records of Denton County, Texas;

THENCE N 00°28'29" W along the east line of said Sangani tract, passing a 1/2" iron rod found at the northeast corner thereof and continuing, in all, a total distance of 1785.78 feet to a 1/2" iron rod with plastic cap stamped "J E SMITH" found for corner in the approximate middle of aforementioned Carey Road;

THENCE S 89°22'52" W along said approximate middle of Carey Road a distance of 1685.69 feet to a leaning 120 d nail found for corner at the west terminus of said Carey Road, near the middle of Smiley Road (not dedicated);

THENCE S 89°44'13" W departing the middle of Smiley Road and along the north line of that certain called 113.55 acre tract described in deed to Martha Ann King & Peggy Sue Earthman recorded in Volume 3410, Page 811, Real Property Records, Denton County, Texas, a distance of 2042.09 feet to a 1/2" iron rod found for corner at the southeast corner of that certain called 241.22 acre tract described in deed to Rita L. Sorrels recorded under County Clerk File No. 96-R0068071;

THENCE N 00°19'22" W along the west line of said Sorrels tract a distance of 1325.01 feet to a 1" iron rod found for corner at the southwest corner of that certain called 61.57 acre tract described in deed to Hijo Ltd. recorded as Instrument No. 2004-141059, Official Records of Denton County, Texas;

THENCE N 89°41'16" E departing the west line of said Sorrels tract and along the south line of said Hijo tract, a distance of 2040.76 feet to a 1/2" iron rod found for corner near the middle of aforementioned Smiley Road;

THENCE N 00°14'40" W continuing along the approximate middle of said Smiley Road, a distance of 1692.23 feet to a 1/2" iron rod found for corner at the southwest corner of that certain called 5.00 acre tract described in deed to Donald C. & Judeith L. McCarty recorded under County Clerk File No. 99-R0027582;

THENCE S 89°56'03" E departing said Smiley Road and along the south line of said McCarty tract, a distance of 1742.68 feet to a 1/2" iron rod found for corner at the southeast corner of said McCarty tract;

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THENCE N 00°24'20" W along the east line of said McCarty tract, a distance of 250.12 feet to a 1/2" iron rod found for corner at the southeast corner of that certain called 17.988 acre tract described in deed to 18 Farm on Smiley Road, Ltd. recorded as Instrument No. 2004-135358, Official Records of Denton County, Texas;

THENCE N 00°56'48" W along the east line of said 18 Farm tract, a distance of 57.13 feet to a 1/2" iron rod with a plastic orange cap stamped "PIBURN PARTNERS" set for corner;

THENCE N 00°05'59" W continuing along the east line of said 18 Farm tract, a distance of 393.91 feet to a 5/8" iron rod found for corner at the southeast corner of Meadow Vista Phase 2, an addition to Denton County according to the plat thereof recorded in Cabinet Q, Slide 271, Plat Records, Denton County, Texas;

THENCE N 00°12'45" W along the east line of said Meadow Vista Phase 2, a distance of 2078.78 feet to a 1/2" iron rod with a plastic orange cap stamped "PIBURN PARTNERS" set for corner at the southwest corner of that certain called 25.022 acre tract described in deed to Collin County Investments, Ltd. recorded as Instrument No. 2006-96119, Official Records of Denton County, Texas;

THENCE S 89°00'00" E departing the east line of said Meadow Vista Phase 2 and along the south line of said Collin County Investments tract, the south line of that certain called 11.49 acre tract described in deed to Keith M. Luft, et ux recorded in Volume 2975, Page 586, Real Property Records, Denton County, Texas, and the south line of that certain called 9.99 acre tract described in deed to Eddie Burkett recorded in Volume 2921, Page 706, Real Property Records, Denton County, Texas, a distance of 2454.82 feet to an 80d nail found for corner at the southeast corner of said Burkett tract;

THENCE N 01°08'35" W along the east line of said Burkett tract, a distance of 862.36 feet to a 3/8" iron rod found for corner in the aforementioned south line of F.M. Hwy No. 428;

THENCE N 89°22'33" E along the said south line of F.M. Hwy No. 428, a distance of 1542.14 feet to the POINT OF BEGINNING and containing 59,164,780 square feet or 1,358.2365 acres of land, more or less.

TOTAL ACREAGE OF PARCEL A AND B = 1407.8287 ACRES



**EXHIBIT B
TO NON-STANDARD SERVICE CONTRACT
LEASE AGREEMENT WITH OPTION TO PURCHASE**

LEASE AGREEMENT WITH OPTION TO PURCHASE

This Lease Agreement with Option to Purchase ("Lease Agreement") is made and entered into by and between Smiley Road, Ltd. ("Smiley") and Mustang Special Utility District ("Mustang"), as referred to as the ("Parties"),

WITNESSETH:

Smiley hereby leases to Mustang, and Mustang hereby takes from Smiley the following described real property (the "Premises") situated in Denton County, Texas:

350' x 350' Water Facility Site located in the Robert Cowan Survey, Abstract No. 211, together with a 60' access easement and 20' water line easement more particularly described in Exhibit A, attached hereto.

together with all rights, privileges, easements, and appurtenances belonging to or in any way pertaining to the Premises and together with the building and other improvements now situated upon the Premises.

TO HAVE AND TO HOLD the same for an initial term of five (5) years beginning on April 27, 2015 (the "Term of the Lease"), upon the following terms, conditions and covenants:

1. **Rent.** Mustang agrees to pay the Smiley, in advance, without offset or deduction, rent for the Premises in the amount of Five Hundred Dollars (\$500.00) for the Term of the Lease. The rent shall be due and payable on or before the beginning date of this Lease Agreement. Unless terminated in writing by the Parties, the Lease Agreement shall automatically renew for three additional, one year terms. The rent for each additional one year term will be \$500.00 per year payable on or before each renewal date.

2. **Acceptance of Premises.** Mustang acknowledges that it has fully inspected the Premises and accepts the premises, and all buildings and improvements, if any, situated thereon in their present condition, as suitable for the purposes for which the same are leased in their present condition.

3. **Use of Premises.** The Premises may be used as a site for the construction and operation of a portion of Mustang's water distribution system. All construction, maintenance and operations will be at Mustang's sole discretion and expense. Mustang agrees not to:

- a. Use the Premises for any purpose other than the uses set forth above, or

b. Assign this Lease Agreement or sublease any portion of the Premises without Smiley's prior written consent.

4. **Compliance with Law.** Mustang shall comply with all governmental laws, ordinances and regulations applicable to the use of the leased premises, and shall promptly comply with all governmental orders and directives.

5. **Liability Insurance.**

a. Mustang shall, at all times during the initial term and any successive terms of this Lease Agreement, have in full force and effect a standard liability insurance policy in a face amount of at least one million dollars covering the Premises and any operations or activities being conducted on the Premises by Mustang.

b. Smiley shall not be liable to Mustang or to Mustang's employees, agents, licensees, concessionaires, or visitors, or to any other person whomsoever, for any injury to persons or damage to property on or about the Premises or any adjacent area owned by or arising out of the use of the Premises by Mustang and the conduct of its operations thereon.

c. This Lease Agreement is not intended to and shall not create any cause of action for the benefit of third parties or any person not a party to this Lease Agreement.

6. **Utility Services.** Mustang shall pay the cost of all utility services, including but not limited to initial connection charges, all charges for gas, water, and electricity used on the Premises.

7. **Assignment and Subleasing.** Mustang shall not, without the prior written consent of Smiley, assign this Lease Agreement or sublet the Premises or any portion thereof. Any assignment or subletting shall be expressly subject to all terms and provisions of this Lease Agreement, including the provisions of paragraph 3 pertaining to the use of the Premises. In the event of any assignment or subletting, Mustang shall remain fully liable for the full performance of all Mustang's obligations under this Lease Agreement. Mustang shall not assign its rights hereunder or sublet the Premises without first obtaining a written agreement from assignee or sub lessee whereby assignee or sub lessee agrees to be bound by the terms of this Lease Agreement. No such assignment or subletting shall constitute a novation. In the event of the occurrence of an event of default while the Premises are assigned or subleased, Smiley, in addition to any other remedies provided herein or by law, may at Smiley's option, collect directly from such assignee all rents becoming due under such assignment or subletting and

apply such rent against any sums due to Smiley hereunder. No direct collection by Smiley from any such assignee shall release Mustang from the performance of its obligations hereunder.

8. **Holding Over.** Should Mustang, or any of its successors in interest fail to surrender the Premises, or any part thereof, on the expiration of the term of this Lease Agreement, such holding over shall constitute a tenancy from month-to-month, at a monthly rental equal to 150% of the effective monthly rental rate paid during the term of this Lease Agreement unless otherwise agreed in writing.

9. **Default.** The following events shall be deemed to be events of default under this Lease Agreement:

a. Failure of Mustang to pay any installment of the rent or other sum payable to Smiley hereunder on the date that same is due and such failure shall continue for a period of 10 days after written notice of non-payment.

b. Failure of Mustang to comply with any term, condition, or covenant of this Lease Agreement, other than the payment of rent or other sum of money, and such failure shall not be cured within 30 days after written notice thereof to Mustang.

c. Insolvency, the making of a transfer in fraud of creditors, or the making of an assignment for the benefit of creditors by Mustang or any guarantor of Mustang's obligation.

d. Filing of a petition under any section or chapter of the National Bankruptcy Act, as amended, or under any similar law or statute of the United States or any State thereof by Mustang or any guarantor of Mustang's obligations, or adjudication as a bankrupt or insolvent in proceedings filed against Mustang or such guarantor.

e. Appointment of a receiver or trustee for all or substantially all of the assets of Mustang or any guarantor of Mustang's obligations hereunder.

