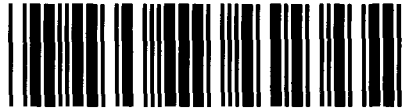




Control Number: 48054



Item Number: 1

Addendum StartPage: 0



PURSUANT TO PUC CHAPTER 24, SUBCHAPTER G: CERTIFICATES OF CONVENIENCE AND NECESSITY

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

Docket Number: **48054**

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

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

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

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

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

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

1. Applicant Information

Applicant	
Utility name: Canyon Falls Municipal Utility District No. 1 of Denton County	
Certificate number:	
Street address (City/ST/ZIP/Code): 19 Briar Hollow Lane, Ste 245	
Mailing address(City/ST/ZIP/Code): Houston, TX 77027-2858	
Utility Phone Number and Fax: (713) 621-3707	
Contact information	
Please provide information about the person(s) to be contacted regarding this application. Indicate if this person is the owner, operator, engineer, attorney, accountant manager, or other title related to the applicant.	
Name: Joe Freeland	Title: Attorney
Mailing address: 8140 N MoPac Expy, Ste 2-260, Austin, TX 78759	
Email: jfreeland@mandf.com	Phone and Fax: (512) 404-7800
List all counties in which service is proposed: Denton	

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

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

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

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

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

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

2. Location Information

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

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

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

Yes No

If YES, provide the following: **See Addendum 1**

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

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

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

Yes No

If YES, within the corporate limits of: Canyon Falls Municipal Utility District No. 1 of Denton County

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

The applicant is the district.

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

Yes No

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

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

3. Map Requirements

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

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

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

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

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

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

- A. Please provide the following information: **See Addendum 3**
 - i. a list of public drinking water supply system(s) or sewer system(s) within a 2 mile radius of the proposed system;
 - ii. copies of written requests seeking to obtain service from each of the public drinking water systems or sewer systems listed in a. 1 above or documentation that it is not economically feasible to obtain service from each entity;
 - iii. copies of written responses from each system or evidence that they did not reply; and
 - iv. for sewer utilities, documentation showing that you have obtained or applied for a wastewater discharge permit.
- B. Were your requests for service denied? Yes No

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

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

Sewer service will be provided by the Town of Argyle. The entire district is inside the boundaries of Argyle's sewer CCN No. 20826.

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

G. Effect of Granting a Certificate Amendment.

Explain in detail the effect of granting of a certificate or an amendment, including, but not limited to regionalization, compliance and economic effects on the following: **Addendum 5**

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

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

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

ii. Yes, Water

Purchased on a Regular Seasonal Emergency basis?

Water Source	% of Total Treatment
Town of Northlake	100.00%

Water Source	% of Total Treatment
	0.00%
	0.00%

- iii. Yes, Sewer treatment capacity
Purchased on a Regular Seasonal Emergency basis?

Sewer Source	% of Total Treatment
	0.00%
	0.00%
	0.00%

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

i. Ability to Provide Adequate Service. **See Addendum 6**

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

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

See Addendum 6

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

The issuance of the CCN will ensure that the land is developed as planned.

6. Financial Information

A. For new water and/or sewer systems and for applicants with existing CCNs who are constructing a new stand-alone water and/or sewer system:

See Addendum 7

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

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

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

B. For existing water and/or sewer systems:

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

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

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

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

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

7. Notice Requirements

- A. All proposed notice forms must be completed and submitted with the application. Do not mail or publish the notices until you receive written approval from the commission to do so.
- B. The commission cannot grant a CCN until proper notice of the application has been given. Commission rules do not allow a waiver of notice requirements for CCN applicants.
- C. It is the applicant's responsibility to ensure that proper notice is given to all entities that are required to receive notice.
- D. Recommended notice forms for publication, neighboring cities and systems, landowners with 25 acres or more, and customers are included with this application for use in preparing proposed notices. (Notice forms are available in Spanish upon request.)
- E. After reviewing and, if necessary, modifying the proposed notice, the commission will send the notice to the applicant after the application is accepted for filing along with instructions for publication and/or mailing. Please review the notice carefully before providing the notice.
- F. Notice For Publication:
The applicant shall publish the notice in a newspaper with general circulation in the county(ies) where a CCN is being requested. The notice must be published once each week for two consecutive weeks beginning with the week after the notice is received from the commission. Proof of publication in the form of a publisher's affidavit shall be submitted to the commission within 30 days of the last publication date. The affidavit shall state with specificity each county in which the newspaper is of general circulation.
- G. Notice To Neighboring Utilities:
 - i. List all neighboring retail public utilities and cities providing the same utility service within the following vicinities of the applicant's proposed certificate area. **See Addendum 8**
 - ii. For applications for the issuance of a NEW CCN, the applicant must mail the notice with a copy of the proposed CCN map to all cities and neighboring retail public utilities providing the same utility service within five (5) miles of the requested service area.

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

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

OATH

STATE OF Texas
COUNTY OF Denton

I, James R. Campbell, being duly sworn, file this application as President, Canyon Falls MUD #1 of Denton County (indicate relationship to Applicant, that is, owner, member of partnership, title as officer of corporation, or other authorized representative of Applicant); that, in such capacity, I am qualified and authorized to file and verify such application, am personally familiar with the maps and financial information filed with this application, and have complied with all the requirements contained in this application; and, that all such statements made and matters set forth therein are true and correct. I further state that the application is made in good faith and that this application does not duplicate any filing presently before the Public Utility Commission of Texas.

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

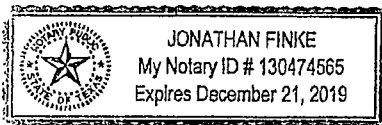
I further represent that the Applicant will provide continuous and adequate service to all customers and qualified applicants for service within its certificated service area.

James R. Campbell
AFFIANT
(Utility's Authorized Representative)

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

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public in and for the State of Texas, This day 9th of FEBRUARY 20 18

SEAL



[Signature]
NOTARY PUBLIC IN AND FOR THE STATE OF TEXAS

JONATHAN FINKE
PRINT OR TYPE NAME OF NOTARY

MY COMMISSION EXPIRES 12/21/2019

Notice for Publication

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

Name of Applicant Canyon Falls Municipal Utility District No. 1 of Denton County has filed an application for a
CCN to obtain or amend CCN No. (s) and to
decertify a portion(s) of _____ with the
(Name of Decertified Utility)

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

utility service in Denton County
(ies).

The proposed utility service area is located approximately 3 miles south
[direction] of downtown Town of Argyle, [City or Town] Texas, and is
generally bounded on the north by Forest Trail; on the east by
Stonecrest Road; on the south by Canyon Falls Drive; and on the west by Graham Branch Creek

The total area being requested includes approximately 161 acres and 0
current customers.

A copy of the proposed service area map is available at (Utility Address and Phone
Number): 19 Briar Hollow Lane, Ste 245, Houston, Texas 77027 (713) 621-3707

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

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

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

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

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

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

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

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

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

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

Notice to Neighboring Systems, Landowners and Cities

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

DENTON _____ COUNTY(IES), TEXAS

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

(Address)

City State Zip

Name of Applicant Canyon Falls Municipal Utility District No. 1 has filed an application for a
CCN to obtain or amend CCN No. (s) _____ and to
decertify a portion(s) of _____ with the
(Name of Decertified Utility)

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

The proposed utility service area is located approximately 3 miles south
[direction] of downtown Town of Argyle , [City or Town] Texas, and is
generally bounded on the north by Forest Trail ; on the east by
Stonecrest Road ; on the south by Canyon Falls Drive ; and on the west by Graham Branch Creek

See enclosed map of the proposed service area.

The total area being requested includes approximately 161 acres and 0
current customers.

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

Persons who wish to intervene or comment should write the:

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

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

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

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

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

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

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

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

Notice to Customers of IOUs in Proposed Area

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

Dear Customer: _____ Date Notice Mailed _____ 20 _____

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

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

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

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

The current utility rates which were first effective on _____ 20 _____

Monthly Flat Rate of \$ _____ Per connection

-OR-

Monthly Base Rate Including per _____ gallons connection for:

5/8" meter	\$	
1" meter	\$	
1 1/2" meter	\$	
2" meter	\$	

Other\$ _____

Gallonage charge of \$ _____ Per 1,000 Gallons above minimum (same for all meters sizes)

Miscellaneous Fees

Regulatory Assessment

Tap Fee (Average Actual Cost)

Reconnecting fee:

- Non Payment (\$25.00 max)
- Transfer
- Customer's request

Late fee

Returned Check charge

Customer Deposit (\$50.00 max)

Meter test fee

(Actual Cost not Exceed \$25.00)

Other Fees

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

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

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

Persons who wish to intervene or comment should write the:

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

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

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

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

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

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

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

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

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

HISTORICAL BALANCE SHEETS

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

HISTORICAL INCOME STATEMENT

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

HISTORICAL EXPENSES STATEMENT

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

PROJECTED BALANCE SHEETS

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

PROJECTED INCOME STATEMENT

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

PROJECTED EXPENSES STATEMENT

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

PROJECTED SOURCES AND USES OF CASH STATEMENTS

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

**Application to Obtain a Water Certificate of Convenience and Necessity
Canyon Falls Municipal Utility District No. 1 of Denton County**

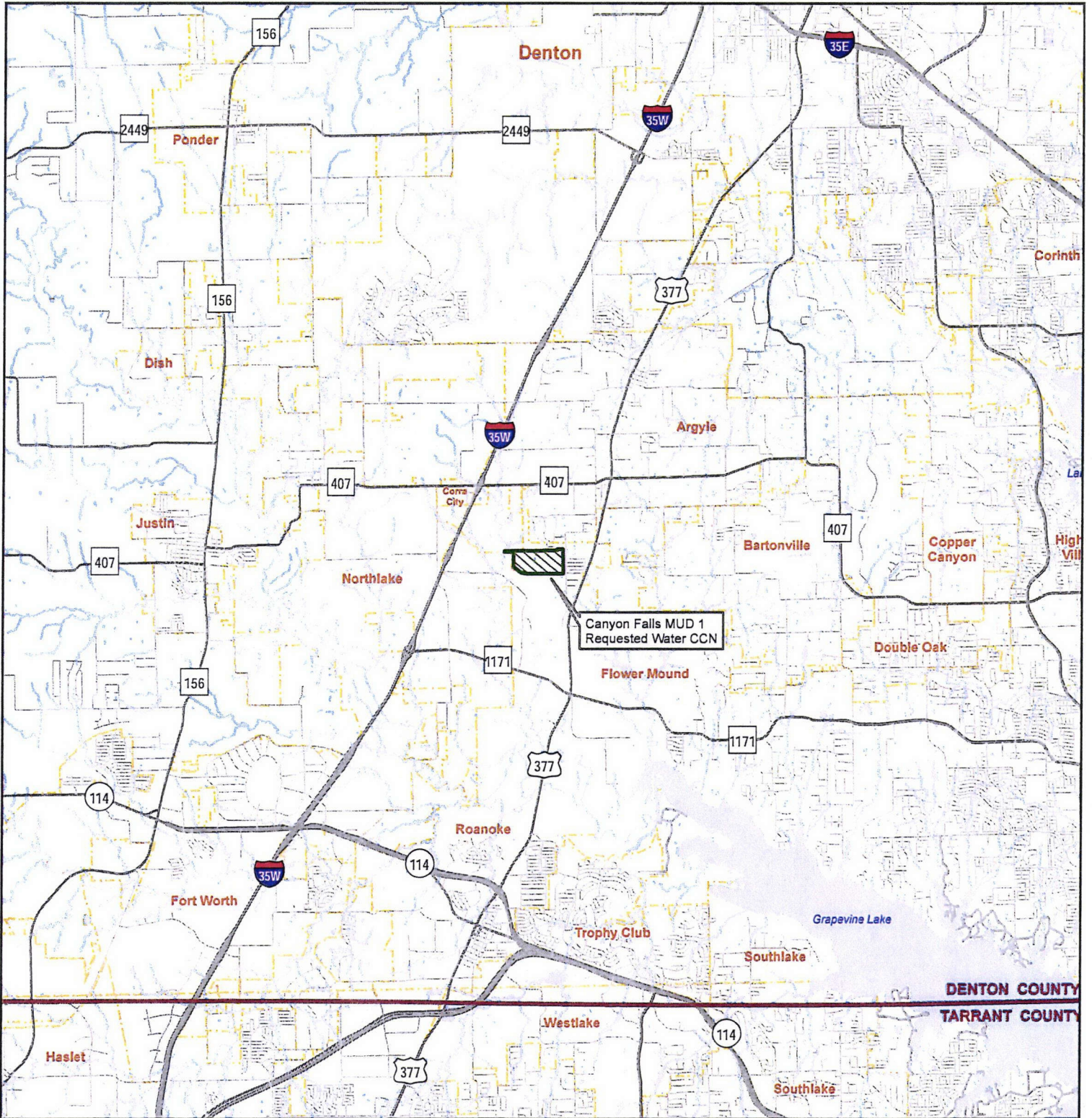
**Addendum 1
Demonstration of Need for Additional Service**

The Requested Area is currently undeveloped agriculture land that is being developed into a residential subdivision with approximately 340 single-family residences. The Requested Area is not within the certificated service area of any existing retail public utility.

Canyon Falls Municipal Utility District No. 1 of Denton County (the “District” or “Applicant”) was created in 2008 for the purpose of providing water utility infrastructure and service to the land inside the district’s boundaries as the land is developed. The District was formed with the consent of the landowners, who created the District for the purpose of providing utility service within the District’s boundaries.

**Application to Obtain a Water Certificate of Convenience and Necessity
Canyon Falls Municipal Utility District No. 1 of Denton County**

**Addendum 2
Maps**



General Location

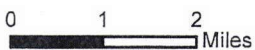
Canyon Falls MUD 1
 Application to Obtain a Water CCN
 in Denton County

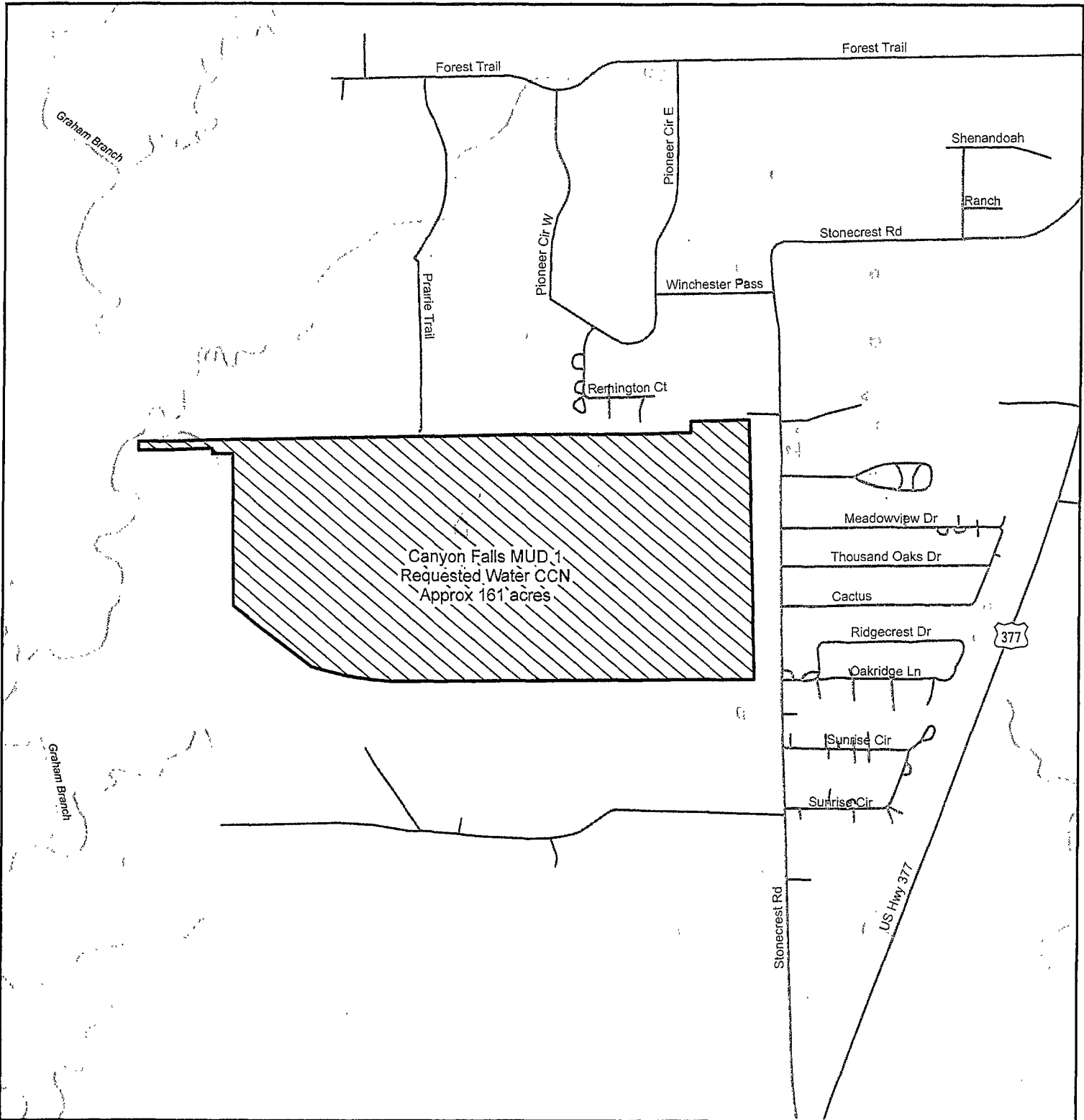
 Cities

Requested Water CCN Service Area



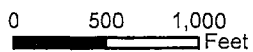
Canyon Falls MUD 1- approx 161 acres






Large Scale Map

Canyon Falls MUD 1
 Application to Obtain a Water CCN
 in Denton County



Requested Water CCN Service Area

 Canyon Falls MUD 1- approx 161 acres

Map by: S. Burt, ASBGI
 Date: January 11, 2018
 Base: StratMap Transv2
 Project: Large Scale Map

**Application to Obtain a Water Certificate of Convenience and Necessity
Canyon Falls Municipal Utility District No. 1 of Denton County**

**Addendum 3
Information on Neighboring
Public Drinking Water Systems**

List of public drinking water supply systems within a 2 mile radius of the proposed system.

