



Control Number: 51979



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DOCKET NO. 51979

PETITION OF SIG MAGNOLIA LP	§	BEFORE THE
TO AMEND DOBBIN PLANTERSVILLE	§	PUBLIC UTILITY COMMISSION
WATER SUPPLY CORPORATION'S	§	OF TEXAS
CERTIFICATE OF CONVENIENCE	§	
AND NECESSITY IN MONGOMERY COUNTY	§	
EXPEDITED RELEASE	§	

**DOBBIN PLANTERSVILLE WATER SUPPLY CORPORATION'S
SUPPLEMENT TO ITS MOTION TO DISMISS**

COMES NOW, Dobbin Plantersville Water Supply Corporation (“Dobbin Plantersville”) and files this Supplement to Its Motion to Dismiss. In support hereof, Dobbin Plantersville respectfully shows the following:

I. PROCEDURAL BACKGROUND

On April 5, 2021, Sig Magnolia filed with the Public Utility Commission of Texas (“PUC,” “PUCT,” or “Commission”) a petition for a streamlined expedited release (“SER”) of approximately 665.8 acres of Dobbin Plantersville’s Certificate of Convenience and Necessity (“CCN”) No. 11052 service area (“SER Property”). In his April 6, 2021, Order No. 1, the administrative law judge (“ALJ”) established a deadline of May 5 for the Staff of the PUC (“Staff”) to file comments on the administrative completeness of the petition and notice. Order No. 1 also set a deadline of May 12, which is a week after Staff’s deadline, for Dobbin Plantersville to file a response to the petition.

In his May 12, 2021, Order No. 4, the ALJ granted Dobbin Plantersville’s Motion to Intervene. After extending the Staff’s deadline to file comments on the administrative completeness of the petition, in Order No. 5 the ALJ also extended Dobbin Plantersville’s deadline for responding to an administratively complete petition.

On June 17, 2021, Dobbin Plantersville filed its response to petition and motion to dismiss. On June 23 and 24, SIG Magnolia filed a motion for extension. On June 24 Dobbin Plantersville filed a motion for leave to reply. On June 25 SIG Magnolia withdrew its motion for extension.

II. BACKGROUND

Dobbin Plantersville provides water service in Montgomery and Grimes counties, Texas, under CCN No. 11052. Dobbin Plantersville has structured its debt, infrastructure construction, and planning based on providing water service to undeveloped areas within its CCN, including the SER Property.

IV. SUPPLEMENT TO MOTION TO DISMISS

Sig Magnolia's Petition is premised on 16 Texas Administrative Code section 24.245(h) and Texas Water Code section 13.2541 and must be dismissed because Dobbin Plantersville has "provided or made service available and enjoys protection" under Title 7 United States Code section 1926(b) ("Section 1926(b)") such that the SER Property cannot be removed from Dobbin Plantersville's territory. Dobbin Plantersville is providing this information regarding its Section 1926(b) rights to inform the PUC about Dobbin Plantersville's federal rights, but Dobbin Plantersville is not seeking a determination of those rights by the Commission; rather, Dobbin Plantersville has filed its "England Reservation" (see Section VI, below), reserving all federal issues to be decided by a federal court. Sig Magnolia's Petition must be dismissed to allow a federal court to resolve this issue.

This Motion to Dismiss is based on the PUC's lack of jurisdiction, due to original jurisdiction in the federal courts as summarized just above and in the original Response to Petition and Motion to Dismiss filed in this docket. Other good cause shown for dismissal is as follows: if the PUC rules on SIG Magnolia's Petition, it would fly in the face of judicial economy because a federal court will then need to issue an injunction preventing compliance with the PUC order pending a decision in federal court on the issues raised here. *See* 16 Tex. Admin. Code §22.181(d)(1) and (11). No hearing is required because the facts necessary to support the dismissal are uncontested and are established as a matter of law. *See* 16 Tex. Admin. Code § 22.181(c).

A. The SER Property Cannot Be Released From Dobbin Plantersville's CCN Territory Under Federal Law, including Section 1926(b).

Dobbin Plantersville is indebted on several loans that qualify it for the protections of Section 1926(b). Although Texas Water Code section 13.2541(d) provides that the Commission may not deny the Petition based on the fact that Dobbin Plantersville is a borrower under a federal loan program, releasing

the SER Property by granting the Petition while ignoring Dobbin Plantersville's indebtedness on two outstanding United States Department of Agriculture ("USDA") loans¹ and a CoBank loan guaranteed by the USDA, violates Dobbin Plantersville's protection under Section 1926(b).

CONCLUSION AND PRAYER

Dobbin Plantersville respectfully requests the Commission consider this Supplement to Motion to Dismiss, which states that dismissal is based on a lack of jurisdiction and other good cause shown, as required by 16 Texas Administrative Code section 22.181(d)(1) & (11). Further, the Affidavit of Janie Legge testifying that Dobbin Plantersville has two outstanding USDA loans and providing loan documents evidencing those loans, are part of this Supplement to Motion to Dismiss.

Dobbin Plantersville requests that the Petition be dismissed to allow adjudication of the issue of Section 1926(b) protection from encroachment on Dobbin Plantersville CCN 11052. Dobbin Plantersville does not seek a Commission decision on the issue of pre-emption, relying on the "England Reservation" in its original Motion to Dismiss in this docket.

All pleading and evidence provided in Dobbin Plantersville Response to Petition and Motion to Dismiss remain in effect; this pleading serves only as a supplement.

Dobbin Plantersville also seeks all and further relief to which it may be justly entitled at law or in equity.

Respectfully submitted,

Mary K. Sahs

MARY K. SAHS, P.C.

Mary K. Sahs

State Bar No. 17522300

P.O. Box 40970

Austin, Texas 78704

Telephone: (512) 585-1705

Facsimile: (512) 597-2516

Email: marysahs@sahslaw.com

¹ Exhibit C, Janie Legge Second Affidavit, at Item 2 and Attachments 1 and 2.

**ATTORNEY FOR DOBBIN
PLANTERSVILLE WATER
CORPORATION**

CERTIFICATE OF SERVICE

Pursuant to Docket No. 50664, Second Order Suspending Rules (July 16, 2020) the undersigned hereby certifies that a copy of foregoing Dobbin Plantersville Water Supply Corporation's Supplement to Motion to Dismiss was served on all parties of record in this proceeding on June 25, 2021, by electronic mail.

Mary K. Sahs

Mary K. Sahs

DOCKET NO. 51979

PETITION OF SIG MAGNOLIA LP
TO AMEND DOBBIN PLANTERSVILLE
WATER SUPPLY CORPORATION'S
CERTIFICATE OF CONVENIENCE
AND NECESSITY IN MONTGOMERY COUNTY
EXPEDITED RELEASE

§
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§
§

BEFORE THE
PUBLIC UTILITY COMMISSION
OF TEXAS

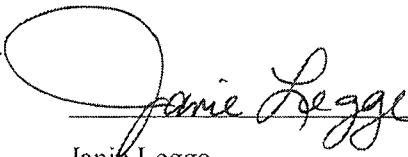
SECOND AFFIDAVIT OF JANIE LEGGE

THE STATE OF TEXAS §
§
COUNTY OF MONTGOMERY §

BEFORE ME, the undersigned official, on this day personally appeared Janie Legge, who is personally known to me and first being duly sworn according to law, upon her oath deposed and said:

1. My name is Janie Legge. I am over the age of 18 years and reside in Grimes County, Texas. I am of sound mind and fully competent to make this affidavit. I have personal knowledge of the facts stated herein, and they are true and correct.
2. I am the general manager of Dobbin Plantersville Water Company also known as Dobbin Plantersville Water Supply Corporation. Dobbin Plantersville holds certificate of convenience and necessity No. 11052 for water service in Montgomery County and parts of Grimes County. As stated on our website, Dobbin Plantersville provides water service to areas that are or historically have been rural.
3. Dobbin Plantersville currently has two outstanding U.S.D.A. loans and an outstanding CoBank loan. True and correct copies of the loan documents evidencing the two outstanding U.S.D.A. loans are attached to this second affidavit as Attachments 1 and 2.

FURTHER AFFIANT SAYETH NOT.

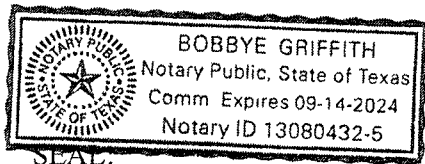


Janie Legge

SUBSCRIBED AND SWORN TO BEFORE ME the undersigned authority on this the 25 day of June 2021 to certify which witness my hand and seal of office.

Bobbye Griffith
Notary Public

In and for the State of Texas



Bobbye Griffith
Printed Name of Notary Public

My Commission Expires: 09-14-2024



United States
Department of
Agriculture

Rural
Development

101 South Main
Fed. Bldg., Ste. 102
Temple, TX 76501
VOICE: (254) 298-1306
FAX: (254) 298-1477
TDD: (254) 298-1349

COPY

JUN 17 1997

COPY

Mr. Frank A. Gabriel, President
Dobbin-Plantersville Water Supply Corporation
P. O. Box 39
Plantersville, Texas 77363

Dear Mr. Gabriel:

Enclosed is your copy of Form FmHA 1940-1, "Request for Obligation of Funds."

Your loan in the amount of \$378,000.00 and grant in the amount of \$202,000.00
were approved on May 19, 1997.

Sincerely,


STEVEN A. CARRIKER
Acting State Director

Enclosure

LOAN # 2

ATTACHMENT 1

Rural Development is an Equal Opportunity Lender.
Complaints of discrimination should be sent to:
Secretary of Agriculture, Washington, D.C. 20250

