

**UPPER TRINITY REGIONAL WATER DISTRICT
REGIONAL TREATED WATER SYSTEM
AMENDMENT TO PARTICIPATING MEMBER CONTRACT
WITH
MUSTANG SPECIAL UTILITY DISTRICT**

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

THIS AGREEMENT ("Amendment") made and entered into as of the 1st day of June, 2006 between **UPPER TRINITY REGIONAL WATER DISTRICT**, (the "District"), and **MUSTANG SPECIAL UTILITY DISTRICT**, (herein "Mustang" or "Member") to amend the Participating Member Contract dated February 6, 2003, (the "Contract"), which Contract provides for Member to participate in the District's Regional Treated Water System (the "System").

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

WHEREAS, Growth within Mustang's service area is creating a demand for more water, causing Mustang during 2005 to reach its currently subscribed Demand; and

WHEREAS, the Contract, in Exhibit B thereof, states that, "it is hereby agreed by Mustang that the minimum Demand shall be increased above 1.00 MGD as necessary to meet Mustang's actual peak needs from time to time ..."; and

WHEREAS, Mustang and the District endeavor to use reasonable planning horizons for water Demand and the need to construct infrastructure to provide therefor; and

WHEREAS, the Contract, in Section 4.07 thereof, provides that Mustang may submit future requests for changes in Demand with "... such advance notice as will be necessary to allow for financing, design and construction of the needed facilities ..."; and

WHEREAS, Mustang has requested an increase in Demand from one (1.0) MGD to two and eight-tenths (2.8) MGD, to provide for its projected water requirement for the next three years; and

WHEREAS, Mustang is required to pay the one-time Equity Fee and the one-time Facilities Charge associated with any increase in subscription as set forth in the Schedule of Rates and Charges established by District's Board of Directors; and

WHEREAS, District has diligently planned for the needs of its Members, including Mustang; and

WHEREAS, District is constructing the Tom Harpool Water Treatment Plant and related facilities which, when completed, will be the primary source of the treated water to be supplied to Mustang; and

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

WHEREAS, The District is or intends to construct a thirty-inch (30") treated water transmission line from the Tom Harpool Water Treatment Plant to the Temple Dane Pump Station; and

WHEREAS, The District will use its best efforts to complete the thirty-inch (30") transmission line as soon as practicable in order to increase the reliability of supply to Mustang; and

WHEREAS, the District will use its best efforts to provide the water according to Mustang's needs at authorized points of delivery; and

WHEREAS, the District and Mustang desire to amend the Contract to confirm, and to provide for, such increased Demand and to make such other changes in the Contract that are necessary; and

WHEREAS, Mustang agrees to pay for the charges related to the increased Demand as specified herein in accordance with the terms of the Contract and applicable rate schedules of the District.

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

1. **Definitions.** Capitalized terms not otherwise defined herein shall have the same meaning as those set forth in the Contract.
2. **Preamble.** All of the matters stated in the preamble of this Amendment are true and correct and are hereby incorporated into the body of this Amendment as though fully set forth in their entirety herein.
3. **Demand.** As of the Date of this Amendment, the minimum Demand shall be two and eight-tenths (2.8) MGD as specified in the revised Exhibit B, attached hereto as part of this Amendment. It is hereby agreed by Mustang and District that Mustang will not be

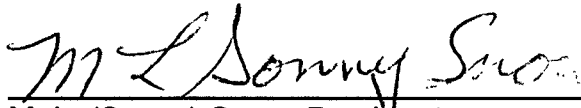
obligated to pay the charges for minimum Demand above one (1.0) MGD until the District determines that the Tom Harpool Water Treatment Plant is operational.

4. **Equity Fee.** Member agrees to pay to District a one-time Equity Fee of \$319,720 for the one and eight-tenths (1.8) MGD increase in Demand as agreed to in this Amendment. Mustang has the option to pay the required Equity Fee either (a) as a lump sum within thirty days after being notified by District that the Tom Harpool Water Treatment Plant is operational or (b) to pay said fee over a sixty (60) month period, with interest as established by the District.

5. **Contract Provisions.** All other provisions of the Contract shall continue in full force and effect.

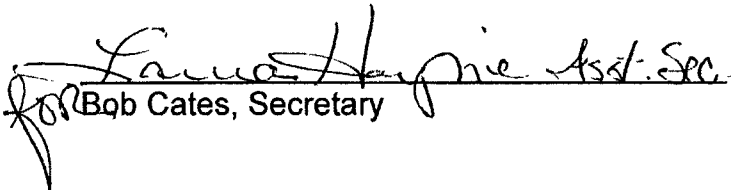
IN WITNESS WHEREOF, District and Member, under authority of their respective governing bodies, have caused this Amendment to be fully executed in several counterparts, each of which shall constitute an original, all as of the day and year first above written, which is the effective Date of this Amendment.

MUSTANG SPECIAL UTILITY DISTRICT



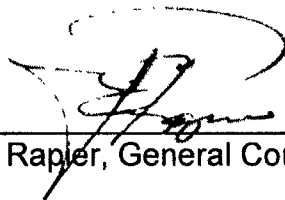
M. L. (Sonny) Snow, President

ATTEST:



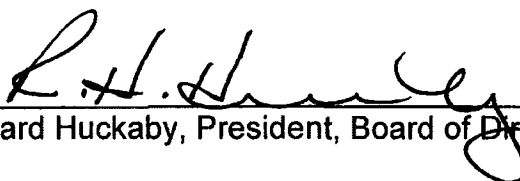
Bob Cates, Secretary

APPROVED AS TO FORM AND LEGALITY:



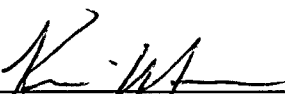
John Rapler, General Counsel, Mustang SUD

UPPER TRINITY REGIONAL WATER DISTRICT



Richard Huckaby, President, Board of Directors

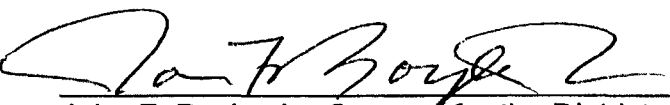
ATTEST:



Kevin Mercer, Secretary

(DISTRICT SEAL)

APPROVED AS TO FORM AND LEGALITY:



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

Attachments: Exhibit B, Revised Minimum Demand

**EXHIBIT B – REVISED
MUSTANG SPECIAL UTILITY DISTRICT**

**MINIMUM AMOUNT OF SYSTEM CAPACITY BEING COMMITTED IN
ACCORDANCE WITH SECTION 4.04 OF CONTRACT**

The provisions of this Revised Exhibit B adopted by Contract Amendment form a part of the Contract and are applicable to the District and to Mustang SUD as if set forth in its entirety in the body of the Contract.

The following quantities constitute minimum Demands in accordance with Section 4.04 of the Contract. Said minimum Demands shall apply when the District determines that the Tom Harpool Water Treatment Plant is operational.

<u>Participating Member</u>	<u>Minimum Demand (MGD)</u>
Mustang Special Utility District	2.8 MGD

In recognition of the fact that

1) District is constructing a pipeline and other elements of the System with future capacity greater than this increased subscription volume of 2.8 MGD, and,

2) because the District has expanded its first water treatment plant and constructed a second water treatment plant for the System to provide for the future water supply needs of Mustang and other Customers,

it is hereby agreed by Mustang that the Minimum Demand shall be increased above 2.8 MGD as necessary to meet Mustang’s actual peak needs from time to time according to the provisions of the Contract. This requirement, however, shall not prohibit Mustang from drilling or constructing one or more water wells to provide water service to any area of Mustang’s CCN that is too remote to economically justify the extension of Mustang’s water distribution system from the Point(s) of Delivery. Any water produced from such well(s) will not count against the Volume and Demand provisions of this Contract.

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

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

This **REGIONAL WASTEWATER TREATMENT SERVICES CONTRACT** (the "Contract") made and entered into as of the 16th day of June, 2006 (the "Contract Date"), by and among **UPPER TRINITY REGIONAL WATER DISTRICT**, (the "District"), a conservation and reclamation district created pursuant to Article XVI, Section 59 of the Constitution of the State of Texas, and **MUSTANG SPECIAL UTILITY DISTRICT**, a special district created by the Texas Commission on Environmental Quality (referred to herein as "Mustang", "Participating Member" or "Member").

WITNESSETH

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE I
Preamble / Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (i) Average Industrial Wastewater discharge rate greater than 25,000 gpd.
- (ii) B.O.D. and/or suspended solids concentrations in Industrial Wastewater greater than 250 mg/l.
- (iii) Industrial category regulated by National Pre-treatment Standards as promulgated by the United States Environmental Protection Agency.

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

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

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

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

- (a) with the proceeds from the issuance of "Special Facilities Bonds", which are hereby defined as being revenue obligations of the District which are not secured by or payable from payments made under this Contract and similar contracts with Additional Participating Members or Customers, and which are payable solely from sources other than revenues of the System, or
- (b) for Wastewater services provided by the District for any service area other than the Northeast Service Area.

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

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

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

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

ARTICLE II
General Provisions

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

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

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

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

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

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

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

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

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

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

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

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

Section 2.11. Flow Rates.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 2.19. Metering of Wastewater.

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

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

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

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

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

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

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

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

Section 2.21. Access.

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

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

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

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

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

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

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

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

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

Section 2.24. Industrial Waste Pretreatment Program.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 2.26. Other Contracts.

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

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

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

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

Section 2.27. Customer Advisory Council.

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

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

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

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

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

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

ARTICLE III

Fiscal Provisions

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

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

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

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

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

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

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

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

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

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

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

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

Section 3.03. Payments By Member.

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

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

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

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

Section 3.05. Minimum Payments/Schedule.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE IV
Miscellaneous Provisions and Special Conditions

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

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

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

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

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

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

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

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

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

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

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

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

Section 4.09. Rights-of-Way.

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

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

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

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

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

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

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

Section 4.12. Future Capacity.

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

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

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

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

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

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

- Exhibit A This Exhibit identifies the Member's service area and boundaries for service by System and proposed Point(s) of Entry to the System and the preliminary plan for major trunk lines of the System.

- Exhibit B This Exhibit indicates the quantities subscribed by Member.

- Exhibit C This Exhibit describes Prohibited Discharges and Requirements for Normal Wastewater for all Members.

- Exhibit D This Exhibit contains special provisions applicable to Mustang.

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

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

ARTICLE V

Standard Provisions

Section 5.01. Force Majeure. If by reason of force majeure, any party hereto shall be rendered unable wholly or in part to carry out its obligations under this Contract, other than the obligation of Member to make the payments required under this Contract, then if such party shall give notice and full particulars of such force majeure in writing to the other parties within a reasonable time after occurrence of the event or cause relied on, the obligation of the party giving such notice, so far as it is affected by such force majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period, and any such party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "**Force Majeure**" as employed herein shall mean acts of God, strikes, lockouts or other industrial disturbances, acts of public enemy, orders of any kind of the Government of the United States or the State of Texas, or any civil or military authority, insurrection, riots, epidemics, landslides, lightning, earthquake, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipelines or canals, partial or entire failure of water supply, or on account of any other causes not reasonably within the control of the party claiming such inability.

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

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

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

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

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

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

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

Section 5.05. State or Federal Laws, Rules, Orders or Regulations. This Contract is subject to all applicable Federal and State laws and any applicable permits, ordinances, rules, orders and regulations of any local, state or federal governmental authority having or asserting jurisdiction, but nothing contained herein shall be construed as a waiver of any right to question or contest any such law, ordinance, order, rule or regulation in any forum having jurisdiction.

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

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

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

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

ATTACHMENT 5.H.2

Upper Trinity Regional Water District
Northeast Regional Water Reclamation System – Mustang SUD
Participating Member Contract

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

UPPER TRINITY REGIONAL WATER DISTRICT



Sandy Cash, President, Board of Directors

ATTEST:


Kevin Mercer, Secretary, Board of Directors

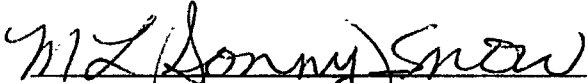
[District Seal]

APPROVED AS TO FORM AND LEGALITY:


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

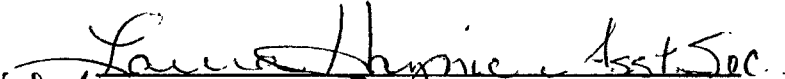
Upper Trinity Regional Water District
Northeast Regional Water Reclamation System – Mustang SUD
Participating Member Contract

MUSTANG SPECIAL UTILITY DISTRICT



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

ATTEST:



for Bob Cates, Secretary

APPROVED AS TO FORM AND LEGALITY:



John Rapier, General Counsel, Mustang SUD

Upper Trinity Regional Water District
Northeast Regional Water Reclamation System – Mustang SUD
Participating Member Contract

EXHIBIT A

**UPPER TRINITY REGIONAL WATER DISTRICT
NORTHEAST REGIONAL WATER RECLAMATION SYSTEM
MUSTANG SPECIAL UTILITY DISTRICT
PARTICIPATING MEMBER CONTRACT FOR WASTEWATER TREATMENT
SERVICES**

MUSTANG SERVICE AREA MAP

1. ((Map showing Mustang's Service Area, proposed Points of Entry and preliminary plan for major trunk lines to be inserted here.))