Utility Name	CCN Number
Argyle Water Supply Corporation	10199
Bartonville Water Supply Corporation	10197
Monarch Utilities I, LP	12983
Town of Northlake	12915
Town of Flower Mound	10982

Prior to forming the District, the landowner inquired about obtaining service from Argyle WSC, and the Towns of Northlake and Flower Mound. Based on those responses, the landowners decided to form the District. The District has the statutory obligation to provide retail water utility service inside the District's boundaries. The District has entered into an agreement with the Town of Northlake to obtain wholesale water service.

**Application to Obtain a Water Certificate of Convenience and Necessity
Canyon Falls Municipal Utility District No. 1 of Denton County**

**Addendum 4
TCEQ Approval Letter**

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



PWS_0610235_CO_20161031_Plan Ltr

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

October 31, 2016

Mr. Thomas K. Dayton, P.E.
J. Volk Consulting, Inc
395 West State Hwy 114
Southlake, TX 76092

Re: Town of Northlake - Public Water System ID No. 0610235
Proposed Distribution System for Canyon Falls Village 7-AR less than 10%
Engineer Contact Telephone: (972) 201-3100
Plan Review Log No. P-09022016-019
Denton County, Texas

CN600702799; RN101274298

Dear Mr. Dayton:

On September 2, 2016, the Texas Commission on Environmental Quality (TCEQ) received notification dated August 26, 2016 of the proposed changes to the above referenced public water system. Based on our review of the information submitted, it appears that the proposed project consisting of the construction of distribution lines and 69 service connections constitutes less than ten percent of the 990 existing service connections of the above referenced public water system; therefore, it **does not require the submission of engineering plans and specifications** for commission review and approval under the provisions of Title 30 Texas Administrative Code (TAC) §290.39(j)(1)(D).

The design and construction of the proposed waterline must comply with the provisions of 30 TAC Chapter 290 of the TCEQ's Rules and Regulations for Public Water Systems.

The approved project consists of:

- 2,708 linear feet (lf) of 8-inch American Water Works Association Standard C900 dimension ratio 18 polyvinyl chloride waterlines; and
- Various valves, fittings and related appurtenances

This approval is for the construction of the above listed items only. Any wastewater components contained in this design were not considered.

The Town of Northlake public water supply system provides water treatment.

The project is located in the area northeast of the intersection of Farm to Market 1171 (Cross Timbers Road) and Farm to Market 338 (Cleveland Gibbs Road) in Denton County, Texas.

Mr. Thomas K. Dayton, P.E.
Page 2
October 31, 2016

We recommend that you notify the TCEQ Region No. 4 Office in Dallas/Fort Worth at (817) 588-5800 at commencement and completion of construction as required in the rule.

Please refer to the Plan Review Team's Log No. P-09022016-019 in all correspondence for this project.

Please Note: In order to determine if a new source of water or a new treatment process results in corrosive or aggressive finished water that may endanger human health, we are requesting additional sampling and analysis of lead, alkalinity (as calcium carbonate), calcium (as calcium carbonate) and sodium in addition to the required chemical test results for public water system new sources. We are requiring these additional sampling results as listed in our currently revised checklists (Public Well Completion Data Checklist for Interim Use - Step 2 and Membrane Use Checklist - Step 2) which can be found on TCEQ's website at the following address:

<https://www.tceq.texas.gov/drinkingwater/udpubs.html>

Please include these additional sampling results in well completion submittals, membrane use submittals, and other treatment process submittals.

New surface water sources will need to also include lead, total dissolved solids, pH, alkalinity (as calcium carbonate), chloride, sulfate, calcium (as calcium carbonate) and sodium with the analysis required in 30 TAC Section 290.41(e)(1)(F).

Please complete a copy of the most current Public Water System Plan Review Submittal form for any future submittals to TCEQ. Every blank on the form must be completed to minimize any delays in the review of your project. The document is available on TCEQ's website at the address shown below. You can also download the most current plan submittal checklists and forms from the same address.

<https://www.tceq.texas.gov/drinkingwater/udpubs.html>

For future reference, you can review part of the Plan Review Team's database to see if we have received your project. This is available on TCEQ's website at the following address:

<https://www.tceq.texas.gov/drinkingwater/planrev.html/#status>

You can download the latest revision of 30 TAC Chapter 290 - [Rules and Regulations for Public Water Systems](#) from this site.

Mr. Thomas K. Dayton, P.E.
Page 3
October 31, 2016

If you have any questions concerning this letter or need further assistance, please contact Mr. Gunnar Dubke, E.I.T. at (512) 239-1480 or by email at gunnar.dubke@tceq.texas.gov or by correspondence at the following address:

Plan Review Team, MC-159
Texas Commission on Environmental Quality
P.O. Box 13087
Austin, Texas 78711-3087

Sincerely,



Craig A. Stowell, P.E.
Plan Review Team
Plan and Technical Review Section
Water Supply Division
Texas Commission on Environmental Quality



Vera Poe, P.E., Team Leader
Plan Review Team
Plan and Technical Review Section
Water Supply Division
Texas Commission on Environmental Quality

VP/CAS/gd/av

cc: Town of Northlake, Attn: Honorable Mayor Peter Dewing,
1400 Farm to Market 407, Northlake, TX 76247-6228

**Application to Obtain a Water Certificate of Convenience and Necessity
Canyon Falls Municipal Utility District No. 1 of Denton County**

**Addendum 5
Effect of Granting of a CCN**

The granting of the CCN as requested will allow the District to fulfill its statutory obligation to provide retail water utility service inside the District's boundaries, while providing notice to neighboring water providers that the District will meet the service needs within the Requested Area.

Because the Requested Area is located entirely inside the District's boundaries, the retail water utilities in the proximate area will not be affected by the granting of the CCN.

The landowner inside the Requested Area will receive water utility service and will be able to market the subdivision because of the presence of water utility service.

**Application to Obtain a Water Certificate of Convenience and Necessity
Canyon Falls Municipal Utility District No. 1 of Denton County**

**Addendum 6
Ability to Provide Adequate Service**

A copy of a Water System Management Services Agreement dated October 24, 2017, between the District, and the Towns of Argyle and Northlake is attached. Pursuant to this Agreement, the District will construct a water distribution system to serve the customers of the District and will obtain water operations and maintenance services from Northlake.

At full build out, it is anticipated that the Requested Area will contain 340 single-family connections. Northlake has agreed to ensure that continuous and adequate water service will be provided to these customers in times and in amounts needed as the District develops.

**I.
SERVICES**

A. ADMINISTRATIVE SERVICES

The following administrative services shall be provided by Northlake:

1. Organization. Northlake shall administer the work, activities, and operations of the System in accordance with the terms of this Agreement. Northlake shall administer the Sewer Billing on behalf of Argyle in accordance with the terms of this Agreement.
2. Personnel. Northlake shall provide competent, trained personnel. System supervisors and/or operators and Northlake employees who manage Sewer Billing shall be licensed or certified by the appropriate state governmental authority, as applicable.
3. Training. Northlake shall maintain a continuing education program for all employees.
4. Start Up. When first assuming operations management of the System, Northlake shall:
 - a. Enter into and maintain in the main frame computer program all of the District's Customer and Rate Order information necessary to provide monthly billings to the District's customers;
 - b. Inventory and maintain a listing of all of the District's equipment including manufacturer's model and serial numbers, motor frame numbers and other such data as required to provide immediate information for the Scheduled Maintenance Program, as defined herein, and repair or replacement of the District's equipment;
 - c. Assist the District in preparing a rate order, including informing the District of any fees that will be charged to the customers of the District by Northlake in accordance with this Agreement, and, upon request, analyze the existing rate order and budget for adequacy and consistency;
 - d. Assist in the preparation of an annual operating budget for the District; including providing an estimate of the projected operation and maintenance costs for the upcoming fiscal year; and
 - e. Using hardware and software provided by the District, operate the SCADA systems, if any.

5. Maintenance Scheduling. Northlake shall provide a Scheduled Maintenance Program to the District for the equipment used hereunder and applicable to the System. The resulting monthly schedule lists the specific equipment to be serviced, the detailed service procedure, specified oil or grease to be used, and a history of service, maintenance and replacements.
6. 24 Hour Service. Northlake shall maintain 24 hour telephone and dispatch service with qualified personnel to respond to problems and equipment malfunctions related to the System.
7. Automatic Telephone Alarm. Northlake shall monitor computer or automatic dialed telephone alarm systems at any of the District's facilities which are installed and programmed to call Northlake 24-hour telephone dispatch service.
8. Coordination with Consultants. Northlake shall coordinate with the District's other consultants, such as attorneys, engineers, auditors, bookkeepers, tax assessors, and financial advisors as necessary to maintain efficient operation of the System.
9. Inquiries and Correspondence. Northlake shall respond to routine inquiries or correspondence from the District's directors or consultants in a prompt, professional manner.
10. District Meetings. Northlake personnel will attend regularly scheduled meetings as requested. The Northlake representative will have direct knowledge of the District's ongoing operations or agenda items as appropriate.
11. Customer Relations. Northlake shall render reasonable assistance in the promotion of good relations with the District's and Argyle's customers.
12. District Funds. Northlake will establish a separate fund at a depository of Northlake (the "District Operating Fund"). The District's Operating Fund shall be kept separate and apart from all other funds of Northlake, and will be used solely for the deposit of payments received from the customers of the District and disbursements to the District. All funds collected by Northlake on behalf of the District shall be deposited in the District's Operating Fund on a weekly basis or as may otherwise be directed by the District. Northlake shall make transfers to the District of the collections received from the District's customers at least one time per month. All such funds are public funds and may be pledged to the payment of debts of the District; therefore, Northlake agrees that all such funds shall be deposited as provided above without setoff, counterclaim, abatement, suspension, or diminution. In connection with the foregoing, Northlake will maintain a bond in the amount of \$10,000. District, at its sole cost, may perform or cause to be performed an audit of Northlake's books of records and accounts related to the District Operating Fund. Northlake agrees to cooperate if such an audit is performed.

- a. Northlake shall place all funds in the District Operating Fund in demand deposits.
- b. The District Operating Fund shall be secured in the manner and to the fullest extent required by law for the security of funds of the District.
- c. Northlake shall keep proper books of records and accounts in which full, true, and correct entries will be made of all dealings, activities, and transactions relating to the District Operating Fund, and all books, documents, and vouchers relating thereto shall, during normal business hours be made available for inspection of District upon 72 hours notice.
- d. During the term of this Agreement, Northlake shall provide on an annual basis financial information and operating data with respect to the payments/withdrawals from any investment earnings for the District Operating Fund. Any financial information so provided shall be prepared in accordance with generally accepted accounting practices.

13. Argyle Funds. Northlake will establish a separate fund at a depository of Northlake (the "Argyle Sewer Billing Fund"). The Argyle Sewer Billing Fund shall be kept separate and apart from all other funds of Northlake, and will be used solely for the deposit of payments received from the customers of Argyle for sewer services. All funds collected by Northlake on behalf of Argyle shall be deposited in the Argyle Sewer Billing Fund on a weekly basis or as may otherwise be directed by Argyle. Argyle, at its sole cost, may perform or cause to be performed an audit of Northlake's books of records and accounts related to the Argyle Sewer Billing Fund. Northlake agrees to cooperate if such an audit is performed.

B. BASIC SERVICES

1. System and Sewer Billing Operations. Northlake shall provide personnel, vehicles and hand tools necessary for the routine operation of the System and for Sewer Billing services on behalf of Argyle.
2. System Inspection. Northlake shall monitor the System daily, including weekends and holidays as required by state regulations. Northlake employees, whenever they are within the District's boundaries, shall monitor the System in order to observe condition of leaks, defects, damage, and be alert for missing District equipment.
3. Daily Maintenance. Northlake shall provide the personnel and hand tools for the minor maintenance tasks required for the System that do not utilize specialized tools or technical skills.

4. Bulk Chemicals. Northlake shall arrange for an adequate inventory of chlorine and other bulk chemicals required to operate the System.
5. Metering. The District and Northlake agree that a water meter shall be placed at each connection, both residential and commercial, throughout the District to measure the water consumption of each customer.
6. Services and Fees. Northlake acknowledges that it will provide to District customers the same level of water operating services provided to Northlake's customers. Northlake agrees that for such services it will charge the District customers rates equal to the rates charged to Northlake's customers (the "Northlake Rate"), and the Northlake Rate shall include the costs of wholesale water purchase, operations, maintenance and repairs of the System. Should the Northlake Rate be adjusted, Northlake shall immediately provide the District with written notice of such adjustment so the District can amend its Service Rate Order accordingly.

The District and Northlake acknowledge that at full development there is projected to be 340 single family connections within the District. Northlake agrees to ensure that continuous and adequate water service be provided to District customers in times and amounts needed as the District develops.

7. Meter Reading, Billing and Collection. Northlake will read the District's water meters once each month, bill the customers (the "Monthly Bill") in accordance with the District's current Service Rate Order and deposit the collections in the District's Operating Account. The District authorizes Northlake to make adjustments to water bills for clerical errors, over or under registration of water meters, erroneous meter readings, establishment of water usage during time when meter has been inoperative, and other similar adjustments.
 - a. The District and Northlake acknowledge that the Monthly Bill shall also contain any District charges in accordance with the District's current Service Rate Order. Northlake agrees to collect such District charges on behalf of District in accordance with Northlake's own collection procedure under this section. Should the District amend its Service Rate Order, it will provide Northlake with notice of the amendment.
 - b. The District acknowledges that Northlake may include on the Monthly Bill Argyle's sanitary sewer fee charged to District customers.
 - c. With regard to payment to Northlake by the District's customers, Northlake will provide a dropbox for payment at the Canyon Falls site, and District customers shall have the ability to submit payment to Northlake by personal check deposited in the dropbox or mailed to Northlake's designated mailing address.
8. Sewer Billing. Northlake will include on the Monthly Bill charges as directed by

Argyle for the provision of sewer services to District customers that receive sewer services from Argyle.

9. Quarterly Operations Report. Northlake shall render a monthly quarterly operations report which shall be available to the District and/or Argyle upon request and which shall include the following information:
- a. Correspondence to regulatory authorities as appropriate.
 - b. Monthly water production flow data including System flushing report.
 - c. The number of gallons of water pumped from the District's System and the number of gallons billed to the District's customers.
 - d. Records regarding equipment repairs and replacements.
 - e. Facilities maintenance report including, abnormal change in condition of the equipment, needed repairs and recommendations as to the repair of such equipment.
 - f. Insurance claims filed on behalf of the District.
 - g. Informational reports relating to compliance status of the System.
 - h. Statistics relating to overall System operations using Northlake's software.
 - i. Operations and maintenance cost data for use in budget comparisons.
 - j. Customer account information including residential/builders connection report and account history report.
 - k. Number and type of connections set out in an available lots report.
 - l. Total number of water service connections. Total number of sewer service connections served by Argyle.
 - m. Monthly billing reports including cash receipts, the status of the collection of payments, and a report on utility deposit refunds.
 - n. Service customers' receivables, including 30, 60, and 90 day aged accounts.
 - o. Delinquent customer report, including information on termination of water service, protests or appeals made by customers, and any remittance to collection companies.