007

REQUEST FOR OBLIGATION OF FUNDS

INSTRUCTIONS-TYPE IN CAPITALIZED ELITE TYPE IN SPACES MARKED (IIII)			
Complete Items 1 through 30 and applicable Items 31 through 43. See FMI.			
1. CASE NUMBER ST CO BORROWER ID 42 01013 017141104118119		LOAN NUMBER 011	FISCAL YEAR 917
2. BORROWER NAME DOEBLIN IRIANTERSVILLE		3. NUMBER NAME FIELDS (1, 2, or 3 from Item 2)	
WATER SUPPLY		4. STATE NAME TEXAS	
CORPORATION		5. COUNTY NAME GRIMES	
GENERAL BORROWER/LOAN INFORMATION			
6. RACE/ETHNIC CLASSIFICATION 1 - WHITE 4 - HISPANIC 2 - BLACK 5 - A/PI 3 - AVAN	7. TYPE OF APPLICANT 1 - INDIVIDUAL 4 - PUBLIC BODY 2 - PARTNERSHIP 5 - ASSOC. OF FARMERS 3 - CORPORATION 7 - OTHER	8. COLLATERAL CODE 1 - REAL ESTATE SECURED 4 - MACHINERY ONLY 2 - REAL ESTATE AND CHATTEL 5 - LIVESTOCK ONLY 3 - NOTE ONLY OR CHATTEL ONLY 7 - SECURED BY BONDS	9. EMPLOYEE RELATIONSHIP CODE 1 - EMPLOYEE 2 - MEMBER OF FAMILY 3 - CLOSE RELATIVE 4 - ASSOC.
10. SEX CODE 1 - MALE 3 - FAMILY UNIT 2 - FEMALE 4 - ORGAN. MALE OWNED 5 - ORGAN. FEMALE OWNED 6 - PUBLIC BODY	11. MARITAL STATUS 1 - MARRIED 3 - UNMARRIED (INCLUDES WIDOWED/DIVORCED) 2 - SEPARATED	12. VETERAN CODE 1 - YES 2 - NO	13. CREDIT REPORT 1 - YES 2 - NO
14. DIRECT PAYMENT (See FMI)	15. TYPE OF PAYMENT 1 - MONTHLY 3 - SEM-ANNUALLY 2 - ANNUALLY 4 - QUARTERLY	16. FEE INSPECTION 1 - YES 2 - NO	17. INTEREST CREDIT 1 - YES (FOR SFH ONLY) 2 - NO
18. COMMUNITY SIZE 1 - 10,000 OR LESS (FOR SFH AND HP/G ONLY) 2 - OVER 10,000	19. DWELLING TYPE/USE OF FUNDS CODE (See FMI)		
COMPLETE FOR OBLIGATION OF FUNDS			
20. TYPE OF ASSISTANCE (See FMI)	21. PURPOSE CODE	22. SOURCE OF FUNDS	23. TYPE OF ACTION 1 - OBLIGATION ONLY 2 - OBLIGATION/CHECK REQUEST 3 - CORRECTION OF OBLIGATION
24. TYPE OF SUBMISSION 1 - INITIAL 2 - SUBSEQUENT	25. AMOUNT OF LOAN 37800000	26. AMOUNT OF GRANT 20200000	
27. AMOUNT OF IMMEDIATE ADVANCE 000	28. DATE OF APPROVAL MO MAPA 8 1997	29. INTEREST RATE 04500000	30. REPAYMENT TERMS 40
COMPLETE FOR SINGLE FAMILY HOUSING ONLY			
31. INCOME CATEGORY CODES 1 - VERY LOW 3 - MODERATE 2 - LOW 4 - ABOVE MODERATE		32. LOW INCOME LIMIT-MAX. 00	33. ADJUSTED FAMILY INCOME 000
34. R.E. INSURANCE 000	35. R.E. TAXES 1st year 000	36. R.E. TAXES 2nd year 000	37. NOTE INSTALLMENT INELIGIBLE 000
38. TYPE OF UNIT 1 - FARM TRACT 2 - NON-FARM TRACT			
COMPLETE FOR COMMUNITY PROGRAM AND CERTAIN MULTIPLE-FAMILY HOUSING LOANS			
39. PROFIT TYPE 1 - FULL PROFIT 2 - LIMITED PROFIT 3 - NONPROFIT			
COMPLETE FOR EM LOANS ONLY		COMPLETE FOR CREDIT SALE-ASSUMPTION	
40. DISASTER DESIGNATION NUMBER (See FMI)		41. TYPE OF SALE 1 - CREDIT SALE ONLY 2 - ASSUMPTION ONLY 3 - CREDIT SALE WITH SUBSEQUENT LOAN 4 - ASSUMPTION WITH SUBSEQUENT LOAN	
FINANCE OFFICE USE ONLY		COMPLETE FOR FP LOANS ONLY	
42. OBLIGATION DATE MO DA YR		43. BEGINNING FARMER/RANCHER (See FMI)	

If the decision contained above in this form results in denial, reduction or cancellation of USDA assistance, you may appeal this decision and have a hearing or you may request a review in lieu of a hearing. Please use the form we have included for this purpose

PROMISSORY NOTE
(ASSOCIATION OR ORGANIZATION)

State TEXAS			
County GRIMES			
Case No. 49-93-741941819			
FINANCE OFFICE USE ONLY			
F	LN	LC	IA

- KIND OF LOAN:
 ASSOCIATION- ORGANIZATION
 HOUSING-ORGANIZATION
 PUBLIC BODY
 OTHER

Date May 11, 2000

FOR VALUE RECEIVED, DOBBIN-PLANTERSVILLE WATER SUPPLY CORPORATION
 (herein called "Borrower") promises to pay to the order of the United States of America, acting through the Rural Housing Service, Rural Business-Cooperative Service, or Rural Utilities Service within the Rural Development Mission Area, the Farm Service Agency, or their successor Agencies, United States Department of Agriculture, (herein called the "Government") at its office in _____
BRYAN, TEXAS, or at such other place as the Government may hereafter designate in

writing, the principal amount of THREE HUNDRED SEVENTY EIGHT THOUSAND- - - - - - dollars
 (\$ 378,000.00), plus interest on the unused principal balance at the rate of FOUR AND ONE HALF percent
 (4.50 %) per annum. The said principal and interest shall be paid in the following installments on or before the following dates:

- \$ INTEREST ONLY on May 11, 2001
- \$ INTEREST ONLY on May 11, 2002,
- \$ _____ on _____,
- \$ 1,735.00 on June 11, 2002, and
- \$ 1,735.00 thereafter on the 11th of each MONTH

until the principal and interest are fully paid except that the final installment of the entire indebtedness evidenced hereby, if not sooner paid, shall be due and payable Forty (40) years from the date of this note, and except that prepayments may be made as provided below. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

If the total amount of the loan is not advanced at the time of loan closing, the loan shall be advanced to Borrower as requested by Borrower and approved by the Government and interest shall accrue on the amount of each advance from its actual date as shown on the reverse hereof.

Every payment made on any indebtedness evidenced by this note shall be applied first to interest computed to the effective date of the payment and then to principal.

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of Borrower. Refunds and extra payments, as defined in the regulations of the Government according to the source of funds involved, shall, after payment of interest, be applied to the installments last to become due under this note and shall not affect the obligation of Borrower to pay the remaining installments as scheduled herein.

If the Government at any time assigns this note and insures the payment thereof, Borrower shall continue to make payments to the Government as collection agent for the holder. No assignment of this note shall be effective unless the Borrower is notified in writing of the name and address of the assignee. The Borrower shall thereupon duly note in its records the occurrence of such assignment, together with the name and address of the assignee.

While this note is held by an insured lender, prepayments as above authorized made by Borrower may, at the option of the Government, be remitted by the Government to the holder promptly or, except for final payment, be retained by the Government and remitted to the holder on either a calendar quarter basis or an annual installment due date basis. The effective date of every payment made by Borrower, except payments retained and remitted by the Government on an annual installment due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment of Borrower, and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.



United States
Department of
Agriculture

Rural
Development

101 South Main
Fed. Bldg., Ste. 102
Temple, TX 76501
VOICE: (254) 298-1306
FAX: (254) 298-1477
TDD: (254) 298-1349

May 17 1997

Mr. Frank A. Gabriel, President
Dobbin-Plantersville Water Supply Corporation
P. O. Box 39
Plantersville, Texas 77363

Dear Mr. Gabriel:

Enclosed is your copy of Form FmHA 1940-1, "Request for Obligation of Funds."

Your loan in the amount of \$378,000.00 and grant in the amount of \$202,000.00
were approved on May 19, 1997.

Sincerely,

STEVEN A. CARRIKER
Acting State Director

Enclosure

COPY

A RESOLUTION OF THE Board of Directors
OF THE Dobbin-Plantersville Water Supply Corporation
AUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS IN THE
PRINCIPAL AMOUNT OF \$ 378,000.00 FOR THE PURPOSE
OF PROVIDING A PORTION OF THE COST OF ACQUIRING AND CONSTRUCTING A
Water System Improvements, PROVIDING FOR THE COLLECTION, HANDLING, AND
DISPOSITION OF REVENUES THEREFROM, AND AUTHORIZING MAKINGS OF PROMISSORY NOTE(S),
SECURITY INSTRUMENTS, AND PLEDGES OF REVENUES TO EVIDENCE AND SECURE THE PAYMENT OF
SAID INDEBTEDNESS AND FOR RELATED PURPOSES.

WHEREAS, the Dobbin-Plantersville Water Supply Corporation, (hereinafter
referred to as the "Organization"), was organized under Article 1434a of the revised civil statutes of
Texas, 1925 for the purpose of providing a
central water system in Grimes and Montgomery counties (hereinafter referred to as the
"Facility") to serve the Members of the said Organization; and

WHEREAS, a meeting of the members of the said organization was held on the 21st day of March, 2000
pursuant to proper notice thereof to consider plans for the acquisition and construction methods of financing the Facility;
and, as shown by the minutes of said meeting, of the seven (7) members of record of the organization there were
present and voting seven (7), and by a recorded majority vote, the Facility and its financing authorized; and,

WHEREAS, the proposed Facility is to be constructed and equipped in accordance with plans, and specifications
prepared by J. F. Fontaine & Associates, Inc., P.O. Box 4187, Palestine, TX 75802

and in order to finance the Facility, the Board of Directors
(hereinafter referred to as the "Board") is authorized and empowered, in their discretion, for and in the name of the organization,
to make application to the United States of America, acting through the United States Department of Agriculture,
(hereinafter referred to as the "Government"), for financial assistance; to cause the execution and delivery of a
promissory note or notes or other evidence of indebtedness (hereinafter referred to as the "note"), and appropriate security instruments
to secure any loan or loans made or insured by the Government; to comply with any requirements, terms or conditions prescribed by the
Government or by Government regulations; and to execute contracts or enter into agreements and, without limitation, to take any and
all other action as may be necessary, incidental or appropriate to finance, acquire, construct, complete, and/or equip the Facility for and
on behalf of the Organization.
NOW THEREFORE, it is hereby resolved by the Board as follows:

Section 1. (Determination of Board). That it is necessary to defray a portion of the costs of financing the Facility by obtaining
a loan made or insured by the Government in accordance with applicable provisions of the Consolidated Farm and Rural Development
Act, it being determined that the Organization is unable to obtain sufficient credit elsewhere to finance the Facility, taking into
consideration prevailing private and cooperative rates and terms currently available;

This reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Department of Administrative Services, Clearance Officer, OIRM, Room 464-W, Washington, DC 20250; and to the Office of Management and Budget, Paperwork Reduction Project (OMB No. 0575-0015), Washington, DC 20503.

Section 2. (Terms of Loan). That the Organization borrow \$ 378,000.00 and issue as evidence thereof an installment promissory note in the form prescribed by the Government for the full principal amount of the loan. The note shall be signed by the President, attested by the Secretary and have the corporate seal of the Organization affixed thereto, and shall bear interest from its date, which shall be the date of delivery at a rate not to exceed 4.5% percent per annum; the principal and interest shall be paid over a period of 40 years in accordance with the payment schedule set forth in the promissory note, until the principal and interest are fully paid except the final payment of the entire indebtedness, if not sooner paid, shall be due and payable 40 years from the date of the note. Each payment shall be applied first to the payment of the accrued interest and second to the payment of the principal. Prepayments of any installment may be made in any amount at any time at the option of the Organization.

Section 3. (Assignment and Pledge of Revenue). The indebtedness hereby authorized to be incurred, together with the interest thereon, shall be payable from the gross income and revenue to be derived from the operation of the Facility, a sufficient portion of which, to pay the principal and interest as and when the same shall become due, is hereby assigned, and pledged and shall be set aside for that purpose and this assignment and pledge shall extend to and include any assessments that may be levied pursuant to Section 5 (d) hereof.