EXHIBIT B

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

**PARTICIPATING MEMBER CONTRACT
MUSTANG SPECIAL UTILITY DISTRICT**

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

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

Phase	Minimum Flow (MGD) For Financial Purposes	Average Annual Flow (MGD) For Subscribed Capacity
Riverbend Plant	0.10 MGD	0.28 MGD
Doe Branch Plant	0.08 MGD	0.20 MGD

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

Coordination Between Plants. Both the Riverbend Treatment Plant and the Doe Branch Treatment Plant are being planned to serve certain portions of the service area of Mustang. To enable the District to make orderly plans for adequate capacity in each plant, Mustang agrees to subscribe to a specific capacity in each plant. However, in providing service to Mustang pursuant to the Contract, the District may use either or both plants to whatever degree the District determines, in its sole discretion to be prudent in providing for the treatment of the Wastewater delivered by Mustang to the System.

EXHIBIT C

**UPPER TRINITY REGIONAL WATER DISTRICT
 NORTHEAST REGIONAL WATER RECLAMATION SYSTEM
 MUSTANG SPECIAL UTILITY DISTRICT
 PARTICIPATING MEMBER CONTRACT FOR WASTEWATER TREATMENT
 SERVICES**

Prohibited Discharges and Requirements For Normal Wastewater

The provisions of this Exhibit C form a part of the Contract and are applicable to the District and Mustang SUD as if set forth in their entirety in the body of the Contract.

Wastes Not Admissible:

Gasoline; cleaning solvents; non emulsified oils and greases; mineral oils; ashes; cinders; sand; gravel; tar; asphalt; ceramic wastes; plastics; other viscous substances; feathers; hair; rags; metal; metal filings; glass; wood shavings; sawdust; unshredded garbage; toxic, corrosive, explosive or malodorous gases; acetylene generation sludge; cyanides or cyanide or cyanogen compounds capable of liberating hydrocyanic gas on acidification in excess of 2 mg/l by weight as CN; radioactive materials which will permit a transient concentration higher than 100 microcuries per liter; emulsified oil and grease, exclusive of soaps, exceeding on analysis an average of 100 mg/l of ether-soluble matter; acids or alkalis having a pH value lower than 6.0 or higher than 10.0; other similar substances as those named in this paragraph in quantities capable of causing obstruction to the flow of Wastewater in mains or interfere with the operation of the system; and, Wastewater containing specific pollutant concentrations in excess or any of the numerical limitations named hereunder shall be prohibited from discharge to the System:

<u>Pollutant</u>	<u>Maximum Allowable Concentration (ug/l)</u>
Arsenic	100
Barium	1,000
Cadmium	50
Chromium	500
Copper	500
Lead	500
Manganese	1,000
Mercury	5
Nickel	1,000
Selenium	50
Silver	50
Zinc	1,000
Total Toxic Organics	1,000

Requirements for Normal Wastewater:

(a) Biochemical Oxygen Demand (B.O.D.). B.O.D. of Wastewater delivered to the System, as determined by standard methods, shall not exceed 250 mg/l.

(b) Total Suspended Solids. Total Suspended Solids delivered to the System as determined by Standard Methods, shall not exceed 250 mg/l.

(c) Hydrogen Ion Concentration (pH). The pH of Wastewater delivered to the System shall not be lower than 6.0 nor higher than 10.0. No acids shall be discharged into the System unless neutralized to a pH of 6.0 or more.

(d) Hydrogen Sulfide Concentration. Dissolved sulfides in Wastewater at the point of delivery to the System shall not exceed 0.1 mg/l.

Revisions to the List of Prohibited Discharges:

(a) In the event there is any conflict between this Exhibit C and applicable regulations of the Texas Commission on Environmental Quality or of the United States Environmental Protection Agency, the applicable regulations shall govern.

(b) This Exhibit C is subject to revision as necessary to correlate with, to comply with and to remain current with future regulations and requirements of Texas Commission on Environmental Quality and United States Environmental Protection Agency. If the District determines that a change in this Exhibit C is necessary to respond to such revised regulations pursuant to the Contract, including this Exhibit C, District shall furnish a revised Exhibit C to Members according to the provisions of the Contract.

EXHIBIT D

**UPPER TRINITY REGIONAL WATER DISTRICT
NORTHEAST REGIONAL WATER RECLAMATION SYSTEM
MUSTANG SPECIAL UTILITY DISTRICT
PARTICIPATING MEMBER CONTRACT FOR WASTEWATER TREATMENT
SERVICES**

Special Provisions

The provisions of this Exhibit D form a part of the Contract and are applicable to the District and Mustang SUD as if set forth in their entirety in the body of the Contract. If any provision of this Exhibit D conflicts with the provisions in the main body of the Contract, the provisions of this Exhibit D shall prevail.

1. **Wastewater Collection Systems.** Mustang agrees to install, own, operate and maintain (or contract with others for operation and maintenance) its wastewater collection system to serve all reasonably foreseeable Wastewater needs within Mustang's political boundaries and its service area as represented by its wastewater CCN that can be served reasonably by the System. It is hereby recognized that as of the Contract Date, Mustang is in the initial stages of installing a retail wastewater collection system. Mustang agrees that it will enter into agreements with developers within its service area to provide retail wastewater collection services to their respective developments, and to provide backup security for Mustang's obligations to District pursuant to this Contract. Mustang will, through its respective agreements with each such developer, acquire and thereafter own the internal wastewater collection system of each of the respective developments. Also, Mustang may contract with individual retail customers for extension of its collection system and for retail Wastewater service. As Mustang expands its wastewater collection system, the facilities within said expansion areas shall be owned and operated by Mustang. Mustang's wastewater collection system shall be designed, constructed, and operated in accordance with generally accepted municipal standards and applicable specifications published by the North Central Texas Council of Governments. All wastewater collection lines shall be minimum six (6) inch diameter with sufficient capacity for the build-out of each respective portion of the applicable service area, including upstream or adjacent areas anticipated to be served. Further, pipes, fittings and manholes shall conform to generally accepted specifications of typical municipal wastewater utilities.

2. **Master Plans.** Mustang agrees to maintain master plans for the wastewater collection system within its service area. To that end, Mustang agrees to provide the District with an initial copy of such plans, and updated master plans for its wastewater collection system at least every five years.

3. **Wastewater Control Plans.** The District and Mustang agree that the public health and safety require that plans for control of wastewater be prepared and implemented in conjunction with development of the District's Regional Treated Water System. Accordingly, pursuant to the Contract, Mustang agrees to participate in the Northeast Regional Water Reclamation System, and to take the following additional steps:

(a) Mustang will prepare a plan for wastewater control, or in lieu thereof, a wastewater collection system master plan, and submit it to the District within one (1) year of the Contract Date. Said plan shall be subject to approval by District and shall be in the form of an engineering report (or master plan) that includes a determination of the necessary and feasible steps to extend Mustang's wastewater collection system, to control wastewater and to prevent pollution of surface water.

(b) Mustang agrees to take the necessary steps, to the extent of its authority, to develop a regulatory program to prevent pollution of surface water by implementing a program to upgrade the design, construction, operation and maintenance of on-site wastewater treatment systems (generally referred to as septic tanks). Specifically, in coordination with Denton County, Mustang, to the extent of its authority, agrees to develop a regulatory program within two (2) years of the Contract Date, for pollution prevention through a program of regular inspection and maintenance of such on-site facilities within its service area.

4. **Required to Connect.** Mustang will require future retail customers and future developments within its service area to connect to its wastewater collection system, when feasible and appropriate, under reasonable rules as Mustang's wastewater collection system is installed and extended. Approval of any new subdivision or development by Mustang without wastewater collection facilities being required therein shall be considered an exception, requiring compelling evidence that the public health and safety, as well as the environment will otherwise be protected for the long term.

5. **Infiltration and Inflow.** Mustang agrees to design, construct and maintain its wastewater collection system as reasonable and necessary to limit infiltration of ground water and inflow of surface water. This requirement is intended to keep the peak flow of Wastewater entering the System at levels below the maximum amount provided in the Contract and to reduce the quantity of Wastewater being metered for, and charged to, Mustang.

6. **Cost Elements.** The initial capital costs for the Project shall be funded by Mustang and other participants on a pro rata basis, according to respective subscribed capacities. Mustang's subscribed capacities are set forth in Exhibit B to the Contract. The methodology for allocation of Project capital costs among the participants is provided in Paragraph 12 of this Exhibit. Other capital costs shall be allocated directly to the benefiting party. Generally, operating expenses of the System will be shared

based on flow. However, certain operating expenses are somewhat fixed in nature and may be billed as “Joint Capital Charges” to each participant according to subscribed capacity. The costs for which Mustang agrees to be responsible for and to pay, as its share of the Annual Requirement are as follows:

(a) Treatment Plant Capital Costs. A pro rata share based on the capacity subscribed in Exhibit B of this contract.

(b) Common-To-All Facilities. All facilities that are installed and intended for the general benefit of the participants in the Project and System are considered to be "Common-to-All Facilities". Such facilities may include the plant site, treatment works and other facilities on the plant site; and certain major trunk lines, lift stations, metering facilities, etc. The capital cost of the Common-to-All Facilities shall be shared among all participants according to respective subscribed capacities. Delivery and Treatment Facilities are typically designed with extra capacity or “oversize” to accommodate future growth for participants and for future Customers. Each participant is responsible for all costs for adequate capacity of facilities to accommodate the build-out of its respective service area. Any extra capacity or oversize capacity that is intended for future Customers in the System shall be considered to be Common-to-All Facilities.

(c) Delivery Facilities. Mustang shall be responsible for the design and construction of its facilities for delivery of Wastewater to the Point(s) of Entry and all costs (capital as well as operation and maintenance) related thereto. Further, Mustang shall be responsible for the cost of the District’s trunk line (including lift station and pumping if any), from its Point of Entry to the Treatment Plant or to the point where the trunk line joins the Common-To-All Facilities. If more than one participant is sharing the use of such trunk line, the capital costs shall be pro rated between the benefiting parties.

(d) Oversize for Future. To provide capacity for future growth of Mustang and for service to other Customers in the future, elements of the Project and System shall be oversized as required by District in conformance with the Contract.

(e) Treatment Plant Operation and Maintenance Expense: A full pro rata share based on total Mustang flow, subject to the minimum quantity specified in Exhibit B, and a full pro rata share of cost of future replacement or rehabilitation of capital facilities.

(f) Other Operation and Maintenance Expenses. Other expenses related to operation and maintenance of the Project and System, such as Common-to-All facilities, trunk lines, lift stations, meter facilities, transportation of biosolids, wastewater pumping, any fees for temporary use of capacity, etc., shall be shared according to this Paragraph 6 and common utility practice.

7. **Assignment or Sale.** Mustang hereby agrees that it will not voluntarily assign, sell, or convey its retail wastewater collection system, in whole or in part, to any party without the prior written approval of the District, which approval will not be unreasonably denied. Any such approval of a proposed sale to a Member of the District will be denied only if the requested sale, assignment or conveyance would cause the interest on any of the Bonds to be or become subject to federal income taxation under the Internal Revenue Code of 1986, as amended. Further, any such assignment, sale or conveyance, if approved, would require the benefiting party to assume the appropriate and applicable obligations of the Contract.

8. **Transfer to a Municipality.** Mustang retains the right to transfer, assign or convey its rights, titles, interests and responsibilities under this Contract, in whole or in part, to any city, town or village that annexes any portion of Mustang's service area into municipal boundaries. Any such transfer, assignment or conveyance, must be submitted to the District for prior written approval, and approval shall not be unreasonably withheld. It is mutually agreed that any such transfer, assignment or transfer will be conditioned on the receiving city, town or village assuming the appropriate and applicable benefits and obligations of this Contract.

9. **Capacity for Adjacent Areas.** Each participant in the Project and System is required to provide for future Wastewater flows from adjacent areas that, by reason of topography or sound engineering practices should flow into and through the participant's facilities and service area. Accordingly, Mustang agrees to plan, design and construct its facilities with adequate capacity to serve property within the drainage basin(s) that flows into or through each particular portion of Mustang's service area. The areas and flows to be so provided for by Mustang shall be certified by a Registered Professional Engineer selected by Mustang in conjunction with planning and design of each phase of Mustang's wastewater collection system. Notwithstanding the foregoing, Mustang will not be required to oversize any of its facilities by more than fifteen percent (15%) unless the entity serving the adjacent area pays its pro rata share of the cost of the oversize. The Executive Director of the District may grant a waiver from the requirements upon written request and for good and sufficient reason.

10. **Future Customers / Prior Costs.** In the future, any party other than Mustang that desires to discharge Wastewater into the System through Mustang's wastewater collection system or directly into the System owned and operated by the District shall first contract with the District for participation in the System. Prior to authorization for any such entity to discharge Wastewater into Mustang's collection system, District shall verify with Mustang that capacity is available pursuant to paragraph 9 and shall prescribe means for measurement of or estimating the flow. Further, any such participating entity shall pay appropriate prior costs paid by Mustang and other participants as determined by the District pursuant to the Contract for previously constructed facilities to be used to receive and transport the new entity's Wastewater. In addition to reimbursement of costs related to District facilities, the District will reimburse to Mustang any such funds collected from said participating entity for use of

Mustang's internal wastewater collection system, if Mustang's facilities are authorized by District to be used to serve said participating entity. Said prior costs shall be equal to a pro rata share of actual original cost for the amount of capacity to be contracted to the participating entity. In determining the proper reimbursement, the District may deduct an allowance for depreciation of the applicable facilities. Considering the capacity contracted for by any such participant, the District will make appropriate adjustment in Mustang's share of the Annual Requirement, and thereafter will require the new participant or Customer to pay its share of the Annual Requirement for the System.