- p. Summary of taps installed, inspections performed, and fees collected.
- q. Damage to the System and the possible causes thereof. In instances where the damage may be attributable to a contractor, builder, utility company or other entity, Northlake shall (on behalf of the District) backcharge the individual(s) responsible for such damage, including administrative costs thereof, and include such information in the quarterly report.
- r. Information and reports as may be required for audit of the District's service accounts.
- s. Summary and details of monthly invoices to the District, separated into specific budget categories. Summary and details of monthly invoices to Argyle.

Details of the above reports will be available to provide a clear audit trail of the District's water service transactions.

- 10. Regulatory Reports. Northlake shall prepare and submit routine monthly reports concerning the System as required by regulatory authorities and authorized by the District to receive such reports.

C. INSTALLATION AND INSPECTION SERVICES FOR THE SYSTEM

- 1. General. All meters and installation materials shall meet American Water Works Association standards and be in compliance with applicable District, county, or state codes. All installation and inspection fees shall be collected from the District's customers in advance, in accordance with the District's Rate Order.

It is the practice of Northlake to maintain permanent records of meter services installed and tap fees paid. This includes a plat or map, as available, which shows the location of each meter installed and each sewer inspection performed. This allows Northlake to accurately account for meter services installed, inspections performed and tap fees paid for each customer of the District.

- 2. Commercial Meters. Commercial connections, single family connections for meters larger than 5/8 inch x 3/4 inch and other special connections will be made for a price quoted for each installation in accordance with the applicable specifications.
- 3. Other Inspections. Northlake shall perform other reasonable inspections as requested or authorized by the District. Fees shall be based on the attached Schedule of Rates for personnel and equipment used. Such inspections include, but are not limited to, grease traps, sample wells, cross connections, or new facilities

prior to acceptance by the District. Northlake may also participate in site inspections with contractors prior to the start of building activity to assist in verifying the condition of the District's System.

D. MAINTENANCE, REPAIR AND REPLACEMENT SERVICES FOR THE SYSTEM

1. Maintenance. Northlake shall provide personnel, tools and equipment to perform maintenance on the System and the District's facilities and equipment as authorized by the District. Maintenance shall include, but not be limited to, the following:
 - a. Maintenance or replacement of pumps, motors, valves and other equipment or facilities.
 - b. Calibration and servicing of instrumentation, control systems and other equipment.
 - c. Other maintenance as necessary which requires special skills and/or tools, performed in conformance with equipment manufacturer's recommendations to maintain warranties and to extend the useful life of the equipment.
2. Repair. Northlake shall provide personnel and equipment to perform repairs on facilities, equipment, plants, collection and distribution systems as authorized by the District, including, but not limited to, service line leaks, leaks at water meters, water main breaks, repairs to valves and fire hydrants.
3. Replacement. Northlake shall use a reasonable degree of care with respect to replacement of equipment or facilities but shall not be responsible to the District for any guarantees or warranties offered by others in connection with such equipment or facilities. Northlake agrees to make reasonable efforts to obtain for and assign to the District the normal guarantees or warranties associated with any replacement equipment.
4. Emergency Response. Northlake shall maintain personnel and equipment for emergency response 24 hours per day, seven days per week, and 365 days per year. Emergencies shall be determined by Northlake in its sole discretion and may include, but is not limited to, water leaks, water line breaks, drastic loss of water pressure, and water plant malfunctions that could result in regulatory or permit excursions.
5. Materials and Supplies. Northlake shall be paid at cost for all materials and supplies used to provide services under this Agreement, unless the District pays for such materials and supplies directly. Northlake, in its sole discretion, shall utilize Northlake vendors for all materials and supplies.

E. OTHER SERVICES

Unless otherwise specified, fees for other services shall be in accordance with the attached Schedule of Rates for services.

1. Landscape Services. Northlake shall provide services to maintain the landscape appearance compatible with the neighborhood at the District's facilities with routine trimming and lawn mowing as necessary.
2. Delinquency Notes. Northlake shall prepare and mail delinquency notices and collect past due accounts in accordance with Northlake's policy.
3. Service Account Transfers. Northlake shall transfer water service from the current customer to the new customer, when requested for a fee of \$5.00. Usage shall be prorated to each customer based on the number of days each customer received service during the billing period in which the transfer is requested.
4. Fire Hydrants. Northlake shall inspect the District's fire hydrants each year. A written report shall be submitted to designated fire departments as requested by the District.
5. Meter Disconnects/Reconnects. Northlake shall have the authority to terminate water service in accordance with the District's Rate Order or policy, when otherwise requested by the District's Board of Directors, or in accordance with Northlake standards and procedures. One week after service termination and periodically thereafter, Northlake shall check the terminated service to assure that service has not been restored by unauthorized personnel. Northlake shall receive a fee of \$20.00 for each disconnect or reconnect performed.
6. Meter Removal. Northlake shall remove a customer's water meter if service is restored by unauthorized personnel prior to the customer paying the amount owed to the District or at the request of the District's Board of Directors. Northlake shall receive a fee of \$25.00 for each water removal or reinstallation.
7. Sampling and Testing. Northlake shall perform, or have performed, all sampling, testing and/or analyses on the System as required by regulatory authorities or necessary for process control. This shall be paid for by the District. A summary of test results shall be submitted to the District quarterly.
8. Special Studies/Reports. Northlake shall conduct studies or prepare special reports as reasonably requested by the District.
9. Exhibit B Schedule of Services. Northlake shall be responsible for all of the services related to water and sanitary sewer as listed in the attached Exhibit B

“Schedule of Services.”

F. SUBCONTRACT SERVICES

1. Northlake Subcontractors. Northlake may subcontract such services hereunder as may, in Northlake’s opinion, be desirable. Such Northlake subcontractors shall be considered, for the purpose of this Agreement, as employees of Northlake with Northlake retaining responsibility for such subcontractors’ performance. Northlake shall be paid its cost for work done by its subcontractors.
2. District Subcontractors. The District reserves the right to directly employ subcontractors for certain maintenance work within the District. Northlake shall receive no supervision and inspection fees, and shall not be responsible in any way for services performed by subcontractors employed or paid directly by the District.

**II.
PAYMENT**

Northlake shall submit statements and/or invoices for services to the District and to Argyle on a monthly basis. The District and Argyle shall pay such statements and/or invoices within 30 days of receipt. The District and Argyle agree to pay interest at a rate of 15% per annum to Northlake for all amounts unpaid after 30 days. Interest shall accrue from the 31st day following receipt of statements and/or invoices until the date payment in full is made. Items awaiting backup data shall be excluded from interest.

**III.
INSURANCE AND INDEMNIFICATION**

A. INSURANCE

Following the execution of this Agreement, Northlake shall furnish to the District, upon request, Certificates of Liability Insurance evidencing the following minimum insurance coverage:

- | | | |
|----|---|--------------------------------------|
| 1. | Comprehensive General Liability
Bodily Injury and Property Damage | \$ 1,000,000 (\$2,000,000 aggregate) |
| 2. | Comprehensive Automobile Liability
Bodily Injury and Property Damage | \$ 500,000 |
| 3. | Worker’s Compensation and
Employer’s Liability | Statutory
\$ 100,000 |
| 4. | Excess Liability | \$ 1,000,000 |

5. Bond Amount \$ 10,000

B. IMMUNITY

Limited Waiver of Immunity. It is understood that by execution of this Contract the Parties do not waive or surrender any of their governmental powers, immunities, or rights. The Parties waive their respective governmental immunity from suit and liability only as to any action brought by the other Party to pursue the remedies available under this Contract and only to the extent necessary to pursue such remedies. Nothing in this Section shall waive any claims, defenses, or immunities that the Parties have with respect to suits against each Party by persons or entities not a party to this Contract.

Notwithstanding any provision to the contrary contained in this Agreement, in no event shall either Party be liable, for any special, punitive, indirect, and/or consequential damages, including damages attributable to loss of use, loss of income, or loss of profit even if such Party has been advised of the possibility of such damages.

**IV.
MISCELLANEOUS PROVISIONS**

A. RESPONSIBILITIES

1. Northlake Responsibilities. Northlake shall exercise a reasonable degree of care and diligence in the operation and maintenance of the System in conformance with applicable laws, rules and regulations. However, unless Northlake has, or should have, knowledge of any of the following events listed in this paragraph and fail to notify District of the event Northlake has knowledge of, Northlake is not responsible for the failure of the System to meet local, state, or federal standards, maintain the adequacy, quality or quantity of the water supply provided by the System or for any direct or indirect loss, injury or damage resulting from the diminution or interruption of service within the System. Northlake shall keep at appropriate locations safety equipment required at the plants, including, but not limited to, oxygen masks and supplies for the chlorination process. Northlake shall exercise a reasonable degree of care and diligence in the management and implementation of Sewer Billing services in conformance with applicable, laws, rules, and regulations.
2. The District Responsibilities. The District represents that the System is in good working order, does not contain any known defective equipment or facilities, is suitable and adequate for the needs of its customers and that all of its facilities are, or shall be, built in accordance with local, state and federal regulations. The District shall provide:
 - a. All utilities, plant facilities, improvements and modifications necessary to operate the System in a manner required to meet applicable regulations.

b. A complete set of "As Built" drawings of the System and other facilities and any improvements, water tap standards, rate schedules, and any other information necessary for the administration of the District.

3. Argyle Responsibilities. Argyle represents that all amounts collected by Northlake on its behalf for Sewer Billing services are authorized pursuant to local, state, or federal laws or regulations as applicable. Northlake shall not be responsible for any claims related to the amounts billed to customers for sewer services on behalf of Argyle.

B. RELATIONSHIP OF THE PARTIES

Northlake shall serve in the capacity of an independent contractor for the District and for Argyle during the period of this Agreement.

C. MONETARY AUTHORITY

If at any time a condition exists or arises which, in the opinion of Northlake, requires repairs or replacements in the System and the cost thereof exceeds the sum of \$2,500, Northlake shall obtain the consent of a member of the Board of Directors of the District or its designated representative prior to making such repair or replacement. Notwithstanding the foregoing, however, if at any time a condition exists or arises which, in the opinion of Northlake, is of an emergency nature and requires the immediate repair or replacement of equipment regardless of the amount, Northlake, after reasonable attempts to obtain consent, shall proceed with such repair or replacement without the necessity of obtaining the consent of the Board of Directors of the District. The failure to obtain such consent prior to the making of such emergency repair or replacement shall not affect the obligation of the District to compensate Northlake for any work performed.

D. FORCE MAJEURE

In the event that Northlake, Argyle, or the District is rendered unable, wholly or in part, by force majeure to carry out its obligations under this Agreement, it is agreed that each Party shall give written notice of such force majeure to the other Parties as soon as possible after the occurrence of the cause relied on and shall, therefore, be relieved of its obligations, so far as they are affected by such force majeure, during the continuance of any inabilities so caused, but for no longer. In the event that the period of suspension shall extend longer than thirty (30) days, any Party shall have the privilege of terminating this Agreement only as to the services and provisions applicable to that Party. In such event, the remaining two parties may continue to operate under the applicable provisions of the Agreement. If the Agreement is terminated pursuant to this section, the District or Argyle as appropriate shall pay Northlake compensation pursuant to this Agreement up to the date of termination. The term "force majeure," as employed herein, shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of the public enemy, orders of any kind of the

government of the United States or of the state or any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, disturbances, explosions, partial or entire failure of utilities, shortages of labor, material, supplies or transportation, or any other similar or different cause not reasonably within the control of the Party claiming such inability.

E. NON-COMPENSABLE ITEMS

The compensation to be paid to Northlake herein is exclusive of any tax, assessment, regulatory expense or other charge which may be imposed upon Northlake by any governmental authority as a result of performing its obligations pursuant to this Agreement other than taxes upon the purchase of material, utilities, supplies, and parts. In the event Northlake is required by applicable law or regulation to pay or collect any such tax, assessment or regulatory expense or other charge on account of this Agreement or its performance hereunder, then the amount thereof shall be reimbursed to Northlake by the District or Argyle as applicable (in addition to the compensation provided herein). However, Northlake shall be responsible at its own expense for all corporate income and franchise taxes arising out of its operations.

F. AMENDMENT

The attached Schedule of Rates is guaranteed for one year from the effective date of this Agreement. Future rate increases, if any, will become effective 30 days after written notification is given to the District by Northlake. No other alteration, modification, or amendment of this Agreement shall be made except in writing and signed by the Parties.

G. DEFAULT

No Party shall be in default under this Agreement (a "Default") unless written Notice of an alleged failure of a Party to perform has been given (which notice shall set forth in reasonable detail the nature of the alleged failure) and such Party has been given a reasonable time to cure based on the nature of the alleged failure, but in no event should the reasonable time to cure be less than ten (10) days to cure a monetary default and thirty (30) days to cure a non-monetary default. Should a Party commence the curing of a default within the time limits stated in this paragraph, the Party shall be allowed the time to cure the default, as long as the Party thereafter diligently pursues the curing thereof. In the event of a Default by any Party hereto, the non-defaulting Party/Parties is/are entitled to all remedies provided at law and in equity (subject to the Dispute Resolution section of this Agreement), and may employ attorneys to pursue its legal rights, and the prevailing Party shall be entitled to payment by the defaulting Party of all reasonable attorneys' fees and costs incurred by the prevailing Party.

H. DISPUTE RESOLUTION

If a dispute arises between the Parties relating to this Agreement, the Parties agree to use

the following procedure prior to any Party pursuing other available remedies:

1. A meeting shall be held between the Parties within ten (10) days of notice of the dispute, attended by individuals with decision-making authority regarding the dispute, to attempt in good faith to negotiate a resolution of the dispute.
2. If within thirty (30) days after such meeting, the Parties have not succeeded in negotiating a resolution of the dispute, they will jointly appoint a mutually acceptable neutral person not affiliated with any of the Parties as a mediator. The fees of the mediator shall be shared equally by all Parties.
3. In consultation with the mediator, the Parties will select or devise an alternative dispute resolution procedure ("ADR") by which they will attempt to resolve the dispute, and time and place for the ADR to be held, with the mediator making the decision as to the procedure, and/or place and time (but unless circumstances require otherwise, not later than sixty (60) days after selection of the mediator) if the Parties have been unable to agree on any of such matters within ten (10) days after initial consultation with the mediator.
4. The Parties agree to participate in good faith in the ADR to its conclusion as designated by the mediator. If the Parties are not successful in resolving the dispute through the ADR, then the Parties may then seek any available remedy to them under the law.

I. NOTICE

Whenever the provisions of this Agreement require notice to be given, such notice shall be given in writing by certified or registered mail and addressed to the Party for who intended at its then address of record and such notice shall be deemed to have been given when the notice was then mailed.

Notices required to be given to Northlake shall be addressed to:

Town Administrator
Town of Northlake
1400 FM 407
Northlake, Texas 76247
940-648-3290

District shall be addressed to:

President, Board of Directors
Canyon Falls Municipal Utility District No. 1
Crawford & Jordan LLP
3100 McKinnon Street, suite 1100

Dallas, Texas 75201
Attn: Clay Crawford

Argyle shall be addressed to:

Town Manager
Town of Argyle
308 Denton St.
Argyle, Texas 76226
940-464-7273

J. TIME IS OF THE ESSENCE

Time is of the essence in the performance of this Agreement.

K. TERM

This Agreement shall be effective as of the date agreed herein, and shall continue thereafter for a term of twenty five (25) years; subject to termination by the Parties for any reason at any time by giving a one year advance written notice to the other Party; and subject to a renewal and extension by mutual agreement of District, Northlake, and Argyle as to the terms and conditions.

Northlake shall commence performance of this Agreement related to the System on a date to be specified by the District and agreed to by Northlake. Northlake shall commence performance of this Agreement related to Sewer Billing on a date to be specified by Argyle and agreed to by Northlake. In the event that this Agreement is terminated for any reason, all billing cards, meter reading records, billing and collecting forms, and other materials pertaining to the billing and collection of accounts of the District or Argyle shall be furnished by Northlake to the District or Argyle as appropriate at no cost to the District or Argyle, except that if the District or Argyle terminate this Agreement (or their portion of the services pursuant to this Agreement), the District or Argyle as appropriate shall be responsible for the reasonable cost of furnishing such information to the District or Argyle.