Section 4. (Protection and Disposition of Funds). The Secretary-Treasurer of the Organization shall be the custodian of all funds of the Organization. Funds may be deposited in institutions insured by the State or Federal Government or invested in readily marketable securities backed by the full faith and credit of the United States. Any income from these accounts will be considered as revenues of the system.

The Secretary-Treasurer is hereby directed to establish the following accounts into which the current funds of the Organization, note proceeds, the revenues from the Facility and any other income shall be deposited, which accounts shall be continually maintained, except as otherwise provided, so long as the indebtedness hereby authorized remains unpaid:

(a) Construction Account.

The proceeds of the borrowing hereby authorized not disbursed contemporaneously with loan closing for incurred Facility costs, and at least the amount of 0 to be contributed by the Organization from the collection of initial connection fees, membership fees or contributions shall be deposited in the Construction Account which shall be established as required by the Government. Withdrawals from the construction account shall be made only on checks signed by the

Secretary-Treasurer of the Organization as authorized by the Board from time to time, and with prior concurrence of the Government. At the option of the Government, the construction account may be established as a "supervised bank account". Amounts in the supervised bank account exceeding \$100,000 shall be secured by the depository bank in advance in accordance with U.S. Treasury Department Circular No. 176. Withdrawals from a supervised bank account

shall be made only on checks signed by the Secretary-Treasurer of the Organization and countersigned by an authorized official of the Department of Agriculture. The Organization's share of any insurance or liquidated damages and other monies paid by defaulting contractors or their sureties will be deposited in the Construction Account to assure completion of the Facility. When all construction costs have been paid in full, any balance remaining in the Construction Account may be applied on the loan or used for other authorized purposes that have been approved by the Government and the Construction Account shall be closed.

(b) General Account

As soon as the facility becomes revenue producing, all funds received shall be set aside in an account to be designated as the General Account, and disbursements and transfers from this account shall be in the following priority: Debt Service, Operations and Maintenance, transfers to Reserve Account. Monies deposited in the General Account shall be used only in the manner and order as follows:

(1) Borrowers making monthly USDA Debt Service Payments shall use the General Account for making such payments plus operating and maintenance expenses. Also, funds will be transferred from this account to the Reserve Account in accordance with (d) below.

(2) Borrowers making other than monthly USDA Debt Service Payments shall use the General Account to pay operating and maintenance expenses. Other transfers from this account will be made in the following order: (i) Transfers to the Debt Service Account will be made in accordance with (c) below, (ii) Transfers to the Reserve Account will be made in accordance with (d) below.

(c) Debt Service Account

For borrowers on other than monthly debt service payments, transfers, in proportion to income availability, shall be made from the General Account and set aside in an account designated as the Debt Service Account, in sufficient amounts which will accumulate for the next installment on the note.

(d) Reserve Account

From the remaining funds in the General Account, after transfers and payments required in (b)(1) or (b)(2) and (c), there shall be set aside into an account(s) designated as the Reserve Account(s) the sum of 173.50

each month until the sum of \$83,280 is reached. With the prior written approval of the Government, funds may be withdrawn and used for such things as loan installments, emergency maintenance, extensions to facilities and replacement of short-lived assets, subject to conditions established by the Government.

(e) Whenever there shall accumulate in the General Account amounts in excess of those required in subsections (b)(1) and (2), (c), and (d), such excess will be used by the organization to make prepayments on the loan or retained in the General Account.

(f) The accounts required in subsections (b)(1) and (2), (c), and (d) may be established and maintained as bookkeeping accounts or as separate bank accounts at the election of the Organization, unless otherwise directed by the Government.

Section 5. (Other Covenants and Agreements of the Organization). The Organization covenants and agrees that so long as the indebtedness hereby authorized remains unpaid;

(a) It will indemnify the Government for any payments made or losses suffered by the Government.

(b) It will comply with applicable State laws and regulations and continually operate and maintain the Facility in good condition.

(c) It will impose and collect such rates and charges that gross revenues will be sufficient at all times to provide for payment of the operation and maintenance thereof; the installment payments on the note; and the maintenance of the various funds herein created. All service rendered by or use of the Facility shall be subject to the full rates prescribed in the rules and regulations of the Organization; no free service by or use of the Facility will be permitted.

(d) It will cause to be levied and collected such assessments as may be necessary to operate and maintain the Facility in good condition and meet installment payments on the note when the same become due if, for any reason, gross revenues are insufficient.

(e) It will establish and maintain such books and records relating to the operation of the system and its financial affairs, and will provide for the annual audit thereof, in such manner as may be required by the Government; will provide the Government without its request a copy of each such audit; and will make and forward to the Government such additional information and reports as it may from time to time require.

(f) It will provide the Government, at all reasonable times, access to all books and records relating to the Facility and access to the property of the Facility so that the Government may ascertain that the Organization is complying with the provisions hereof and with the provisions of other instruments incident to the making or insuring of the loan.

(g) It will maintain at least such insurance and fidelity bond coverage as may be required by the Government.

(h) It will not borrow any money from any source or enter into any contract or agreement or incur any other liabilities in connection with making extensions or improvements to the Facility, exclusive of normal maintenance, without obtaining the prior written consent of the Government.

(i) It will not cause or permit any voluntary dissolution of its organization, or merge or consolidate with any other organization, without obtaining the prior written consent of the Government. It will not dispose of or transfer title to the facility or any part thereof, including lands and interest in lands, by sale, security instrument, lease or other encumbrance, without obtaining the prior written consent of the Government. Revenue in excess of the amount required to maintain the accounts described by Section 4 herein will not be distributed or transferred to any other organization or legal entity.

(j) It will not modify or amend the Articles of Incorporation or the Bylaws of the Organization without the written consent of the Government.

(k) It will provide adequate service to all persons within the service area who can feasibly and legally be served and will obtain USDA's concurrence prior to refusing new or adequate services to such persons. Upon failure to provide services which are feasible and legal, such person shall have a direct right of action against the organization or public body.

(l) All present and future contract rights, accounts receivable, and general intangibles arising in connection with the facility are pledged as security for the loan.

(m) It will comply with the measures identified in the Government's environmental impact analysis for this facility for the purpose of avoiding or reducing adverse environmental impacts of the facility's construction or operation.

Section 6. (Security Instrument(s)). In order to secure the payment of the principal and interest of the note, the President and Secretary of the Organization are hereby authorized and directed to execute and deliver good and sufficient lien instruments, where necessary, encumbering the properties and assets both real and personal constituting said Facility, as completed or as the same may be thereafter extended, including an assignment and pledge of revenues and such other instruments as may be prescribed by the Government

Section 7. (Refinancing). If at any time it shall appear to the Government that the Organization is able to refinance the amount of the indebtedness then outstanding, in whole or in part, by obtaining a loan for such purposes from responsible cooperative or private credit sources at reasonable rates and terms for loans for similar purposes and periods of time, the Organization will, upon request of the Government, apply for and accept such loan in sufficient amount to repay the Government and will take such actions as may be required in connection with such loan.

Section 8. ("Equal Employment Opportunity under Construction Contracts and Nondiscrimination"). The President and the Secretary be and they are hereby authorized and directed to execute for and on behalf of the Organization, Form RD 400-1, "Equal Opportunity Agreement", and Form RD 400-4, "Assurance Agreement".

Section 9. In the case of a grant in the sum not to exceed \$202,000, the Organization hereby accepts the grant under the terms as offered by the Government and that the President and Secretary-Treasurer of the Organization are hereby authorized and empowered to take all action necessary or appropriate in the execution of all written instruments as may be required in regard to or as evidence of such grant and the Organization hereby resolves to operate the facility under the terms as offered in said grant agreement(s).

Section 10. Default under the provisions of this agreement or any instrument incident to the making or issuing of the loan may be construed by the Government to constitute default under any other instrument held by the Government and executed or assumed by the Organization, and default under any such instrument may be construed by the Government to constitute default hereunder.

Section 11. (Resolution of Contract). The provisions hereof and the provisions of all instruments incident to the making or the insuring of the loan, unless otherwise specifically provided by the terms of such instruments, shall constitute a contract between the Organization and the Government or assignee so long as the note hereby authorized remains unpaid.

Section 12. This resolution shall take effect and be in force from and after the 21st day of March, 2000, being the date of its enactment.

The vote was: Yeas 7 Nays 0 Absent 0

Dobbin-Plantersville Water Supply Corporation

(SEAL) (if applicable)

By /s/ JOHN MOCK
JOHN MOCK
Title President

Attest:

/s/ JOY STEPHENSON
JOY STEPHENSON
Title Secretary-Treasurer

CERTIFICATION

I, the undersigned, as secretary of the Dobbin-Plantersville Water Supply Corporation hereby certify that the Board of Directors of such Organization or Corporation is composed of seven(7) members of whom seven(7), constituting a quorum, were present at a meeting thereof duly called and held on the 21st day of March, 2000; that the foregoing resolution was adopted at such meeting by the vote shown above, and that said resolution has not been rescinded or amended in any way.

Dated, this 21st day of March, 2000.

/s/ JOY STEPHENSON
JOY STEPHENSON
Secretary of Dobbin-Plantersville Water Supply Corporation

AFFIDAVIT ON BEHALF OF BORROWER

STATE OF TEXAS)

COUNTY OF GRIMES)

Johnny Mock, being first duly sworn on his oath deposes and says:

That he is the President of the Dobbin-Plantersville Water Supply Corporation, which corporation is the owner of the facilities being mortgaged to the United States of America as security for the repayment of a loan in the amount of \$378,000.00;

That there has been no material furnished or labor performed in connection with the construction, enlargement or rehabilitation of said facilities which has not been paid for,

That there are no financing statements, security agreements, chattel mortgages, conditional sales contract or other title retaining instruments of any kind covering or affecting any improvements, equipment or fixtures appurtenant to the said facilities,

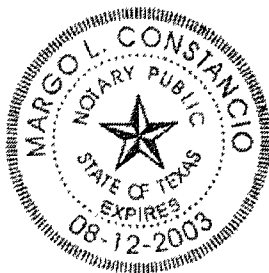
Executed this 11th day of May, 2000.

DOBBIN-PLANTERSVILLE WATER SUPPLY CORPORATION

By Johnny Mock
Johnny Mock, President

Subscribed and sworn to before me this 11th day of May, 2000.

(SEAL)



Margo L. Constancio
Notary Public, State of Texas
MARGO L. CONSTANCIO

ASSURANCE AGREEMENT
(Under Title VI, Civil Rights Act of 1964)

COPY

To Dobbin-Plantersville Water Supply Corporation

P.O. Box 127, Plantersville, Texas 77360

(address)

("Recipient" herein) hereby assures the U.S. Department of Agriculture that Recipient is in compliance with and will continue to comply with Title VI of the Civil Rights Act of 1964 (42 USC 2000d et. Seq.), 7 CFR Part 15, and Farmers Home Administration regulations promulgated thereunder, 7 C.F.R. §1901.202. In accordance with the Act and the regulations referred to above. Recipient agrees that in connection with any program or activity for which Recipient receives Federal financial assistance (as such term is defined in 7 C.F.R. §14.2) no person in the United States shall, on the ground of race, color, or natural origin, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination.