11. **Modification of Service Area.** Under the Contract, Mustang has the right to receive wholesale wastewater treatment service directly from the District for its service area as such service area may be modified from time to time. The District's obligation to provide such service is subject to a mutual determination of feasibility for the service being requested by Mustang.

12. **Project Capital Funds.** The obligation to pay capital costs for the Project shall be allocated among the participants generally according to their respective subscribed capacities and in conformance with other provisions of this Contract. Recognizing that Mustang does not as of the Contract Date have an adequate and dependable stream of revenue from its retail wastewater services, Mustang acknowledges and agrees that the District may not be able to sell its Bonds on favorable terms to provide Mustang's share of the capital funds for the Project. Therefore, to enable the District to construct the Project on reasonable terms and schedule, Mustang hereby agrees to provide one hundred percent (100%) of the capital funds for its pro rata share of the Project as provided in Exhibit B, including reasonable allowance for oversize in specific elements for future growth requirements. For future expansions of, or improvements to, the Project or System, District reserves the right to require additional cost participation by Mustang. In the alternative, District may issue its Bonds, depending on the adequacy and dependability of the then stream of revenue from Mustang's retail wastewater services.

(a) The District acknowledges that prior to the Contract Date, Mustang deposited \$127,503.67 with the District for design and for preparation of construction documents for the Project, most of which deposit is intended to cover the cost for design of the treatment plant. Design and construction of delivery facilities to deliver Mustang's Wastewater to the Point(s) of Entry shall be Mustang's separate responsibility. If additional funds are needed to complete the engineering design for the Project and for engineering services during construction, including the design of the District's Delivery Facilities, and to prepare documents for construction contracts, Mustang agrees to deposit promptly such supplemental funds as requested by the District.

(b) After design of the Project has been completed, the District will advertise and take competitive bids for construction of the Project, which construction may be in phases. Further, the District may take separate bids for different elements of the Project, such as pipelines, pump stations or treatment works. Upon receipt of bids, the

District shall determine the lowest qualified bidder and shall calculate the pro rata share of the construction costs for Mustang and each of the other participants. Before a contract (or contracts) for construction is awarded, the District shall give Mustang written notice of its respective share of the proposed amount of the contract(s) to be awarded. Within thirty (30) days of said notice, Mustang shall deposit with the District its pro rata share of the proposed construction costs for the Project, or portion thereof, being recommended for contract award.

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

(d) With each deposit of construction funds, Mustang shall deposit an additional ten percent (10%) to cover the District's cost of Project management: for construction oversight, inspection, testing services, and including a pro rata share of the general overhead of the District. In a similar manner as for construction costs, the District will maintain an accounting of all expenditures for Project management, which accounting will be available for review by Mustang upon reasonable notice. After payment of all construction costs, change orders, any extra costs and Project management costs, any surplus funds remaining in the interest bearing construction account shall be returned to Mustang and other participants on a pro rata basis.

(e) If District applies for and receives State Participation funds for the Project from Texas Water Development Board, such funds will be deducted from the amount of funds otherwise required to be deposited by Mustang and other participants.

(f) The District agrees to use its best efforts to construct the Project when and as needed, as jointly determined by the District, Mustang and other participants. The District agrees that design and construction of the Project will be made in accordance with generally accepted engineering practices. The District's ability to complete the Project may be dependent in part on receiving timely approval from other governmental bodies, including U. S. Army Corps of Engineers, Texas Water Development Board and TCEQ. Whether or not the Project is completed, Mustang

agrees to pay its pro rata share of cost actually incurred according to the terms of the Contract.

13. **Phased Construction at the Riverbend Treatment Plant.** Initial participants in the System provided funds to construct the current treatment capacity of 1.5 MGD. The next phase of the System is expected to be 1.5 MGD (but may be a lesser amount as determined by District), bringing the estimated total treatment capacity to 3.0 MGD to serve future development of initial participants, Mustang and future Customers. It is hereby recognized that the initial capacity subscribed herein by Mustang in the Project is based on Mustang's expected needs over a 3-year period from expected completion, sharing with other participants in the planned 1.5 MGD expansion. Depending on when a dependable and adequate stream of revenues from Mustang's retail customers has been established, the District may or may not be able to issue its Bonds for the next expansion above the currently planned 3.0 MGD treatment capacity.

14. **Doe Branch Water Reclamation Facilities.** The District anticipates constructing a wastewater treatment plant for service in the Doe Branch drainage basin, including service to Mustang. Subject to Mustang agreeing to subscribed capacity in the Doe Branch facility as provided in Exhibit B hereof, District agrees that it will accept flow from Mustang's service area in the Doe Branch drainage basin on a capacity available basis for temporary transfer to the Riverbend Water Reclamation Plant until the Doe Branch plant is constructed. However, prior to the District agreeing to treat Wastewater from the Doe Branch basin on a temporary basis at the Riverbend Plant, Mustang shall deposit its pro rata share of cost to design and construct permanent treatment capacity (including a pro rata share of prior costs paid by others) at the Doe Branch Plant. Such funds will enable the District to construct permanent facilities at the Doe Branch Plant on a timely basis. Also, Mustang will deposit a pro rata share of prior cost as determined by District related to existing capacity in delivery or other facilities funded by others. From time to time, District may discontinue or resume the temporary transfer of such Doe Branch flow to Riverbend Plant as deemed by District to be prudent and in the best interest of all participants in the System. For the future, Mustang agrees to participate in the Doe Branch Plant and related facilities for sufficient capacity to serve any then existing wastewater customers in the Doe Branch drainage basin that Mustang may have plus sufficient capacity to provide for its future growth in the Doe Branch basin, based on a minimum three-year planning horizon. Mustang may, thereafter, request additional capacity as needed in the Doe Branch facilities.

15. **Phased Construction of the Doe Branch Treatment Plant.** The Doe Branch Treatment Plant is expected to be constructed in phases. The initial phase is expected to provide for a treatment capacity of 1.225 MGD, although it could be as little as 0.75 MGD, or multiple thereof, as provided in the plant's permit from TCEQ. Subsequent phases of the Doe Branch Plant will provide capacity in accordance with the plant's permit, as may be amended from time to time. It is hereby recognized that the initial capacity subscribed herein by Mustang in the Doe Branch Plant is based on Mustang's expected needs over a 3-year period from the expected date of completion of the first

contracts with the FWSDs include a provision for each FWSD, upon request, to provide temporary service to Mustang for up to 25 service connections. For the four FWSDs, the potential is for a combined total of 100 temporary retail connections for wastewater service. This provision for temporary service enables Mustang to provide limited wastewater service within its service area, pending completion of the capacity in treatment or delivery facilities being subscribed herein by Mustang. The principles and procedures to be followed in implementing said temporary service by Mustang are described in a separate document (entitled, "Concept for Mustang SUD's Use of Temporary Wastewater Treatment Capacity Pursuant to Existing Agreements Between Upper Trinity and FWSD's 8A, 9, 10, 11") distributed by District to Mustang and each FWSD. Except as otherwise provided by said separate agreement, temporary service for up to the specified 100 retail connections will be provided according to the terms of this Contract. Upon completion of the Project and when the capacity being subscribed herein is available for service, Mustang will use its own subscribed capacity, and the capacity being used on a temporary basis will be released to the respective FWSDs.

22. **Alternative Metering Provision.** Subject to prior written approval by the District's Executive Director, Mustang may propose that the amount of Wastewater delivered by Mustang to the District at the Point(s) of Entry and at any temporary connections may be determined on an interim basis by summation of water meter readings. The water meter readings so used shall be for all retail and other usage within the applicable portion of Mustang's service area receiving wastewater collection services (with an appropriate reduction for water used for irrigation purposes), which Wastewater is being received into the System. In the alternative, the Executive Director on his own initiative may authorize such system or an alternative system for interim determination of the quantity of Wastewater delivered by Mustang. Except for possible interim measurement as provided above, both the District and Mustang agree that Wastewater flow at authorized Point(s) of Entry shall be determined by metering devices installed as part of the System.

23. **State Participation Program / Equity Fee.** Mustang acknowledges that a portion of the System may be funded through the State Participation Program; and, if so, the State will have an equity ownership interest in the System. In such case, the District's policy is to purchase (buy-back) the State's interest over a reasonable period of time; and, to that end, District may require that any entity contracting for new or additional wastewater service capacity to pay an "Equity Fee" established by District. The "Equity Fee" is generally based on the amount of accrued interest cost on that portion of the System owned by the State and upon the amount of System capacity that would be contracted to Mustang or any other party requesting such capacity. Accordingly, Mustang agrees to pay any applicable "Equity Fee" for System capacity requested by Mustang pursuant to this Contract according to the terms established by the District.

24. **Building Activity Fees.** As part of the District's rate structure for the System, Mustang agrees to pay a fee for building activity within its service area to provide a

phase of the plant. Depending on when a dependable and adequate stream of revenues from Mustang's retail customers has been established, the District may or may not be able to issue its Bonds for the next expansion beyond the plant's initial capacity. If the capacity at the Doe Branch Treatment Plant is not adequate to treat the flows entering the plant through the Doe Branch Interceptor, or other pipelines, District will transfer excess flows to its Riverbend Treatment Plant.

16. **Subscription in Doe Branch Water Reclamation Facilities.** Mustang hereby agrees to subscribe to capacity in the Doe Branch Plant for the applicable flow from the Doe Branch basin, as provided in Exhibit B. The separate subscription for Wastewater flows from the Doe Branch basin shall apply whether or not such flows may be transferred to and being temporarily treated at the Riverbend Plant. However, at the District's sole discretion, treatment of flows from Mustang's service area within the Doe Branch drainage basin may be provided at the Riverbend Plant. Mustang's subscription in the Doe Branch Plant is specified in Exhibit B to the Contract.

17. **Subscription in Riverbend Water Reclamation Facilities.** Mustang hereby agrees to participate in the Riverbend Plant and related facilities for sufficient capacity to serve any existing and anticipated wastewater customers in the drainage basin served by the Riverbend Plant, plus sufficient capacity to provide for its future growth in the basin, based on a minimum three-year planning horizon. Mustang's subscription in the Riverbend Plant is specified in Exhibit B to the Contract.

18. **Bonds Not Subject to Federal Income Tax.** Mustang hereby covenants and agrees that it will not use or operate its retail collection system, or permit the use or operation of said system or of the District's System in any manner that could cause the interest on any of the District's Bonds to be or to become subject to federal income taxation under the Internal Revenue Code of 1986 or any amendments thereto in effect on the date of issue of such Bonds.

19. **Eminent Domain.** In obtaining easements and property for the Project, the District and Mustang acknowledge that the use of the power of eminent domain may be required, if and when negotiations are not successful. Mustang hereby confirms and agrees that it has the power of eminent domain, which may be exercised within and without the service area of Mustang. Accordingly, Mustang is agreeable to use its power of eminent domain if requested by the District concerning the acquisition of any specific parcel of property or an easement required for the Project or System.

20. **Future Rights of Way.** The District has a continuing duty to plan for extension of System facilities for benefit of Mustang's service area. Mustang will use the best efforts to require dedication of needed rights of way to District in conjunction with platting and service agreements for future developments within Mustang's service area.

21. **Temporary Connections.** The District previously contracted with Fresh Water Supply District ("FWSD") Nos. 8-A, 9, 10 and 11 for participation in the System. The

portion of the cost of wastewater treatment capacity, Delivery Facilities and other associated elements of the System. For each residential connection (or equivalent thereof for other types of connections) to be served by Mustang pursuant to this Contract, Mustang shall pay a one-time fee as determined by the District as part of its rate structure. Mustang may choose to collect such fee from developers or builders as part of its retail rate schedule or authorized rate tariffs. Said fee shall be at least five hundred dollars (\$500) per connection. Said fee shall be due and payable in connection with the start of construction of each structure to be served by Mustang. On a quarterly basis, said Building Activity Fees shall be remitted to the District with an appropriate accounting thereof. The intended use of funds generated by said fees so collected for building activity is: (1) to provide a portion of permanent funding of the Project and System, and (2) to reduce the amount of District Bonds otherwise needed to be issued for permanent funding. Funding from said fees will enable a reduction in rates, a reduction in funds that will need to be generated annually through rates and charges to Mustang and other participants in the System. All fees collected and remitted to District pursuant to this paragraph will be considered to be Customer contributions and shall be applied to permanent funding of the Project and System; and as such, shall not be subject to reimbursement to Mustang pursuant to Paragraph 26. The amount otherwise subject to reimbursement shall be limited to the Eligible Cost as defined herein. However, the District may, in its discretion, use funds generated by such fees as a source of monies to reimburse Mustang for a portion of Eligible Costs. Within 90 days after the end of each Fiscal Year, District shall determine the amount of remaining Eligible Costs and shall maintain a continuing record of costs for which Mustang is eligible to receive subsequent reimbursement.