L. CAPTIONS

The Section headings or paragraph captions herein are used for convenience of reference only and not intended to define, extend or limit any provisions of this contract.

M. SEVERABILITY

This Agreement is subject to all applicable Federal and State laws, and any applicable permits, rules, orders, and regulations of any local, state or federal governmental authority having jurisdiction. Should any part of this Agreement for any reason be declared invalid or void, such declaration will not affect the remaining parts of this Agreement, which will remain in full force and effect as if the Agreement had been executed with the invalid portion eliminated.

N. ASSIGNMENT

This Agreement may not be assigned by any Party without the prior written consent of the other Parties.

O. GOVERNING LAW

This Agreement is performable in Denton County, Texas and shall be governed by and construed in accordance with the laws of the State of Texas. Venue shall be in Denton County, Texas.

P. WAIVER

The failure on the part of any Party to enforce its rights as to any provision of this Agreement shall not be construed as a waiver of its rights to enforce such provision in the future.

Q. PUBLIC BIDDING

Nothing contained herein shall be construed to violate the provisions of Texas public bidding laws and public bidding requirements thereunder. In the event public bidding is required because of the nature and cost of any work to be performed on the System hereunder, the District will consult with Northlake in determining the specifications of the job to be put out to public bid and the required qualifications of the successful bidder.

R. ENTIRE AGREEMENT; AMENDMENT

This Agreement contains the entire agreement between the District, Argyle, and Northlake and supersedes all prior or contemporaneous communications, representations, understandings or agreements. This Agreement may be modified only by a written amendment signed by all Parties.

**V.
EXECUTION OF AGREEMENT**

IN WITNESS WHEREOF, the District, Northlake, and Argyle have caused this Agreement to be

executed by their duly authorized officers.

TOWN OF NORTHLAKE, TEXAS

**CANYON FALLS MUNICIPAL WATER
DISTRICT NO. 1, DENTON COUNTY**

Peter Dewing, Mayor

_____, President

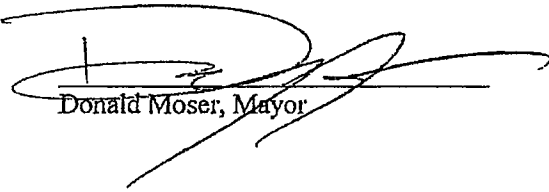
ATTEST:

ATTEST:

Shirley Rogers, Town Secretary

_____, Board Secretary

TOWN OF ARGYLE, TEXAS


Donald Moser, Mayor

ATTEST:


Kristi Gilbert, Town Secretary



P. WAIVER

The failure on the part of any Party to enforce its rights as to any provision of this Agreement shall not be construed as a waiver of its rights to enforce such provision in the future.

Q. PUBLIC BIDDING

Nothing contained herein shall be construed to violate the provisions of Texas public bidding laws and public bidding requirements thereunder. In the event public bidding is required because of the nature and cost of any work to be performed on the System hereunder, the District will consult with Northlake in determining the specifications of the job to be put out to public bid and the required qualifications of the successful bidder.

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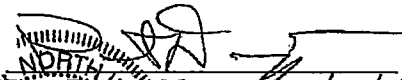

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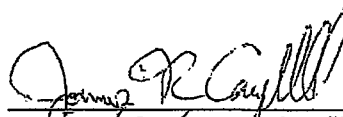
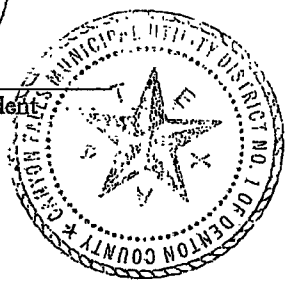
V. EXECUTION OF AGREEMENT

IN WITNESS WHEREOF, the District, Northlake, and Argyle have caused this Agreement to be executed by their duly authorized officers.


TOWN OF NORTHLAKE, TEXAS


CANYON FALLS MUNICIPAL WATER DISTRICT NO. 1, DENTON COUNTY


Peter Dewing, Mayor
10/16/17



James R. Campbell, President
James R. Campbell


ATTEST:


Shirley Rogers, Town Secretary


Miranda Rodriguez, Board Secretary
AST

SCHEDULE OF STANDARD RATES

The following is a partial list of Northlake charges showing the current hourly rate schedule.

1. Subcontractor Labor and materials not acquired directly by the District at costs plus 0%.
2. Overtime rates of time and one-half will apply for work performed before 7:00 a.m., and after 3:00 p.m. in excess of eight (8) hours per day or 40 hours per week, and on weekends and holidays. Holidays are New Year's Day, Martin Luther King Jr. Day, Presidents Day, Good Friday, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving Day, and Day after Thanksgiving, Christmas Eve Day and Christmas Day.

EXHIBIT "B"

SCHEDULE OF SERVICES - WATER

1. Facility operations inspection frequency; as required by the TCEQ.
2. Preventative maintenance, lubrication of pumps and motors, touch-up painting, as required.
3. Monitor chlorine residuals, adjust feed rates, record sample results, and inventory chlorine reserves and supplies.
4. Complete monthly bacteriological samples and record TD analysis.
5. Record ground storage and elevated tank levels, annually inspect tank vents, overflow flap valves, vents screened, roof hatches secured and locked.
6. Exercise all pumps, motors, and record status of all electrical components.
7. Verify adequate pressure switch settings and check operation. Monitor and record distribution system pressure.
8. Verify operation of fault monitoring equipment and telephone line 800 number integrity at each visit; simulate fault and response for answering service (if applicable).
9. System flushing as required to maintain minimum distribution system combined total chlorine residual and water quality.
10. Verify facility security, intruder-resistant fencing, and locale gates, security lighting, unobstructed drainage, buildings with adequate screened ventilation and locale doors.
11. Oversee distribution system repairs and maintenance as required. Verify all customer connections are served with an operational meter. Flushing valves (fire hydrants) shall be operated, lubricated and inspected annually.
12. Meter reading and billing per company schedule, respond to customer inquiries requests.
13. Respond to all governmental inspections and notices of non-compliance, submit all required reports, operational logs, sample results to state and local controlling agencies.
14. Maintain an emergency response list of subcontractors and telephone numbers. Submit copy and any updated numbers to the Owner.

15. Maintain customer service inspection certificates, to be completed before providing continuous water service to new construction or any existing service when there is reason to believe that a cross-connection exists.

16. Inspection of water line infrastructure and facilities during construction (prior to acceptance).

17. Inspection of water service connection.

[OTHER]

**Application to Obtain a Water Certificate of Convenience and Necessity
Canyon Falls Municipal Utility District No. 1 of Denton County**

**Addendum 7
Financial Documentation**

The distribution system and all other infrastructure necessary to connect the District's customers to Northlake's water system will be constructed by the District and financed through advances from the developer. A copy of the Development Financing Agreement is attached.

The distribution system will be built in six phases. The first two phases are currently under construction. No other capital costs will be required before service will commence.

A copy of the District's proposed Rate Order is attached. The rates generated from providing service will be sufficient to cover the District's costs. The District will be able to raise capital through advances from the developer and from ad valorem taxes.

DEVELOPMENT FINANCING AGREEMENT

THIS AGREEMENT is entered into as of the ____ day of May, 2016 by and between CANYON FALLS MUNICIPAL UTILITY DISTRICT NO. 1 OF DENTON COUNTY, a political subdivision of the State of Texas, organized pursuant to the provisions of Article XVI, Section 59, of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code, as amended (hereinafter called the "District") and NASH Canyon Falls, LLC, a Delaware limited liability company (hereinafter called "DEVELOPER").

RECITALS

WHEREAS, the District was created for the purposes, among others, of the construction, maintenance and operation of facilities to provide water supply, wastewater treatment and storm water control within and outside the boundaries of the District, and the District may seek voter authorization to cause the construction of fire protection facilities (collectively, the "Facilities"); and

WHEREAS, subsequent to the date hereof, the District may obtain road powers under Article III, Section 52 of the Texas Constitution pursuant to special legislation enacted by the Texas Legislature and, in such event, roads and any improvements in aid thereof (collectively, "Roads") located within and outside the boundaries of the District necessary to serve the District shall be included within the meaning of "Facilities", as further defined in Section 1.01, for all purposes of this Agreement; and

WHEREAS, DEVELOPER is the owner of the land within the District and proposes to develop land within the District (the "Tract");

WHEREAS, the parties desire to enter into an agreement to provide the terms and conditions by which the Tract will be developed;

WHEREAS, the Board of Directors of the District has determined that it is in the best interest of the District to provide for the design and construction of the Facilities and operating advances to serve the Tract; and

WHEREAS, DEVELOPER is agreeable to advancing funds to or on behalf of the District for the purpose of financing the Facilities and operating advances to serve the Tract and for operation and maintenance expenses of the District;

AGREEMENT

Now, therefore, for and in consideration of the mutual promises, covenants, obligations and benefits of this Agreement, the District and Developer contract and agree as follows:

ARTICLE I

CONSTRUCTION OF THE PROJECT

Section 1.01: The Project. The "Project" shall be and include the design and construction of the facilities to serve the Tract, whether designed and constructed in phases or at one time, including: the District's water distribution and supply, sanitary sewer collection and treatment, and drainage and storm sewer facilities necessary to serve the Tract; water and wastewater treatment plant capacity to serve the Tract; Roads to serve the Tract, and fire protection facilities to serve the Tract (collectively, the "Facilities"), and all related engineering fees and expenses. DEVELOPER agrees to cooperate with the District's engineers and to keep the District's engineers reasonably advised of its development plans.

Section 1.02: Design of the Project. All Facilities to be constructed as a part of the Project shall be designed by the District's engineers and approved by the District. The design of the Project shall be subject to the approval of all governmental entities with jurisdiction, including, without limitation, the Town of Argyle, DEVELOPER, Denton County, the TCEQ, and the Texas Department of Health.

Section 1.03: Construction and Acquisition of Project.

(a) The Project shall be constructed, and all easements, equipment, materials and supplies required in connection therewith shall be acquired, in the name of the District; provided, however, all construction contracts entered into by the District shall be guaranteed for payment by DEVELOPER by execution of a special provision to the construction contracts.

(b) The Project shall be installed, the construction contracts therefor awarded, and payment and performance bonds obtained all in the manner provided by general law applicable to the District and in full compliance with the rules and regulations of the TCEQ and any other local, State or federal agencies having jurisdiction.

(c) The Board of Directors of the District shall review all bids received for the construction of the Project and shall authorize the award of the construction contracts to any responsible person or persons that, in the Board's judgment, will be most advantageous to the district and result in the best and most economical completion of the district's proposed plants, improvements, facilities, works, equipment, and appliances.

(d) The District's engineers shall serve as project engineer for the District on the Project. The District's engineers shall advise and make recommendations to the Board of Directors upon the award of construction contracts on the Project, shall make

monthly reports to the Board on the progress of construction, shall approve all pay estimates submitted, shall submit all change orders to the Board for approval, and shall provide the appropriate level of inspection during the construction of the Project. No changes to the plans and specifications or change orders to any construction contracts shall be made without approval by both the District's engineers and the Board of Directors of the District, which approval shall not be unreasonably withheld.

(e) The Project shall be constructed in public rights-of-way or utility easements, which easements shall be dedicated by DEVELOPER, if required, without reimbursement, unless otherwise allowed by the rules of the TCEQ.

(f) The Project may be constructed in stages or by sections pursuant to development plans of DEVELOPER.

Section 1.04: Advances by DEVELOPER. DEVELOPER hereby agrees to promptly advance sufficient funds to the District, or to pay such funds on behalf of the District, as such funds become due for the Project, including without limitation, all costs of design, engineering, materials, labor, construction, inspection and easements arising in connection with the Project; all payments arising under any contracts entered into as a part of the Project; creation fees; all costs incurred in connection with obtaining governmental approvals, certificates or permits required as a part of the Project; and all out-of-pocket expenses incurred in connection therewith.

ARTICLE II REIMBURSEMENT FOR FUNDS ADVANCED

Section 2.01: Reimbursement.

Subject to sufficient authorized bonds, the District agrees to make all reasonable efforts to obtain approval for the sale of bonds and to sell the bonds for the purpose of repaying DEVELOPER at the earliest feasible date possible in accordance with this Article II. The District agrees to make partial reimbursement to DEVELOPER if the conditions set forth herein are satisfied; provided, however, the District shall not be required to sell bonds in an amount less than \$1,000,000 unless otherwise recommended by the District's financial advisor or unless such bonds are the final and full installment of reimbursement to DEVELOPER. The District shall submit an application to the TCEQ to sell bonds to reimburse DEVELOPER for the Project, if applicable, and for other advances made pursuant to this Agreement upon satisfaction and/or occurrence of the following:

- (1) The economic feasibility rules of the TCEQ are satisfied;
- (2) The TCEQ approves the issuance and sale of the bonds;

- (3) The Attorney General of Texas approves the bonds;
- (4) The Comptroller of Public Accounts of the State of Texas registers the bonds;
- (5) The bonds can be marketed in the manner and at the time or times advised by the District's financial advisor; provided, however, that the District is not obligated to sell the bonds at a net effective interest rate exceeding two percent (2%) above the highest average interest rate reported by the Daily Bond Buyer in its weekly "20 Bond Index" during the one-month period next preceding the date notice of sale of the bonds is given; and
- (6) The District's financial advisor has determined that the assessed valuation of the Tract and all taxable improvements constructed and projected thereon would independently support the issuance of the bonds to reimburse DEVELOPER.

(b) In order to determine whether the economic feasibility rules of the TCEQ are met, and whether the assessed value is sufficient per Section 2.01(a)(6), the District shall at least once each calendar year of this agreement request a certificate of estimated assessed valuation from the Denton Central Appraisal District. The District shall pay for costs associated with preparation of the estimates needed in connection with determining the feasibility of proceeding with a bond application or the issuance of bonds.

(c) The percentage of reimbursement to DEVELOPER by the District shall be determined by the rules of the TCEQ existing at the time of sale of the bonds and the District shall be obligated to request TCEQ approval for 100% reimbursement of costs and to pay such percentage of reimbursement if allowed under the TCEQ Rules, if applicable.

(d) Upon consummation of the sale of the bonds and approval by the Board of Directors of the reimbursement audit performed in connection with each sale, the District agrees that it will pay DEVELOPER for all sums advanced to, or on behalf of, the District to the maximum extent permitted under the Rules of the TCEQ, if applicable, including payment of "Developer interest" under Section 293.50 of the Texas Administrative Code, on the funds so advanced to or paid on behalf of the District.

Section 2.02: DEVELOPER's Obligations. DEVELOPER shall comply with all of the conditions of the Town of Argyle, Texas Ordinance No. 2008-12 (the "Ordinance"), granting consent to the creation of the District and with all requirements of the TCEQ, as the same now exist or may hereafter exist. A true and correct copy of the Ordinance

is attached to this agreement as Exhibit "A," and incorporated by reference. DEVELOPER further agrees that the reimbursement by the District will be in stages as portions of the Tract are developed and as the assessed valuation of the District increases. In connection with the reimbursement(s) to DEVELOPER, DEVELOPER must provide all information that may be reasonably required by the District, its financial advisor, engineers or attorney in connection with the preparation of the Preliminary Official Statement or other disclosure documents related to the sale of the bonds and must provide information to the District's auditor reasonably necessary for the District's auditor to perform a reimbursement audit.

Section 2.03: Reimbursement by District. Upon consummation of the sale of the bonds and approval by the Board of Directors of the reimbursement audit, the District agrees that it will pay DEVELOPER for all sums advanced to, or on behalf of, the District to the maximum extent permitted under the Rules of the TCEQ, if applicable, including payment of interest on the funds so advanced to or paid on behalf of the District.

Section 2.04: Alternative Source of Funds. In the event that the District determines that it has surplus funds available from prior bond issues or operating funds which may be used for such purposes, the District may utilize such funds to reimburse DEVELOPER rather than to issue bonds; provided, however, the District and DEVELOPER shall be required to substantially comply with the same terms and conditions as if bond funds were to be issued for such purpose.

ARTICLE III REPRESENTATIONS

Section 3.01: Representations by DEVELOPER. DEVELOPER represents that:

(a) This Agreement, the transactions contemplated herein, and the execution and delivery of this Agreement have been duly authorized by the articles of incorporation of DEVELOPER.