1. Recipient agrees that any transfer of any aided facility, other than personal property, by sale, lease or other conveyance of contract, shall be, and shall be made expressly, subject to the obligations of this agreement and transfer's assumption thereof.
2. Recipient shall:
 - (a) Keep such records and submit to the Government such timely, complete, and accurate information as the Government may determine to be necessary to ascertain our/my compliance with this agreement and the regulations.
 - (b) Permit access by authorized employees of the Farmers Home Administration or the U.S. Department of Agriculture during normal business hours to such books, accounts and other sources of information and its facilities as may be pertinent to ascertaining such compliance.
 - (c) Make available to users, participants beneficiaries and other interested persons such information regarding the provisions of this agreement and the regulations, and in such manner as the Farmers Home Administration or the U.S. Department of Agriculture finds necessary to inform such persons of the protection assured them against discrimination.
3. The obligation of this agreement shall continue:
 - (a) As to any real property, including any structure, acquired or improved with the aid of the Federal financial assistance, as long as such real property is used for the purpose for which the Federal financial assistance is made or for another purpose which affords similar services or benefits, or for so long as the Recipient retains ownership or possession of the property whichever is longer.
 - (b) As to any personal property acquired or improved with the aid of the Federal financial assistance, so long as Recipient retains ownership or possession of the property.
 - (c) As to any other aided facility or activity, until the last advance of funds under the loan or grant has been made.
4. Upon any breach or violation of this agreement the Government may, at its option:
 - (a) Terminate or refuse to render or continue financial assistance for the aid of the property, facility, project, service or activity.
 - (b) Enforce this agreement by suit for specific performance or by any other available remedy under the laws of the United States or the State in which the breach or violation occurs.

Rights and remedies provided for under this agreement shall be cumulative.

In witness whereof, Dobbin-Plantersville Water Supply Corporation on this date has caused this agreement to be executed by its duly authorized officers and its seal affixed hereto or if a natural person, has hereunto executed this agreement.

Dobbin-Plantersville Water Supply Corporation
Recipient

June 29, 1999

Date

John Mock
John Mock, President

Title

Attest: Joy Stephenson
Joy Stephenson, Secretary-Treasurer

Title

Recipient
016

Water and Waste System Grant Agreement

United States Department of Agriculture

Rural Utilities Service

THIS AGREEMENT dated December 15, 1998, between

Dobbin-Plantersville G & W Water Supply Corporation
a public corporation organized and operating under

State Statutes
(Authorizing Statute)

herein called "Grantee," and the United States of America acting through the Rural Development Service, Department of Agriculture, herein called "Grantor," WITNESSTH:

WHEREAS

Grantee has determined to undertake a project of acquisition, construction, enlargement, or capital improvement of a (water) (waste) system to serve the area under its jurisdiction at an estimated cost of \$ 580,000.00 and has duly authorized the undertaking of such project.

Grantee is able to finance not more than \$ 378,000.00 of the development cost through revenues, charges, taxes or assessments, or funds otherwise available to Grantee resulting in a reasonable user charge.

Said sum of \$ 378,000.00 has been committed to and by Grantee for such project development costs.

Grantor has agreed to grant the Grantee a sum not to exceed \$ 202,000.00 or 35 percent of said project development costs, whichever is the lesser, subject to the terms and conditions established by the Grantor. Provided, however, that the proportionate share of any grant funds actually advanced and not needed for grant purposes shall be returned immediately to the Grantor. The Grantor may terminate the grant in whole, or in part, at any time before the date of completion, whenever it is determined that the Grantee has failed to comply with the Conditions of the grant.

As a condition of this grant agreement, the Grantee assures and certifies that it is in compliance with and will comply in the course of the agreement with all applicable laws, regulations, Executive orders and other generally applicable requirements, including those set out in 7 CFR 3015 205(b), which hereby are incorporated into this agreement by reference, and such other statutory provisions as are specifically set forth herein.

NOW, THEREFORE, in consideration of said grant by Grantor to Grantee, to be made pursuant to Section 306(a) of The Consolidated Farm and Rural Development Act, for the purpose only of defraying a part not to exceed 35 percent of the project development costs, as defined by applicable Rural Utilities Service instructions.

Grantee Agrees That Grantee Will:

A. Cause said project to be constructed within the total sums available to it, including said grant, in accordance with the project plans and specifications and any modifications thereof prepared by Grantee and approved by Grantor.

B. Permit periodic inspection of the construction by a representative of Grantor during construction.

C. Manage, operate and maintain the system, including this project if less than the whole of said system, continuously in an efficient and economical manner.

D. Make the service of said system available within its capacity to all persons in Grantee's service area without discrimination as to race, color, religion, sex, national origin, age, marital status, or physical or mental handicap (possess capacity to enter into legal contract for services) at reasonable charges, including assessments, taxes, or fees in accordance with a schedule of such charges, whether for one or more classes of service, adopted by resolution dated May 1, 1997, as may be modified from time to time by Grantee. The initial rate schedule must be approved by Grantor. Thereafter, Grantee may make such modifications to the rate system as long as the rate schedule remains reasonable and nondiscriminatory.

E. Adjust its operating costs and service charges from time to time to provide for adequate operation and maintenance, emergency repair reserves, obsolescence reserves, debt service and debt service reserves.

F. Expand its system from time to time to meet reasonably anticipated growth or service required in the area within its jurisdiction.

G. Provide Grantor with such periodic reports as it may require and permit periodic inspection of its operation by a representative of the Grantor.

H. to execute any agreement required by Grantor which Grantee is legally authorized to execute. If any such agreement has been executed by Grantee as a result of a loan being made to Grantee by Grantor contemporaneously with the making of this grant, another agreement of the same type need not be executed in connection with this grant.

I. Upon any default under its representations or agreements set forth in this instruments, Grantee, at the option and demand of Grantor, will repay to Grantor forthwith the original principal amount of the grant stated herein above with the interest at the rate of 5 percentum per annum from the date of the default. Default by the Grantee will constitute termination of the grant thereby causing cancellation of Federal assistance under the grant. The provisions of this Grant Agreement may be enforced by Grantor, at its option and without regard to prior waivers by it previous defaults of Grantee, by judicial proceedings to require specific performance of the terms of this Grant Agreement or by such other proceedings in law or equity, in either Federal or State courts, as may be deemed necessary by Grantor to assure compliance with the provisions of this Grant Agreement and the laws and regulations under which this grant is made.

J. Return immediately to Grantor, as required by the regulations of Grantor, any grant funds actually advanced and not needed by Grantee for approved purposes.

K. Use the real property including land, land improvements, structures, and appurtenances thereto, for authorized purposes of the grant as long as needed.

1. Title to real property shall vest in the recipient subject to the condition that the Grantee shall use the real property for the authorized purpose of the original grant as long as needed.

2. The Grantee shall obtain approval by the Grantor agency for the use of the real property in other projects when the Grantee determines that the property is no longer needed for the original grant purposes. Use in other projects shall be limited to those under other Federal grant programs or programs that have purposes consistent with those authorized for support by the Grantor.

3. When the real property is no longer needed as provided in 1 and 2 above, the Grantee shall request disposition instructions from the Grantor agency or its successor Federal agency. The Grantor agency shall observe the following rules in the disposition instructions:

(a) The Grantee may be permitted to retain title after it compensates the Federal Government in an amount computed by applying the Federal percentage of participation in the cost of the original project to the fair market value of the property.

(b) The Grantee may be directed to sell property under guidelines provided by the Grantor agency. When the Grantee is authorized or required to sell the property, proper sales procedures shall be established that provide for completion to the extent practicable and result in the highest possible return

[Revision 1, 04/17/1998]

(c) The Grantee may be directed to transfer title to the property to the Federal Government provided that in such cases the Grantee shall be entitled to compensation computed by applying the Grantee's percentage of participation in the cost of the program or project to the current fair market value of the property.

This Grant Agreement covers the following described real property (use continuation sheets as necessary).

37,805 Feet (7.16 miles) of PVC Line ranging in size 4" to 6".

One (1) deep well and pump

One (1) standpipe

L. Abide by the following conditions pertaining to equipment which is furnished by the Grantor or acquired wholly or in part with grant funds. Equipment means tangible, non-expendable, personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. A grantee may use its own definition of equipment provided that such definition would at least include all equipment defined above

[Revision 1, 04/17/1998]

1. Use of equipment.

(a) The Grantee shall use the equipment in the project for which it was acquired as long as needed. When no longer needed for the original project, the Grantee shall use the equipment in connection with its other Federally sponsored activities, if any, in the following order of priority.

(1) Activities sponsored by the Grantor.

(2) Activities sponsored by other Federal agencies.

(b) During the time that equipment is held for use on the property for which it was acquired, the Grantee shall make it available for use on other projects if such other use will not interfere with the work on the project for which the equipment was originally acquired. First preference for such other use shall be given to Grantor sponsored projects. Second preference will be given to other Federally sponsored projects.

2. Disposition of equipment. When the Grantee no longer needs the equipment as provided in paragraph (a) above, the equipment may be used for other activities in accordance with the following standards:

(a) Equipment with a current per unit fair market value of less than \$5,000. The Grantee may use the equipment for other activities without reimbursement to the Federal Government or sell the equipment and retain the proceeds.

(b) Equipment with a current per unit fair market value of \$5,000 or more. The Grantee may retain the equipment for other uses provided that compensation is made to the original Grantor agency or its shall be computed by applying the percentage of Federal participation in the cost of the original project or program to the current fair market value or proceeds from sale of the equipment. If the Grantee has no need for the equipment and the equipment has further use value, the Grantee shall request disposition instructions from the original Grantor agency.

The Grantor agency shall determine whether the equipment can be used to meet the agency's requirements. If no requirements exist within that agency, the availability of the equipment shall be reported, in accordance with the guidelines of the Federal Property Management Regulations (FPMR), to the General Services Administration by the Grantor agency to determine whether a requirement for the equipment exist in other Federal agencies. The Grantor agency shall issue instructions to the Grantee no later than 120 days after the Grantee requests and the following procedures shall govern:

(1) If so instructed or if disposition instructions are not issued within 120 calendar days after the Grantee's request, the Grantee shall sell the equipment and reimburse the Grantor agency an amount computed by applying to the sales proceeds the percentage of Federal participation in the cost of the original project or program. However, the Grantee shall be permitted to deduct and retain from the Federal share ten percent of the proceeds for Grantee's selling and handling expenses.

(2) If the Grantee is instructed to ship the equipment elsewhere the Grantee shall be reimbursed by the benefitting Federal agency with an amount which is computed by applying the percentage of the Grantee participation in the cost of the original grant project or program to the current fair market value of the equipment, plus any reasonable shipping or interim storage costs incurred.

(3) If the Grantee is instructed to otherwise dispose of the equipment, the Grantee shall be reimbursed by the Grantor agency for such costs incurred in its disposition.