25. Alternative Funding Procedure. Notwithstanding other provisions of this Contract including Paragraph 24 of this Exhibit D, the District and Mustang mutually agree that Mustang may elect to follow the Alternative Funding Procedure provided in this paragraph, to provide funds for Mustang's share of the Project and System. The normal procedure for funding capital costs of the System is for the District to issue its Bonds, subject to provisions of this Contract. This Exhibit D addresses certain circumstances under which it may not be feasible or advisable for the District to issue Bonds for Mustang's share of the capital cost of the Project or System. Under such circumstances, Mustang is required to provide funds to the District for said capital costs, subject to later reimbursement of Eligible Costs to Mustang. Also, Paragraph 24 of this Exhibit D provides for the payment of Building Activity Fees to cover a portion of the capital cost of the Project and System. In lieu of the normal procedure for funding such capital costs, including payment of the Building Activity Fee, Mustang may elect to provide its share of capital cost as an up-front payment upon notice from the District that capital improvements are being scheduled. If Mustang elects this Alternative Funding Procedure, such funds so provided will not be considered as Eligible Costs for reimbursement as provided in this Exhibit D. Also, under this Alternative Funding Procedure, Mustang will not be required to pay the Building Activity Fee pursuant to Paragraph 24 above. This Alternative Funding Procedure is available to Mustang as a one-time election at the sole discretion of Mustang, which election must be made by the

governing body of Mustang and written notice given to the District prior to the District advertising for bids to construct the Project. Mustang hereby acknowledges that if it makes such election, it will be Mustang's continuing responsibility to provide such up-front capital funds according to the schedule determined by District for its share of the System as the District implements future capital improvement projects from time to time to provide for the needs of Customers of the System.

26. **Reimbursement of Costs Advanced for Permanent Facilities.** It is the mutual intent of District and Mustang to provide for future reimbursement of funds advanced by Mustang for the capital cost of design and construction of permanent components of the Project and System (not including feasibility studies). The funds eligible for reimbursement shall be equal to funds (not including fees from building activity) actually deposited by Mustang for design and construction of permanent facilities of the Project or System, including interest earned thereon (herein "Eligible Costs"). Said design and construction costs shall include Project management, change orders, capitalized interest cost during the construction period (for a period not to exceed two (2) years) and any other applicable construction costs. Upon completion of specific phases of the Project or System funded by Mustang, District shall prepare and furnish to Mustang an accounting of the Eligible Costs for reimbursement.

27. **Assignment of Fresh Water Supply District Contracts to Mustang.** The District has entered into contracts with Denton County Fresh Water Supply Districts (FWSD) Numbers 8A, 9, 10 and 11A for participation in the Northeast Regional Water Reclamation System. The District acknowledges that the FWSD wastewater facilities and said contracts are expected to be assigned, conveyed or transferred to Mustang during the term of this Contract. Mustang hereby agrees to abide by the terms of District contracts with each FWSD if and when Mustang assumes ownership and operational control of the respective FWSD facilities including the assumption of FWSD obligations related to payment of capital costs and District's issuance of bonds. To the extent that the terms and conditions of the FWSD contracts conflict with each other or conflict with this Contract, the District and Mustang agree to make a good faith effort to revise such contracts in order to achieve uniformity of application to Mustang and its service area.

28. **Rates and Charges.** Mustang shall pay the applicable standard rates for participation in the System, including the building activity fee, applicable capital charges and the volume charge for treatment of flow being received into the System.

29. **Pro Rata Share of Prior Cost.** Previously the District constructed facilities that are part of System that will be used to deliver Wastewater flows from Mustang, a new participant in the System. The cost of these facilities was borne by other participants in the System. Based on subscribed capacity per Exhibit B hereto, Mustang agrees to pay its pro rata share of the prior costs incurred by other participants to construct the facilities that will be used by District to deliver or treat Mustang's Wastewater flows. District has determined that Mustang's initial pro rata share of said prior cost is: (a)

\$71,442.49 related to subscribed capacity in Riverbend facilities, and (b) \$73,092.97 related to subscribed capacity in Doe Branch facilities. The amount of such prior costs owed by Mustang may increase as Mustang’s subscribed capacity and pro rata share of the system is modified from time to time. Mustang agrees to pay the initial amounts set forth above to District no later than the day by which Mustang is required to deposit its share of construction funds.

30. **Wastewater Treatment by Third Parties.** Notwithstanding any statement to the contrary contained in the Contract or any of the Contract’s exhibits, Mustang reserves the right to obtain wastewater treatment services from other wastewater treatment providers, including but not limited to Mustang.

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

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

This **AGREEMENT** (the "Amendment") is made and entered into this 6th day of December, 2007, ("Effective Date") by and between **UPPER TRINITY REGIONAL WATER DISTRICT**, (the "District") and **MUSTANG SPECIAL UTILITY DISTRICT** ("Mustang") to amend the Participating Member Contract dated June 1, 2006, (the "Contract"), which Contract provides for Mustang to participate in the District's Northeast Regional Water Reclamation System (the "System").

WITNESSETH:

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

WHEREAS, Mustang entered into the Contract with the District to participate in the System for wholesale wastewater treatment services for Wastewater collected by Mustang in its service area within and without its corporate boundaries; and

WHEREAS, Mustang participated with the District and others in the Preliminary Design Study of the proposed Doe Branch Water Reclamation Plant that included a review of available alternatives, a phased implementation schedule and other matters related to the construction of said plant; and

WHEREAS, in accordance with the Preliminary Design Study, the parties hereby agree that Mustang's subscribed capacity in the initial phase of the Doe Branch Plant shall remain at 0.2 MGD until changed by mutual agreement of the parties; and

WHEREAS, the District is proceeding with planned construction of the Doe Branch Plant and related facilities, pipeline, metering facilities and associated improvements in accordance with the discharge permit issued by the Texas Commission on Environmental Quality, and as generally described by the Preliminary Design Study and the prior Engineering Report, which plant will be constructed in phases; and

WHEREAS, in addition, the District is preparing to extend the Doe Branch trunk line to Mustang's Point of Entry, including the construction thereof, near the intersection of Parvin Road and Good Hope Road as previously planned, which location is confirmed by the completed Preliminary Design Study; and

WHEREAS, both Mustang and the District mutually agree to initiate the construction of an extension of the District's existing Doe Branch trunk line to Mustang's Point of Entry and the construction of the Doe Branch Plant to accommodate Mustang's expected wastewater needs in the Doe Branch Service Area; and

WHEREAS, Mustang desires to revise Exhibit B of the Contract to assign certain capacity in the Phase 2 Doe Branch trunk line to Mustang; and

NOW, THEREFORE, the District and Mustang agree as follows:

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

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

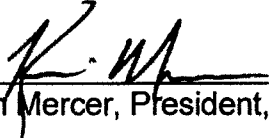
Section 3. Subscribed Capacity in Phase 2 Trunk Line. Exhibit B of the Contract provides for Mustang's initial subscribed capacity in the Northeast Regional Water Reclamation System (0.20 MGD). Said exhibit is hereby revised to assign a share of the capacity in the Phase 2 trunk line to Mustang, which revised exhibit is attached hereto and incorporated into the Contract.

Section 4. Cost Elements. Mustang agrees to be responsible for, as its share of the Annual Requirement, certain costs as detailed in Paragraph 6 of Exhibit D of the Contract. The District's existing wastewater trunk line from the Doe Branch Plant to Fishtrap Road ("Phase 1") has been oversized to accommodate future wastewater needs, including Mustang and others, and is hereby considered to be a Common-To-All Facility. Therefore, Paragraph 6 (b) of Exhibit D is amended to designate Phase 1 trunk line as Common-To-All and to allocate the capital costs among the benefiting parties based on the parties then subscribed capacity in the Doe Branch Plant. As such, subscriptions may change in the future.

Section 5. Contract Provisions. All other provisions of the Contract, as amended, shall continue in full force and effect.

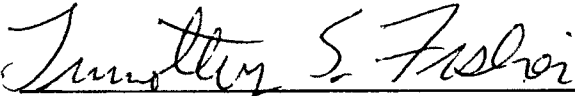
IN WITNESS WHEREOF, the parties hereto acting under authority of their respective bodies have caused this Amendment to be duly executed in several counterparts, each of which shall constitute an original, all as of the day and year first written above, which is the Effective Date.

UPPER TRINITY REGIONAL WATER DISTRICT



Kevin Mercer, President, Board of Directors

ATTEST:



Timothy S. Fisher, Secretary, Board of Directors

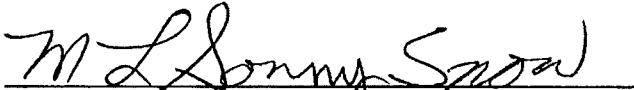
[District Seal]

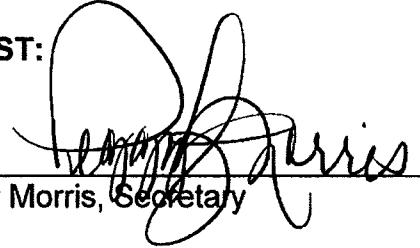
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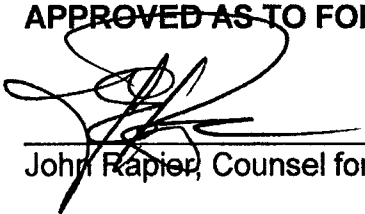
John F. Boyle, Jr., Counsel for the District

MUSTANG SPECIAL UTILITY DISTRICT


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

ATTEST: 
Peggy Morris, Secretary

[Seal]

APPROVED AS TO FORM AND LEGALITY:

John Rapier, Counsel for Mustang

REVISED EXHIBIT B

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

**PARTICIPATING MEMBER CONTRACT
 MUSTANG SPECIAL UTILITY DISTRICT**

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

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

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

(1) Exception – pending completion of the Doe Branch Plant, while Celina’s Wastewater flows are being treated at the Riverbend Plant the Minimum Flow for Financial Purposes will be 0.04 MGD.

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

Doe Branch Trunk Line. A portion of the trunk line that will serve Mustang and others has been constructed from the existing lift station to Fishtrap Road (“Phase 1”). However, to enable Mustang to have wastewater service available at its Point of Entry, the Phase 1 trunk line must be extended from Fishtrap Road to Parvin Road and a Point of Entry constructed for Mustang (“Phase 2”), collectively herein referred to as the “Doe Branch Trunk Line”. Phase 1 of the Doe Branch Trunk Line has been oversized to

accommodate future wastewater needs. Phase 2 also is being designed to accommodate future wastewater needs. The capacity of Phase 2 of the Doe Branch Trunk Line shall be allocated between the benefiting parties based on a projection of future needs, with Mustang's share noted in the table above. Pursuant to the provisions of this Contract, Mustang has paid certain prior costs associated with the Phase 1 trunk line based on initial subscribed capacity in the Plant. Subscribed capacity in the System by Mustang and other participants may change in the future. The cost of the Phase 1 trunk line shall be allocated as a Common-To-All cost among the benefiting parties in accordance with Exhibit D based on the then respective subscribed capacity in the Doe Branch Plant; however, it is recognized that Denton County Fresh Water Supply District No. 10, at the time of initial construction, paid their pro rata share of the Phase 1 trunk line based on expected build-out needs.

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

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

**AMENDMENT TO
PARTICIPATING MEMBER CONTRACT
WITH
MUSTANG SPECIAL UTILITY DISTRICT**

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

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

WITNESSETH

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 4. Reimbursement of Prior Costs

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

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

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

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

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

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

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

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

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

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

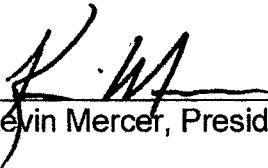
b. The District agrees to defer the initiation of the obligation to begin annual payment of the additional capacity charge for the capacity subscribed to herein for a period of up to two years, or until Mustang provides service to an additional retail customer from the Plant, whichever event occurs first.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

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

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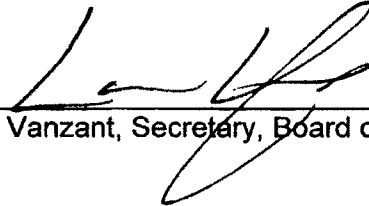
IN WITNESS WHEREOF, the parties hereto acting under authority of their respective bodies have caused this Amendment to be duly executed in several counterparts, each of which shall constitute an original, all as of the day and year first written above, which is the Effective Date.