(b) This Agreement and the representations and covenants contained herein, and the consummation of the transactions contemplated herein, will not violate or constitute a breach of any contract or other agreement to which DEVELOPER is a party.

(c) DEVELOPER will not claim any agricultural or open space use valuation, or any other type of exemption or valuation, for the Tract that would reduce the assessed value of the Tract below its market value for purposes of ad valorem taxation by the District. Notice of the waiver of this special valuation shall be executed and delivered to the District as required by TCEQ Rules. If any such use, exemption or valuation is claimed on the Tract, this Agreement shall automatically terminate.

Section 3.02: Representations by District. The District represents and covenants that it will use its best efforts to:

- (a) prepare the necessary materials and reports to be filed with the TCEQ for approval of a bond issue in an amount sufficient to, among other things, reimburse DEVELOPER in accordance with this Agreement at the time the water, sewage and drainage facilities and paving within a specific portion of the Tract are certified as complete by the District's engineer, including a request for an exemption from the Developer contribution requirements;
- (b) market and sell its bonds in the manner set forth herein;
- (c) obtain the Attorney General of Texas approval of the bonds; and
- (d) reimburse DEVELOPER upon the terms set forth herein at the earliest practicable time.

The District further represents and warrants that it will not impose impact fees, capital recovery fees or similar charges to recover the project cost, but the District may impose its usual and customary tap, connection and user fees as may be applicable.

ARTICLE IV DEFAULT

Section 4.01: Default by DEVELOPER. In the event of default by DEVELOPER, the District shall give written notice of such default to DEVELOPER describing such default and affording a period of thirty (30) days to cure the same. In the event that any such default cannot, by its nature, reasonably be cured within thirty (30) days, such period shall be extended an additional reasonable period of time within which to cure the same. If DEVELOPER has not cured such default within thirty (30) days of said written notice, or, if such default cannot with due diligence be reasonably cured within such thirty (30) day period, within such time as is reasonably necessary to cure the default, the District shall have the option to:

- (a) assume the outstanding contracts and prosecute construction of the facilities to conclusion. In the event the District exercises this option, the District shall pay to DEVELOPER the amount of the advances, less all amounts paid to contractors, and all out-of-pocket expenses incurred in prosecuting completion of the facilities; and
- (b) seek or pursue all other remedies provided by law.

Section 4.02: Default by Either Party. In the event of default by either party hereto, either party may employ attorneys to pursue its legal rights; and the prevailing party shall be entitled to payment by the other party of all reasonable attorneys' fees incurred by the prevailing party.

Section 4.03: Limited Waiver of Sovereign Immunity. The District agrees that this Agreement shall constitute a contract subject to the provisions of Subchapter I of Chapter 271, Texas Local Government Code. Further, to the extent allowed by law, the District waives its rights to sovereign immunity as to an action in equity by the Developer for a writ of mandamus or specific performance to enforce all the terms of this Agreement. The District does not waive its rights to sovereign immunity for any other actions permitted by law or for any amount of money beyond the amounts provided in Article II herein.

ARTICLE V MISCELLANEOUS

Section 5.01: Severability. The provisions of this Agreement are severable, and if any provision or part of this Agreement or the application thereof to any person or circumstance shall ever be held by any court of competent jurisdiction to be invalid or unconstitutional for any reason, the remainder of this Agreement and the application of such provision or part of this Agreement to other persons or circumstances shall not be affected thereby.

Section 5.02: Modification. This Agreement shall be subject to change or modification only with the mutual written consent of DEVELOPER and the District.

Section 5.03: Assignability. Except as otherwise provided, this Agreement shall not be assignable by DEVELOPER without the prior written consent of the Board of Directors of the District, which consent shall not be unreasonably withheld. DEVELOPER may assign the right to reimbursement hereunder to a lender of DEVELOPER without the prior consent of the District but upon prior written notice to the District, so long as said lender is not granted a lien upon any of the Facilities constructed as part of the Project and agrees in writing to execute a release and receipt of payment upon any reimbursement. Upon the request of DEVELOPER, the District shall acknowledge such an assignment of the right to reimbursement hereunder to a lender of DEVELOPER.

Section 5.04: Captions. The captions appearing at the first of each numbered section or paragraph in this Agreement shall never be considered or given any effect in construing this Agreement.

Section 5.05: Applicable Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Texas.

Section 5.06: Parties at Interest. This Agreement shall be for the sole and exclusive benefit of the parties hereto and shall never be construed to confer any benefit to any third party, except the successor in title to the Tract.

Section 5.07: Term. Except as otherwise provided herein, this Agreement shall be in force and effect from the date of execution hereof for a term of forty (40) years or until the transactions contemplated herein are consummated, whichever first occurs.

Section 5.08: Force Majeure. If either party is rendered unable, wholly or in part, by force majeure to carry out any of its obligations under this Agreement, then the obligations of either party to the extent affected by such force majeure and to the extent that due diligence is being used to resume performance at the earliest practicable time, shall be suspended during the continuance of any inability so caused to the extent provided but for no longer period. Such cause, as far as possible, shall be remedied with all reasonable diligence. The term "force majeure," as used herein, shall include, without limitation of the generality thereof, acts of God, strikes, lockouts, or other industrial disturbances, acts of the public enemy, orders of any kind of the Government of the United States or of the State of Texas or any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipelines or canals, partial or entire failure of water necessary for operation of the sewer system, or of the District to receive waste, and any other incapacities of either party, whether similar to those enumerated or otherwise, which are not within the control of either party, which either party could not have avoided by the exercise of due diligence and care. It is understood and agreed that the settlement of strikes and lockouts shall be entirely within the discretion of either party, and that the above requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes and lockouts by acceding to the demand of the opposing party or parties when such settlement is unfavorable to it in the judgment of the affected party.

Section 5.09: Estoppel Certificate. Either party may request an estoppel certificate from the other party which shall include, but not necessarily be limited to, statements to the actual knowledge of the party providing such that this Agreement is in full force and effect without default (or if default exists, the nature of default and curative action, which should be undertaken to cure the same), the remaining term of this agreement, and such other matters reasonably requested by the party to receive the certificate. The certificate may upon request be addressed to a subsequent purchaser or assignee of DEVELOPER.

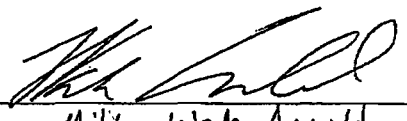
IN WITNESS WHEREOF, the parties hereto may execute this Agreement in multiple copies, each of equal dignity, as of the date and year set forth on the first page hereof.

EXECUTED this ____ day of May, 2016.

CANYON FALL MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY

By: 
Name: James Campbell
Title: President, Board of Directors

ATTEST:

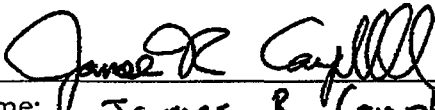
By: 
Name: Milton Wade Arnold
Title: Secretary, Board of Directors

(SEAL)

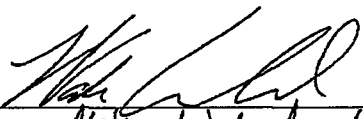
IN WITNESS WHEREOF, the parties hereto may execute this Agreement in multiple copies, each of equal dignity, as of the date and year set forth on the first page hereof.

EXECUTED this 27 day of May, 2016.

CANYON FALL MUNICIPAL UTILITY
DISTRICT NO. 1 OF DENTON COUNTY

By: 
Name: James R Campbell
Title: President, Board of Directors

ATTEST:

By: 
Name: Milton Wade Arnold
Title: Secretary, Board of Directors

(SEAL)

EXECUTED this ____ day of _____, 2016.

NASH Canyon Falls, LLC, a Delaware limited liability company

By: _____
Name: _____
Title: _____

EXHIBIT "A"

TOWN OF ARGYLE, TEXAS,

ORDINANCE NO. 2008-12

AN ORDINANCE OF THE TOWN OF ARGYLE, TEXAS, REPEALING ORDINANCE NO. 2006-20 IN ITS ENTIRETY; CONSENTING TO THE CREATION OF A MUNICIPAL UTILITY DISTRICT ENCOMPASSING APPROXIMATELY 172.579 ACRES OF LAND LOCATED IN THE EXTRATERRITORIAL JURISDICTION OF THE TOWN; PROVIDING A SEVERABILITY CLAUSE; AND PROVIDING AN EFFECTIVE DATE.

RECITALS

WHEREAS, the Town of Argyle, Texas (the "Town") is a Type A general-law municipality located in Denton County, Texas; and

WHEREAS, Canyon Falls Land Partners, L.P. a Texas limited partnership ("Owner") is the sole owner of approximately 172.579 acres of land located in the extraterritorial jurisdiction ("ETJ") of the Town, and described by metes and bounds on Exhibit A attached hereto and incorporated herein (the "Property"); and

WHEREAS, Section 42.042 of the Texas Local Government Code requires that an applicant request a municipality's written consent to create a political subdivision whose purpose is to supply fresh water for domestic or commercial use and to furnish sanitary sewer services, roadways, and drainage within the municipality's ETJ; and

WHEREAS, the Property lies wholly within the ETJ of the Town and no portion of the Property lies in the corporate limits or extraterritorial jurisdiction of any other municipality; and

WHEREAS, this Ordinance is intended to repeal Ordinance No. 2006-20 in its entirety.

NOW THEREFORE, BE IT ORDAINED BY THE TOWN COUNCIL OF THE TOWN OF ARGYLE, TEXAS:

Section 1. Consent to District Creation. The Town irrevocably and unconditionally consents to the creation of a municipal utility district (a "MUD" or the "District"), such District covering the Property or any portion thereof, which District is to be organized under the terms and provisions of Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution and the applicable provisions of Chapters 49 and 54, Texas Water Code, as amended, and the general laws of the State of Texas applicable to a MUD. The Mayor of the Town is hereby authorized and directed to execute, from time to time, such additional documents, if any, that may be required to evidence the Town's consent and to fulfill the purposes for which the consent is given in a form approved by the Town Attorney, including, but not limited to, the execution by the Mayor on behalf of the Town of such further documents or instruments as may be requested, from time to time, by the owners of the Property, the District, the Texas Commission on Environmental Quality (the "TCEQ"), Denton County, the Texas Attorney General (the "Texas AG"), or any other governmental agency or political subdivision having jurisdiction over the District or any bonds issued by the District or as may be required by any special legislation

creating the District or any special legislation adopted, from time to time, by the Texas Legislature and affecting the District ("Special Legislation"). The Town Attorney's approval shall not be unreasonably withheld or delayed.

Section 2. District Authority. The Town consents to the District being granted the authority to exercise all rights, powers, and authority granted to a MUD by the laws of the State of Texas, as amended, by any Special Legislation, by Denton County, and under the rules of the TCEQ or any other governmental agency having jurisdiction over the District, including, without limitation, the power provided by Section 54.234 of the Texas Water Code.

Section 3. Consents Effective. The consents granted in this Ordinance are given by the Town in full satisfaction of any requirements for district consents contained in any statute or otherwise required by law, rule, regulation or policy including, but not limited to, consents required by the Texas Water Code, as amended, the Texas Local Government Code, as amended, any rules, regulations, or policies of the TCEQ, or any rules, regulations, or policies of the Texas AG.

Section 4. Repeal of Ordinance No. 2006-20. Ordinance No. 2006-20 is hereby repealed and shall be of no further force or effect.

Section 5. Incorporation of Recitals. The above and foregoing recitals to this Ordinance are true and correct and are incorporated herein and made a part hereof.

Section 6. Effective Date. This Ordinance shall take effect immediately from and after its passage and is accordingly so ordained.

PASSED AND APPROVED by the Town Council of the Town of Argyle, Texas, this the 27th day of May, 2008.



Greg Landrum, Mayor

ATTEST:



Codi Delcambre, Town Secretary

APPROVED AS TO FORM:



Matthew Bowls, Town Attorney



Exhibit A

Metes and Bounds Description of the Property

BEING a tract of land situated in the F. THORNTON SURVEY, Abstract No. 1244 and being a portion of a tract of land conveyed as 11.2% to Gail Obenchain Schoellkopf, 11.2% to Melinda Calvert Obenchain, 11.2% to Thomas A. Obenchain, 26.4% to The Hartnett Law Firm, 13.335% to Jason Mclean, 13.335% to Jason Mclean as next friend for Christopher Taylor and 13.33% to McCracken, Taylor & Nelson, P.C. as recorded in CC# 05-12627 of the Deed Records of Denton County, Texas (DRDCT) and being more particularly described as follows;

BEGINNING at a ½ inch iron rod found for the most southeasterly corner of a tract of land conveyed to Ray Wolfe as recorded in CC#95-R0061399 (DRDCT), said point being found in the approximate centerline of STONECREST ROAD (variable width Right-of-Way);

THENCE along the approximate centerline of said STONECREST ROAD as follows;

South 01 deg 26 min 35 sec West a distance of 681.53 feet to a Pk. Nail found in asphalt pavement for the most northwesterly corner of the STONECREST ADDITION, as recorded in Volume 5, Page 37 (PRDCT);

South 00 deg 05 min 06 sec West a distance of 1273.98 feet to a point for corner the northerly line of the City of Flower Mound city limit line;

THENCE departing the approximate centerline of said STONECREST ROAD North 89 deg 03 min 28 sec West a distance of 2748.07 feet to a point for the beginning of a curve to the right having a radius of 2640.00 feet, a chord bearing North 73 deg 26 min 39 sec West and a chord distance of 1421.10 feet;

THENCE along said curve to the right through central angle of 31 deg 13 min 37 sec for an arc length of 1438.84 feet to a point for corner;

THENCE North 00 deg 56 min 32 sec East a distance of 1336.30 feet to a point for corner;

THENCE North 89 deg 03 min 28 sec West a distance of 702.00 feet to a point for corner in the southerly line of a tract of land conveyed to Ronald Lee McCutchin as recorded in Volume 527, Page 68 (DRDCT);

THENCE along the southerly line of said McCutchin tract and along a barb wire fence as follows;

North 00 deg 08 min 51 sec East a distance of 94.23 feet to a 5/8 inch iron rod found for corner;

South 89 deg 41 min 56 sec East a distance of 1442.20 feet to a ½ inch iron rod found for the most southwesterly corner of THE SETTLEMENT II as recorded in Cabinet E, Page 33 of the Plat Records of Denton County, Texas (PRDCT);

THENCE along the southerly line of said THE SETTLEMENT II and along a barb wire feet as follows;

South 89 deg 42 min 54 sec East a distance of 1607.35 feet to a ½ inch iron rod found for corner;

South 88 deg 29 min 54 sec East passing through a ½ inch iron rod found at a distance of 311.48 feet continuing in all a distance of 366.95 feet to a wood fence post found for corner;

South 89 deg 45 min 57 sec East passing through a ½ inch iron rod found at a distance of 119.13 feet and passing through a ½ inch iron rod found at a distance of 294.24 feet continuing in all a distance of 732.14 feet to a wood fence post found for the most southeasterly corner of said THE SETTLEMENT II;

THENCE along the easterly line of said THE SETTLEMENT II North 01 deg 19 min 54 sec East a distance of 83.74 feet to a ½ inch iron rod found for corner, said point being the most southwesterly corner of a tract of land conveyed to Ray Wolfe as recorded in CC#95-R0061399 (DRDCT);

THENCE along the southerly line of said White tract North 89 deg 19 min 34 sec East a distance of 658.25 feet to the POINT OF BEGINNING;

CONTAINING within these metes and bounds 172.579 acres or 7,517,538 square feet of land more or less. Bearings contained within this field note description are based upon an on the ground survey performed in field on the 19th day of November, 2005 utilizing G.P.S. Measurements.