10. **Remedies.** Upon the occurrence of any of the events of default listed in paragraph 9, Smiley shall have the option to pursue any one or more of the following remedies:

a. Terminate this Lease Agreement, in which event Mustang shall immediately surrender the Premises to Smiley. If Mustang fails to so surrender such premises, Smiley may, without prejudice to any other remedy which it may have for possession of the Premises or arrearages in

rent, enter upon and take possession of the Premises and expel or remove Mustang and any other person who may be occupying such premises or any part thereof, by force if necessary, without being liable for prosecution or any claim for damages therefore. Mustang shall pay to Smiley on demand the amount of all loss and damage which Smiley may suffer by reason of such termination, whether through inability to relet the Premises on satisfactory terms or otherwise.

b. Enter upon and take possession of the Premises, by reasonable force if necessary, without terminating this Lease Agreement and without being liable for prosecution or for any claim for damages therefore, and expel or remove Mustang and any other person who may be occupying such premises or any part thereof. Smiley may relet the Premises and receive the rent therefor. Mustang agrees to pay to Smiley monthly or on demand from time to time any deficiency that may arise by reason of any such reletting. In determining the amount of such deficiency, the brokerage commission, attorney's fees, and other costs of reletting shall be subtracted from the amount of rent received under such reletting.

c. Enter upon the Premises, by reasonable force, if necessary, without terminating this Lease Agreement and without being liable for prosecution or for any claim for damages therefor, and do whatever Mustang is obligated to do under the terms of this Lease Agreement. Mustang agrees to pay Smiley on demand for expenses which Smiley may incur in thus effecting compliance with Mustang's obligations under this Lease Agreement, together with interest thereon at the rate of 6% per annum from the date expended until paid. Smiley shall not be liable for any damages resulting to the Mustang from such action, whether caused by negligence of Smiley or otherwise.

Pursuit of any of the foregoing remedies shall not preclude pursuit of any of the other remedies herein provided or any other remedies provided by law, nor shall pursuit of any remedy herein provided constitute a forfeiture or waiver of any rent due to Smiley hereunder or of any damages accruing to Smiley by reason of the violation of any of the terms, conditions and covenants herein contained.

11. **Option to Purchase.** Smiley hereby grants Mustang an option to purchase the Premises (the "Option to Purchase") on the following terms and conditions.

a. Exercise of the Option. To exercise the Option to Purchase, Mustang must commence construction on the Premises prior to the expiration of the Lease Agreement. Contemporaneous with the commencement of

construction, Mustang will deliver written notice to Smiley of a closing date not more than ninety (90) days following the commencement of construction. Mustang shall not commence construction prior to delivering such notice.

- b. Option Consideration. As consideration for this Option to Purchase, Mustang shall pay Smiley a non-refundable fee of One Hundred Dollars (\$100.00) the receipt of which shall be acknowledged by Smiley. This amount shall be credited to the purchase price at closing if Mustang timely exercises the Option to Purchase, provided that Mustang is (a) not in default of the Lease Agreement; and (b) closes the conveyances of the Premises. Smiley shall not refund the fee if Mustang defaults on the Lease Agreement, fails to close the conveyances, or otherwise does not exercise the Option to Purchase.
- c. Purchase Price. The total purchase price for the Premises is Five Hundred Dollars (\$500.00) and Mustang's waiver or credit on all water connection fees for the first 125 water connections in Smiley's development of land in the vicinity of the Premises.
- d. Exclusivity of Option. The Option to Purchase is exclusive and non-assignable and exists solely for the benefit of the Parties. Should Mustang attempt to assign, convey, delegate, or transfer this Option to Purchase without the Smiley's express written permission, any such attempt shall be deemed null and void.
- e. Closing and Settlement. Smiley shall determine the title company at which settlement shall occur and shall inform Mustang of this location in writing. Mustang agrees that closing costs in their entirety, including any points, fees, and other charges required by the third-party lender, shall be the sole responsibility of Mustang. The only expense related to closing costs apportioned to Smiley shall be the pro-rata share of the ad valorem taxes due at the time of closing, for which Smiley is solely responsible.
- f. Deed. The deed to be conveyed at closing to Mustang shall include a reverter clause stating that title shall revert to Smiley if Mustang (a) does not use the Water Facility Site for more than 180 days in a calendar year, or (b) conveys or assigns the Property to another party. If all or any portion of the Property becomes Reverted Property pursuant to the provisions set out in the foregoing sentence, then such Reverted Property will, at the option and election of Smiley, revert to and vest in Smiley and Smiley will be entitled to take immediate possession of the Reverted Property and record in the Official Public Records of Denton County,

Texas, an instrument confirming that title to the Reverted Property has reverted to Smiley. Until and unless such instrument is so recorded, Smiley will be deemed not to have elected to exercise its right of reverter hereunder. After recordation of the required instrument in the Official Public Records of Denton County, Texas, Smiley will have title to the Reverted Property and the right to retake possession of the Reverted Property free and clear of any claims whatsoever of Mustang, its successors and assigns, without the need of any court action. Mustang agrees, upon demand, to execute, acknowledge and deliver to Smiley any and all instruments requested by Smiley to confirm or evidence the reversion of the Reverted Property to Smiley; provided, however that Mustang will have 30 days to notify Smiley if Mustang contest Smiley's right to exercise the right of reverter.

- g. Remedies upon Default. If Mustang defaults under this Option to Purchase, then in addition to any other remedies available to Smiley at law or in equity, Smiley may terminate the Option to Purchase by giving written notice of the termination. If terminated, Mustang shall lose entitlement to any refund of rent or option consideration. For this Option to Purchase Agreement to be enforceable and effective, Mustang must comply with all terms and conditions of the Lease Agreement.
- h. Commission. No real estate commissions or any other commission shall be paid in connection with this transaction.

12. **Acknowledgments.** The Parties are executing this Lease Agreement voluntarily and without any duress or undue influence. The Parties have carefully read this Lease Agreement and have asked any questions needed to understand its terms, consequences, and binding effect and fully understand them and have been given an executed copy. The Parties have sought the advice of an attorney of their respective choice, if so desired, prior to signing this Lease Agreement.

13. **Quiet Enjoyment.** Smiley warrants that it has full right and power to execute and perform this Lease Agreement and to grant the estate demised herein and that Mustang, on payment of the rent, payment of purchase price, and performing the covenants herein contained, shall peaceably and quietly have, hold and enjoy the Premises during the full term of this Lease Agreement and any extension or renewal hereof. During the lease period, Smiley is hereby irrevocably vested with full power and authority to subordinate Mustang's interest hereunder to any mortgage, deed of trust or other lien hereafter placed on the Premises, and Mustang agrees upon demand to execute such further instruments subordinating this Lease Agreement as Smiley may request, provided such further subordination shall be upon the express condition that

this Lease Agreement shall be recognized by the mortgagee and that the rights of Mustang shall remain in full force and effect during the term of this Lease Agreement so long as Mustang shall continue to perform all of the covenants of this Lease Agreement.

14. **Waiver of Default.** No waiver by the Parties hereto of any default or breach of any term, condition, or covenant of this Lease Agreement shall be deemed to be waiver of any subsequent default or breach of the same or any other term, condition or covenant contained herein.

15. **Exhibits.** All exhibits, attachments, annexed instruments, and addenda referred to herein shall be considered a part hereof for all purposes with the same force and effect as if copied at full length herein.

16. **Use of Language.** Words of any gender used in this Lease Agreement shall be held and construed to include any other gender, and words in the singular shall be held to include the plural, unless the context otherwise requires.

17. **Captions.** The captions or headings of paragraphs in these agreements are inserted for convenience only, and shall not be considered in construing the provisions hereof if any question of intent should arise.

18. **Entire Agreement; Modification.** This document sets forth the entire agreements and understanding between the Parties relating to the subject matter herein and supersedes all prior discussions between the Parties. No modification of or amendment to these agreements, nor any waiver of any rights under these agreements, will be effective unless in writing and signed by the party to be charged.

19. **Successors.** The terms, conditions, and covenants contained in this Lease Agreement shall apply to, inure to the benefit of, and be binding upon the parties hereto and their respective successors in interest and legal representatives except as otherwise herein expressly provided. All rights, powers, privileges, immunities, and duties of Mustang under these agreements, including, but not limited to, any notices required or permitted to be delivered by Mustang to Smiley hereunder, may, at Mustang's option, be exercised or performed by Mustang's agent or attorney.

20. **Jurisdiction and Venue.** In the event either of the Parties to this Lease Agreement brings an action related to or arising out of either one or both of them, jurisdiction and venue of such action shall be in a District Court of Denton County, Texas. The Parties hereby consent to jurisdiction and venue in a District Court of Denton County, Texas.

21. **No Waiver of Sovereign Immunity.** It is expressly understood and agreed that by entering into this Lease Agreement, that except for actions taken to

enforce this agreement Mustang does not waive, but rather expressly reserves, any immunity or defense that would otherwise be available to it against claims arising in the exercise of governmental powers and functions, or which otherwise arise under the laws of the State of Texas or the United States. Mustang waives its immunity as to suit and liability with respect to actions filed to enforce this Lease Agreement.

22. **Severability.** If any provision in this Lease Agreement should be held to be invalid or unenforceable, the validity and enforceability of the remaining provisions of this Lease Agreement shall not be affected thereby.

23. **Good Faith Efforts.** Smiley and Mustang agree to cooperate in good faith with regards to the provision of a fresh water supply by Mustang to Smiley's developments. Smiley acknowledges that Mustang has a certificate of convenience and necessity to serve this area, and Smiley's expectations are that Mustang will continue to be the retail water provider to Smiley's development.