3. The Grantee's property management standards for equipment shall also include:

(a) Record which accurately provided for; a description of the equipment; manufacture's serial number or other identification number; acquisition date and cost; source of the equipment; percentage(at the end of budget year) of Federal participation in the cost of the project for which the equipment was acquired; location, use and condition of the equipment and the date the information was reported; and ultimate disposition data including sales price or the method used to determine current fair market value if the Grantee reimburses the Grantor for its share.

(b) A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years to verify the existence, current utilization, and continued need for the equipment.

(c) A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented.

(d) Adequate maintenance procedures shall be implemented to keep the equipment in good condition.

(e) Proper sales procedures shall be established for unneeded equipment which would provide for completion to the extent practicable and result in the highest possible return.

This Grant Agreement covers the following described equipment (use continuation sheets as necessary).

M. Provide Financial Management System which will include:

1. Accurate, current, and complete disclosure of the financial results of each grant. Financial reporting will be on an accrual basis.

2. Record which identify adequately the source and application of funds for grant-supported activities. Those records shall contain information pertaining to grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays, and income.

3. Effective control over and accountability for all funds, property and other assets. Grantees shall adequately safeguard all such assets and shall assure that they are used solely for authorized purposes.

N. Retain financial records, supporting documents, statistical records, and all other records pertinent to the grant for a period of at least three years after grant closing except that the records shall be retained beyond the three-year period if audit findings have not been resolved. Microfilm or photo copies or similar methods may be substituted in lieu of original records. The Grantor and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any books, documents, papers, and records of the Grantee's government which are pertinent to the specific grant program for the purpose of making audits, examinations, excerpts and transcripts.

O. Provide information as requested by the Grantor to determine the need for and complete any necessary Environmental Impact Statements

P. Provide an audit report prepared in accordance with Grantor regulations to allow the Grantor to determine that funds have been used in compliance with the proposal, any applicable laws and regulations and this Agreement.

Q. Agree to account for and return to Grantors interest earned on grant funds pending their disbursement for program purposes when the Grantee is a unit of local Government. States and agencies or instrumentality's of states shall not be held accountable for interest earned on grant funds pending their disbursement.

R. Not encumber, transfer or dispose of the property or any part thereof, furnished by the Grantor or acquired wholly or in part with Grantor funds without the written consent of the Grantor except as provided in item K above.

S. To include in all contracts for construction or repair a provision for compliance with the Copeland "Anti-Kick Back" Act (18 U.S.C. 874) as supplemented in Department of Labor regulations (29 CFR, Part 3). The Grantee shall report all suspected or reported violations to the Grantor.

T. To include in all contracts in excess of \$100,000 a provision that the contractor agrees to comply with all the requirements of the Clean Air Act (42 U.S. C, §7414) and Section 308 of the Water Pollution Control Act (33 U.S. C. §1318) relating to inspection, monitoring, entry, reports, and information, as well as all other requirements specified in Section 114 of the Clear Air Act and Section 308 of the Water Pollution control Act and all regulations and guidelines issued thereunder after the award of the contract. In so doing the Contractor further agrees:

[Revisions 1, 11/20/1997]

1. As a condition for the award of contract, to notify the Owner of the receipt of any communication from the Environmental Protection Agency (EPA) indicating that a facility to be utilized in the performance of the contract is under consideration to be listed on the EPA list of Violating Facilities. Prompt notification is required prior to contract award.

2. To certify that any facility to be utilized in the performance of any nonexempt contractor subcontract is not listed on the EPA list of Violating Facilities pursuant to 40 CFR Part 32 as of the date of contract award.

[Revision 1, 11/20/1997]

3. To include or cause to be included the above criteria and the requirements in every nonexempt subcontract and that the Contractor will take such action as the Government may direct as a means of enforcing such provisions.

As used in these paragraphs the terms "facility" means any building, plan, installation, structure, mine, vessel or other floating craft, location, or site of operations, owned, leased, or supervised by a Grantee, contractor, or subcontractor, to be utilized in the performance of a grant, agreement, contract, subcontract, or subcontract. Where a location or site of operation contains or includes more than one building, plan, installation, or structure, the entire location shall be deemed to be a facility except where the Director, Office of Federal Activities, Environmental Protection Agency, determines that the independent facilities are co-located in one geographical area.

Grantor Agrees That It:

A. Will make available to Grantee for the purpose of this Agreement not to exceed \$ 202,000.00 which it will advance to Grantee to meet not to exceed 35 percent of the project development costs of the project in accordance with the actual needs of Grantee as determined by Grantor.

B. Will assist Grantee, within available appropriations, with such technical assistance as Grantor deems appropriate in planning the project and coordinating the plan with local official comprehensive plans for sewer and water and with State or area plans for the area in which the project is located.

C. At its sole discretion and at any time may give any consent, deferment, subordination, release, satisfaction, or termination of any or all of Grantee's grant obligations, with or without valuable consideration, upon such terms and conditions as Grantor may determine to be (1) advisable to further the purpose of the grant or to protect Grantor's financial interest therein and (2) consistent with both the statutory purposes of the grant and the limitations of the statutory authority under which it is made.

Termination of This Agreement

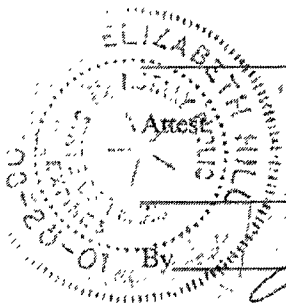
This Agreement may be terminated for cause in the event of default on the part of the Grantee as provided in paragraph I above or for convenience of the Grantor and Grantee prior to the date of completion of the grant purpose. Termination for convenience will occur when both the Grantee and Grantor agree that the continuation of the project will not produce beneficial results commensurate with the further expenditure of funds.

In witness whereof Grantee on the date first above written has caused these presence to be executed by its duly authorized

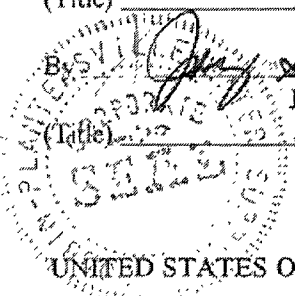
John Mock, President

attested and its corporate seal affixed by its duly authorized

Joy Stephenson, Secretary-Treasurer



By John Mock
John Mock
President
(Title)



By Joy Stephenson
Joy Stephenson
Secretary-Treasurer
(Title)

December 15, 1998

UNITED STATES OF AMERICA
RURAL UTILITIES SERVICE

By _____
(Title)

USDA-FmHA
Form FmHA 1927-1 TX
(Rev. 4-93)

Position 2
UTILITY SECURITY INSTRUMENT

THIS INSTRUMENT GRANTS A SECURITY INTEREST BY A UTILITY
THIS INSTRUMENT CONTAINS AFTER-ACQUIRED PROPERTY PROVISIONS
REAL ESTATE DEED OF TRUST FOR TEXAS

THIS DEED OF TRUST is made and entered into by and between the undersigned _____

Dobbin-Plantersville Water Supply Corporation, a corporation organized

and existing under the laws of the State of Texas

~~XXXXXXXXXX~~ _____ ~~XXXXXXXXXX~~ whose post

office address is P. O. Box 127, Plantersville _____, Texas 77363

Steven A. Carriker, 101 S. Main,
herein called "Borrower," and Suite 102, Temple, TX 76501 _____, State Director of the
Farmers Home Administration for the State of Texas, and State Director's successors in office as State Director or Acting State Director, as
trustee, herein called "Trustee," and the United States of America, acting through the Farmers Home Administration, United States Depart-
ment of Agriculture, as beneficiary, herein called the "Government," and:

WHEREAS Borrower is indebted to the Government as evidenced by one or more promissory note(s) or assumption agreement(s)
or any shared appreciation or recapture agreement, herein called "note," which has been executed by Borrower, is payable to the order of the
Government, authorizes acceleration of the entire indebtedness at the option of the Government upon any default by Borrower, and is de-
scribed as follows:

<u>Date of Instrument</u>	<u>Principal Amount</u>	<u>Annual Rate of Interest</u>	<u>Due Date of Final Installment</u>
May 11, 2000	\$378,000.00	4.50%	May 11, 2040

(The interest rate for limited resource farm ownership or limited resource operating loan(s) secured by this instrument may be increased
as provided in the Farmers Home Administration regulations and the note.)

And the note evidences a loan to Borrower, and the Government, at any time, may assign the note and insure payment thereof pursuant
to the Consolidated Farm and Rural Development Act, or Title V of the Housing Act of 1949, or any other statutes administered by the
Farmers Home Administration

And it is the purpose and intent of this instrument that, among other things at all times when the note is held by the Government, or in
the event the Government should assign this instrument without insurance of the note, this instrument shall secure payment of the note; but
when the note is held by an insured holder, this instrument shall not secure payment of the note or attach to the debt evidenced thereby, but
as to the note and such debt shall constitute an indemnity mortgage to secure the Government against loss under its insurance contract by
reason of any default by Borrower.

And this instrument also secures the recapture of any deferred principal and interest or of any interest credit and subsidy which may be granted to
the Borrower by the Government pursuant to 42 U.S.C §§ 1472(g) or 1490a, respectively, or any amount due under any Shared Appreciation/Recapture
Agreement entered into pursuant to 7 U.S.C. § 2001.

NOW, THEREFORE, in consideration of the loan(s) Borrower does hereby grant, sell, convey, and assign unto Trustee the following property
situated in the State of Texas, County(ies) of Grimes and Montgomery _____

See attached Exhibit A
Pages 1 through 5

See attached Exhibit B
Page 1 of 1

together with all rights (including the rights to mining products, gravel, oil, gas, coal or other minerals), interests, easements, hereditaments and appurtenances thereunto belonging, the rents, issues, and profits thereof and revenues and income therefrom, all improvements and personal property now or later attached thereto or reasonably necessary to the use thereof, including, but not limited to, ranges, refrigerators, clothes washers, clothes dryers, or carpeting purchased or financed in whole or in part with loan funds, all water, water rights, and water stock pertaining thereto, and all payments at any time owing to Borrower by virtue of any sale, lease, transfer, conveyance, or condemnation of any part thereof or interest therein—all of which are herein called "the property":

TO HAVE AND TO HOLD the property unto Trustee, Trustee's successors, grantees and assigns forever;

IN TRUST, NEVERTHELESS, (a) at all times when the note is held by the Government, or in the event the Government should assign this instrument without insurance of the payment of the note, to secure prompt payment of the note and any renewals and extensions thereof and any agreements contained therein, including any provision for the payment of an insurance or other charge, (b) at all times when the note is held by an insured holder, to secure performance of Borrower's agreement herein to indemnify and save harmless the Government against loss under its insurance contract by reason of any default by Borrower, and (c) in any event and at all times to secure the prompt payment of all advances and expenditures made by the Government, with interest, as hereinafter described, and the performance of every covenant and agreement of Borrower contained herein or in any supplementary agreement.

AND BORROWER for Borrower's self, Borrower's heirs, executors, administrators, successors and assigns WARRANTS the property unto Trustee for the Benefits of the Government against all lawful claims and demands whatsoever except any liens, encumbrances, easements, reservations, or conveyances specified hereinabove, and COVENANTS AND AGREES as follows:

(1) To pay promptly when due any indebtedness to the Government hereby secured and to indemnify and save harmless the Government against any loss under its insurance of payment of the note by reason of any default by Borrower. At all times when the note is held by an insured holder, Borrower shall continue to make payments on the note to the Government, as collection agent for the holder.