CERTIFICATE FOR RATE ORDER

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

We the undersigned officers of the Board of Directors (the "Board") of **CANYON FALLS MUNICIPAL UTILITY DISTRICT NO. 1 OF DENTON COUNTY** (the "District") hereby certify as follows:

The Board convened in regular session, open to the public, on Friday, December 15, 2017, at 11:00 a.m., at J. Volk Consulting, 830 Central Parkway East, Suite 300, Plano, Texas 75074, and the roll was called of the members of the Board, to-wit:

James R. Campbell	President
Matthew D. Mazza	Vice President
Milton Wade Arnold	Secretary
Miranda Rodriguez	Asst. Secretary
Jeremy Holden	Asst. Secretary

All members of the Board were present, with the exception of Director Rodriguez, thus constituting a quorum. Whereupon other business, the following was transacted at such Meeting: A written

RATE ORDER


was duly introduced for the consideration of the Board. It was then duly moved and seconded that such Order be adopted; and after full discussion, such motion, carrying with it the adoption of such Order prevailed, carried, and became effective by the following vote:

AYES: 4

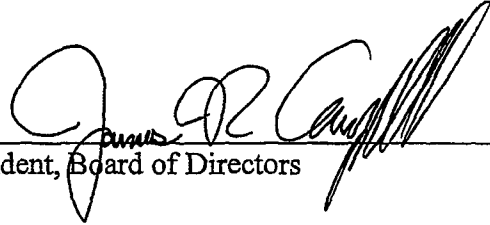
NOES: 0

A true, full and correct copy of the aforesaid Order adopted at the Meeting described in the above and foregoing paragraph is attached to and follows this Certificate; such Order has been duly recorded in the Board's minutes of such Meeting; the above and foregoing paragraph is a true, full, and correct excerpt from the Board's minutes of such Meeting pertaining to the adoption of such Order; the persons named in the above and foregoing paragraph are the duly chosen, qualified, and acting officers and members of the Board as indicated therein; each of the officers and members of the Board are duly and sufficiently notified officially and personally, in advance, of the time, place, and purpose of such Meeting, and that such Order would be introduced and considered for adoption at such meeting, and each of the officers and members consented, in advance, to the holding of such meeting for such purpose; and such Meeting was open to the public and public notice of the time, place, and purpose of such Meeting was given, all as required by Chapter 551 of the Texas Government Code and Section 49.063 of the Texas Water Code, as amended.

SIGNED this 15th day of December, 2017.

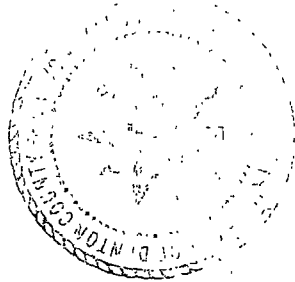


Secretary, Board of Directors



President, Board of Directors

(DISTRICT SEAL)



CANYON FALLS MUNICIPAL UTILITY DISTRICT NO. 1 OF DENTON COUNTY
RATE ORDER

Dated December 15, 2017

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Exhibit "A-2" Service Application Form -
Exhibit "B" Service Inspection Certification Form
Exhibit "C" Sample Backflow Prevention Assembly Test
and Maintenance Report

RATE ORDER
("Order")

WHEREAS, CANYON FALLS MUNICIPAL UTILITY DISTRICT NO. 1 OF DENTON COUNTY, Texas (the "District") owns and/or operates a water and storm sewer system designed to serve present and future inhabitants within the District; and

WHEREAS, it is necessary that fees, charges and conditions be ratified and established for providing service from the District's water system; and

WHEREAS, the Board of Directors has carefully considered the matter and is of the opinion that the following conditions should be established for service from and protection of the District's water and storm sewer system; Now, Therefore,

BE IT ORDERED BY THE BOARD OF DIRECTORS OF CANYON FALLS MUNICIPAL UTILITY DISTRICT NO. 1 OF DENTON COUNTY, THAT THE FOLLOWING ORDER IS HEREBY ADOPTED: Any Order, and amendments thereto, heretofore adopted by the Board establishing rates for water service and pertaining to related matters shall be revoked on December 15, 2017, the effective date of this Order.

Section 1. Definitions. For purposes of this Order, the following words or terms shall have the following meanings:

1.01. Apartment(s)" shall mean dwelling structure(s) containing multiple dwelling units and shall include apartments, townhouses, condominiums and multiplexes.

1.02. Commercial" shall mean and include any office building, hotel, retail store, clubhouse, warehouse, service station, or other establishment rendering a service or offering a product for sale to the public, and any establishment not generally considered a single-family residence.

1.03. Commercial Waste" shall mean liquid carried sanitary sewage discharged from Commercial Customer Connections which is properly shredded and amenable to biological treatment and which may contain trace amounts of sand, grit, lubricants and other petroleum

products commonly associated with Commercial establishments such as service stations and car wash facilities.

1.04. Customer" shall mean the person, firm, corporation or other entity which receives District services for a Residential, Commercial, Apartment or other structure, whether the owner, renter, builder or lessee thereof. Inasmuch as this Order hereinafter makes it mandatory for each such structure to be connected to the District's System as soon as the District's System becomes operable, the term "Customer" shall mean and include the person, firm, corporation or other entity which requests District services for such structure at the time service becomes available to said structure.

1.05. Customer Connection" shall mean each separately metered Residential, Apartment, Park and Recreational or Commercial facility that is physically connected to the District's System, whether occupied or not, and where appropriate, shall refer to the point of physical connection of such facility to the District's System.

1.06. Customer Service Inspection Certification" shall mean the inspection and subsequent certification required to be provided to the District in the instances and in the manner set forth in this Order, and which shall be evidenced by the completion of a form in the form attached to this Order as Exhibit "B".

1.07. Delinquent Bill" shall mean a bill for water and/or other services, penalties and/or other charges of any nature hereunder imposed by the District, whether hereunder or pursuant to any Drought Contingency Plan or District order regulating charges relating to fire protection services, that has not been paid by the 5th day of the month immediately following the date of the bill.

1.08. District's Engineer" shall mean the person, firm or corporation which the District has engaged to provide engineering services for the District.

1.09. District's Operator" shall mean the person, firm, corporation, municipal corporation or political subdivision with which the District has contracted for operation and maintenance of the District's System.

1.10. Domestic Waste" shall mean liquid carried sanitary sewage discharged from Residential Customer Connections (including Apartments) which is properly shredded and amenable to biological treatment, which is normally discharged from Residential food preparation and bathroom facilities, and which has biological oxygen demand (5-day) and total suspended solids concentrations not exceeding 200 milligrams per liter.

1.11. Drought Contingency Plan" shall mean any drought contingency or water conservation plan now in effect or hereafter adopted by the District.

1.12. Fire Line" shall mean a water supply line installed or constructed for the sole purpose of providing water during a fire or other emergency.

1.13. Health Hazard" shall mean a cross-connection, potential contamination hazard, or other situation involving any substance that could, in the opinion of the District, cause death, illness, or spread of disease, or which has a high probability of causing such effects if introduced into the District's potable drinking water supply.

1.14. Industrial Waste" shall mean waste other than Commercial Waste and Domestic Waste.

1.15. Nontaxable Entity", as used in reference to "initial connection to the System," shall mean the owner of any property within the District that is exempt from the payment of ad valorem taxes levied by the District.

1.16. Park and Recreational" shall mean landscaping in esplanades, green spaces and recreational areas, and recreational facilities, existing primarily for the use and enjoyment of all or substantially all of the property owners within the District.

1.17. Residential" shall mean and include only single family residences and shall not include Apartments unless specifically stated herein to the contrary.

1.18. System", as used herein, shall mean the water and/or storm sewer facilities of the District and all extensions and additions thereto, whether now in place or hereafter constructed.

Section 2. Initial Connections to the District's System ("Taps").

2.01. Requirement to Connect to the District's System. Each structure within the District requiring water services shall be physically connected to the District's System as soon as the District has made water services available to such structure. It is the policy of the District that all properties within the District shall be physically connected to the water System of the District.

2.02. Private Water Supply Systems. The construction and operation of private water supply systems within the District shall be prohibited, unless the prior written consent of the Board of Directors, on terms and conditions deemed acceptable to the Board of Directors in its discretion, is otherwise obtained and satisfactory arrangements are made with all regulatory agencies with jurisdiction over such matters.

2.03. Application for Water Connections. Each person desiring initial water service connections to the District's System shall notify the District's Operator and shall sign and complete an application for such service and pay such fees as established by this Order. The current form of application is attached to this order as Exhibit "A-1" and Exhibit "A-2". The application form may be amended by the District from time to time, as deemed appropriate, without the necessity of an amendment to this Order. No physical connection to the District's System shall be made until such application has been completed and such fees have been paid.

2.04. Tap Fees. The following fees shall be collected from the applicant by the District's Operator before physical connection is made to the District's System:

Meter/ Line Size	Meter Type	Water Fees			
		Base Monthly Service Charge	Water Meter Deposit	Water Meter Tap Fee*	Water Meter Placement Fee
3/4" or less	Simple	\$21.00	\$150.00	\$1,500.00 w/box	\$350.00
1"	Simple	\$30.00	\$250.00	Actual cost w/box	\$400.00
1-1/2"	Simple	\$40.00	\$500.00	Actual cost w/box	\$550.00
2"	Simple	\$60.00	\$750.00	Actual cost w/vault	\$750.00
2"	Compound	\$60.00	\$750.00	Actual cost w/vault	\$2,050.00
2"	Turbine	\$60.00	\$750.00	Actual cost w/vault	\$950.00
3"	Compound	\$85.00	\$1,000.00	Actual cost w/vault	\$2,500.00
3"	Turbine	\$85.00	\$1,000.00	Actual cost w/vault	\$1,200.00
4"	Compound	\$125.00	\$1,250.00	Actual cost w/vault	\$3,800.00
4"	Turbine	\$125.00	\$1,250.00	Actual cost w/vault	\$1,600.00
6"	Compound	\$250.00	\$1,500.00	Actual cost w/vault	\$5,300.00
6"	Turbine	\$250.00	\$1,500.00	Actual cost w/vault	\$3,700.00

Notes:

*Charged only if not provided by property owner.

2.05. Monthly Rates for Water Service. The following rates per month, or any part thereof, shall be charged for water service furnished by the District to each Customer Connection in the District development in every instance in which a different charge is not expressly and clearly provided for herein:

Water Rates - Residential (per meter)

Base monthly service charge	See above
Usage (per 1,000 gal. up to 3,000)	\$0.00
Usage (per 1,000 gal. over 3,001 to 15,000)	\$3.00
Usage (per 1,000 gal. over 15,001 to 30,000)	\$3.60
Usage (per 1,000 gal. over 30,001)	\$4.95
Outside town and outside utility district limit	1.5 x above rate
Outside town limit but inside utility district	Same rate as above
High water usage	See <u>section 2.07</u>

Water Rates - Commercial/Industrial (per meter)

Base monthly service charge	1.5 x above rate
Usage (per 1,000 gal. up to 15,000)	\$4.25
Usage (per 1,000 gal. over 15,001 gal. to 30,000)	\$5.15
Usage (per 1,000 gal. over 30,000)	\$6.25
Outside town and outside utility district limit	1.5 x above rate
Outside town limit but inside utility district	Same rate as above
High water usage	See <u>section 2.07</u>

2.06. Miscellaneous Fees.

- (1) Fire hydrant meter charges (all other uses): \$3,000.00 for deposit + \$100.00 per month rental + in-town commercial usage rate.
- (2) Failure to return fire hydrant meter for reading: \$250.00.
- (3) Water reconnect for nonpayment: \$125.00.
- (4) Water meter reread: One reread annually at no cost, then \$25.00 for each reread thereafter. Fee waived if mistake determined.
- (5) Late payment fee: 5% overdue balance per 15 days (\$10.00 min.).

2.07. High Water Usage During Water Management Stages.

- (1) Stage 2: 10% rate increase for commercial irrigation and residential water meters with readings greater than 45,000 gallons per month, per account.
- (2) Stage 3: 20% rate increase for commercial irrigation and residential water meters with readings greater than 45,000 gallons per month, per account.
- (3) Stage 4: 20% rate increase for commercial irrigation and residential water meters with readings greater than 30,000 gallons per month, per account.

2.08. Policies Governing Initial Connections.

(a) Certification. Subject to the provisions of Section 2.01 hereof, physical connection shall not be made to the District's System until the District's Engineer has certified that the System is operational. Continuous water service shall not be provided to any Customer until

(i) an acceptable sanitary sewer connection (except as to water service only Customers) has been made; (ii) all inspections required pursuant to Section 2.09 hereof have been performed; (iii) any deficiencies or damages noted during said inspections have been corrected and/or paid for; and (iv) a copy of a properly completed Customer Service Inspection Certification has been provided to the District for its records. "Continuous" water service, with respect to new construction, shall be deemed to commence upon the transfer of service from the builder of a building, residence, or other establishment to the initial occupant or user thereof.

(b) Availability of Access. Upon application for Customer Connection, the applicant shall grant an easement of ingress and egress to and from the water meter for such installation, maintenance and repair as the District, in its judgment, may deem necessary. Physical connection will not be made when, in the opinion of District's Engineer or the District's Operator, the work area is obstructed by building materials and debris or the work area is not completed to finished grade. When sidewalks, driveways or other improvements have been constructed prior to application for Customer Connection, such application shall be construed and accepted as a waiver of any claim for damages to such improvements resulting from the reasonable actions of the District's Operator relative to the installation of the Customer's connection to the District's System.

(c) Property of District. All meters, fittings, boxes, valves and appurtenances installed shall remain the property of the District.

(d) Connections by District Operator. Physical connection to the District's water System shall be made by the District's Operator unless specified otherwise by the Board of Directors of the District. No person, other than the properly authorized agents of the District, shall be permitted to make any connection to the District's water System, except for emergency fire-fighting purposes, or make any repairs or additions to or alterations in any meter, box, tap, pipe, cock or other fixture or appurtenance connected with the water service, or any manhole, main, trunk or appurtenance of the District's storm sewer System except by the written permission of the Board of Directors of the District.

(e) Submission of Plans for Commercial and Apartment Customer Connections. Each applicant for a Commercial or Apartment Customer Connection shall, not less than sixty (60) days prior to the requested connection date, submit to the District's Engineer or other party designated by the Board of Directors of the District, the following information:

(1) Engineering drawings (three sets for District purposes) signed and sealed by a Registered Professional Engineer of the State of Texas indicating details of building water distribution facilities, materials to be used and the location, size and number of proposed connections to the District's System. In the event of installation of a master meter, an estimate of the number of equivalent single family residential connections proposed to be served by such master meter;

(2) The legal description of the land to be served by the District's System and a copy of the recorded plat of same; and

(3) A general description of the type of proposed Commercial establishment (including Apartments) and, if applicable, a description of the special measures taken in order to prevent any possible Industrial Waste and/or unauthorized Commercial Waste from entering the storm sewer system.

In recognition of the District's obligation to protect and maintain public health, the District's Engineer or other party designated by the Board of Directors of the District shall review the information presented and may approve or reject the application, request that further information be submitted prior to approval of the application, or require modifications to be made to the plans, including without limitation, requiring the installation of backflow preventors, grease traps, grinders, sampling wells, and/or pretreatment units as may be deemed necessary or appropriate for the protection of the District's System. The Customer shall be responsible for payment of all costs in connection with the review of said information. Customer shall be notified in writing as to the basis for rejection of its application. Failure to construct the facilities in accordance with approved drawings shall constitute a basis for denial of District services. If the application information is not timely provided, the District shall not be held responsible for delays in the installation of water

connections or the provision of District services. Payment of tap fees to the District's Operator prior to the approval of plans shall not be considered approval of said plans or approval for connection to the District's System. Any unauthorized physical connection to the District's System may be removed without notice at the expense of the person or firm causing such connection to be made.

(f) Builder Deposit. Upon first application for a Customer Connection, the applicant (whether property owner, builder or other) (the "Applicant") shall pay a security deposit in the amount of the \$0.00 (which deposit shall apply to all connections of such Applicant, whether one or more) (the "Builder Deposit"). The Builder Deposit is solely to secure the payment of costs to repair any District facilities damaged by the Applicant or other parties during the construction of the house, building or other improvement on the applicable property ("Builder Damages"). The applicant shall be held responsible for any Builder Damages and shall reimburse the District for all costs incurred in repairing the Builder Damages.

After inspection by the District's Operator, the District may utilize the Builder Deposit to pay for any repairs to the District facilities made necessary by the Applicant's construction activities. If the Builder Deposit is not sufficient to pay for such Builder Damages, the Applicant shall pay such outstanding balance due. No additional connections to the District's System shall be permitted relative to any Applicant who has outstanding Builder Damages. If Applicant is building more than one house, building or other improvement with the District, the Builder Deposit shall remain at \$0.00 at all times, and if the District utilizes a portion or all of the Builder Deposit to repair Builder Damages, the Applicant shall pay to the District the amount(s) necessary to again have a \$0.00 Builder Deposit.

The District shall refund the Builder Deposit upon completion of the last house, building or other improvement to be constructed within the District by the Applicant and final inspection by the District's Operator. No interest will be paid by the District on the Builder Deposit.