UPPER TRINITY REGIONAL WATER DISTRICT



Kevin Mercer, President, Board of Directors

ATTEST:



Lance Vanzant, Secretary, Board of Directors

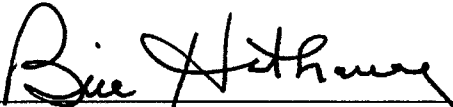
[District Seal]

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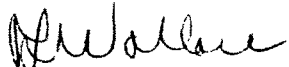


John F. Boyle, Jr., Counsel for the District

MUSTANG SPECIAL UTILITY DISTRICT

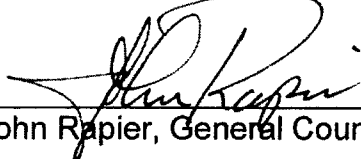
By: 
Bill Hathaway, President, Board of Directors

ATTEST:


Randy Wallace, Secretary, Board of Directors

(Mustang SEAL)

APPROVED AS TO FORM AND LEGALITY:


John Rapier, General Counsel

REVISED EXHIBIT B

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

**PARTICIPATING MEMBER CONTRACT
 MUSTANG SPECIAL UTILITY DISTRICT**

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

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

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

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

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

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

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

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

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

**AMENDMENT TO
PARTICIPATING MEMBER CONTRACT
WITH
MUSTANG SPECIAL UTILITY DISTRICT**

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

This **AMENDMENT** (the "Amendment") to the **NORTHEAST REGIONAL WATER RECLAMATION SYSTEM CONTRACT** is made and entered into this 19 day of May, 2015, ("Effective Date"), by and between **UPPER TRINITY REGIONAL WATER DISTRICT** (the "District"), a conservation and reclamation district created pursuant to Article XVI, Section 59 of the Constitution of the State of Texas, and **MUSTANG SPECIAL UTILITY DISTRICT** ("Mustang"), a special district and political subdivision of the State of Texas, to amend the Participating Member Contract dated June 1, 2006 (the "Contract"), which contract provides for Mustang to participate in the District's Riverbend Water Reclamation Plant ("Plant").

WITNESSETH:

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

WHEREAS, Mustang is participating in the Northeast Regional Water Reclamation System (Riverbend Plant) and has subscribed to 125,000 gallons of Plant capacity; and

WHEREAS, a master planned community within Mustang's CCN, known as Union Park, has requested retail wastewater service from Mustang, which development is generally located north of US Hwy 380 and east of Navo Road; and

WHEREAS, Mustang will use its existing subscribed capacity in the Plant to provide for initial wastewater service to Union Park; however, additional capacity will be needed by Mustang to serve future phases of Union Park and other developments within the Mustang's service area at its sole discretion; and

WHEREAS, Mustang is planning to construct certain facilities needed by both Mustang and the District in order to provide wastewater service to Union Park, including a new Point of Entry and a District trunk main to connect Union Park to the System; and

WHEREAS, Mustang proposes to arrange for the benefitting developer(s) to design and construct the necessary facilities for both Mustang and the District to enable wastewater service for Union Park and other potential future Mustang customers; and

WHEREAS, Mustang has requested that a new Point of Entry be established for Mustang near the entrance to the Plant on Navo Road, and proposes to construct a new trunk main for the District from said Point of Entry to the District's South Interceptor to the Plant, the location of which is noted in Exhibit A attached hereto; and

WHEREAS, the District has specified the oversizing of capacity for said trunk main from the Point of Entry to the Riverbend Plant based on the potential Mustang service area for said trunk main; and

WHEREAS, to serve future Mustang customers near Union Park, the District has requested that Mustang oversize its planned internal interceptor(s), which interceptor(s) will transport Wastewater from Union Park, and may transport Wastewater from other Mustang service area to the new Point of Entry; and

WHEREAS, both parties desire to amend the Contract to provide for Mustang's new internal interceptor(s), new Point of Entry and the associated District trunk main according to the provisions contained in the Contract and this Amendment, which facilities may be designed and constructed in phases, according to the needs of both parties; and

WHEREAS, Mustang proposes to construct an initial interceptor to serve the first phase of Union Park and, as needed, a second interceptor to provide for the build-out needs of Union Park.

NOW, THEREFORE, in consideration of mutual covenants and agreements herein contained, the District and Mustang agree to the following additional or amended provisions to the terms and conditions set forth in the Contract, to wit:

Section 1. Definitions. Capitalized terms not otherwise defined herein shall have the same meaning as those set forth in the Contract.

Section 2. Preamble. The parties agree and represent that all of the matters stated in the preamble of this Agreement are true and correct and are hereby incorporated into the body of this Amendment as if fully set forth in their entirety herein.

Section 3. Point of Entry. Exhibit A of the Contract, as amended, is hereby replaced with the attached Revised Exhibit A, which depicts the authorized Points of Entry for Mustang, including the requested new Point of Entry and the location of the proposed trunk main to connect to the District's South Interceptor to the Plant.

Section 4. Construction of New Point of Entry and Associated Trunk Main. The Contract is hereby amended to authorize a new Point of Entry for Mustang and an

associated new District trunk main, generally according to the provisions contained herein.

A. To serve Union Park and other potential future Mustang customers, Mustang has requested and District agrees to establish a new Point of Entry, generally at the entrance to the Plant near Navo Road. Mustang further agrees to design and construct a new District trunk main from said Point of Entry to the District's South Interceptor to the Plant.

B. Mustang shall be responsible, either directly or through the beneficiary developer(s) (the "Developer"), for the design and construction, including the costs thereof, for the new Point of Entry, trunk main, metering facilities and associated appurtenances and SCADA equipment. If requested by the District, and with Mustang's consent, said metering facilities may be constructed at a location other than the Point of Entry. Said design shall be completed according to District standards and generally accepted engineering practices. Before the new Point of Entry may be constructed by Mustang or the Developer, the final plans and specifications shall be submitted to the District for review and approval, which approval shall not be unreasonably withheld or delayed. Mustang shall be responsible for field engineering and other activities to assure said new Point of Entry and new trunk main are constructed according to said plans and specifications. The District shall have the right to inspect construction of said facilities as the work progresses and shall have the right of final acceptance or rejection of completed work. Upon completion of construction and final acceptance by District, fee simple ownership of the new Point of Entry and trunk main (including metering facilities and associated appurtenances and SCADA equipment) shall be vested in the District without any further action by the parties. Mustang may install SCADA equipment at the metering facilities to enable it to monitor the Wastewater flow through said meter.

C. As part of the design and construction of the new Point of Entry and metering facilities, Mustang agrees to install certain required SCADA equipment for the safe and efficient operation of said Point of Entry and metering facilities. Mustang agrees to coordinate with the District prior to the installation of the SCADA and telemetry equipment; and, for reliable operation of the new Point of Entry and the System, Mustang shall make provision for appropriate SCADA equipment to monitor and coordinate the operation of Mustang's new pump station within Union Park.

D. The District will incur certain limited costs related to Mustang's design and construction of the new facilities specified herein, which costs include engineering, inspection and coordination services (herein "Project Costs"). Mustang agrees to reimburse to the District its actual Project Costs, which amount shall not exceed \$50,000, except with prior written approval of both parties. District shall provide an accounting of said costs. Accordingly, within sixty (60) days of the new facilities (the trunk main, new Point of Entry, and metering facilities), Mustang agrees to reimburse said Project Costs to District.

E. A portion of the new District trunk main from the Point of Entry to the existing South Interceptor is proposed to be constructed on or across property owned by the United States Army Corps of Engineers ("Corps"). A permit / easement is required from the Corps to construct said trunk main. To help expedite an application to obtain said permit / easement, District agrees to use its best efforts to assist in coordinated efforts in obtaining the necessary permit / easement from the Corps, generally in accordance with the provisions contact in Exhibit B of this Amendment.

Section 5. Capacity for Adjacent Areas.

A. In the design of facilities set forth in this Amendment, Mustang may provide for future Wastewater flows from adjacent areas which, by reason of topography or sound engineering practices, may flow within Mustang's service area. Accordingly, the District hereby requests, and Mustang does hereby agree, to oversize the following facilities generally described below:

1. The internal interceptor serving initial phase of Union Park (one pipe size above Union Park requirements).
2. The second phase interceptor from Union Park along Navo Road to Mustang's Point of Entry (one pipe size above Union Park requirements).
3. The District trunk main from the Point of Entry to the connection with the South Interceptor to the Plant (two pipe sizes above Union Park requirements).

The metering manhole as specified by District during design shall have design features to accurately measure low flow and adequate capacity for full flow of the District's trunk main.

B. In the future, any party other than Union Park that desires to receive wastewater service from Mustang using the facilities described in the preceding Paragraph A, which facilities were designed and constructed by Union Park (for Mustang), shall pay appropriate prior costs based on the benefit received from said facilities. Mustang hereby commits to collect the said prior cost from any future party and remit the same to Union Park as a reimbursement of funds previously provided for said facilities for a period of ten (10) years from the Effective Date.

Section 6. Convey Easements. In order to construct the new District trunk main and the new Point of Entry, it will be necessary to obtain easements (or fee property) for said facilities, particularly near the Plant entrance at Navo Road. Mustang agrees to obtain said easements or property and to convey same without cost to District. Said easements shall provide for full rights of ingress and egress for District to operate and maintain the trunk main and new Point of Entry. Any easements or property shall be acquired in the District's name or conveyed upon final acceptance of said facilities by the District. Said easement shall be for the exclusive use of District and shall be conveyed using the

District's standard easement documents. Alternatively, fee ownership shall be conveyed by warranty deed.

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

UPPER TRINITY REGIONAL WATER DISTRICT


By: 
Todd Madison, President, Board of Directors

ATTEST:


Gary Calmes, Secretary, Board of Directors

(DISTRICT SEAL)

APPROVED AS TO FORM AND LEGALITY:


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

MUSTANG SPECIAL UTILITY DISTRICT

By: Bice Hathaway
President, Board of Directors

ATTEST:

[Signature]
Secretary, Board of Directors

(MUSTANG SEAL)

APPROVED AS TO FORM AND LEGALITY:

Counsel for Mustang Special Utility District

REVISED EXHIBIT A

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

**AMENDMENT TO
PARTICIPATING MEMBER CONTRACT
WITH
MUSTANG SPECIAL UTILITY DISTRICT**

Mustang's Service Area and Points of Entry

The map attached hereto shows Mustang's retail service area, the approved Points of Entry and the location of the proposed trunk main to connect to the District's South Interceptor to the Plant.

[MAP TO BE INSERTED LATER]

EXHIBIT B**UPPER TRINITY REGIONAL WATER DISTRICT
NORTHEAST REGIONAL WATER RECLAMATION SYSTEM****AMENDMENT TO
PARTICIPATING MEMBER CONTRACT
WITH
MUSTANG SPECIAL UTILITY DISTRICT****Required Permit to Cross U. S. Army Corps of Engineers Property**

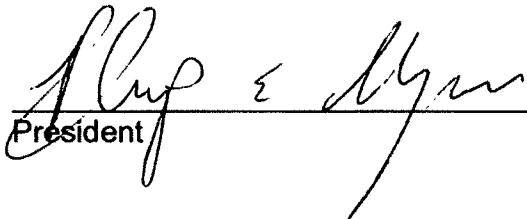
It is necessary to obtain a special permit / easement from the Corps in order to construct a portion of the new District trunk main across a narrow portion of Corps property adjacent to the Plant. The Highway 380 Municipal Management District No. 1 ("MMD"), a special district in which Union Park is located, has agreed to assist the District in obtaining said permit / easement. The MMD is a party to this Exhibit for limited purposes more particularly described below.

1. Obtaining approval from the Corps is the sole responsibility of the District. District agrees to use its best efforts to assist in obtaining said permit / easement from the Corps and to pay its reasonable cost associated therewith.
2. MMD agrees to provide to the District the necessary plans, specifications and profiles required by the Corps in support of the District's permit / easement application.
3. If approval of the permit / easement is not received from the Corps by April 30, 2015:
 - a. Upon request, District will authorize Mustang, and / or the MMD, to construct the new District trunk main using an alternative alignment outside of the Corps property; or
 - b. If needed and until construction of the new District trunk main is completed and accepted by the District, the District may authorize Mustang to temporarily pump wastewater from Union Park across District property through a completed portion of said trunk main to the Plant. Mustang will maintain ownership of the wastewater until it enters the District's South Interceptor, and will be responsible for any spill and clean-up that could occur in connection with said pumping.

- c. However, if a permit / easement has not been issued by the Corps by December 31, 2015, Mustang and the MMD, acting jointly, have the option to proceed with the construction of the trunk main, using the alternative alignment provided in (a) above.

AGREED AND ACCEPTED for the limited purpose stated herein:

Highway 380 Municipal Management District No. 1



President



REGIONAL WATER DISTRICT

P.O. Drawer 305 • Lewisville, TX 75067

(972) 219-1228 • Fax (972) 221-9896

May 7, 2015

Mr. Chris Boyd, General Manager
Mustang Special Utility District
7985 F.M. 2931
Aubrey, TX 76227

RE: Amendment to NERWRS Participating Member Contract

Dear *Chris* Mr. Boyd:

Enclosed are six (6) originals of the Amendment to the Northeast Regional Water Reclamation System Participating Member Contract between Mustang Special Utility District and Upper Trinity Regional Water District. The Amendment has been executed by Upper Trinity's Board of Directors; and, Exhibit B has been executed by Highway 380 Municipal Management District No. 1 ("MMD").

After your Board has executed all six originals, please keep two of them for your records and return four originals to me. We will keep two for our records and forward two originals to the MMD.

If you have any questions, please call me at 972-219-1228. Thanks for your assistance in this matter.

Sincerely,

Jason Pierce
Manager of Watershed and Contract Services

JP/nka

Enclosures: Six (6) originals of Amendment to Participating Member Contract

Z:\Jason I\MSUD UTRWD Riverbend Amendment Trans Ltr 0515.Doc

5.I. Ability to Provide Adequate Service

Mustang SUD is a regional water provider governed by an elected board of directors. Mustang SUD provides water service to more than 6000 existing customer connections within its existing water CCN 11856, and has access to ample supplies of water via its contracts with the Upper Trinity Water District, and its long-standing relationship with Upper Trinity.