24. **Notices.** Any notice or document required or permitted to be delivered hereunder may be delivered in person or shall be deemed to be delivered, whether actually received or not, when deposited in the United States mail, postage prepaid, registered or certified mail, return receipt requested, addressed to the parties at the addresses indicated below or at such other addresses as may have theretofore been specified by written notice delivered in accordance herewith.

SMILEY: **Smiley Road, Ltd.**
Attn: Scott Norris
4265 Kellway Circle
Addison, Texas 75001

MUSTANG: **Mustang Special Utility District**
Attn: General Manager
7985 FM 2931
Aubrey, Texas 76227

EXECUTED this 15th day of April 2015.

SMILEY ROAD, LTD.,
a Texas Limited Partnership,
by its general partner **Land Advisors, Ltd**, a
Texas Limited Liability Company

and by its general partner, **Land Advisors
Management, L.L.C.**, a Texas Limited Liability
Company

By: 
_____ **D. O. Tomlin, III, President**

STATE OF TEXAS
COUNTY OF Dallas

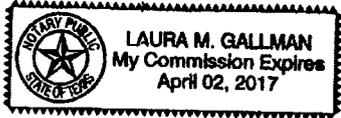
§
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Before me the undersigned notary public appeared **D. O. Tomlin, III**, President of Land Advisors Management, L.L.C., a Texas limited liability company and general partner of Land Advisors, Ltd., a Texas limited partnership, and a general partner of Smiley Road, Ltd., a Texas limited partnership and executed the foregoing document for the purposes therein expressed on behalf of such limited partnership.



Notary Public for the State of Texas

[seal]



MUSTANG SPECIAL UTILITY DISTRICT

By: Bill Hathaway
Bill Hathaway, President

STATE OF TEXAS

§
§
§

COUNTY OF DENTON

Before me the undersigned notary public appeared **Bill Hathaway**, president of Mustang Special Utility District, a political subdivision of the State of Texas, on behalf of such District for the considerations therein expressed.

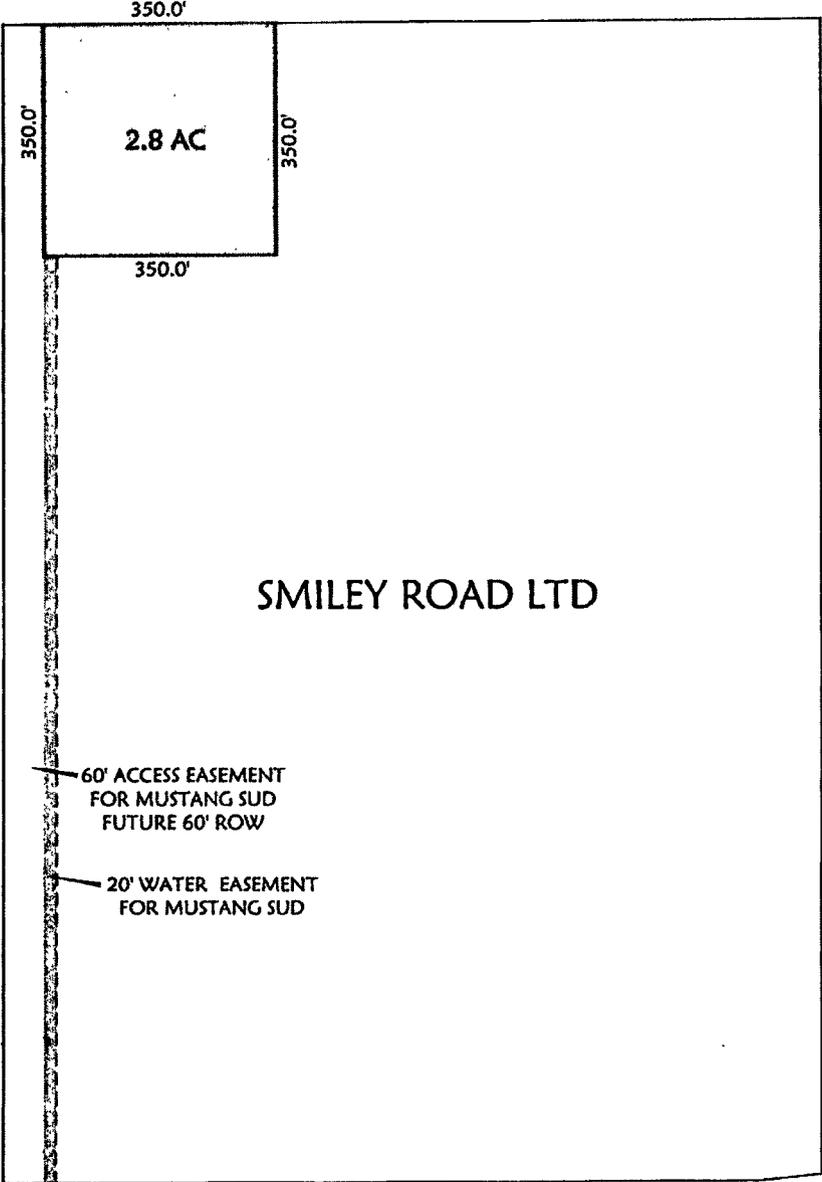


Vachelle Wright

Notary Public for the State of Texas

DALLAS_1/6492049v.23
52570-3 03/04/1901/2015

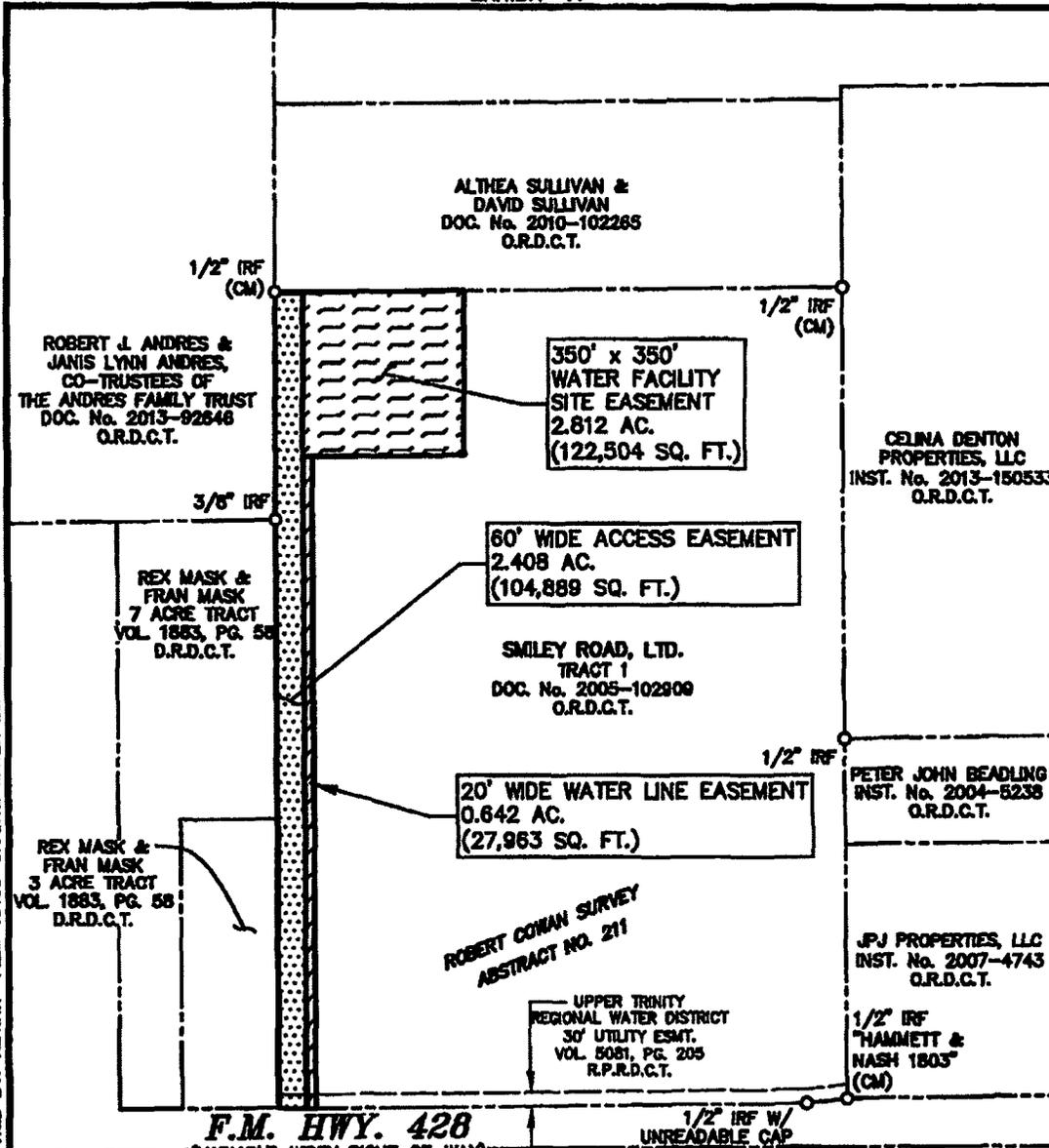
**EXHIBIT C
TO NON-STANDARD SERVICE CONTRACT
WATER TOWER SITE PLAN**



FM 455

EXHIBIT "C"
 WATER FACILITY SITE
 FOR MUSTANG SUD
 SRWCID

EXHIBIT "A"



WA#13135 PRINTED: 02-11-2016 LAST SAVED: 02-11-2016 1:48 PM SAVED BY: KEVINH FILE: 13135-OFFSITE WATER ESMT.DWG

*** LEGEND ***

- CM CONTROLLING MONUMENT
- IRF IRON ROD FOUND
- [Hatched Box] ACCESS EASEMENT
- [Diagonal Lines Box] WATER EASEMENT
- [Dotted Box] WATER FACILITY SITE EASEMENT



WMA WIER & ASSOCIATES, INC.
 SURVEYOR PREPARING THIS EXHIBIT:
 701 HIGHLANDER BLVD., SUITE 300 ARLINGTON, TEXAS 76015 METRO (817)467-7700
 Texas Firm Registration No. F-2776 www.WierAssociates.com
 Texas Board of Land Surveying Registration No. 10033800

SMILEY ROAD, LTD.
 OFFSITE WATER FACILITIES
 CITY OF CELINA, DENTON COUNTY, TEXAS

DRAWN BY: MGH
 SCALE 1"=300'

SHEET NO. 1 OF 7

REV.