2.09. Inspections.

(a) Customer Service Inspection Certification. Prior to the District providing continuous water service to (i) any new construction after installation of the meter; (ii) any existing Customer Connection when the District, in its sole discretion, has reason to believe that a cross-connection or potential contamination hazards exist; or (iii) any existing Customer Connection after any material improvement, correction or addition to the private water distribution facilities, a properly completed Customer Service Inspection Certification shall be provided by the Customer to the District. "Continuous" water service, with respect to new construction, shall be deemed to commence upon the transfer of service from the builder of a building, residence, or other establishment to the initial occupant or user thereof.

For Residential Customer Connections, a District Approved Inspector shall perform the inspection and the Customer shall provide the necessary certification to the District.

For Commercial (including Apartment) Customer Connections, a District Approved Inspector shall perform the inspection and the Customer shall provide the necessary certification to the District. Fees for this inspection shall be assessed on an individual basis.

Should a Customer fail to provide to the District a properly completed Customer Service Inspection Certification, water service to such Customer will be terminated by the District and service shall not be restored by the District until the required Customer Service Inspection Certification form is provided.

(b) Inspection of District Facilities. In accordance with applicable rules of the Texas Commission on Environmental Quality, any person desiring water services from the District must notify the District's Operator prior to making any improvement or starting any construction on property within the District if such improvement, construction or equipment used in connection therewith will be within or in close proximity to easements, rights-of-way or property where District facilities are located. The District's Operator shall inspect each property or location at which the improvement or construction is to take place prior to commencement of same to verify the location and condition of District facilities on the property. Upon receipt of instructions from

the contractor or builder that construction of the facility or improvement is complete and prior to the transfer of the account to the subsequent Customer, the District's Operator shall make a final inspection of the water tap, meters and all other District facilities located on or around the property in question to verify the condition of such facilities. If damage to any District facilities is found, the District's Operator will repair such facilities and the builder or contractor will be responsible for payment of all costs incurred prior to the initiation of services to the property. A fee of \$75.00 shall be charged by the District to cover the costs of such inspections, which fee will be due and payable at the time the tap fee is paid.

2.10. Temporary Water Service. Withdrawal of water from flushing valves or fire hydrants or other appurtenances of the District's System without prior approval of the District, except for emergency fire-fighting purposes, is prohibited. The District's Operator shall be authorized to make a temporary connection to any fire hydrant or flushing valve upon request for temporary water service within the area of the District. Such temporary service shall be provided only through a District meter installed by the District's Operator. The applicant for temporary water service shall be required to pay the fees as detailed in Section 2.06 of this Order, which shall secure the payment for water supplied by the District, the installation fee, the safe return of the District's meter and fire hydrant wrench, and the cost of repair of any damage by a user of the hydrant. Temporary water service may be supplied outside the area of the District only with the express authorization of the Board of Directors of the District.

Section 3. Rates and Fees for Water Service. Each prospective Customer desiring water service shall be required to provide appropriate information in order to obtain such service and shall pay an application fee. The District shall charge each Residential Customer a non-refundable deposit fee of \$10.00, due at the opening of the account.

3.01. Transfer Fee and Security Deposit for Utility Services. A non-refundable transfer fee of \$25.00 shall be charged for each Customer. Each Residential Customer and individually metered Commercial and Apartment Customer shall also pay a security deposit of \$60.00. A Commercial or Apartment Customer Connection consisting of a master meter shall pay a deposit

equal to the applicable minimum monthly facility charge set out in Section 2.04 based on the size of the meter. Homebuilders shall pay a security deposit of \$100.00. Upon final termination of service, such deposit shall be credited against amounts owed to the District and any balance refunded to the Customer within forty-five (45) days after termination of service. The District shall not be required to pay interest to the Customer on such security deposit. Further, any Customer whose service is terminated pursuant to Section 4.02 hereof shall pay such deposit (if such Customer has not previously paid a security deposit) before Customer's service is restored. No service shall be restored until such fees and deposits have been received by the District in collected funds.

Homeowners Association, and Developers are not to be charged a Security Deposit.

In addition, prior to the initiation of service to any lot, homebuilders shall pay (in addition to the security deposit addressed above) a service pre-payment amount of \$400.00, to be kept on deposit and credited against amounts owed to the District as they become due. Any balance remaining on a homebuilder service pre-payment shall be refunded to the homebuilder within forty-five (45) days after termination of service. Balances remaining on a security deposit and/or service pre-payment paid by a homebuilder for service to any lot may be transferred to accounts held by such homebuilder relative to service to other lots.

3.02. Regulatory Assessments and Fees. The regulatory assessments and fees imposed pursuant to this Section 3.02 shall be billed and collected in the manner set forth in this Rate Order and all Customers of the District shall be subject to penalties and/or termination of service for failure to pay said regulatory assessments and fees when due in the manner set forth herein.

(a) Texas Commission on Environmental Quality Assessment. The water and service rates set forth above in Sections 3.02 through 3.05, inclusive do not include a regulatory assessment equal to one-half of one-percent of the charge for water and/or sewer service, as provided by Section 5.235(n), Texas Water Code, as amended. Such assessment shall be added to each Customer's bill.

3.03. Drought Contingency Plan. The water and sanitary sewer rates set forth in this Order do not include any additional fees or charges imposed by the District during any drought response stage pursuant to the Drought Contingency Plan. Any such additional fees and charges, and any penalties under the Drought Contingency Plan, shall be billed and imposed by the District in accordance with the Drought Contingency Plan and shall be in addition to fees or charges under this Order, unless otherwise set forth in the Drought Contingency Plan.

3.04. Bulk Rates. The water rates set forth above shall not be construed to prevent the District from furnishing water service to any Customer at a bulk rate if deemed advisable by the District, with such rate to be determined on a case by case basis.

3.05. Policies Governing Services.

(a) (i) No Reduced Rates or Free Service. All Customers receiving services from the District shall be subject to the provisions of this Order and shall be charged the rates established in this Order, and no reduced rate or free service shall be furnished to any Customer; provided, however, this provision shall not prohibit the District, upon good cause shown, from establishing reasonable classifications of Customers for which rates differing from the rates stated herein may be adopted.

(ii) Indigent Care Policy. A Customer is entitled to receive water at (1) the monthly service availability charge, (2) reduced rate or (3) free of any charge, if the Customer meets one or more of the following conditions as allowed by the District:

a. The Customer received Aid to Families with Dependent Children (AFDC benefits) if the only people included in the AFDC benefits are minor children.

b. The Customer or ratepayer's spouse receives Supplemental Security Income from Social Security (SSI) benefits and has no income from any other source (including income from the earnings of any other member of the Customer's household) in excess of \$400.00 per month.

c. The Customer or the ratepayer's spouse receives unemployment compensation from the state of Texas and receives no income from any other source (including

income from the earnings of any other member of the Customer's household) in excess of \$400.00 per month.

d. The Customer or the Customer's spouse receives disabled veteran's benefits (VA disability benefits) and has no income from any other source (including income from the earnings of any other member of the Customer's household) in excess of \$400.00 per month. To qualify for indigent assistance, the rate payer must submit the attached application to the Board of Directors and present proof of financial circumstances including, but not limited to, the following:

(1) proof of receipt of benefits, where applicable, (2) wage statements, and/or copies of federal income tax returns. Indigent assistance is available in other hardship cases at the discretion of the Board of Directors upon application and presentation of appropriate proof of financial indigence. The attached application form is included as an integral part of this policy. Applicants for indigent assistance shall complete only the Corporation's approval form. The indigent care applicant shall apply separately for each case on a need by need basis.

(b) Entitlement. Customers are not guaranteed a specific quantity or pressure of water for any purpose whatever; in no instance shall the District be liable for failure or refusal to furnish water or any particular amount or pressure of water.

(c) Unauthorized and Extraordinary Waste. The water rates established herein are applicable for ordinary Domestic Waste normally considered to have a biological oxygen demand (five day) and total suspended solids of 200 milligrams per liter. Customers discharging, whether intentionally or unintentionally, non-Domestic Waste into the District's storm System will be assessed additional charges as established by District based on the volume and concentration of the proposed waste, as well as costs of remediation and/or repairs to the storm System occasioned as a consequence of such discharge, in addition to any other penalties set forth herein and in any

order regulating waste heretofore or hereafter adopted by the District. Further, the District shall have the right to terminate service to any Customer which violates any such order regulating waste in accordance with Section 4.02 hereof and the penalties specified in Section 6 hereof shall apply, in addition to any other penalties or other charges specified in such order or herein. The District's Operator shall have rights of ingress and egress to Customer's property in order to carry out the provisions of this Section.

(d) Plumbing Regulations. The following plumbing regulations are, pursuant to Texas Commission on Environmental Quality regulations, applicable to all Customers of the District:

(i) No direct connection between the District's System and a potential source of contamination shall be permitted; potential sources of contamination shall be isolated from the District's System by an air gap or an appropriate backflow prevention device in accordance with applicable Texas Commission on Environmental Quality requirements and/or as otherwise required by the District in its reasonable discretion;

(ii) No cross connection between the District's System and any private water system shall be permitted, and any potential threat of cross connection shall be eliminated at the service connection by the installation of an air gap or a reduced pressure-zone backflow prevention device;

(iii) No connection which allows water used for condensing, cooling or industrial processes, or water from any other system of nonpotable usage over which the District does not have sanitary control to be returned to the District's System shall be permitted;

(iv) No pipe or connection which allows water to be returned to the public drinking water supply is permitted;

(v) The use of pipes and pipe fittings that contain more than 8.0 percent lead, or solders and flux that contain more than 0.2 percent lead is prohibited for installation or repair of the District's System and for installation or repair of any plumbing in any Residential or Commercial facility providing water for human consumption and connected to the District's water

supply System. This requirement may be waived for lead joints that are necessary for repairs to cast iron pipe; and

(vi) Notwithstanding anything to the contrary contained herein, the District reserves the right to inspect each Customer's property at any time for possible cross connections and other potential contamination hazards in violation of this Order. The Customer shall, upon receipt of notice from the District, immediately correct any potential contamination hazard existing on his premises to prevent possible contamination of the District's System. The existence of a serious threat to the integrity of the District's System shall be considered sufficient grounds for immediate termination of water service. Water service will be restored only when the source of potential contamination no longer exists, or when sufficient additional safeguards have been taken to protect the District's System from contamination, and a Customer Service Inspection Certification confirming the correction of a potential contamination hazard has been submitted to the District. The District shall not be required to follow the procedures set forth in Section 4.02 hereof when terminating water service to a Customer under this Section 3.05 (d). However, the Customer shall be subject to the same charge for restoration of service terminated pursuant to this Section 3.05(d) as is set forth in Section 4.02 hereof.

(e) Backflow Prevention Requirements. No water connection from the District's System shall be allowed to any Customer Connection where the District, in its sole discretion, has reason to believe that an actual or potential contamination hazard exists unless the District's System is protected from contamination. The following backflow prevention requirements are applicable to all Customers of the District:

(i) Backflow prevention assemblies shall be installed, tested and maintained, at the Customer's expense, at any Customer Connection in accordance with applicable Texas Commission on Environmental Quality requirements and/or as otherwise required by the District in its reasonable discretion.

The use of a backflow prevention device at the service connection shall be considered additional backflow protection and shall not negate the use of backflow prevention on

the internal hazards of any Customer Connection as outlined and enforced by applicable Texas Commission on Environmental Quality regulations and/or local plumbing codes.

(ii) All backflow prevention assemblies installed at any Customer Connection shall be tested upon installation by a recognized backflow prevention assembly tester (pursuant to Texas Commission on Environmental Quality regulations) and certified to be operating within specifications. Backflow prevention assemblies which are installed to provide protection against a Health Hazard must also be tested and certified to be operating within specifications at least annually by a recognized backflow prevention assembly tester.

(iii) The District's Operator shall install and test any backflow prevention assembly required to be installed at any Customer Connection pursuant to this Order, and shall complete and retain in the District's files for recordkeeping purposes an original Backflow Prevention Assembly Test and Maintenance Report ("Test Report"), in the form attached to this Order as Exhibit "C". The District shall charge the Customer for the District's cost of the installation of the backflow prevention assembly and the initial test thereof, and \$50.00 for each annual test performed on such assembly.

(f) Adjustments in Bills for Hidden Water Leaks.

(i) Definitions. The following terms, when used in this subsection, shall have the following meanings:

a. "Greatest Normal Usage" shall mean that amount of water metered at the Customer's service location in the billing month of greatest consumption during the previous twelve (12) consecutive billing months or, if there are fewer than twelve (12) prior billing months, the greatest consumption during any prior billing month, prorated to the number of days in the billing month for which the adjustment is requested.

b. "Hidden Water Leak" shall mean any leak of a water pipe, line, or other water conveyance equipment caused by deterioration, corrosion, natural forces, or other similar cause which is not immediately and reasonably detectable from the surface of the ground.

c. "Substantial increase in water usage" shall mean an increase in the amount of water metered and billed at the Customer's service location for the billing month for which the adjustment is requested which is in excess of fifty (50) percent of the Greatest Normal Usage for that service location.

(ii) Request for adjustment. Any Customer who is billed for a substantial increase in water usage during any one (1) billing month due to a Hidden Water Leak may request and receive an adjustment in the amount billed for water usage for that month in accordance with the provisions of this section.

(iii) Written request. Any Customer requesting an adjustment pursuant to this section shall make the request in writing to the District's Operator. A request for an adjustment based upon a Hidden Water Leak shall state the location and cause of the leak, the date it was discovered, and the date of and person making the repair, with attached copies of repair bills. All requests shall be submitted within thirty (30) days of the due date of the monthly bill for which an adjustment is sought.

(iv) Adjustment allowed. A request for an adjustment in a monthly bill for water usage shall be granted if it meets the following conditions:

a. A request, with all required information, is filed within the required time;

b. The requested adjustment is for a monthly billing in which there was a substantial increase in water usage resulting from a Hidden Water Leak; and

c. There has not been an adjustment made in the monthly billing for water usage at the same service location within the prior twelve (12) months under the provisions of this section.

(v) Amount of adjustment. If an adjustment is granted under this section, the Customer's account shall be adjusted by billing the Customer using the Greatest Normal Usage, as defined herein.

(g) Owners and Tenants. The owner of any property designated to receive service according to the terms of this Order is responsible for all fees and charges due the District for service provided to such property. If an owner has signed an Alternate Billing Agreement for Rental Accounts, available from the District's Operator, the District may bill a tenant for service as a third party, but the owner remains fully responsible for any and all unpaid fees and charges of the tenant. The District may notify an owner of a tenant's past due payment status subject to service charges.

Section 4. Delinquency in Payment; Penalty; Discontinuation and Termination of Service.

4.01. Penalty for Failure to Pay Bill Before Delinquency. A charge of (i) \$10.00 or (ii) five percent (5%) of any past due amount, whichever is greater, shall be added, every 15 days following the initial delinquency date, to the Customer's bill when such Customer has failed to pay any bill before it becomes a Delinquent Bill. If a Customer's bill, or any part thereof, becomes a Delinquent Bill, the Delinquent Bill plus the penalty thereon shall be immediately due and payable. A charge of \$30.00 shall be imposed for each returned check notice forwarded to a Customer as a result of a Customer's check being returned by a bank for any reason.

Should for any reason a Customer's check be returned by a bank twice in the span of a six (6) month period, the Customer will be restricted to only making bill payments by cash, money order, cashier's check or credit card. The District shall give Customer notice of such restriction upon receipt of the second returned check from a bank. Following the imposition of such restriction, should the Customer make consecutive on-time bill payments for the span of a calendar year, then such restriction shall be automatically lifted, and the Customer shall then be again allowed to make bill payments by check.