(2) To pay to the Government such fees and other charges as may now or hereafter be required by regulations of the Farmers Home Administration.

(3) If required by the Government, to make additional monthly payments of 1/12 of the estimated annual taxes, assessments, insurance premiums and other charges upon the mortgaged premises.

(4) Whether or not the note is insured by the Government, the Government may at any time pay any other amounts required herein to be paid by Borrower and not paid by Borrower when due, as well as any costs and expenses for the preservation, protection, or enforcement of this lien, as advances for the account of Borrower. All such advances shall bear interest at the rate borne by the note which has the highest interest rate.

(5) All advances by the Government as described in this instrument, with interest, shall be immediately due, and payable by Borrower to the Government without demand at the place designated in the latest note and shall be secured hereby. No such advance by the Government shall relieve Borrower from breach of Borrower's covenant to pay. Any payments made by Borrower may be applied on the note or any indebtedness to the Government secured hereby, in any order the Government determines.

(6) To use the loan evidenced by the note solely for purposes authorized by the Government.

(7) To pay when due all taxes, liens, judgments, encumbrances, and assessments lawfully attaching to or assessed against the property, including all charges, and assessments in connection with water, water rights, and water stock pertaining to or reasonably necessary to the use of the real property described above, and promptly deliver to the Government without demand receipts evidencing such payments.

(8) To keep the property insured as required by and under insurance policies approved by the Government and, at its request, to deliver such policies to the Government.

(9) To maintain improvements in good repair and make repairs required by the Government; operate the property in a good and husbandmanlike manner; comply with such farm conservation practices and farm and home management plans as the Government from time to time may prescribe; and not to abandon the property, or cause or permit waste, lessening or impairment of the security covered hereby, or, without the written consent of the Government, cut, remove, or lease any timber, gravel, oil, gas, coal, or other minerals except as may be necessary for ordinary domestic purposes.

(10) To comply with all laws, ordinances, and regulations affecting the property.

(11) To pay or reimburse the Government for expenses reasonably necessary or incidental to the protection of the lien and priority hereof and to the enforcement of or the compliance with the provisions hereof and of the note and any supplementary agreement (whether before or after default), including but not limited to costs of evidence of title to and survey of the property, costs of recording this and other instruments, attorneys' fees, trustees' fees, court costs, and expenses of advertising, selling, and conveying the property.

(12) Except as otherwise provided by the Farmers Home Administration regulations, neither the property nor any portion thereof or interest therein shall be leased, assigned, sold, transferred, or encumbered, voluntarily or otherwise, without the written consent of the Government. The Government shall have the sole and exclusive rights as beneficiary hereunder, including but not limited to the power to grant consents, partial releases, subordinations, and satisfaction, and no insured holder shall have any right, title or interest in or to the lien or any benefits hereof.

(13) At all reasonable times the Government and its agents may inspect the property to ascertain whether the covenants and agreements contained herein or in supplementary agreement are being performed.

(14) The Government may (a) adjust the interest rate, payment, terms or balance due on the loan, (b) increase the mortgage by an amount equal to deferred interest on the outstanding principal, (c) extend or defer the maturity of, and renew and reschedule the payments on, the debt evidenced by the note or any indebtedness to the Government secured by this instrument, (d) release any party who is liable under the note or for the debt from liability to the Government, (e) release portions of the property and subordinate its lien, and (f) waive any other of its rights under this instrument. Any and all this can and will be done without affecting the lien or the priority of this instrument or Borrower's or any other party's liability to the Government for payment of the note or debt secured by this instrument unless the Government says otherwise in writing. HOWEVER, any forbearance by the Government—whether once or often—in exercising any right or remedy under this instrument, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any such right or remedy.

(15) The power to appoint a substitute trustee is hereby granted to the Government and its assigns, to be exercised at any time hereafter, without notice and without specifying any reason therefor, by filing for record in the office where this instrument is recorded an instrument of appointment, whereupon the substitute trustee shall succeed to all the estates, rights, powers, and trusts herein granted to or vested in Trustee, and the former trustee or substitute trustee shall be divested thereof; and notice of the exercise of this power and any requirement of, or right to require, a bond from any trustee hereunder, are hereby waived.

(16) If at any time it shall appear to the Government that Borrower may be able to obtain a loan from a production credit association, a Federal Land bank, or other responsible cooperative or private credit source, at reasonable rates and terms for loans for similar purposes and periods of time, Borrower will, upon the Government's request, apply for and accept such loan in sufficient amount to pay the note and any indebtedness secured hereby and to pay for any stock necessary to be purchased in a cooperative lending agency in connection with such loan.

(17) Default hereunder shall constitute default under any other real estate, or under any personal property or other security instrument held or insured by the Government and executed or assumed by Borrower, and default under any such other security instrument shall constitute default hereunder.

(18) SHOULD DEFAULT occur in the performance or discharge of any obligation in this instrument or secured by this instrument, or should the parties named as Borrower die or be declared incompetent, or should any one of the parties named as Borrower be discharged in bankruptcy or declared an insolvent or make an assignment for the benefit of creditors, the Government at its option, with or without notice, may: (a) declare the entire amount unpaid under the note and any indebtedness to the Government hereby secured immediately due and payable, (b) for the account of Borrower incur and pay reasonable expenses for repair or maintenance of and take possession of, operate or rent the property, (c) upon application by it and production of this instrument, without other evidence and without notice of hearing of said application, have a receiver appointed for the property, with the usual powers of receivers in like cases, and (d) authorize and request Trustee to foreclose this instrument and sell the property as prescribed by law.

(19) Upon default aforesaid: (a) at the request of the Government, Trustee may foreclose this instrument either by court action pursuant to law or by advertisement and sale of the property as provided by law, for cash or secured credit at the option of the Government, personal notices of which sale need not be served on Borrower; (b) such sale may be adjourned from time to time without other notice than oral proclamation at the time and place appointed for such sale and correction made on the posted notices, and at such sale the Government and its agents may bid and purchase as a stranger; (c) Trustee at Trustee's option may conduct such sale, without being personally present, through Trustee's delegate authorized by Trustee for such purpose orally or in writing and without notice to Borrower of such authorization; and (d) if the property is situated in two or more counties, the sale may be held in any one of such counties selected by the Government in its sole discretion: Provided, however, that in any deed or deeds executed by Trustee hereunder, any and all statements of fact and other recitals therein made as to the nonpayment of the money secured, the nonperformance of covenants herein, the request to Trustee to enforce this Trust, the proper and due appointment of any substitute Trustee, the advertisement or due publication of sale, the due authorization by Trustee of Trustee's delegate to conduct the sale, or as to any other preliminary act or thing having been duly done by said Trustee shall be taken by any and all courts of law and equity as prima facie evidence that said statements or recitals do state facts, and without further questioning shall be accepted as such by Borrower; and provided further, that in the event of foreclosure sale, Borrower shall give up and deliver immediately possession of the property to the purchaser thereof or assume the status of a tenant at will and be subject to summary dispossession as by law provided.

(20) The proceeds of foreclosure sale shall be applied in the following order to the payment of: (a) costs and expenses incident to enforcing or complying with the provisions hereof, (b) any prior liens required by law or a competent court to be so paid, (c) the debt evidenced by the note and all indebtedness to the Government secured hereby, (d) inferior liens of record required by law or a competent court to be so paid, (e) at the Government's option, any other indebtedness of Borrower owing to or insured by the Government, and (f) any balance to Borrower. In the case the Government is the successful bidder at foreclosure or other sale of all or any part of the property, the Government may pay its share of the purchase price by crediting such amount on any debts of Borrower owing to or insured by the Government, in the order prescribed above.

(21) All powers and agencies granted in this instrument are coupled with an interest and are irrevocable by death or otherwise; and the rights and remedies provided in this instrument are cumulative to remedies provided by law.

(22) Borrower agrees that the Government will not be bound by any present or future State laws, (a) prohibiting maintenance of an action for a deficiency judgment or limiting the amount thereof or the time within which such action must be brought, (b) prescribing any other statute of limitations, or (c) limiting the conditions which the Government may by regulation impose, including the interest rate it may charge, as a condition of approving a transfer of the property to a new Borrower. Borrower expressly waives the benefit of any such State laws.

(23) If any part of the loan for which this instrument is given shall be used to finance the purchase, construction or repair of property to be used as an owner-occupied dwelling (herein called "the dwelling") and if Borrower intends to sell or rent the dwelling and has obtained the Government's consent to do so (a) neither Borrower nor anyone authorized to act for Borrower will, after receipt of a bona fide offer, refuse to negotiate for the sale or rental of the dwelling or will otherwise make unavailable or deny the dwelling to anyone because of race, color, religion, sex, handicap, familial status, age or national origin, and (b) Borrower recognizes as illegal and hereby disclaims, and will not comply with or attempt to enforce any restrictive covenants on the dwelling relating to race, color, religion, sex, handicap, familial status, age or national origin.

(24) Borrower further agrees that the loan(s) secured by this instrument will be in default should any loan proceeds be used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity, as further explained in 7 CFR Part 1940, Subpart G, Exhibit M.

(25) This instrument shall be subject to the present regulations of the Farmers Home Administration, and to its future regulations not inconsistent with the express provisions hereof.

(26) Notices given hereunder shall be sent by certified mail, unless otherwise required by law, and addressed, unless and until some other address is designated in a notice so given, in the case of the Government to Farmers Home Administration at Temple, Texas 76501, and in the case of Borrower at the address shown in the Farmers Home Administration Finance Office records (which normally will be the same as the post office address shown above).

(27) If this deed of trust should be invalid for any purpose for which it is executed, such invalidity for such purpose shall not impair its validity for any other purpose and in the event that any portion of the indebtedness under the note when it is held by the Government or any assignee of this deed of trust, or any portion of the indebtedness to the Government under this deed of trust, is not validly secured hereunder, then in that event, the first payments made upon any such indebtedness shall be applied in payment of that portion of the indebtedness which is not validly secured, and no payment shall be applied toward that portion of the indebtedness secured by a valid lien hereunder until any indebtedness not so secured shall have been paid in full.

(28) If any provision of this instrument or application thereof to any person or circumstances is held invalid, such invalidity will not affect other provisions or applications of the instrument which can be given effect without the invalid provision or application, and to that end the provisions hereof are declared to be severable.

~~IT IS AGREED by and between Borrower and the Government that the Government will, for the sum of \$~~
erect, construct, complete and repair buildings or other improvements upon, and will furnish all labor and material necessary for the purpose of making such repairs and improvements upon said property as are described in the Development Plan agreed to in writing by Borrower and the Government and made a part hereof and incorporated herein by reference, except labor to be performed by Borrower; to secure which sum Borrower hereby gives and creates a valid constitutional and contractual lien on said property; and that if said sum is not actually expended for such repairs and improvements, any amount not so expended shall be credited on the indebtedness evidenced by the note. It is further agreed that a failure to complete said repairs and improvements, or failure to complete same according to said Development Plan, shall not defeat said indebtedness and lien, but in such event said indebtedness and lien upon said property shall exist in favor of the Government or its assigns for the amount herein agreed upon, less such amount as would be reasonably necessary to complete said repairs and improvements according to said Development Plan.