EXHIBIT "A"

FIELD NOTES - DESCRIPTION
60' WIDE ACCESS EASEMENT

BEING A TRACT OF LAND LOCATED IN THE ROBERT COWAN SURVEY, ABSTRACT No. 211, DENTON COUNTY, TEXAS, BEING A PORTION OF A TRACT OF LAND DESCRIBED IN A DEED TO SMILEY ROAD, LTD. (DENOTED AS TRACT 1) RECORDED IN DOCUMENT No. 2005-102909, OFFICIAL RECORDS, DENTON COUNTY, TEXAS (O.R.D.C.T.), AND BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

COMMENCING AT A 1/2" IRON ROD FOUND, SAID IRON ROD BEING THE NORTHEAST CORNER OF SAID SMILEY ROAD TRACT, THE SOUTHEAST CORNER OF A TRACT OF LAND DESCRIBED IN A DEED TO ALTHEA SULLIVAN & DAVID SULLIVAN, RECORDED IN DOCUMENT No. 2010-102265, O.R.D.C.T. AND BEING IN THE WEST LINE OF A TRACT OF LAND DESCRIBED IN A DEED TO CELINA DENTON PROPERTIES, LLC, RECORDED IN DOCUMENT No. 2013-150533, O.R.D.C.T., FROM WHICH A 1/2" IRON ROD FOUND WITH AN UNREADABLE CAP BEARS N 66°30'24" E, 0.43 FEET AND ANOTHER 1/2" IRON ROD WITH AN UNREADABLE CAP BEARS S 20°49'46" E, 0.42 FEET;

THENCE S 89°24'29" W, ALONG THE NORTH LINE OF SAID SMILEY ROAD TRACT AND THE SOUTH LINE OF SAID SULLIVAN TRACT, 1174.49 FEET TO THE PLACE OF BEGINNING;

THENCE S 00°07'23" E, DEPARTING THE NORTH LINE OF SAID SMILEY ROAD TRACT AND THE SOUTH LINE OF SAID SULLIVAN TRACT, 1748.15 FEET TO A POINT IN THE SOUTH LINE OF SAID SMILEY ROAD TRACT AND BEING IN THE NORTH RIGHT-OF-WAY LINE OF F.M. HIGHWAY 428 (A VARIABLE WIDTH RIGHT-OF-WAY);

THENCE S 89°23'18" W, ALONG THE SOUTH LINE OF SAID SMILEY ROAD TRACT AND THE NORTH RIGHT-OF-WAY LINE SAID F.M. HIGHWAY 428, A DISTANCE OF 60.00 FEET TO A POINT, SAID POINT BEING THE SOUTHWEST CORNER OF SAID SMILEY ROAD TRACT AND THE SOUTHEAST CORNER OF A TRACT OF LAND DESCRIBED IN A DEED TO REX MASK & FRAN MASK, RECORDED IN VOLUME 1883, PAGE 58, DEED RECORDS, DENTON COUNTY, TEXAS (D.R.D.C.T.);

THENCE N 00°07'23" W, ALONG THE WEST LINE OF SAID SMILEY ROAD TRACT AND THE EAST LINE OF SAID MASK TRACT, AT 1282.46 FEET PASSING A 3/8" IRON ROD FOUND, BEING THE NORTHEAST CORNER OF SAID MASK TRACT AND THE SOUTHEAST CORNER OF A TRACT OF LAND DESCRIBED IN A DEED TO ROBERT J. ANDRES & JANIS LYNN ANDRES, CO-TRUSTEES OF THE ANDRES FAMILY TRUST, RECORDED IN DOCUMENT No. 2013-92646, O.R.D.C.T., CONTINUING IN ALL A DISTANCE OF 1748.17 FEET TO A 1/2" IRON ROD FOUND, SAID IRON ROD BEING THE NORTHWEST CORNER OF SAID SMILEY ROAD TRACT, THE SOUTHWEST CORNER OF SAID SULLIVAN TRACT AND BEING IN THE EAST LINE OF SAID ANDRES TRACT;

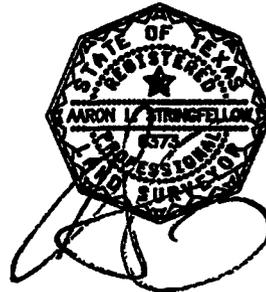
THENCE N 89°24'29" E, ALONG THE NORTH LINE OF SAID SMILEY ROAD TRACT AND THE SOUTH LINE OF SAID SULLIVAN TRACT, 60.00 FEET TO THE PLACE OF BEGINNING AND CONTAINING 2.408 ACRES (104,889 SQUARE FEET) OF LAND, MORE OR LESS.

WA#15135 PRINTED: 02-11-2015 LAST SAVED: 02-11-2015 1:19 PM SAVED BY: KEVINH FILE: 13135-OFFSITE WATER ESMT.DWG

NOTES:

- (1) ALL BEARINGS SHOWN HEREON ARE CORRELATED TO THE TEXAS STATE PLANE COORDINATE SYSTEM, NORTH CENTRAL ZONE 4202, NAD OF 1983, AS DERIVED BY FIELD OBSERVATIONS UTILIZING THE RTK NETWORK ADMINSTRATED BY WESTERN DATA SYSTEMS.
- (2) THIS EXHIBIT WAS PREPARED WITHOUT BENEFIT OF A CURRENT TITLE COMMITMENT.
- (3) THIS SURVEY WAS MADE ON THE GROUND DURING THE MONTHS OF JANUARY THRU FEBRUARY, 2015 UNDER THE DIRECT SUPERVISION OF AARON L. STRINGFELLOW, R.P.L.S. NO. 6373.

2/11/15

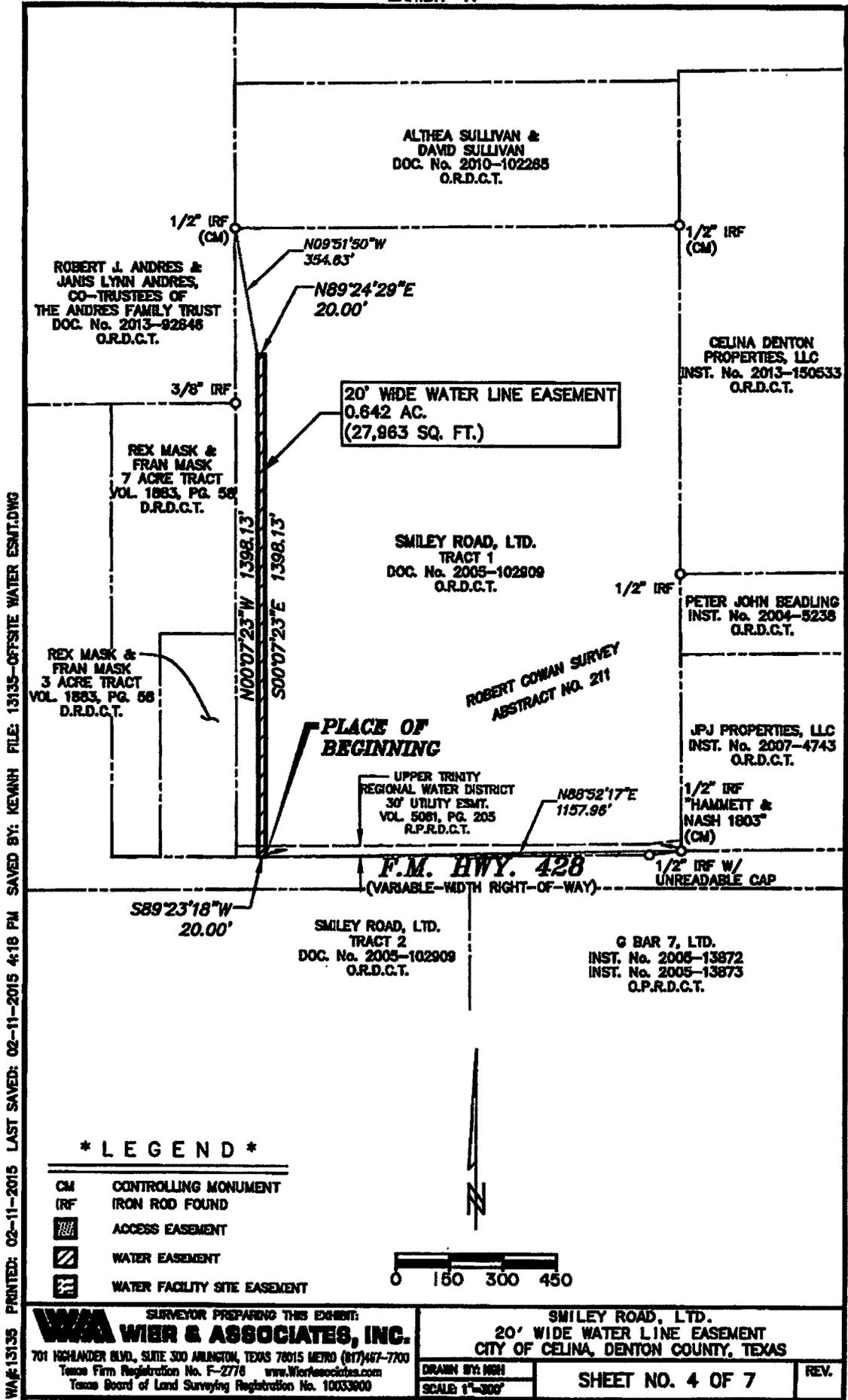


W&A WIER & ASSOCIATES, INC.
SURVEYOR PREPARING THIS EXHIBIT:
701 HIGHLANDER BLVD., SUITE 300 ARLINGTON, TEXAS 76015 METRO (817)467-7700
Texas Firm Registration No. F-2778 www.wierassociates.com
Texas Board of Land Surveying Registration No. 10033900

SMILEY ROAD, LTD.
60' WIDE ACCESS EASEMENT
CITY OF CELINA, DENTON COUNTY, TEXAS
DRAWN BY: KEH
SCALE: N/A
SHEET NO. 3 OF 7

REV.