4.02. Termination of Service. The District shall have the right to terminate service and cut off the supply of water to a Customer at any time after its bill becomes a Delinquent Bill, or upon violation by the Customer of any order regulating waste heretofore or hereafter adopted by the District. The Customer shall, by written notice mailed to the Customer's address as reflected in the records of the District, be notified of the delinquency or violation and the date on which

service shall be terminated if the account (including delinquent charges and penalty) is not paid in full or the violation corrected, which date shall not be less than five (5) days from the date such notice is sent. With respect to a Delinquent Bill, such notice shall state the place and time at which the account may be paid and that any errors in the bill may be corrected by contacting the billing company, whose telephone number shall also be given in such notice. All notices of termination shall state that the Customer has the right to appeal such termination to the Board of Directors of the District. If the delinquent account (including any non-delinquent portion thereof), including penalty and all other charges then due and owing, has not been paid in full or the violation corrected by 5:00 p.m. on the business day immediately preceding the proposed termination date, or if the Customer's service was terminated as necessary for any other reason due to the action or inaction of the Customer, then service to such Customer shall be discontinued on the termination date. Payment of the unpaid account, including penalty and all other charges then due and owing plus any required deposit, shall be paid in cash, cashier's check or money order prior to restoration of water service where service has been terminated because of the Customer's failure to pay a bill before it became a Delinquent Bill. If service has been disconnected to any Customer for reason of nonpayment, for a violation of an order adopted by the District, or termination was necessary for any other reason due to the action or inaction of the Customer then the Customer shall be charged a reconnect fee of \$125.00 upon the Customer's request to reconnect. All requests for extension of payment due date to avoid termination of service must be presented in writing to the Board of Directors at the regular monthly meeting, except in the event of health issues, in which case District's Operator has authorization to grant such request.

The District also has the right to terminate service and cut off the supply of water to a Customer under the guidelines of the Drought Contingency Plan currently in effect or a plan adopted in the future. Any termination of service for a violation of the Drought Contingency Plan may be done without prior notice according to the guidelines in the Drought Contingency Plan. Upon termination, the Customer shall, by written notice posted on the Customer's front door, be notified of the termination and the process for have the Customer's service reconnected, including

any fees and penalties incurred as a result of the violation(s) of the Drought Contingency Plan and the termination of services. Such notice shall state the place and time at which the fees and penalties may be paid and the contact information for the billing company to reconnect service. All notices of termination shall state that the Customer has the right to appeal such termination to the Board of Directors of the District. If service has been disconnected to any Customer for reason of violation(s) of the Drought Contingency Plan, then the Customer shall be charged a reconnect fee of \$125.00 upon the Customer's request to reconnect.

4.03. Discontinuing Service Upon Request of a Customer. Whenever a Customer of the District requests that water be temporarily discontinued, Customer shall notify the District's Operator at least two days prior to the time that such service discontinuation is desired. A charge of \$5.00 shall be made for restoring water service when such service is discontinued and restored at the request of the Customer and he is not delinquent in the payment of any bill at the time of either request.

4.04. Request for Temporary Service. Whenever water has been disconnected to an unoccupied residence, and the Owner or Owner's representative requests temporary service for purposes of inspections and/or preparing the residence for sale or occupancy, temporary service will be provided for either five (5) days or thirty (30) days upon receipt of a non-refundable payment of either \$75.00 or \$200.00, respectively. Such payment shall be due prior to initiation of temporary service.

Section 5. Damage to District Facilities.

5.01. Damage to Meters and Appurtenances. No person other than a duly authorized agent of the District shall open any meter box, repair, alter, adjust, remove, make connections or additions to or in any other way take any action which affects any meter, meter box, service line or other water System appurtenance. The District reserves the right to immediately and without notice remove the meter or disconnect water service to any Customer whose meter, meter box, service line or other System appurtenance has been tampered with or altered in any way, or who has reconnected service which was terminated by the District. The District shall assess to a

resident Customer repair costs plus a damage fee of \$75.00 for any damage to any meter, meter box, service line or other water System appurtenance caused by such resident Customer under this paragraph. If service has been disconnected to any Customer or a meter removed for reason of violation(s) under this Section, then the Customer shall be charged a replacement and reconnect fee of \$125.00 upon the Customer's request to reconnect. The District shall assess to a builder Customer repair costs plus a damage fee of \$1,000.00 for any damage to any meter, meter box, service line or other water System appurtenance caused by such builder Customer under this paragraph.

5.02. Right to Repair. In recognition of the District's obligation to protect and maintain the public health, the District reserves the right to repair damage to the District's System and appurtenances without prior notice, and to assess against Customer such costs, including attorneys' fees, and such penalties as are provided in this Order or otherwise provided by law or legally available to the District, in addition to those charges necessary to repair the portion of the System so damaged.

5.03. Obstructions. After a water meter has been set, the Customer shall at all times keep the area in, around and upon the meter and box and District easements and property under Customer's control free from rubbish or obstructions of any kind. Failure to keep the meter and box and District easements and property under Customer's control free from rubbish or obstructions may result in disconnection of water services and/or the assessment of charges necessary to remove said obstructions. Customers are prohibited from introducing material into the District's System which would cause obstruction of said System. In the event that an inspection by the District's Engineer or District's Operator reveals damage to the System resulting from a Customer's failure to prevent obstructions from entering said System, the District reserves the right to immediately and without notice remove the obstruction. Any District costs for removal of obstructions, including the cleaning of grease traps or other pretreatment units, plus a District administration fee of fifty percent (50%) of said costs, shall be assessed to Customer. The District's

Operator shall have rights of ingress and egress to Customer's property in order to carry out the provisions of this Section.

5.04. Storm Sewer System. The use of the District's storm sewer System is limited solely to storm waters. No other liquids or solids, including but not limited to, grass or yard clippings, trash, construction materials, oils or grease, shall be introduced into the District's storm sewer System. It shall be a violation of this Order to introduce unauthorized material, whether liquid or solid, into the District's storm sewer System and the District reserves the right to assess such penalties as provided in this Order to any person, corporation, or other entity who makes such unauthorized use of the District's storm sewer System.

Section 6. Penalties for Violation; Attorney's Fees and Court Costs. Any person, corporation or other entity who:

- (1) violates any section of this Order or any order regulating waste heretofore or hereafter adopted by the District; or
- (2) makes unauthorized use of District services or facilities; or
- (3) violates any other rules or regulations of the District;

shall be subject to a civil penalty of not less than \$100.00, and in no event to exceed \$5,000, for each breach of the foregoing provisions. Each day that a breach continues shall be considered a separate breach. The amount of any penalty levied by the District pursuant to this Section 6 shall be established by the District's Board of Directors after reasonable notice to the violator and a public hearing relative to such matter before the Board of Directors.

Penalties levied under this Section 6 shall be in addition to such other penalties as are provided in this Order or any order heretofore or hereafter adopted by the District, any other penalties provided under the laws of the State of Texas, and any other right of recovery that the District may have for damages or otherwise under applicable law. Notwithstanding the foregoing, in no event shall the District levy a penalty that is in excess of the jurisdictional limit of the justice court as provided by Section 27.031, Texas Government Code, as amended. In addition to the

enforcement provisions set forth in this Order, the provisions of this Order, including any penalties levied hereunder, may be enforced by complaints filed in the appropriate court of jurisdiction in the county in which the District's principal office or meeting place is located. If the District prevails in any suit to enforce its rules, it may, in the same action, recover reasonable fees for attorneys, expert witnesses and other costs incurred by the District before the court. The amount of attorney's fees shall be fixed by the court.

Section 7. Appeal. Any determination by District's Operator or District's Engineer or authorized agent of the District or any dispute regarding the terms and provisions of this Order may be appealed to the Board of Directors of the District which shall conduct a hearing on the matter. All appeals shall either be submitted by Customer in writing or presented by Customer in person to the Board of Directors of the District at its regular meeting. In order to maintain service during the pendency of any such appeal in connection with fees or charges assessed hereunder, Customer shall pay the undisputed portion of all amounts, including service charges, penalties and other charges, due and payable to the District. Any amounts which are paid by the Customer and subsequently determined by the Board of Directors not to have been due shall be refunded to the Customer or credited against future bills, at the discretion of the District. The District's Operator and/or attorney shall provide Customer with information regarding appeals and hearing procedures upon Customer's request.

Section 8. Amendments. The District's Board of Directors has and specifically reserves the right to change, alter or amend any rate or provision of this Order at any time.

Section 9. Severability. The provisions of this Order are severable, and if any provision or part of this Order or the application thereof to any person or circumstances shall ever be held by any court of competent jurisdiction to be invalid or unconstitutional for any reason, the remainder of this Order and application of such provision or part of this Order shall not be affected thereby.

The President or Vice-President is authorized to execute and the Secretary is authorized to attest this Order on behalf of the Board and the District.

Passed and adopted this _____ day of _____, 2017.

ATTEST:

/s/James Campbell
President

/s/ Wade Arnold
Secretary

(SEAL)

EXHIBIT "A-2"

PLEASE SIGN AND RETURN THIS COPY
**CANYON FALLS MUNICIPAL UTILITY DISTRICT NO.1 OF DENTON COUNTY
CUSTOMER SERVICE AGREEMENT**

I. PURPOSE

The CANYON FALLS MUNICIPAL UTILITY DISTRICT NO.1 OF DENTON COUNTY (the "Water System") is responsible for protecting the drinking water supply from contamination or pollution which could result from improper plumbing practices. The purpose of this Customer Service Agreement is to notify each customer of the plumbing restrictions which are in place to provide this protection. The utility enforces these restrictions to ensure the public health and welfare. Each customer must sign this Agreement before the CANYON FALLS MUNICIPAL UTILITY DISTRICT NO.1 OF DENTON COUNTY will begin service. In addition, when service to an existing connection has been suspended or terminated, the Water System will not re-establish service unless it has a signed copy of this Agreement.

II. PLUMBING RESTRICTIONS

The following unacceptable plumbing practices are prohibited by State regulations.

- A. No direct connection between the public drinking water supply and a potential source of contamination is permitted. Potential sources of contamination shall be isolated from the public water system by an air-gap or an appropriate backflow prevention device.
- B. No cross-connection between the public drinking water supply and a private water system is permitted. These potential threats to the public drinking water supply shall be eliminated at the service connection by the installation of an air-gap or a reduced pressure-zone backflow prevention device.
- C. No connection which allows water to be returned to the public drinking water supply is permitted.
- D. No pipe or pipe fitting which contains more than 8.0% lead may be used for the installation or repair of plumbing at any connection which provides water for human use.
- E. No solder or flux which contains more than 0.2 percent lead can be used for the installation or repair of plumbing at any connection which provides water for human use.

III. CUSTOMER SERVICE AGREEMENT

The following are the terms of the Customer Service Agreement between the CANYON FALLS MUNICIPAL UTILITY DISTRICT NO.1 OF DENTON COUNTY and _____ (the "Customer").

- A. The Water System will maintain a copy of this Agreement as long as the Customer and/or the premises is connected to the Water System.
- B. The Customer shall allow his property to be inspected for possible cross-connections and other unacceptable plumbing practices. These inspections shall be conducted by the Water System or its designated agent prior to initiating new water service; when there is reason to believe that cross-connections or other unacceptable plumbing practices exist; or after any major changes to the private plumbing facilities. The inspections shall be conducted during the Water System's normal business hours.
- C. The Water System shall notify the Customer in writing of any cross-connection or other unacceptable plumbing practice which has been identified during the initial inspection or the periodic reinspection.
- D. The Customer shall immediately correct any unacceptable plumbing on his premises.
- E. The Customer shall, at his expense, properly install, test, and maintain any backflow prevention device required by the Water System. Copies of all testing and maintenance records shall be provided to the Water System.

IV. ENFORCEMENT

If the Customer fails to comply with the terms of the Customer Service Agreement, the Water System shall, at its option, either terminate service or properly install, test, and maintain an appropriate backflow prevention device at the service connection. Any expenses associated with the enforcement of this Agreement shall be billed to the Customer.

By: _____ Printed Name: _____
Customer's Signature Date: _____

EXHIBIT "B"

Service Inspection Certification Form

CANYON FALLS MUNICIPAL UTILITY DISTRICT NO.1 OF DENTON COUNTY

[District's I.D. #]

Location of Service _____

I, _____, upon inspection of the private water distribution facilities connected to the aforementioned public water supply do hereby certify that, to the best of my knowledge

	<u>Compliance</u>	<u>Non-Compliance</u>
(1) No direct connection between the public drinking water supply and a potential source of contamination exists. Potential sources of contamination are isolated from the public water system by an air gap or an appropriate backflow prevention assembly in accordance with TCEQ regulations and the provisions of the District's Rate Order.	<input type="checkbox"/>	<input type="checkbox"/>
(2) No cross-connection between the public drinking water supply and a private water system exists. Where an actual air gap is not maintained between the public water supply and a private water supply, an approved reduced pressure-zone backflow prevention assembly is properly installed and a service agreement exists for annual inspection and testing by a certified backflow prevention device tester.	<input type="checkbox"/>	<input type="checkbox"/>
(3) No connection exists which would allow the return of water used for condensing, cooling or industrial processes back to the public water supply.	<input type="checkbox"/>	<input type="checkbox"/>
(4) No pipe or pipe fitting which contains more than 8.0% lead exists in private water distribution facilities installed on or after July 1, 1988.	<input type="checkbox"/>	<input type="checkbox"/>
(5) No solder or flux which contains more than 0.2% lead exists in private water distribution facilities installed on or after July 1, 1988.	<input type="checkbox"/>	<input type="checkbox"/>

I further certify that the following materials were used in the installation of the private water distribution facilities:

Service lines	Lead	<input type="checkbox"/>	Copper	<input type="checkbox"/>	PVC	<input type="checkbox"/>	Other	<input type="checkbox"/>
Solder	Lead	<input type="checkbox"/>	Lead Free	<input type="checkbox"/>	Solvent Weld	<input type="checkbox"/>	Other	<input type="checkbox"/>

I recognize that this document shall become an official record of [Name of District] and that I am legally responsible for the validity of the information I have provided.

Signature of Inspector

Registration Number

Title

Type of Registration

Date

EXHIBIT "C"

Backflow Prevention Assembly Test and Maintenance Report

The following form must be completed for each assembly tested. A signed and dated original must be submitted to the District for recordkeeping purposes.

BACKFLOW PREVENTION ASSEMBLY TEST AND MAINTENANCE REPORT

CANYON FALLS MUNICIPAL UTILITY DISTRICT NO.1 OF DENTON COUNTY

[DISTRICT IDENTIFICATION NO.]

MAILING ADDRESS: _____

CONTACT PERSON: _____

LOCATION OF SERVICE: _____

The backflow prevention assembly detailed below has been tested and maintained as required by TCEQ regulations and is certified to be operating within acceptable parameters.

TYPE OF ASSEMBLY

- | | |
|---|--|
| <input type="checkbox"/> Reduced Pressure Principle | <input type="checkbox"/> Reduced Pressure Principle-Detector |
| <input type="checkbox"/> Double Check Valve | <input type="checkbox"/> Double Check-Detector |
| <input type="checkbox"/> Pressure Vacuum Breaker | <input type="checkbox"/> Spill-Resistant Pressure Vacuum Breaker |

Manufacturer: _____

Size: _____

Model Number: _____

Located At: _____

Serial Number: _____

Is the assembly installed in accordance with manufacturer recommendations and/or local codes? _____

	Reduced Pressure Principle Assembly			Pressure Vacuum Breaker	
	Double Check Valve Assembly		Relief Valve	Air Inlet	Check Valve
	1st Check	2nd Check		Opened at ____ psid Did not Open <input type="checkbox"/>	Held at ____ psid Leaked <input type="checkbox"/>
Initial Test	Held at ____ psid Closed Tight <input type="checkbox"/>	Held at ____ psid Closed Tight <input type="checkbox"/>	Opened at ____ psid Did not open <input type="checkbox"/>		

	Leaked <input type="checkbox"/>	Leaked <input type="checkbox"/>			
Repairs and Materials Used					
Test After Repair	Held at ___ psid Closed Tight <input type="checkbox"/>	Held at ___ psid Closed Tight <input type="checkbox"/>	Opened at ___ psid	Opened at ___ psid	_____ psid

Testing gauge used: Make/Model: _____ SN: _____ Calibration Date: _____

Remarks: _____

The above is certified to be true at the time of testing.

Firm Name: _____

Certified Tester:

Firm Address: _____

Cert. Tester No.:

Firm Phone No.: _____

Date: _____

**Application to Obtain a Water Certificate of Convenience and Necessity
Canyon Falls Municipal Utility District No. 1 of Denton County**

**Addendum 8
List of Water Utilities Within 5 Miles**

Utility Name	CCN Number
Aqua Texas, Inc.	13201
Argyle Water Supply Corporation	10199
Bartonville Water Supply Corporation	10197
City of Denton	10195
City of Fort Worth	12311
City of Justin	10167
City of Roanoke	13150
Denton County FWSD No. 7	12982
Monarch Utilities I, LP	12983
Red Rock WSC	12134
Stonebridge WSC	12415
Town of Flower Mound	10982
Town of Marshall Creek	11820
Town of Northlake	12915
Town of Ponder	12951