Mustang SUD also currently operates a sewer collection system and provides sewer service to more than 3000 customer connections within its existing sewer CCN 20930 and meets the required standards in providing such service. Mustang SUD contracts with the Upper Trinity Regional Water District for 100% of Mustang SUD's sewer treatment capacity, although Mustang has plans for a water treatment plant to serve a portion of its future customer base.

ATTACHMENT 6.B.i.

Mustang Special Utility District Proposed FY2017 Budget Presented 9/26/16

	2014 Actual	2015 Actual	2016 Budget	2017 Budget	2017 Requested
General Fund Revenues					
Unrestricted	5,953,530	7,206,596	11,214,421	11,749,714	9,590,500
Temporarily Restricted	1,656,602	2,608,456	3,700,000	3,700,000	3,650,000
Total Revenues	7,610,132	9,815,052	14,914,421	15,449,714	13,240,500
General Fund Expenses					
103 Administration	876,658	1,028,987	1,028,987	1,028,987	1,558,255
104 Water Operations	2,216,858	2,784,518	2,784,518	2,784,518	4,665,750
105 Wastewater Operations	534,070	751,943	1,209,614	1,209,614	1,799,310
106 Debt Service-Water	427,892	354,353	354,353	354,353	805,320
108 Debt Service-Wastewater	16,745	47,262	47,262	47,262	145,385
Total Expenses	4,072,224	4,967,063	5,364,734	5,364,734	8,974,020
Net Income - Unrestricted	1,881,306	2,239,533	9,985,684	9,924,824	616,480
Net Income - Restricted Temporarily	1,656,602	2,608,456	3,700,000	3,700,000	3,650,000
			2016 Budget	2017 Budget	2017 Requested
System Growth Funds Available for Capital Projects					
Beginning of Budget Period			6,188,564	6,188,564	6,188,564
Plus Projected Debt Issue			3,700,000	3,700,000	3,700,000
Plus Projected/Actual Inflow			3,650,000	3,650,000	3,650,000
Total Amount Available			13,538,564	13,538,564	13,538,564
Less Capital Expenditures			11,749,714	11,749,714	13,507,890
End of Budget Period			1,788,850	1,788,850	30,674

ATTACHMENT 6.B.i.

Mustang Special Utility District Proposed FY2017 Budget General Fund Revenue*

Number	Line Item	FY2014 Actual	FY2015 Actual	FY2016 Amended	FY2016 as of 7/31	FY2016 Projected	FY2017 Proposed	% Diff Proposed vs. Amended
41010	Water Sales	2,043,135	2,333,446	2,175,000	1,845,646	2,550,000	3,092,000	42%
41020	Hydrant Meter Revenues	55,511	97,703	120,000	73,086	97,500	100,000	-17%
41030	Water Availability Fees	1,386,776	1,555,860	1,971,000	1,695,770	2,034,000	2,430,000	23%
41050	Waste Water Sales	784,945	1,046,831	1,645,000	1,403,775	1,684,000	1,873,000	14%
	Water/Waste Water Services	4,270,367	5,033,840	5,911,000	5,018,276	6,365,500	7,495,000	27%
42010	Temple Dane Reimbursement	34,651	54,580	45,000	27,104	32,500	40,000	-11%
42020	FWD Operating Contract	1,250,484	1,581,418	1,529,000	1,198,196	1,597,500	1,500,000	-2%
42030	Byran Road Reimbursement	994	1,923	1,500	1,065	1,275	1,500	0%
42035	Providence Tower Reimbursement	5,279	4,743	1,670	1,669	1,669	-	NA
	Reimbursements/Contracts	1,291,408	1,642,664	1,577,170	1,228,033	1,632,944	1,541,500	-2%
43010	Meter Transfer Fees	21,450	21,575	20,000	22,100	26,500	25,000	25%
43015	Late/NSF/Illegal Fees	68,247	73,541	65,000	77,239	92,600	90,000	38%
43020	Disconnect/Reconnect Fees	50,795	23,915	15,000	7,320	8,750	25,000	67%
43050	Credit Card Surcharge-Customer	40,610	46,248	25,000	24,660	24,660	-	NA
43100	Service Application Fees	18,000	21,000	5,000	3,000	3,000	12,000	140%
43105	Meter Set Fees	164,891	224,410	250,000	278,971	334,750	350,000	40%
	Charges/Fees	363,993	410,689	380,000	413,289	490,260	502,000	32%
44010	Water Connection Fees-individual	81,600	96,000	65,000	101,700	101,700	100,000	54%
44020	Water Connection Fees-developer	955,752	1,497,906	1,400,000	1,529,906	1,529,900	1,775,000	27%
44050	Wastewater Connections-developer	619,250	1,014,550	1,300,000	1,372,950	1,372,950	1,775,000	37%
	Connection Fees	1,656,602	2,608,456	2,765,000	3,004,556	3,004,550	3,650,000	32%
45010	Miscellaneous Income	15,984	10,113	10,000	7,438	7,500	10,000	0%
45020	Co-Op Dividends Income	5,801	7,007	6,000	6,969	6,969	7,000	17%
47010	Investment Interest Income	5,977	8,416	40,000	43,806	52,000	35,000	-13%
49900	Transfer of CCN	NA	-	3,125,000	3,125,000	3,125,000	-	NA
49910	Sale of Assets	-	26,787	62,600	62,687	62,687	-	NA
49990	Development Contributions	-	67,080	100,415	106,823	106,825	-	NA
	Other Income	27,762	119,403	3,344,015	3,352,723	3,360,981	52,000	-98%
	General Fund Revenue	7,610,132	9,815,052	13,977,185	13,016,878	14,854,235	13,240,500	-5%
	Increase(Decrease) over prior budget							

***Mustang SUD General Fund is an Enterprise Fund**

*These are based on numbers before audit adjustments

ATTACHMENT 6.B.i.

Mustang Special Utility District Requested FY2017 Budget Administration

Account	Description	FY2014 Actual	FY2015 Actual	FY2016 Budget	FY2016 As of 7/31	FY2016 Projected	FY2017 Requested	Requested vs. Current Budget	% Change	Justification
01-50101-103	Employee Salaries	176,154	184,359	238,280	190,140	235,411	240,895	2,615	1%	raises
01-50102-103	Employee Wages	196,061	225,888	306,860	247,719	306,700	385,275	78,415	26%	raises, add 2 employee
01-50105-103	Employee Overtime	860	2,216	10,000	8,504	10,529	5,000	(5,000)	-50%	software changes
01-50110-103	Longevity Pay	5,790	7,065	8,880	8,880	8,880	9,510	630	7%	time
01-50150-103	Retirement Expense	10,343	41,756	34,330	25,210	31,212	57,500	23,170	67%	rate incr, add 2 employee
01-50160-103	Payroll Tax Expense	28,570	30,025	42,900	34,072	42,185	60,275	17,375	41%	rate incr, add 2 employee
01-50170-103	Insurance-Employee Health/Life	66,281	104,748	155,200	123,631	148,357	220,710	65,510	42%	rate incr, add 2 employee
01-50180-103	Insurance-Workers Comp	353	345	450	456	456	600	150	33%	rate incr, add 2 employee
Payroll and Benefit Costs		484,411	596,401	796,900	638,612	783,730	979,765	182,865	23%	
01-51000-103	Advertising	766	724	1,500	1,149	1,532	1,500	-	0%	
01-51005-103	Dues & Subscriptions	6,201	6,332	6,700	5,129	6,838	6,850	150	2%	inflation
01-51010-103	Easement Filing	-	2,135	2,000	410	547	2,000	-	0%	
01-51100-103	Billing - Postage & Supplies	75,515	84,979	105,000	73,982	98,643	105,000	-	0%	
01-51105-103	Postage-Mailing Expense	2,710	2,029	3,000	2,369	3,159	3,000	-	0%	
01-51500-103	Credit Card Charges	14,034	16,812	17,800	16,197	16,197	-	(17,800)	-100%	new arrangement
01-51800-103	Public Relations	1,262	2,258	8,000	30,099	40,132	7,000	(1,000)	-13%	no 50th anniversary
01-51900-103	BoD Election Expense	4,150	-	6,000	1,214	1,214	6,000	-	0%	
01-52400-103	Office Supplies	12,822	14,192	18,000	12,830	17,107	19,000	1,000	6%	inflation
01-52495-103	Minor App	-	9,609	6,400	6,727	6,727	4,000	(2,400)	-38%	table cover, 3 comp
01-52500-103	Office Cleaning	3,150	3,150	4,800	3,150	4,200	4,800	-	0%	
01-52505-103	Security Service	192	192	300	192	256	300	-	0%	
01-52600-103	Office Equipment Lease	4,436	5,154	24,660	4,330	5,774	24,980	300	1%	copier, fin software
01-52700-103	Employee Training & Licenses	4,658	1,835	4,000	3,267	4,356	6,000	2,000	50%	more training
01-52705-103	Employee Travel-Hotel, Food, Etc	4,232	3,336	6,000	3,467	4,649	7,500	1,500	25%	more training
01-52706-103	Board Travel & Training	5,904	1,823	6,000	2,473	3,298	6,000	-	0%	
01-52710-103	Employee Meals (Local)	1,278	1,340	1,800	1,874	2,499	2,500	700	39%	
01-52715-103	Employee Drug Test/Medical Exp	382	428	550	341	455	550	-	0%	
01-52750-103	Uniforms	-	568	600	10	13	715	115	19%	add'l employees
01-52999-103	Miscellaneous Expense	4,412	4,006	5,000	5,315	6,615	5,000	-	0%	
General Operating Costs		146,105	160,902	228,130	174,546	224,210	212,695	(15,435)	-7%	
01-54000-103	Ofc Bldg/Equip Repairs/Maint	7,581	12,198	14,000	8,623	11,497	14,000	-	0%	2 a/c units
01-54100-103	Computer & Server Maintenance	34,226	40,067	42,500	41,598	45,198	28,000	(14,500)	-34%	no Springbrook
01-54200-103	Yard Maintenance Service	379	250	1,000	-	-	1,000	-	0%	
01-54300-103	Vehicle Repairs & Maintenance	85	1,181	2,500	187	400	2,500	-	0%	
01-54900-103	Contract Labor & Temp Services	-	-	2,500	-	-	2,500	-	0%	
Maintenance Costs		42,272	53,696	62,500	50,408	57,095	48,000	(14,500)	-23%	
01-55005-103	Office Utilities-Propane	3,612	3,107	4,000	1,009	1,345	4,000	-	0%	
01-55010-103	Office Utilities-Electricity	7,392	7,775	13,000	7,226	9,634	14,000	1,000	8%	addl office space
01-55015-103	Trash Disposal	2,609	2,904	5,100	3,508	4,678	5,100	-	0%	
01-55020-103	Communications-Telephone & Web	10,270	9,805	15,000	12,501	16,669	25,320	10,320	69%	Milsoft, TexPower
01-55050-103	Vehicle Fuel	2,404	2,478	4,000	2,006	2,675	4,000	-	0%	
Utility Costs		26,288	26,069	41,100	26,250	35,001	52,420	11,320	28%	
01-56000-103	Professional Service-Attorney	151,838	159,380	200,000	177,460	208,613	200,000	-	0%	
01-56005-103	Professional Service-Audit	14,900	21,300	25,000	21,300	21,300	25,000	-	0%	
01-56020-103	Professional Service-Other	2,827	2,695	40,000	54,339	72,452	30,000	(10,000)	-25%	Cooksey, others
Professional Service Costs		169,564	183,374	265,000	253,099	302,365	255,000	(10,000)	-4%	
01-57000-103	Insurance-Board/Mgt Liability	5,868	6,200	6,200	5,892	5,892	7,525	1,325	21%	new coverage
01-57010-103	Insurance-Facility	1,821	1,975	1,600	1,474	1,474	2,400	800	50%	increase in value
01-57015-103	Insurance-Vehicles	330	369	400	361	361	450	50	13%	rate increase
Insurance Costs		8,019	8,544	8,200	7,727	7,727	10,375	2,175	27%	
Administration Costs		876,658	1,028,987	1,401,830	1,150,643	1,410,128	1,558,255	156,425	11%	

ATTACHMENT 6.B.i.