EXHIBIT "A"



WA#13135 PRINTED: 02-11-2015 LAST SAVED: 02-11-2015 4:18 PM SAVED BY: KEVINH FILE: 13135-OFFSITE WATER ESMT.DWG

*** LEGEND ***

- CM CONTROLLING MONUMENT
- IRF IRON ROD FOUND
- ACCESS EASEMENT
- WATER EASEMENT
- WATER FACILITY SITE EASEMENT

WIA WIER & ASSOCIATES, INC.
 SURVEYOR PREPARING THIS EXHIBIT:
 701 HIGHLANDER BLVD., SUITE 300 ARLINGTON, TEXAS 76015 METRO (817)467-7700
 Texas Firm Registration No. F-2776 www.wierassociates.com
 Texas Board of Land Surveying Registration No. 10033900

SMILEY ROAD, LTD.
 20' WIDE WATER LINE EASEMENT
 CITY OF CELINA, DENTON COUNTY, TEXAS
 DRAWN BY: MGH
 SCALE: 1"=300'
 SHEET NO. 4 OF 7
 REV.

EXHIBIT "A"

FIELD NOTES - DESCRIPTION
20' WIDE WATER LINE EASEMENT

BEING A TRACT OF LAND LOCATED IN THE ROBERT COWAN SURVEY, ABSTRACT No. 211, DENTON COUNTY, TEXAS, A PORTION OF A TRACT OF LAND DESCRIBED IN A DEED TO SMILEY ROAD, LTD. (DENOTED AS TRACT 1) RECORDED IN DOCUMENT No. 2005-102909, OFFICIAL RECORDS, DENTON COUNTY, TEXAS (O.R.D.C.T.), AND BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

BEGINNING AT A POINT IN THE SOUTH LINE OF SAID SMILEY ROAD TRACT AND THE NORTH RIGHT-OF-WAY LINE OF F.M. HIGHWAY 428 (A VARIABLE-WIDTH RIGHT-OF-WAY), FROM WHICH A 1/2" IRON ROD FOUND WITH A CAP STAMPED "HAMMETT & NASH 1803" BEARS N 88°52'17" E, 1157.98 FEET, SAID IRON ROD BEING THE SOUTHEAST CORNER OF SAID SMILEY ROAD TRACT AND THE SOUTHWEST CORNER OF A TRACT OF LAND DESCRIBED IN A DEED TO JPJ PROPERTIES, LLC, RECORDED IN DOCUMENT No. 2007-4743, O.R.D.C.T.;

THENCE S 89°23'18" W, ALONG THE SOUTH LINE OF SAID SMILEY ROAD TRACT AND THE NORTH RIGHT-OF-WAY LINE OF SAID F.M. HIGHWAY 428, A DISTANCE OF 20.00 FEET TO A POINT, SAID POINT BEING THE SOUTHEAST CORNER OF A 60' ACCESS EASEMENT;

THENCE N 00°07'23" W, DEPARTING THE SOUTH LINE OF SAID SMILEY ROAD TRACT AND THE NORTH LINE OF SAID F.M. HIGHWAY 428 AND ALONG THE EAST LINE OF SAID ACCESS EASEMENT, A DISTANCE OF 1398.13 FEET TO A POINT, SAID POINT BEING THE SOUTHWEST CORNER OF A WATER FACILITY SITE EASEMENT, FROM WHICH A 1/2" IRON ROD FOUND BEARS N 09°51'50" W, 354.63 FEET, SAID IRON ROD BEING THE NORTHWEST CORNER OF SAID SMILEY ROAD TRACT AND THE SOUTHWEST CORNER OF A TRACT OF LAND DESCRIBED IN A DEED TO ALTHEA SULLIVAN & DAVID SULLIVAN, RECORDED IN DOCUMENT No. 2010-102265, O.R.D.C.T.;

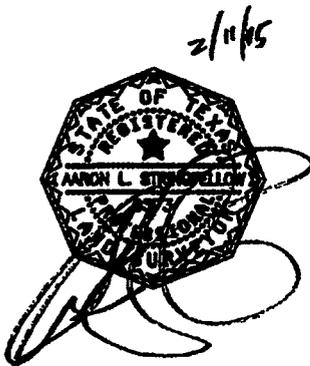
THENCE N 89°24'29" E, ALONG THE SOUTH LINE OF SAID WATER FACILITY SITE EASEMENT, 20.00 FEET TO A POINT;

THENCE S 00°07'23" E, DEPARTING THE SOUTH LINE OF SAID WATER FACILITY SITE EASEMENT, 1398.13 FEET TO THE PLACE OF BEGINNING AND CONTAINING 0.642 ACRES (27,963 SQUARE FEET) OF LAND, MORE OR LESS.

WA\F15135 PRINTED: 02-11-2015 LAST SAVED: 02-11-2015 1:26 PM SAVED BY: KEVINH FILE: 15135-OFFSITE WATER ESMT.DWG

NOTES:

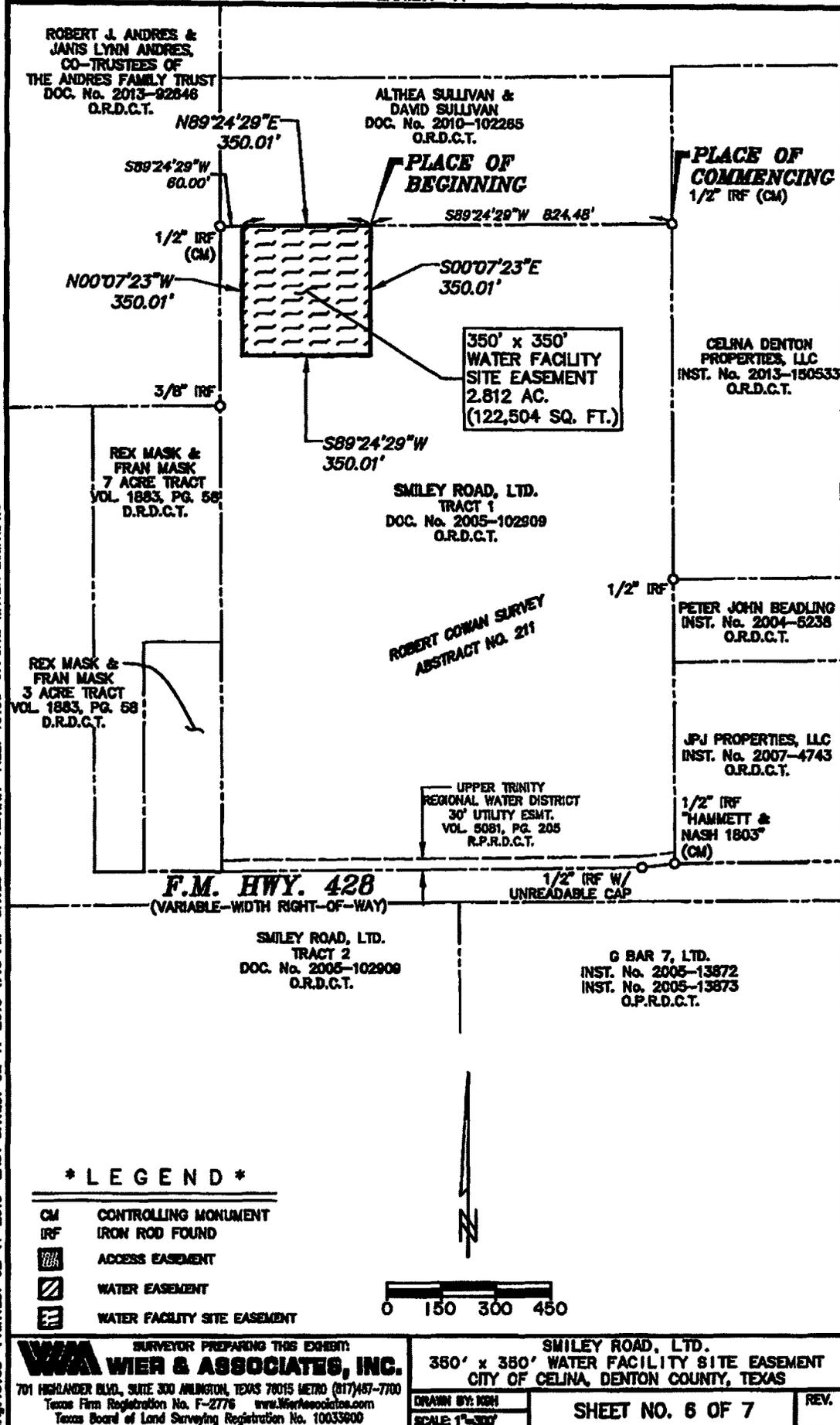
- (1) ALL BEARINGS SHOWN HEREON ARE CORRELATED TO THE TEXAS STATE PLANE COORDINATE SYSTEM, NORTH CENTRAL ZONE 4202, NAD OF 1983, AS DERIVED BY FIELD OBSERVATIONS UTILIZING THE RTK NETWORK ADMINISTERED BY WESTERN DATA SYSTEMS.
- (2) THIS EXHIBIT WAS PREPARED WITHOUT BENEFIT OF A CURRENT TITLE COMMITMENT.
- (3) THIS SURVEY WAS MADE ON THE GROUND DURING THE MONTHS OF JANUARY THRU FEBRUARY, 2015 UNDER THE DIRECT SUPERVISION OF AARON L. STRINGFELLOW, R.P.L.S. NO. 6373.