~~BORROWER, for the express purpose of inducing the Government to make or insure the loan evidenced by the note described herein, represent that Borrower does not reside upon, use, or claim, as either a business or residence homestead, the property described above, but that Borrower now resides upon, used and claims as a homestead the following described tract, lot or parcel of land, the fee simple title to which is vested in Borrower:~~

(29) IMPORTANT NOTICE FOR HOMESTEAD IMPROVEMENT LIENS: You and your contractor are responsible for meeting the terms and conditions of this contract. If you sign this contract and you fail to meet the terms and conditions of this contract, you may lose your legal ownership rights in your home. KNOW YOUR RIGHTS AND DUTIES UNDER THE LAW.

SEE ADDITIONAL PROVISIONS ON ATTACHED EXHIBIT A.

WITNESS the signature(s) of borrower on this 11th day of May, ~~19~~ XX 2000

DOBBIN-PLANTERSVILLE WATER SUPPLY CORPORATION

By BY JOHNNY MOCK
Johnny Mock, President

STATE OF TEXAS }
COUNTY OF GRIMES } ss:

ACKNOWLEDGMENT

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared _____
Johnny Mock, President of Dobbin-Plantersville Water Supply Corporation, a Texas corporation
known to me to be the person(s) whose name(s) is (are) subscribed to the foregoing instrument, and acknowledged to me that he(~~she~~;~~they~~)
executed the same for the purposes and consideration therein expressed, on behalf of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 11th day of May, ~~19~~ XX 2000

MARGO L. CONSTANCIO
Notary Public in and For
the State of Texas

(SEAL)

MARGO L. CONSTANCIO

~~XXXXXXXXXXXX~~

STATE OF TEXAS }
COUNTY OF _____ } ss:
I, the undersigned, do hereby certify that the fore-
going instrument was filed for record in my office on the
_____ day of _____ A. D., 19 _____,
at _____ o'clock _____ M., and was duly recorded
on this _____ day of _____, A. D.,
19 _____, in Volume _____, page _____
of the Deed of Trust Records of said County.

WITNESS MY HAND and the seal of the County Court
of Said County at my office in _____
the day and year last above written.

County Clerk _____ County, Texas
By _____ Deputy

I.

TRACT 1:

All that tract or parcel of land situated in Grimes County, Texas out of the Elizabeth J. Graham Survey A-225 and being a portion of a called 236.86 acre tract designated as T85M4-a and described in a deed from Champion International Corporation to Champion Realty Corporation dated November 8, 1985 and recorded under Montgomery County Film Code No. 372-01-1462, said 2.004 acre tract being more particularly described as follows:

BEGINNING at a found ½" iron pin and fence corner lying in the division line between the Elizabeth J. Graham Survey A-225 and the Valentine Snider Survey A-429 and marking the northwest corner of the original 236.86 acre tract (T85M4-a), interior corner of a 30 acre tract now or formerly owned by J. Walker and northwest corner of this tract;
THENCE departing said survey division line with the fenced north line of this tract N 89° 26' 06" E, 355.42 ft. to a set ½" iron pin and fence corner lying in southwest right-of-way line of F.M. Highway 1486 marking the east corner of the Walker tract and northeast corner of this tract;
THENCE with the southwest line of F.M. Highway 1486 in a curve to the right having a radius of 1,382.39 ft., a central angle of 10° 32' 08" for a distance of 254.19 ft. (chord S 38° 35' 16" E, 253.83 ft.) to a set ½" iron pin 3.6 ft. east of an existing fence line for southeast corner;
THENCE departing said highway right-of-way line with the south line of this tract, S 89° 26' 06" W, 507.83 ft. to a set ½" iron pin lying 2.3 ft. west of an existing fence line in the division line between the Graham and Snider Surveys and the east line of the Walker tract for southwest corner of this tract;
THENCE continuing with said survey division line, the east line of the Walker tract and west line of this tract, N 01° 41' 44" W, 200.00 ft. to the place of beginning and containing 2.004 acres of land.

TRACT 2:

Being 0.229 acre of land in the Zachariah Landrum Survey, A-22, Montgomery County, Texas, and a part of a called 40.0 acre tract conveyed Allen Bates, recorded in Volume 124, Page 538, Deed Records of Montgomery County, Texas, said 0.229 acre tract being described as follows:

BEGINNING at a ¼ inch iron rod in the east line of Spring Branch Road, N 02° 26' W, 681.3 feet from the Bates southwest corner;
THENCE East 100.0 feet to a ¼ inch iron rod for corner;
THENCE North 100.0 feet to a ¼ inch iron rod for corner;

THENCE West 100.0 feet to a 1/8 inch iron rod for corner in the east line of road;
THENCE South 100.0 feet to the place of beginning and containing 0.229 acre of land.

TRACT 3:

Being 0.23 acre in the Jacob Shannon Survey, in Montgomery County, Texas, and being a part of a 7.02 acre tract deeded from Katherine Smith Diehl et al. to Barbara Smith Swonke dated April 27, 1970, and recorded in Volume 708, Page 743, Deed Records, Montgomery County, Texas, and said 0.23 acre tract being more particularly described by metes and bounds as follows, to-wit:

BEGINNING at a point for corner in the north line of the said Barbara Smith Swonke 7.02 acre tract, as fenced, at a fence corner, and being in the west margin of a public road;
THENCE S 0° 03' E with a fence and with the west margin of said public road, a distance of 100.00 feet to a point for corner in said fence and said west margin of said public road;
THENCE N 89° 58' W a distance of 100.00 feet to a point for corner;
THENCE N 0° 03' W a distance of 100.00 feet to a point for corner in a fence, same being in the north line of the said Barbara Smith Swonke 7.02 acre tract, as fenced;
THENCE S 89° 58' E with a fence and with the north line of the said Barbara Smith Swonke 7.02 acre tract, as fenced, a distance of 100.00 feet to the place of beginning, containing 0.23 acre.

TRACT 4:

Being .157 acre of land in the John Landrum Survey, A-35, (also referred to as part in the Joel Greenwood Survey, A-20) Grimes County, Texas, and being parts of certain tracts conveyed Planters Lodge No. 147, by Beatrice Brown recorded in Volume 296, Page 59, and Volume 338, Page 181, Deed Records of Grimes County, Texas, more fully described as follows:

BEGINNING at an iron rod in the northeast line of F.M. 1774, being N 47° 00' W, 106.0 feet from the intersection of the west line of the old School tract with the northeast line of F.M. Road;
THENCE N 47° 00' W, along the northeast line of road, 100.0 feet to an iron rod for corner;
THENCE N 03° 28' W, 100.0 feet to an iron rod for corner;
THENCE S 47° 00' E, 100.0 feet to an iron rod for corner;
THENCE S 03° 28' E, 100.0 feet to the place of beginning and containing .157 acre of land.

TRACT 5:

Being all that certain tract or parcel of land lying and being situated in Grimes County, Texas, and being out of the Joel Greenwood Labor, A-227, also being out of and a part of a 46.5 acre tract described in deed from George W. Mason et ux. to Leon U. Mason dated March 21, 1941, and recorded in Volume 154, Page 492, Deed Records of Grimes County, Texas, said 46.5 acre tract being the north 46.5 acres out of a 86.5 acre tract and being more particularly described as follows:

BEGINNING at the intersection of the south line of said 46.5 acre tract with the east fence line of the High Point County Road; THENCE North along the east side of said road, 292.1 feet to a 3/8 inch iron rod for the beginning point of this survey; THENCE North along the east side of said road, 100 feet to a 3/8 inch iron rod for corner; THENCE East 100 feet to a 3/8 inch iron rod for corner; THENCE South 100 feet to a 3/8 inch iron rod for corner; THENCE West 100 feet to the place of beginning and containing 0.2296 acre of land.

SUBJECT, HOWEVER, TO THE FOLLOWING:

1. Deed of Trust dated March 8, 1977 from Dobbin-Plantersville WSC to J. Lynn Futch, Trustee, securing one promissory note in the original principal amount of \$245,000.00, payable to the United States of America, filed for record on March 21, 1977 under File No. 77-036422 in the Office of the Secretary of State of Texas which deed of trust was assigned to GECC on November 3, 1987.
2. Deed of Trust from Dobbin-Plantersville WSC to J. Lynn Futch, Trustee, securing promissory notes payable to the United States of America, filed for record on December 28, 1983 under File No. 83-293206 in the Office of the Secretary of State of Texas which deed of trust was assigned to GECC on November 3, 1987.
3. Reservation and/or conveyance of all oil, gas and other minerals as described in deed dated March 27, 1998 from Champion Realty Corporation to Dobbin-Plantersville WSC recorded in Volume 885, Page 685, Deed Records, Grimes County, Texas. (TRACT 1)
4. Restrictive covenants as described in deed dated March 27, 1998 from Champion Realty Corporation to Dobbin-Plantersville WSC recorded in Volume 885, Page 685, Deed Records, Grimes County, Texas. (TRACT 1)
5. Reservation and/or conveyance of all oil, gas and other minerals by prior owners of record. (TRACTS 2, 3 and 5)

Exhibit A to Utility Security Instrument-Real Estate Deed of Trust for Texas dated May 11, 2000 from Dobbin-Plantersville Water Supply Corporation to Steven A. Carriker, Trustee,
Page 3 of 5

Together with any and all other real property now owned, held, leased, or claimed or which may hereafter be owned, held, leased or claimed by Borrower in said counties.

II.

All right, title and interest of Borrower in, to and under any and all rights, grants, privileges, rights of way and easements now owned, held, leased, enjoyed or exercised, or which may hereafter be owned, held, leased, acquired, enjoyed or exercised by Borrower for the purposes of, and in connection with, the construction or operation by or on behalf of Borrower of water distribution lines, or systems, and facilities, whether underground or overhead or otherwise, or of any water pumping and filter plants and facilities, wherever located in said counties.

III.

All right, title and interest of Borrower in, to and under any and all licenses, franchises, ordinances, privileges and permits heretofore granted, issued or executed, or which may hereafter be granted, issued or executed, to it or to its assignors by the United States of America, or any state or by any county, city, municipality, or other political subdivision thereof, or by any agency, board, commission or department of any of the foregoing, or by any individual, partnership or corporation, authorizing the construction, acquisition, or operation of water pumping or filter plants or distribution lines, or systems, in the said counties.

IV.

All right, title and interest of Borrower in, to and under any and all contracts heretofore or hereafter executed by and between Borrower and any individual, partnership, corporation, state, county, city, municipality, or other political subdivision thereof, providing for the purchase of water by Borrower. Borrower does hereby agree not to modify or terminate any contract providing for the purchase of water without first obtaining the consent of FmHA to such modification or termination.

V.

All water charges and other income from the sale of water, tolls, assessments, accounts receivable and other choses in action of whatever nature.

Exhibit A to Utility Security Instrument-Real Estate Deed of Trust for Texas dated May 11, 2000 from Dobbin-Plantersville Water Supply Corporation to Steven A. Carriker, Trustee,

VI.