Mustang Special Utility District Requested FY2017 Budget Water Operations

Account	Description	FY2014 Actual	FY2015 Actual	FY2016 Budget	FY2016 As of 7/31	FY2016 Projected	FY2017 Requested	Requested vs. Current Budget	% Change	Justification
01-50101-104	Employee Salaries	51,020	56,609	76,600	60,107	72,128	78,825	2,225	3%	raises
01-50102-104	Employee Wages	180,100	248,166	366,490	252,280	302,736	499,740	133,260	36%	raises, addl 4 employee
01-50103-104	Temporary Wages	-	576	-	-	-	-	-	-	NA
01-50105-104	Employee Overtime	11,256	1,809	40,000	27,283	33,779	30,000	(10,000)	-25%	less expected
01-50110-104	Longevity Pay	4,890	5,532	7,120	6,834	6,834	8,230	1,110	16%	time
01-50150-104	Retirement Expense	6,440	35,561	30,019	19,974	24,729	55,435	25,425	85%	rate incr, addl 4 employee
01-50160-104	Payroll Tax Expense	21,259	26,094	37,770	28,646	35,467	58,115	20,345	54%	rate incr, addl 4 employee
01-50170-104	Insurance-Employee Health/Life	52,686	102,621	210,760	117,776	141,333	295,035	84,275	40%	rate incr, addl 4 employee
01-50180-104	Insurance-Workers Comp	3,246	2,651	4,300	3,826	3,826	6,000	1,700	40%	rate incr, addl 4 employee
Payroll and Benefit Costs		330,896	479,619	773,040	516,728	620,833	1,031,380	258,340	33%	
01-61000-104	Advertising	75	400	500	-	-	500	-	0%	
01-51005-104	Dues & Subscriptions	3,335	3,395	3,500	3,546	3,546	3,700	200	6%	inflation
01-52400-104	Office Supplies	144	824	2,500	1,035	1,360	2,500	-	0%	
Administrative Operating Costs		3,554	4,619	6,500	4,581	4,926	6,700	200	3%	
01-52000-104	UTRWD Admin Charge	4,489	4,623	5,610	5,603	5,603	5,670	60	1%	rate increase
01-52010-104	UTRWD Water Demand Charge	870,203	902,126	1,102,060	959,443	1,151,954	1,193,350	31,290	3%	rate increase
01-52015-104	UTRWD Water Volume Charge	238,889	266,711	519,000	486,853	649,137	742,150	223,150	43%	rate incr, vol incr
01-52020-104	Groundwater District Fees	17,616	8,152	30,000	8,921	14,668	30,000	-	0%	
01-52025-104	TCEQ Fees	8,098	9,969	12,000	9,969	9,969	12,000	-	0%	
Water Supply Costs		1,139,295	1,191,581	1,728,670	1,470,789	1,831,531	1,983,170	254,500	15%	
01-52300-104	Chemicals	10,963	11,643	25,000	7,026	9,369	25,000	-	0%	new facilities
01-52405-104	Operations General Supplies	414	1,769	3,000	292	389	3,000	-	0%	
01-52415-104	Small Tools & Parts	3,921	5,612	10,500	8,917	11,930	14,000	3,500	33%	more employees
01-52450-104	Distrib. System Material/Supl	330,870	445,411	750,000	643,708	858,278	850,000	100,000	13%	continued growth
01-52510-104	Lab Fees	10,695	12,915	15,000	9,068	12,090	15,000	-	0%	
01-52515-104	Water System-Road Bore	(4,440)	3,400	5,000	-	-	5,000	-	0%	
01-52610-104	Rent & Lease Equipment	873	1,465	3,000	47	63	3,000	-	0%	
01-52700-104	Employee Training & Licenses	3,649	6,841	10,000	4,665	7,820	10,000	-	0%	
01-52705-104	Employee Travel-Hotel,Food,Etc	507	2,387	3,200	2,971	3,962	5,000	1,800	56%	more travel
01-52715-104	Employee Drug Test/Medical Exp	671	1,855	1,800	732	976	1,800	-	0%	
01-52750-104	Uniforms	4,209	4,799	7,000	5,041	6,722	10,000	3,000	43%	more employees
01-52900-104	Damages Paid	3,068	4,312	3,000	-	-	3,000	-	0%	
01-52999-104	Miscellaneous Expense	42,306	1,434	1,500	(647)	(862)	1,500	-	0%	
General Operating Costs		407,704	503,844	838,000	681,852	910,736	946,300	108,300	13%	
01-54005-104	Ops Bldg/Equip Repairs/Maint	929	3,110	11,000	9,563	12,750	11,000	-	0%	
01-54300-104	Vehicle Repairs & Maintenance	10,234	16,837	21,000	16,132	21,509	25,000	4,000	19%	more vehicles
01-54400-104	Yard Equipment Maint	689	1,083	1,000	712	950	1,000	-	0%	
01-54500-104	General System Repairs & Maint	68,160	78,390	115,000	83,976	111,968	150,000	35,000	30%	more planned repairs
01-54600-104	Operations Equip Repairs/Maint	3,166	5,130	22,000	21,466	28,621	28,000	6,000	27%	costs going up
Maintenance Costs		83,179	104,549	170,000	131,849	175,798	215,000	45,000		
01-55010-104	System Utilities-Electricity	106,937	101,204	170,000	97,649	130,198	170,000	-	0%	
01-55011-104	Prov Utilities-Electricity	9,211	8,608	14,000	4,078	5,438	-	(14,000)	-100%	gone
01-55015-104	Trash Disposal	1,000	1,000	1,500	1,300	1,600	1,500	-	0%	
01-55020-104	Communications-Telephone	8,029	8,092	10,080	6,860	9,147	12,000	1,920	19%	new services
01-55025-104	Communications - Other	-	22,215	15,000	10,637	14,182	34,000	19,000	127%	beacon, dig tess, gis
01-55050-104	Vehicle Fuel	29,664	22,672	50,000	19,071	25,429	50,000	-	0%	
Utility Costs		154,842	163,792	260,580	139,595	185,994	267,500	6,920		
01-56010-104	Professional Service-Engineer	32,764	59,044	75,000	39,472	52,630	80,000	5,000	7%	more plan reviews
Professional Service Costs		32,764	59,044	75,000	39,472	52,630	80,000	5,000		
01-57010-104	Insurance-Facility	14,881	17,452	19,000	17,282	17,282	19,000	-	0%	
01-57015-104	Insurance-Vehicles	5,727	7,017	8,500	8,267	8,267	10,000	1,500	18%	more vehicles
Insurance Costs		20,608	24,469	27,500	25,549	25,549	29,000	1,500	5%	
01-62300-104	Chemicals-Temple Dane PS	470	1,394	2,700	819	1,092	2,700	-	0%	
01-62410-104	Temple Dane PS Supplies	65	101	1,000	9	13	1,000	-	0%	
01-64200-104	Temple Dane PS - Yard Maint	503	700	6,720	6,400	7,680	8,000	1,280	19%	actual cost
01-64505-104	Temple Dane PS Repairs/Maint	4,345	8,649	20,000	1,651	2,202	20,000	-	0%	
01-65010-104	Temple Dane PS - Electricity	38,633	46,636	70,000	51,613	68,817	75,000	5,000	7%	more pumping
Temple Dane Costs		44,017	57,480	100,420	60,492	79,802	106,700	6,280	6%	
01-59000-104	Capital Expenditures	-	195,520	140,840	217,694	217,694	-	(140,840)	-100%	only as needed
Capital Costs		-	195,520	140,840	217,694	217,694	-	(140,840)	-100%	
Water Operations Cost		2,216,858	2,784,518	4,120,550	3,288,601	4,105,493	4,665,750	545,200	13%	

ATTACHMENT 6.B.i.

Mustang Special Utility District Requested FY2017 Budget Wastewater Operations

Account	Description	FY2014 Actual	FY2015 Actual	FY2016 Budget	FY2016 As of 7/31	FY2016 Projected	FY2017 Requested	Requested vs Current Budget	% Change	Justification
01-50101-105	Employee Salaries	5,661	7,514	8,510	6,679	9,269	8,760	250	3%	raises
01-50102-105	Employee Wages	65,689	71,822	97,260	71,791	89,884	124,305	27,045	28%	raises, addl employee
01-50105-105	Employee Overtime	1,681	976	16,000	13,689	16,206	16,000	-	0%	
01-50110-105	Longevity Pay	2,640	3,018	3,400	3,396	3,390	2,995	(405)	-12%	lost tenured employee
01-50150-105	Retirement Expense	2,123	8,571	6,900	5,291	6,538	13,575	6,675	97%	rate incr, addl employee
01-50160-105	Payroll Tax Expense	6,205	6,372	9,950	7,603	9,413	14,235	4,285	43%	rate incr, addl employee
01-50170-105	Insurance-Employee Health/Life	16,919	23,299	33,110	25,932	31,118	56,050	22,940	69%	rate incr, addl employee
01-50180-105	Insurance-Workers Comp	1,040	751	950	997	997	1,500	550	58%	rate incr, addl employee
Payroll and Benefit Costs		101,958	122,322	176,080	134,766	164,820	237,420	61,340	35%	
01-52101-105	UTRWD Riverbend Demand Charge	1,954	6,997	68,790	35,177	42,331	67,170	(1,620)	-2%	
01-52102-105	UTRWD Riverbend Treatment	1,608	2,138	2,700	3,596	4,675	13,500	10,800	400%	rate decr, vol incr
UTRWD Riverbend Capital Charges					19,507	23,642	33,580	33,580		NA
01-52111-105	UTRWD Peninsula Demand Charge	187,575	199,023	596,000	329,000	396,367	561,650	(34,350)	-6%	
01-52112-105	UTRWD Peninsula Treatment	111,298	147,212	180,000	176,784	214,540	286,160	106,160	59%	rate decr, vol incr
UTRWD Peninsula Capital Charges					143,850	175,817	66,260	66,260		NA
01-52121-105	UTRWD Doe Branch Demand Charge	-	-	63,485	-	-	98,000	34,515	54%	
01-52122-105	UTRWD Doe Branch Treatment	60,553	100,329	120,000	138,151	163,382	12,570	(107,430)	-90%	rate decr, vol decr
UTRWD Doe Branch Capital Charges					2,910	3,554	-	-		NA
01-52127-105	UTRWD Transportation Charge	250	250	300	250	300	-	(300)	-100%	no longer needed
Wastewater Treatment Costs		363,238	455,949	1,031,275	844,525	1,024,609	1,138,890	107,615	10%	
01-52300-105	Chemicals	53,177	54,005	210,000	76,092	101,456	210,000	-	0%	
01-52400-105	Office Supplies	67	810	1,000	206	274	1,000	-	0%	
01-52415-105	Small Tools & Parts	1,461	1,374	2,000	193	257	2,000	-	0%	
01-52450-105	Collection System Mat/Supl	-	-	5,000	203	271	5,000	-	0%	
01-52610-105	Rent & Lease Equipment	-	800	1,800	-	-	1,800	-	0%	
01-52700-105	Employee Training & Licenses	641	464	2,500	1,038	1,383	3,000	500	20%	add'l employee
01-52705-105	Employee Travel-Hotel Food etc	-	411	1,000	-	-	2,500	1,500	150%	more travel
01-52715-105	Employee Drug Test/Medical Exp	208	177	400	102	136	400	-	0%	
01-52750-105	Uniforms	1,156	549	2,000	769	1,026	2,000	-	0%	
01-52900-105	Damages Paid	-	-	2,000	-	-	2,000	-	0%	
01-52999-105	Miscellaneous Expense	-	348	1,000	321	429	1,000	-	0%	
General Operating Costs		56,710	58,938	228,700	78,923	105,231	230,700	2,000	1%	
01-54300-105	Vehicle Repairs & Maintenance	659	14,085	20,000	2,077	14,770	20,000	-	0%	
01-54500-105	Gen System Repairs/Maint	4,978	10,718	45,000	26,874	35,832	45,000	-	0%	
01-54600-105	Collections Equip Repairs/Main	1,147	-	5,000	1,464	1,952	5,000	-	0%	
Maintenance Costs		6,784	24,803	70,000	30,416	52,554	70,000	-	0%	
01-55010-105	System Utilities - Electricity	-	-	21,000	5,726	7,634	21,000	-	0%	
01-55020-105	Communications - Telephone	-	-	420	418	558	600	180	43%	better allocation
01-55025-105	Communications - Other	-	22,247	10,000	8,582	11,442	12,000	2,000	20%	GIS, DigTess
01-55050-105	Vehicle Fuel	4,662	3,420	7,000	2,641	3,522	7,000	-	0%	
Utility Costs		4,662	25,668	38,420	17,367	23,156	40,600	2,180	6%	
01-56010-105	Professional Service-Engineer	-	63,292	80,000	53,205	70,941	80,000	-	0%	
Professional Service Costs		-	63,292	80,000	53,205	70,941	80,000	-	0%	
01-57010-105	Insurance - Facilities	-	20	500	75	75	500	-	0%	
01-57015-105	Insurance-Vehicles	718	951	900	891	891	1,200	300	33%	add'l vehicle
Insurance Costs		718	970	1,400	966	966	1,700	300	21%	
01-59000-104	Capital Expenditures	-	-	-	19,188	19,188	-	-		NA only as needed
Capital Costs		-	-	-	19,188	19,188	-	-	NA	
Wastewater Operations Cost		534,070	751,943	1,625,875	1,184,356	1,461,464	1,799,310	173,435	11%	

ATTACHMENT 6.B.i.