WIA WIER & ASSOCIATES, INC.
 SURVEYOR PREPARING THIS EXHIBIT:
 701 HIGHLANDER BLVD., SUITE 300 ARLINGTON, TEXAS 76015 METRO (817)467-7700
 Texas Firm Registration No. F-2776 www.WierAssociates.com
 Texas Board of Land Surveying Registration No. 10033900

SMILEY ROAD, LTD. 20' WIDE WATER LINE EASEMENT CITY OF CELINA, DENTON COUNTY, TEXAS		REV.
DRAWN BY: KGH	SHEET NO. 5 OF 7	
SCALE: N/A		

EXHIBIT "A"



WA-13135 PRINTED: 02-11-2015 LAST SAVED: 02-11-2015 4:18 PM SAVED BY: KEVINH FILE: 13135-OFFSITE WATER ESMT.DWG

EXHIBIT "A"

FIELD NOTES -- DESCRIPTION
350' x 350' WATER FACILITY SITE EASEMENT

BEING A TRACT OF LAND LOCATED IN THE ROBERT COWAN SURVEY, ABSTRACT No. 211, DENTON COUNTY, TEXAS, BEING, A PORTION OF A TRACT OF LAND DESCRIBED IN A DEED TO SMILEY ROAD, LTD. (DENOTED AS TRACT 1) RECORDED IN DOCUMENT No. 2005-102809, OFFICIAL RECORDS, DENTON COUNTY, TEXAS (O.R.D.C.T.), AND BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

COMMENCING AT A 1/2" IRON ROD FOUND, SAID IRON ROD BEING THE NORTHEAST CORNER OF SAID SMILEY ROAD TRACT, THE SOUTHEAST CORNER OF A TRACT OF LAND DESCRIBED IN A DEED TO ALTHEA SULLIVAN & DAVID SULLIVAN, RECORDED IN DOCUMENT No. 2010-102265, O.R.D.C.T. AND BEING IN THE WEST LINE OF A TRACT OF LAND DESCRIBED IN A DEED TO CELINA DENTON PROPERTIES, LLC, RECORDED IN DOCUMENT No. 2013-150533, O.R.D.C.T., FROM WHICH A 1/2" IRON ROD FOUND WITH AN UNREADABLE CAP BEAR N 86°30'24" E, 0.43 FEET AND ANOTHER 1/2" IRON ROD WITH AN UNREADABLE CAP BEARS S 20°49'48" E, 0.42 FEET;

THENCE S 89°24'29" W, ALONG THE NORTH LINE OF SAID SMILEY ROAD TRACT AND THE SOUTH LINE OF SAID SULLIVAN TRACT, 824.48 FEET TO THE PLACE OF BEGINNING;

THENCE S 00°07'23" E, DEPARTING THE NORTH LINE OF SAID SMILEY ROAD TRACT AND THE SOUTH LINE OF SAID SULLIVAN TRACT, 350.01 FEET TO A POINT;

THENCE S 89°24'29" W, 350.01' FEET TO A POINT;

THENCE N 00°07'23" W, 350.01 FEET TO A POINT IN THE NORTH LINE OF SAID SMILEY ROAD TRACT AND THE SOUTH LINE OF SAID SULLIVAN TRACT, FROM WHICH A 1/2" IRON ROD FOUND BEARS S 89°24'29" W, 60.00 FEET, SAID IRON ROD BEING THE NORTHWEST CORNER OF SAID SMILEY ROAD TRACT, THE SOUTHWEST CORNER OF SAID SULLIVAN TRACT AND BEING IN THE EAST LINE OF A TRACT OF LAND DESCRIBED IN A DEED TO ROBERT J. ANDRES & JANIS LYNN ANDRES, CO-TRUSTEES OF THE ANDRES FAMILY TRUST, RECORDED IN DOCUMENT No. 2013-92646, O.R.D.C.T.;

THENCE N 89°24'29" E, ALONG THE NORTH LINE OF SAID SMILEY ROAD TRACT AND THE SOUTH LINE OF SAID SULLIVAN TRACT, 350.01 FEET TO THE PLACE OF BEGINNING AND CONTAINING 2.812 ACRES (122,504 SQUARE FEET) OF LAND, MORE OR LESS.

WAF-15135 PRINTED: 02-11-2015 LAST SAVED: 02-11-2015 1:48 PM SAVED BY: KEVINH FILE: 15135-OFFSITE WATER ESMT.DWG

NOTES:

- (1) ALL BEARINGS SHOWN HEREON ARE CORRELATED TO THE TEXAS STATE PLANE COORDINATE SYSTEM, NORTH CENTRAL ZONE 4202, NAD OF 1983, AS DERIVED BY FIELD OBSERVATIONS UTILIZING THE RTK NETWORK ADMINSTRATED BY WESTERN DATA SYSTEMS.
- (2) THIS EXHIBIT WAS PREPARED WITHOUT BENEFIT OF A CURRENT TITLE COMMITMENT.
- (3) THIS SURVEY WAS MADE ON THE GROUND DURING THE MONTHS OF JANUARY THRU FEBRUARY, 2015 UNDER THE DIRECT SUPERVISION OF AARON L. STRINGFELLOW, R.P.L.S. NO. 6373.



WIA WIER & ASSOCIATES, INC.
SURVEYOR PREPARING THIS EXHIBIT:
701 HIGHLANDER BLVD., SUITE 300 ARLINGTON, TEXAS 76015 METRO (817)497-7700
Texas Firm Registration No. F-2776 www.WierAssociates.com
Texas Board of Land Surveying Registration No. 10033800

SMILEY ROAD, LTD.
350' x 350' WATER FACILITY SITE EASEMENT
CITY OF CELINA, DENTON COUNTY, TEXAS
DRAWN BY: MGH
SCALE: N/A
SHEET NO. 7 OF 7
REV.

**EXHIBIT D
TO NON-STANDARD SERVICE CONTRACT
DEED FOR GROUND WATER RIGHTS**

conveyed herein to Grantee against every person whomsoever lawfully claiming by through the Grantor.

Groundwater: All of the underground water that may be produced from the Trinity Aquifer at all depths and horizons beneath the surface of the Real Property.

Groundwater Rights: (1) The Groundwater and the right to access, test, explore for, drill for, develop, withdraw, capture, rework and repair the water system or otherwise beneficially use the Groundwater; (2) the right to use the surface of the Real Property for access to (egress and ingress) and to explore for, develop, produce, and transport the Groundwater; and (3) all permits, licenses, or other governmental authorizations relating to any of the foregoing.

The Project. Grantor intends to construct a mixed use Project on the Real Property which will have certain areas to be designated as "common" and/or "park" areas.

Reservation from Conveyance: Grantor reserves the right to use a portion of the Groundwater in connection with its surface estate for domestic irrigation of those areas in the Project designated as "common" and/or "park" areas.

EXECUTED on this the 11th day of September, 2015.

SMILEY ROAD, Ltd., a Texas Limited Liability Company



By: _____

Name: _____

Title: _____

ATTEST:

By: _____

Name: _____

Its: _____

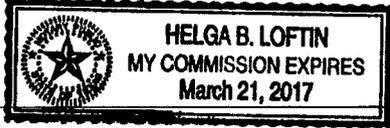
STATE OF TEXAS

COUNTY OF DALLAS

C. O. Tomlin III

Before me the undersigned notary public appeared _____, President of, on behalf of Smiley Road Ltd., a Texas limited liability company, and on behalf of such Company for the consideration therein expressed.

(SEAL)



Helga B. Loftin

Notary Public for the State of Texas

**NON-STANDARD SERVICE CONTRACT
BY AND BETWEEN
MUSTANG SPECIAL UTILITY DISTRICT
AND**

**CADG Aubrey 107, LLC, a Texas Limited Liability Company and
CADG Comanche 248, LLC, a Texas Limited Liability Company, and PULTE HOMES
OF TEXAS, L.P., a Texas limited partnership and its General Partner, Pulte Nevada I
LLC, a Delaware limited liability company.**

[Winn Ridge]

This Non-Standard Service Contract (“Contract”) is entered into on the date set forth below by and between, Mustang Special Utility District, of Denton County, Texas (“Mustang”), a special utility district operating under the authority of Chapters 49 and 65 of the Texas Water Code, as amended, and CADG Aubrey 107, LLC, a Texas limited liability company and CADG Comanche 248, LLC, Ltd., a Texas limited liability company (collectively “CADG”) and PULTE HOMES OF TEXAS, L.P., a Texas limited partnership and its General Partner, Pulte Nevada I LLC, a Delaware limited liability company (collectively “Pulte”). The consideration for this Non-Standard Service Contract is set forth below.

DEFINITIONS

“**CADG**” shall refer to and mean CADG Aubrey 107, LLC, a Texas limited liability company, and CADG Comanche 248, LLC, Ltd., a Texas limited liability company, collectively (unless individually denominated).

“**CCN**” shall refer to and mean a Certificate of Convenience and Necessity issued by the Texas Natural Resource Conservation Commission or its predecessor/successor agency as prescribed by the Texas Water Code.

“**Connection Fee**” shall refer to and mean the fee charged by Mustang for obtaining Water Service or Wastewater Service as defined in Mustang’s Rate Order.

“**Decertification**” shall mean either a decertification permitted by either Section 13.254 and/or Section 13.255 of the Texas Water Code and/or any other means by which a CCN of a holder may be decertified.

“**Mustang**” shall refer to and mean “Mustang Special Utility District” which is located in Denton County, Texas.

“**Party**” or “**Parties**” shall refer collectively to and mean “Mustang Special Utility District”, “CADG Aubrey 107, LLC, a Texas limited liability company” and “CADG Comanche 248, LLC, Ltd., a Texas limited liability company” (collectively “CADG”), and Pulte Homes of Texas, L.P., a Texas limited partnership and its General Partner, Pulte Nevada I LLC, a Delaware limited liability company.

“Property” shall mean and refer to approximately 528 acres, as more particularly described and shown in Exhibit "A" (also known as “Winn Ridge) that CADG and or Pulte owns and on which CADG and Pulte currently intend to develop 1740 residential lots.

“Project” shall mean and refer to the development of the Property, as well as installation of the Water System and other infrastructure required to develop the Property.

“Pulte” shall refer to and mean Pulte Homes of Texas, L.P., a Texas limited partnership and its General Partner, Pulte Nevada I LLC, a Delaware limited liability company.

“Water System” shall mean and refer to both the retail water facilities (“Fresh Water System”) and retail wastewater facilities (Wastewater System”) to be constructed within the Property for the provision of water and sewer service to the Property.

Some terms used herein are defined by the Texas Water Code or Mustang’s Rate Order. To the extent a term or phrase is defined therein, each shall mean and refer to the definition prescribed by Texas Water Code or Mustang’s Rate Order.

RECITALS

WHEREAS, Mustang was created, organized and exists for the purpose of furnishing potable water and wastewater service as a retail public utility within its certificated service area (the "Service Area") under Certificate of Convenience and Necessity Nos. 11856 and 20930 (the "CCN") and within Mustang political boundaries;

WHEREAS, CADG Aubrey 107, LLC, a Texas limited liability company, CADG Comanche 248, LLC, a Texas limited liability company, and Pulte Homes of Texas L.P., a Texas Limited partnership and its General Partner, Pulte Nevada I LLC, a Delaware limited liability company own the Property;

WHEREAS, the Property is located within Mustang’s Service Area and both CADG and Pulte have requested that retail water service and retail wastewater service (collectively the “Water System”) be provided to the Property by Mustang. CADG and Pulte desire to make a financial commitment for the construction of the Water System. Mustang has agreed to provide retail water service and retail wastewater service to the Property in accordance with the terms of this Agreement;

WHEREAS, CADG, Pulte and Mustang intend that the Water System facilities (such as groundwater wells, well permits, water mains, pumping facilities, storage facilities, elevated storage tanks, and appurtenances thereto), and land, easements and rights-of-way therefore will be acquired, constructed and installed for the benefit of the Property, and that such facilities will be dedicated to Mustang in accordance with this Agreement, and when such facilities have been accepted by Mustang in accordance with the terms of this Agreement, those facilities (excepting any oversized facilities as provided for in Section

2.1.5. of this Agreement) will adequately serve the Property with Water Service;

WHEREAS, CADG and Pulte intend for the Water System to be phased-in over a period of time commensurate with the projected build-out schedule for the Property;

NOW THEREFORE, KNOW ALL MEN BY THESE PRESENTS, that for and in consideration for the mutual promises hereinafter expressed, and other good and valuable consideration, the sufficiency of which is hereby acknowledged and confessed by the Parties, Mustang, CADG and Pulte agree as follows:

1.1 Decertification.

A. Decertification. CADG and Pulte intend for Mustang to be the retail water service and retail wastewater service provider for the Property. CADG and Pulte agree that Mustang shall be the holder of both the water CCN and wastewater CCN for the Property. CADG and Pulte agree further not to seek decertification of any CCN held by Mustang for the Property or to aide, encourage or cooperate with any third party to do so. CADG and Pulte agree to cooperate with and aid Mustang in the defense of Mustang's CCN in any action brought by any third party.

1.2 Service.

A. Retail Water Service and Wastewater Service. Subject to the terms and conditions of this Agreement and Mustang's Rate Order, Mustang will provide retail public water service and retail wastewater service of sufficient quality and quantity for all uses within the Property;

B. Fire Flow. Mustang will at all times provide "fire flows" to the developed portions of the property as defined by the applicable fire code or similar code or regulation to fight structure fires under normal conditions and at a rate consistent with the capacity of the Water System existing at the time of any required "fire flow." CADG and Pulte will take all reasonable actions necessary to ensure that permanent non-residential structures which would require fire flows in excess of 1,500 GPM will be required to have an internal fire suppression system installed that will mitigate the necessity of extraordinary fire flow requirements;

C. Conditions Precedent. Notwithstanding the foregoing provisions in this section above, Mustang will have no obligation to provide water service or wastewater service to the property until: (i) a final plat for such property has been approved by the applicable governmental authority and recorded in the appropriate property records, (ii) all of the improvements for the Project (as defined herein) are completed for each respective phase of development, become operational and are inspected and tested, are approved by Mustang, and are accepted by Mustang, (iii) all required fees and charges have been paid, and all applicable expenses and costs have been paid to Mustang as set forth herein or as otherwise applicable,

and (iv) all other applicable requirements for service as set forth in this Agreement and in Mustang's Rate Order. If a provision of the Rate Order conflicts with this Agreement, the terms and provisions of this Agreement shall control.

D. Water Services for Construction Purposes. Notwithstanding any of the foregoing provisions in this section, Mustang will provide reasonable water service for construction purposes so long as CADG and Pulte have delivered a preliminary or similar plat in accordance with CADG's and Pulte's development agreement with any applicable political subdivision and paid to Mustang the necessary and reasonable expenses for temporary water service. Alternatively, water for construction or irrigation purposes can be provided in a non-potable or pretreated condition from other sources.

2.1 Construction.

A. Engineering, Design, Inspection and Easements.

1. Plans and Specifications. Development of the Property will be in phases and in accordance with the development plans of CADG and Pulte. CADG and Pulte shall cause the Water System to be engineered and designed by a Texas Licensed Professional Engineer in accordance with the applicable specifications of Mustang and all applicable regulatory agencies having jurisdiction, including but not limited to the Upper Trinity Regional Water District ("UTRWD"). All plans and specifications for the Water System must be reviewed and approved by Mustang's consulting engineer prior to construction and to the extent required, by the UTRWD. Mustang shall use its best efforts to obtain the UTRWD's approval of the plans and specifications if required. Upon written approval of the plans and specifications by the District's consulting engineer and to the extent required by the UTRWD, the plans and specifications shall become part of this Contract by reference and shall more particularly define the Water System improvements. The design, plans (including engineering plans), specifications, and contract documents for the construction and installation of the Water System shall be prepared by CADG and Pulte at CADG's and Pulte's sole cost and shall be approved by Mustang. CADG and Pulte shall construct the Water System in a good and workmanlike manner and fit for its intended purpose.

2. Approval of Plans and Specifications. The Water System shall be constructed in accordance with the plans and specifications approved by Mustang's engineer, Mustang's Rate Order, Mustang's rules and regulations and any other agencies having jurisdiction. Mustang shall have the right to inspect and approve all phases of the construction of the Water System. CADG and Pulte must give written notice to the Mustang of the date on which construction is scheduled to commence so that the Mustang may assign an inspector.

3. Inspection and Inspection Fees. Mustang shall have the right to inspect all phases of the construction of the Project, and Mustang may charge CADG and Pulte, and CADG and Pulte shall be obligated to pay Mustang its standard inspection fee for such inspections. Inspection Fees may include the actual costs of labor, travel and

incidental expenses of the inspectors, plus ten percent (10%) overhead, as well as all other incidental expenses. Mustang agrees that the inspection fees shall remain the same as those in existence at the time of execution of this Agreement. CADG and Pulte agree that Mustang's engineers or other representatives may inspect, test and approve the construction of the Water System at any time to determine compliance with the approved designs, plans and specifications. Mustang is entitled to receive at least twenty-four (24) hours' notice prior to any test of any portion of the Water System or prior to the covering of any portion of any facilities that are constructed below grade. Only Mustang will make connections to the Water System. CADG and Pulte may request that Mustang permit CADG and Pulte be allowed to use third party inspectors. Each third party inspector proposed by CADG and/or Pulte shall be subject to Mustang's approval, which will not be unreasonably withheld. In the event that CADG and/or Pulte use an approved third party inspector, no inspection fee shall be required or paid to Mustang.

4. Stoppage for Non-Conformance. Mustang may stop any work on any portion of the Water System until such time as CADG and Pulte and CADG's and Pulte's contractor(s) agree, in consultation with Mustang's engineer, to construct that portion of the Water System in accordance with Mustang's regulations and standards and the approved plans and specifications. In addition, the Mustang may require that any substandard work be removed or corrected prior to resuming construction of the remainder of such system improvements yet to be constructed.

5. Oversizing. The Water System shall be sized to provide continuous and adequate water service and wastewater service, including adequate fire flow to the Property based on plats and plans for the Development submitted to Mustang by CADG and Pulte. Mustang may require portions of the Water System to be upsized in anticipation of the needs of other or future customers of the District. Should Mustang require any part of the Project to be oversized, Mustang shall deliver written notice to CADG and Pulte no later than the time of Mustang's review of CADG's and Pulte's plans and specifications for the Water System. In the event that CADG and Pulte elect to construct any portion of the Water System using lines sized ten inches (10") or greater where an eight inch (8") is acceptable to Mustang or has otherwise been specified in the approved plans and specifications for the Project, then Mustang shall determine and credit the cost difference between the design and construction of the ten inch (10") or greater line and the eight inch (8") line against Connection Fees.