Mustang Special Utility District Requested FY2017 Budget Debt Service

Account	Description	FY2014 Actual	FY2015 Actual	FY2016 Budget	FY2016 As of 7/31	FY2016 Projected	FY2017 Requested	Justification
01-58020-106	Temple Dane Note-Principal	121,784	126,784	131,990	131,988	131,988	137,410	
01-58021-106	Temple Dane Note-Interest	91,667	86,668	81,465	81,463	81,463	76,045	
01-58060-106	Principal-2006 Rev Bond	-	-	142,645	-	142,645	149,960	
01-58061-106	Interest-2006 Rev Bond	45,621	42,988	80,270	40,135	80,270	74,565	
01-58080-106	Principal-2008 Rev Bond	-	-	105,000	-	105,000	110,000	
01-58081-106	Interest-2008 Revenue Bond	70,848	68,116	130,485	65,241	130,482	124,445	
01-58090-106	Principal 2009 Revenue Bond	-	-	45,000	-	45,000	45,000	
01-58091-106	Interest-2009 Revenue Bond	29,498	28,898	55,395	27,698	55,396	52,695	
	Principal-2016 Revenue Bond	-	-	-	-	24,000	29,000	
	Interest-2016 Revenue Bond	-	-	-	-	840	5,000	
01-58900-106	Paying Agent Fees	900	900	1,200	900	900	1,200	
01-58950-106	Bond Issuance Costs	67,575	-	70,000	-	-	-	
	Debt Service - Water	427,892	354,353	843,450	347,425	797,984	805,320	
01-58060-108	Principal-2006 Rev Bond	-	-	52,360	-	52,360	55,045	
01-58061-108	Interest-2006 Revenue Bond	16,745	15,779	29,465	14,731	29,462	27,370	
01-58140-108	Principal-2014 Revenue Bond	-	-	-	-	-	-	
01-58141-108	Interest-2014 Revenue Bond	-	31,484	62,970	31,484	62,968	62,970	
	Principal-2016A Revenue Bond	-	-	-	-	-	-	
	Interest-2016A Revenue Bond	-	-	-	-	-	-	
	Debt Service - Wastewater	16,745	47,262	144,795	46,215	144,790	145,385	
	Total Debt Service	444,638	401,615	988,245	393,640	942,774	950,705	

ATTACHMENT 6.B.i.

Mustang Special Utility District Requested FY2017 Budget Capital Projects

Account	Description	FY2014 Actual	FY2015 Actual	FY2016 Budget	FY2016 As of 7/31	FY2016 Projected	FY2017 Requested	Justification
05-59000-777	Professional Services	80,620	5,560	-	-	-	-	
	Total Professional Services	80,620	5,560	-	-	-	-	
05-59010-777	Buildings & Structures	-	-	120,000	-	120,000	85,000	
	Total Buildings & Structures	-	-	120,000	-	120,000	85,000	
05-59020-777	Capital-Motor Vehicles & Equip	22,973	440,609	40,000	26,138	26,138	173,900	
	Total Vehicles & Equipment	22,973	440,609	40,000	26,138	26,138	173,900	
05-59030-777	Water/Sewer Lines	-	35,138	1,250,500	-	-	13,248,990	
05-59030-777-1013	Temple Dane Improvements	-	-	126,450	125,032	125,032	-	
05-59030-777-1023	New Well - Crossroads	-	-	1,975,000	24,432	250,000	-	
05-59030-777-1025	Naylor Rd Water Line Extension	-	-	150,440	4,869	150,440	-	
05-59030-777-1026	Level Sensors - all wells	-	-	90,500	773	775	-	
	SCADA Upgrades	-	-	250,000	-	125,000	-	
05-59030-777-1027	CCN - Crescent Oaks/Oak Point	-	-	1,600,000	1,542,017	1,542,020	-	
05-59030-777-1029	New Well - Light Ranch Estates	-	-	2,442,000	137,053	650,000	-	
05-59030-777-1030	Deactivate Wells 8 & 9	-	-	30,260	30,344	30,344	-	
05-59030-777-1031	Green Meadows Delivery Point	-	-	150,000	11,772	12,000	-	
05-59030-777-1032	Lincoln Park infrastructure	-	-	100,000	100,000	100,000	-	
05-59030-777-5001	Capacity - Riverbend	-	-	10,000,000	10,044,184	10,045,000	-	
05-59030-777-5002	Oak Hill Estates Interceptor	-	-	600,000	2,027	2,030	-	
	Total Water & Sewer Lines	-	35,138	18,765,150	12,022,503	13,032,641	13,248,990	
05-59050-777	Computer Software/Hardware	21,900	-	118,780	83,500	118,780	-	
	Total Computer Systems	21,900	-	118,780	83,500	118,780	-	
	Total Capital Projects Fund	125,493	481,307	19,043,930	12,132,141	13,297,559	13,507,890	

Mustang SUD Capital Improvement Plan

Proposed Budget FY2017

5 Year CIP Planning

Description	Status	to be		Budget 2017	Budget 2018	Budget 2019	Budget 2020	Budget 2021	Future Budgets	Total Future Amounts
		Current Budget 2016	Amended Budget 2016							
Professional Services										
Vehicles and Equipment										
New Mower	open	10,000	-	12,000						-
F150 Truck (new)	complete	30,000	26,140							-
New Computer Software and related hardware	open	118,780	118,780							-
F150 Truck (replace 108)	future			30,000						-
F150 Truck (new)	future			30,000						-
F150 Truck (new)	future			30,000						-
F350 Truck with service body and crane - wastewater	future			60,000						-
Gas-powered Compactor/Tamper	future			4,000						-
ICS Gas Chain Saw	future			4,000						-
Walk Behind Saw for Concrete/Pavement	future			3,900						-
Vactor Truck (replace 401, purch 2004)	future				160,000					160,000
Buildings & Structures (not part of a system)										
Office Building - Internal Expansion	future	120,000	120,000	75,000						-
Office Building - Painting	future			10,000						-
Water Systems										
Well #1 Improvements	future	8,000	-	8,000						-
Deactivate Wells 8, 9	complete	30,260	30,344							-
Repair Exposed Line across Cantrell Slough, 12" Line	future	75,000	-	75,000						-
Add Level Sensors to Wells	open	90,500	775	10,000	79,725					79,725
Temple Dane Pump Station: upgrade pumps to 8000 GPM	complete	126,450	125,032							-
Naylor Road Line Extension	open	150,440	150,440							-
Naylor Road Line Extension - South End	future			278,000						-
Cross Roads (Riley) Well	open	1,975,000	250,000	1,725,000						-
Light Ranch Estates Well (USDA funded)	open	2,442,000	650,000	1,792,000						-
Light Ranch Ground Storage Tank	future				500,000					500,000
FM 720: Line relocation for TXDOT project - Phase 2	future	500,000	-	500,000						-
Temple Dane Building Improvements (shown at 35% of full cost)	future	17,500	-	17,500						-
New Line Installation	future	150,000	-	150,000						-
Green Meadows Delivery Point	open	150,000	12,000	438,000						-
SCADA upgrades	open	250,000	125,000	125,000						-
Oak Point/Crescent Oaks	complete	1,600,000	1,542,020							-
Lincoln Park Infrastructure	future	100,000	100,000	100,000	100,000	100,000	100,000		500,000	800,000
Distribution Main - Replace Asbestos Line, 16" Line	open			300,000						-
Wild Ridge (WCID 4) Well and Treatment Facility (1,000 GPM)	future				1,444,377					1,444,377
Oak Point (WCID 4) 12" Line	future			212,520						-
Distribution Main - Mustang Road, 6" Line	future				361,914					361,914
Arvin Hill - Hwy 377 8" Line Installation	future				215,000					215,000
FM 455 Water Line Replacement	open				221,000	221,000			221,000	663,000
New Hope Road 8 Inch Line Installation	open				100,000	200,000			150,000	450,000
Transmission Main: Navo Rd to Fishtrap Rd, 18" Line	future				1,881,900					1,881,900
Transmission Main: FM 1385 to FM 428, 36" Line	future				2,933,469					2,933,469
Riley Well Elevated Tank (1 MG)	future			3,200,000	500,000					500,000
Industrial Parkway Well and Treatment Facility (1,000 GPM)	future								1,481,941	1,481,941
The Lakes Elevated Tank (1 MG) (Developer Responsibility)	future				2,584,950					2,584,950
Transmission Main: Fishtrap Rd to Byran Rd, 24" Line	future				1,473,030					1,473,030
Transmission Main: FM 428 to Smiley Rd EST, 36" Line	future					4,570,183				4,570,183
Green Meadows Elevated Storage Tank (1 MG)	future					2,584,950				2,584,950
Krugerville Elevated Tank (1.5 MG)	future								2,584,950	2,584,950
The Lakes #1 Well and Treatment Facility (1,000 GPM) (Developer)	future									-
Transmission Main: Smiley Rd to Talley Ranch, 24" Line	future						4,715,166			4,715,166
Green Meadows Ground Storage Tank (.5 MGD)	future			750,000			1,000,000			1,000,000
Green Meadows Pump Station	future			500,000						-

ATTACHMENT C-1

Description	Status	10 06			Budget 2018	Budget 2019	Budget 2020	Budget 2021	Future Budgets	Total Future Amounts
		Current Budget 2016	Amended Budget 2016	Budget 2017						
Sandbrook Transmission Line 24"	future			750,000						-
Jackson Ridge Ground Storage Tank (2MG)	future						1,000,000			1,000,000
Jackson Ridge Pump Station (2,000 GPM)	future						4,107,500			4,107,500
Oak Point Well and Treatment Facility (1,500 GPM)	2025							2,166,565		2,166,565
Transmission Main - Oak Point EST to Oak Point Well - 12" Line	2030							76,590		76,590
The Lakes #2 Well and Treatment Facility (1,000 GPM)	2023							1,371,228		1,371,228
Well #3 Expansion (add 1500 GPM)	2025							1,898,775		1,898,775
Transmission Main: Industrial Pkwy to Spring Hill Rd - 24" Line	2025							2,230,995		2,230,995
Transmission Main: Spring Hill Rd to Well #5 - 18" Line	2025							3,541,860		3,541,860
The Lakes #3 Well and Treatment Facility (1,000 GPM)	2030							1,371,228		1,371,228
Transmission Main: Temple Dane to Northwest - 16" Line	2030							1,500,000		1,500,000
Well #4 Expansion (add 500 GPM)	2035							750,000		750,000
Jackson Ridge Pump Station (add 2,000 GPM)	2023							200,000		200,000
Jackson Ridge Pump Station (add 2,000 GPM)	2023							200,000		200,000
Jackson Ridge Pump Station (add 2,000 GPM)	2023							200,000		200,000
Tischler Rd Elevated Storage Tank (1 MG)	2025							3,000,000		3,000,000
Four Seasons Ground Storage Tank (1 MG)	2025							650,000		650,000
Four Seasons Well (1,000 GPM)	2025							1,500,000		1,500,000
Four Seasons Elevated Tank (1 MG)	2025							4,715,166		4,715,166
Four Seasons Distribution Main, 20" Line	2025							554,745		554,745
Talley Ranch Well #1 (1,000 GPM)	2028							1,500,000		1,500,000
Talley Ranch Well #2 (1,000 GPM)	2030							1,500,000		1,500,000
Talley Ranch Well #3 (1,000 GPM)	2030							1,500,000		1,500,000
Transmission Main: Talley Ranch to Four Seasons, 24" Line	2030							2,233,295		2,233,295
Surface Water Pump Station (5,000 GPM)	2032							8,000,000		8,000,000
Surface Water Pump Station (add 5,000 GPM)	2035							500,000		500,000
Transmission Main: Lights Ranch Rd to Hanes Rd, 6" Line	2035							353,700		353,700
Transmission Main: FM 1385 to Hanes Rd, 6" Line	2035							601,680		601,680
Wastewater Systems										
Oak Hill Estates Interceptor Line	future	600,000	2,030	597,970						-
Fishtrap Road to Riverbend WRP Interceptor Line	future	500,000	-	-				1,265,850		1,265,850
Additional Capacity - UTRWD Riverbend (USDA loan)	future	10,000,000	10,045,000	1,655,000						-
Discharge Permit	future			65,000						-
Additional Capacity - UTRWD Doe Branch	future						7,000,000			7,000,000
Totals		19,043,930	13,297,561	13,507,890	12,555,365	7,676,133	12,815,166	5,107,500	48,319,568	86,473,732

Professional Services				
Buildings/Structures (not part of Water or Wastewater System)	120,000	120,000	85,000	
Vehicles and Equipment	40,000	26,140	173,900	
Water System	7,665,150	2,985,611	10,931,020	
Wastewater System	11,100,000	10,047,030	2,317,970	
Computer Software/Hardware	118,780	118,780	-	
	19,043,930	13,297,561	13,507,890	

MUSTANG SPECIAL UTILITY DISTRICT

of Denton County, Texas

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30, 2016

General Manager
Chris Boyd

Finance Director
Patty Parks



**MUSTANG SPECIAL UTILITY DISTRICT
ANNUAL FILING AFFIDAVIT**

THE STATE OF TEXAS }

COUNTY OF _____ }

I, _____ of the
(Name of Duly Authorized District Representative)

MUSTANG SPECIAL UTILITY DISTRICT
(Name of District)

hereby swear, that the District named above has reviewed and approved at a meeting of the Board of the Directors of the District on the _____ day of _____, 2017, its annual audit report for the fiscal year ended *September 30, 2016* and that copies of the annual audit report have been filed in the district office, located at:

7985 FM 2931, AUBREY, TX 76227

The annual filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of the annual filing requirements of Texas Water Code Section 49.194.

Date: _____ By: _____
(Signature of District Representative)

(Typed Name & Title of above District Representative)

My Commission Expires on: _____
Notary Public in the State of Texas.



**MUSTANG SPECIAL UTILITY DISTRICT
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED SEPTEMBER 30, 2016**

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 FISCAL YEAR ENDED SEPTEMBER 30, 2016**

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