6. Easements and Land Costs. CADG and Pulte shall be responsible for dedicating or acquiring all easements, rights-of-way and land necessary for construction of the Water System, and water distribution lines or wastewater gathering lines, at its sole expense, which Mustang may determine is necessary for the construction or operation of the Water System, including but not limited to obtaining any governmental approvals necessary to construct the Water System in public right-of-ways. CADG, Pulte and Mustang agree that the easements or right-of-ways acquired by CADG and/or Pulte to be used in conjunction with the take point for the Water System or the discharge point for the Wastewater System shall be dedicated and assigned by CADG and/or Pulte

to Mustang, and that the ownership and control of such easements or right-of-ways shall remain the property of Mustang thereafter. The legal instruments by which CADG and/or Pulte shall dedicate and assign any such easements or rights-of-way to Mustang must be approved by Mustang prior to the dedication or assignment of such easements or right-of-way by CADG and/or Pulte. If necessary, CADG and Pulte agree to support Mustang's condemnation efforts relating to the acquisitions of easements and right-of-way. Mustang's property rights pursuant to this paragraph shall not be assigned without prior written consent of CADG and/or Pulte.

7. Pre-Construction Meeting. Prior to commencing construction and installation of any of the Water System, CADG and Pulte shall provide advance written notification to Mustang of such commencement so that a pre-construction meeting may be scheduled. At least two weeks advance prior notice to Mustang's engineer shall be given before making any tap or connection into the Water System.

8. Drawings. CADG and Pulte shall furnish Mustang with a copy of the as-built plans or drawings in an appropriate AutoCAD format for each phase of the Water System promptly upon completion of construction and installation of such facilities and improvements. If required, Mustang agrees to use its best efforts to obtain UTRWD approval of the drawings, as needed.

9. Agency Approval. If any approval or authorization from any applicable governmental body is required for the installation of the Water System, Mustang, CADG and Pulte agree to cooperate fully to obtain the approval or authorization necessary to construct or complete the Water System

2.2 Service Connection Fees.

A. Connection Fees.

CADG and Pulte intend to develop the Property in phases, with CADG's Phase 1 consisting of approximately 70.5 acres to be divided into approximately 225 lots of various sizes, and Pulte's Phase 1 consisting of approximately 40 acres to be divided into approximately 175 lots of various sizes.

1. Connection Fee Rate. The District currently charges a Connection Fee of \$2,500.00 for a standard water service connection and Connection Fee of \$3,000.00 for a standard sewer service connection. For purposes of this Contract, the Connection Fee for water service includes all fees and charges required for a residential customer to obtain water and sewer service from Mustang except for the cost of meter installation and the customer Deposit. CADG and Pulte shall pay to Mustang a total Connection Fee of \$5,500.00 per lot for the standard (residential) service connections in the Development according to the following schedule:

a. Payment of Connection Fees. Payment: CADG, Pulte or the Builder

shall pay the sum of \$5,500.00 to Mustang for each connection at the time a request is made for any connection and shall be paid prior to and before the placement of any meter for any lot or parcel located within the Property.

2. UTRWD Building Activity Fee. In addition to the Connection Fees listed in Mustang Rate Order, the UTRWD requires Mustang to collect an Upper Trinity Regional Water District Building Activity Fee in the amount of \$500.00 for each wastewater connection ("UTRWD Fee"). Mustang shall collect the UTRWD Fee for each lot in all phases of the Property in accordance with the requirements of the UTRWD.

2.3. Construction Costs.

A. Payment of Construction Costs. CADG and Pulte agree to pay or cause to be paid all costs of permitting, designing and constructing the Water System in accordance with the phased development of the Property, including but not limited to, the costs for all planning, surveying, geotechnical, materials, labor, inspection, and general liability insurance, maintenance bond coverage, interest costs, easement acquisition costs, of all (1) groundwater wells, any ground or elevated storage tank(s), water mains, water lines, and related fittings, equipment and appurtenances necessary to transmit water within and for the Property and (2) sewer lines, sewer mains, and lift stations, and for the collection and treatment of wastewater produced within the Property.

2.4 Improvements.

A. Fresh Water Service Improvements. CADG and Pulte shall be solely responsible for the permitting, design, payment, construction or installation of the portion of the Project necessary for installation of the Fresh Water System within the Property including but not limited to water pipelines, in accordance with the terms and conditions of this Agreement.

B. Wastewater Service Improvements. CADG and Pulte shall be solely responsible for the permitting, design, payment, construction and installation of the portion of the Project necessary for installation of the Wastewater System within the Property including a wastewater collection system and lift stations (such facilities and improvements referred to hereinafter as the "Wastewater Facilities") in accordance with the terms and conditions of this Agreement.

C. Facilities or Off-site Improvements. CADG and Pulte shall be solely responsible for the permitting, design, payment, construction or installation of that portion of the Project necessary for installation of the Off-site Improvements. Once any Off-site Improvement is completed and dedicated to Mustang, CADG and Pulte shall be entitled to be reimbursed 125% of the cost of the improvements by offset against connections fees until fully satisfied. In the event that CADG and Pulte fails to fund and construct all Off-site improvements

required by Mustang, then Mustang may undertake to complete the Off-site Improvements; and as a result, no off set shall be permitted and all Connection Fees shall be then be charged thereafter at the rate established by Mustang's Rate Order in effect at the time.

D. **Permits and Approvals.** It is understood and agreed by the Parties that the obligation of Mustang to provide water service in the manner contemplated by this Contract is subject to the issuance of all permits, certificates, or approvals required to lawfully provide retail water service by the Texas Commission on Environmental Quality and all other governmental agencies having jurisdiction. Without the prior approval of Mustang, CADG and Pulte shall not:

- (1) construct or install additional water or sewer lines or facilities to service areas outside the Property;
- (2) add any additional lands to the Property for which water or sewer service is to be provided pursuant to this Contract; or
- (3) connect or serve any person or entity who, in turn, sells water or sewer service directly or indirectly to any other person or entity.

2.5 Maintenance and Maintenance Bond.

A. **Maintenance Bond.** After completion of construction of any phase of the Water System, CADG and Pulte will provide to Mustang a concurrence letter from CADG's and Pulte's engineers certifying that the construction of the Water System has been completed in accordance with the designs, plans, specifications and change orders, and that the facilities have been tested and approved for use in accordance with the approved contract documents, TCEQ rules and Mustang's Rate Order. CADG and Pulte, or their contractors shall also provide Mustang with a two-year maintenance bond in the amount of not less than 20%, as stated in Mustang's Rate Order, of the final construction cost of the applicable portion of the Water Facilities and the Wastewater Facilities.

B. **Maintenance.** Upon CADG's and Pulte's dedication of each of the Water System and Mustang's inspection and acceptance of the same, Mustang shall be solely responsible for operation, maintenance and administration of the accepted Water System. Notwithstanding the foregoing, it is expressly understood and agreed by the Parties that Mustang shall not accept ownership of, shall have no responsibility for, and shall not operate or maintain any facilities constructed on the customer's side of individual meters located within any property within the Property, and Mustang will own all of the Water System up to the point of connection with the customer's service line.

C. **Meters.** Mustang agrees to install standard water meters to serve each approved service address within the Property that receives Water Service and Wastewater Service from Mustang hereunder, in accordance with Mustang's Rate Order governing the same and subject to payment of all applicable security deposits and installation fees (other than payment of any Connection Fee). Any connection of individual customers to the Water System shall be

made only by Mustang.

3.1 Service from the Water System.

A. Continuous Water Flow. After proper completion and dedication of the Water System to Mustang, Mustang shall provide continuous and adequate water service sufficient to meet all of the fire flow requirements and potable needs of the Property and wastewater service sufficient to collect and treat wastewater of the Property, subject to all duly adopted and general applicable rules and regulations of Mustang and payment of the following:

- (1) all standard rates, fees and charges adopted by Mustang;
- (2) all service investigation fees; and
- (3) all connection fees.

4.1 Dedication of Water System and Ground Water.

A. Dedication of Water System. Upon proper completion of construction of a phase of the Water System, and final inspection and approval thereof by Mustang, CADG and Pulte shall dedicate the Water System to Mustang by Bill of Sale or other conveyance document in form reasonably acceptable to Mustang. Mustang agrees that the Water System conveyed to Mustang shall be used to serve customers located within the Property, except that capacity in any overhead or ground storage provided for herein or oversized facilities funded may be used to serve customers located outside the Property, subject to the needs of the customers located within the Property. Mustang's rights pursuant to this Paragraph may not be assigned without prior written consent of CADG and Pulte.

B. Ground Water and Ground Water Rights. Concomitant with this Agreement, CADG and Pulte shall execute a Deed for Groundwater Rights in substantially the same form as contained in Exhibit "B" attached hereto, that sells, grants, quitclaims and conveys to Mustang the Groundwater Rights of the Property, together with all and singular the rights and appurtenances thereto or in any way relating to the ground water belonging to CADG and Pulte for the Property. Mustang, CADG, and Pulte agree to cooperate in the placement of any well, if any, to be drilled by Mustang on the Property, and CADG and Pulte agree to cooperate with Mustang in the location of such well in order to maximize the efficiency of any such well.

5.1 Effect of Force Majeure.

In the event that any Party is rendered unable by force majeure to carry out any of its obligations under this Contract, in whole or in part, then the obligations of that Party, to the extent affected by the force majeure shall be suspended during the continuance of the inability, provided however, that due diligence is exercised to resume performance at the earliest practical