Water well equipment and distribution lines thereof together with all appurtenances thereto presently owned or which may hereafter be acquired by Borrower, including but not limited to pump house and mechanical equipment, pumps, motors, electrical material, pipes, valves, meters, couplings, drills, casings, reservoirs and tanks located on the above-described property, and all collateral similar to the above hereafter acquired by Borrower, and all substitutes and replacements for, accessions, attachments and other additions to, and tools, parts and equipment used in connection with the above collateral.

The property described herein was obtained or improved through Federal financial assistance. This property is subject to the provisions of Title VI of the Civil Rights Act of 1964 and the regulations issued pursuant thereto for so long as the property continues to be used for the same or similar purpose for which financial assistance was extended or for so long as the purchaser owns it, whichever is longer.

As a result of the reorganization of the United States Department of Agriculture under the Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994 (the "Act"), Pub. Law No. 103-354, 108 Stat. 3178 (October 13, 1994), the Farmers Home Administration and the Rural Development Administration were abolished. Pursuant to Sec. 232 of the Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994 (the "Act"), Pub. Law No. 103-354, 108 Stat. 3178 (October 13, 1994) (7 U.S.C. § 6942) the Secretary of Agriculture created a new agency, the Rural Utilities Service, to assume the water and waste facility programs and activities formerly administered by the Farmers Home Administration and the Rural Development Administration. Therefore, all references to the Farmers Home Administration or to the Rural Development Administration in the attached instrument shall be deemed to refer to the Rural Utilities Service, United States Department of Agriculture, or to its successor agency.

Signed for identification:

DOBBIN-PLANTERSVILLE WATER
SUPPLY CORPORATION

May 11, 2000

(date)

By *Johnny Mock*
Johnny Mock, President

Exhibit B to Utility Security Instrument-Real Estate Deed of Trust for Texas dated May 11, 2000 from Dobbin-Plantersville Water Supply Corporation to Steven A. Carriker, Trustee

Attachment A

I.

TRACT 1:

All that tract or parcel of land situated in Grimes County, Texas out of the Elizabeth J. Graham Survey A-225 and being a portion of a called 236.86 acre tract designated as T85M4-a and described in a deed from Champion International Corporation to Champion Realty Corporation dated November 8, 1985 and recorded under Montgomery County Film Code No. 373-01-1462, said 2.004 acre tract being more particularly described as follows:

BEGINNING at a found ½" iron pin and fence corner lying in the division line between the Elizabeth J. Graham Survey A-225 and the Valentine Snider Survey A-429 and marking the northwest corner of the original 236.86 acre tract (T85M4-a), interior corner of a 30 acre tract now or formerly owned by J. Walker and northwest corner of this tract;
THENCE departing said survey division line with the fenced north line of this tract N 89° 26' 06" E, 355.42 ft. to a set ½" iron pin and fence corner lying in southwest right-of-way line of F.M. Highway 1486 marking the east corner of the Walker tract and northeast corner of this tract;
THENCE with the southwest line of F.M. Highway 1486 in a curve to the right having a radius of 1,382.39 ft., a central angle of 10° 32' 08" for a distance of 254.19 ft. (chord S 38° 35' 16" E, 253.83 ft.) to a set ½" iron pin 3.6 ft. east of an existing fence line for southeast corner;
THENCE departing said highway right-of-way line with the south line of this tract, S 89° 26' 06" W, 507.83 ft. to a set ½" iron pin lying 2.3 ft. west of an existing fence line in the division line between the Graham and Snider Surveys and the east line of the Walker tract for southwest corner of this tract;
THENCE continuing with said survey division line, the east line of the Walker tract and west line of this tract, N 01° 41' 44" W, 200.00 ft. to the place of beginning and containing 2.004 acres of land.

TRACT 2:

Being 0.229 acre of land in the Zachariah Landrum Survey, A-22, Montgomery County, Texas, and a part of a called 40.0 acre tract conveyed Allen Bates, recorded in Volume 124, Page 538, Deed Records of Montgomery County, Texas, said 0.229 acre tract being described as follows:

BEGINNING at a ½ inch iron rod in the east line of Spring Branch Road, N 02° 26' W, 681.3 feet from the Bates southwest corner;
THENCE East 100.0 feet to a ½ inch iron rod for corner;
THENCE North 100.0 feet to a ½ inch iron rod for corner;

THENCE West 100.0 feet to a ½ inch iron rod for corner in the east line of road;
THENCE South 100.0 feet to the place of beginning and containing 0.229 acre of land.

TRACT 3:

Being 0.23 acre in the Jacob Shannon Survey, in Montgomery County, Texas, and being a part of a 7.02 acre tract deeded from Katherine Smith Diehl et al. to Barbara Smith Swonke dated April 27, 1970, and recorded in Volume 708, Page 743, Deed Records, Montgomery County, Texas, and said 0.23 acre tract being more particularly described by metes and bounds as follows, to-wit:

BEGINNING at a point for corner in the north line of the said Barbara Smith Swonke 7.02 acre tract, as fenced, at a fence corner, and being in the west margin of a public road;
THENCE S 0° 03' E with a fence and with the west margin of said public road, a distance of 100.00 feet to a point for corner in said fence and said west margin of said public road;
THENCE N 89° 58' W a distance of 100.00 feet to a point for corner;
THENCE N 0° 03' W a distance of 100.00 feet to a point for corner in a fence, same being in the north line of the said Barbara Smith Swonke 7.02 acre tract, as fenced;
THENCE S 89° 58' E with a fence and with the north line of the said Barbara Smith Swonke 7.02 acre tract, as fenced, a distance of 100.00 feet to the place of beginning, containing 0.23 acre.

TRACT 4:

Being .157 acre of land in the John Landrum Survey, A-35, (also referred to as part in the Joel Greenwood Survey, A-20) Grimes County, Texas, and being parts of certain tracts conveyed Planters Lodge No. 147, by Beatrice Brown recorded in Volume 296, Page 59, and Volume 338, Page 181, Deed Records of Grimes County, Texas, more fully described as follows:

BEGINNING at an iron rod in the northeast line of F.M. 1774, being N 47° 00' W, 106.0 feet from the intersection of the west line of the old School tract with the northeast line of F.M. Road;
THENCE N 47° 00' W, along the northeast line of road, 100.0 feet to an iron rod for corner;
THENCE N 03° 28' W, 100.0 feet to an iron rod for corner;
THENCE S 47° 00' E, 100.0 feet to an iron rod for corner;
THENCE S 03° 28' E, 100.0 feet to the place of beginning and containing .157 acre of land.

TRACT 5:

Being all that certain tract or parcel of land lying and being situated in Grimes County, Texas, and being out of the Joel Greenwood Labor, A-227, also being out of and a part of a 46.5 acre tract described in deed from George W. Mason et ux. to Leon U. Mason dated March 21, 1941, and recorded in Volume 154, Page 492, Deed Records of Grimes County, Texas, said 46.5 acre tract being the north 46.5 acres out of a 86.5 acre tract and being more particularly described as follows:

BEGINNING at the intersection of the south line of said 46.5 acre tract with the east fence line of the High Point County Road; THENCE North along the east side of said road, 292.1 feet to a 3/8 inch iron rod for the beginning point of this survey; THENCE North along the east side of said road, 100 feet to a 3/8 inch iron rod for corner; THENCE East 100 feet to a 3/8 inch iron rod for corner; THENCE South 100 feet to a 3/8 inch iron rod for corner; THENCE West 100 feet to the place of beginning and containing 0.2296 acre of land.

TRACT 6:

All that tract or parcel of land situated in Grimes County, Texas out of the Asa Yeamans Survey A-63 and being a portion of the tract of land called 12.313 acres and designated as Tract 1 in the Last Will and Testament of C. I. Lechinger as recorded in Volume 685, Page 361 of the Real Property Records of Grimes County, said 0.3673 acre tract being more particularly described as follows:

COMMENCING at a found 1/4" iron pin and fence corner lying in the east line of County Road 204 at the northwest corner of the original tract called 12.313 acres; THENCE with the east line of County Road 204, S 00° 17' 37" W, 170.00 ft. to a set 1/4" iron pin for northwest corner and place of beginning of the tract herein described; THENCE with the north line of this tract, S 89° 42' 23" E, 160.00 ft. to a set 1/4" iron pin for northeast corner; THENCE with the east line of this tract, S 00° 17' 37" W, 100.00 ft. to a set 1/4" iron pin for southeast corner; THENCE with the south line of this tract, N 89° 42' 23" W, 160.00 ft. to a set 1/4" iron pin in the east line of County Road 204 for southwest corner; THENCE with the east line of County Road 204 and the west line of this tract, N 00° 17' 37" E, 100.00 ft. to the place of beginning and containing 0.3673 acres of land.

TRACT 7:

All that certain tract or parcel of land situated in Montgomery County, Texas out of the Jacob Shannon Survey A-35 and being a portion of the tract of land called 109.57 acres in a deed dated January 8, 1968 from Robert Herzog and wife, Louise Herzog, to James Herzog and wife, Mary Frances Herzog, as recorded in Volume 656, Page 407 of the Deed Records of Montgomery County, said 1.705 acre tract being more particularly described as follows:

BEGINNING at a set ½" iron pin lying in the south line of Mount Mariah Cut-off Road marking the northwest corner of the tract herein described, a said ½" iron pin and fence corner marking the intersection of the east right-of-way line of Mount Mariah Cut-off Road and the north line of the original tract called 109.57 acres lies N 89° 56' 00" W, 1,263.37 ft. from this point; THENCE with the south line of Mount Mariah Cut-off Road, also the north line of the original tract called 109.57 acres and the tract herein described, N 89° 56' 00" E, 309.46 ft. to a set ½" iron pin in the west line of the Gulf States Utilities Company right-of-way tract called 7.75 acres (M.C.C.F. No. 8112583 R.P.R.M.C.) for northeast corner of the tract herein described; THENCE with the west line of the Gulf States Utilities Company right-of-way called 7.75 acres and the east line of this tract, S 14° 10' 07" E, 247.46 ft. to a set ½" iron pin for southeast corner; THENCE with the south line of this tract, S 89° 56' 00" W, 309.46 ft. to a set ½" iron pin for southwest corner; THENCE with the west line of this tract, N 14° 10' 07" W, 247.46 ft. to the place of beginning and containing 1.705 acres of land.

SUBJECT, HOWEVER, TO THE FOLLOWING:

1. Deed of Trust dated March 8, 1977 from Dobbin-Plantersville WSC to J. Lynn Futch, Trustee, securing one promissory note in the original principal amount of \$245,000.00, payable to the United States of America, filed for record on March 21, 1977 under File No. 77-036422 in the Office of the Secretary of State of Texas which deed of trust was assigned to GECC on November 3, 1987.
2. Deed of Trust from Dobbin-Plantersville WSC to J. Lynn Futch, Trustee, securing promissory notes payable to the United States of America, filed for record on December 28, 1983 under File No. 83-293206 in the Office of the Secretary of State of Texas which deed of trust was assigned to GECC on November 3, 1987.
3. Deed of Trust dated _____ from Dobbin-Plantersville WSC to Steven A. Carriker, Trustee, securing one promissory note in the original principal amount of \$378,000.00, payable to the United States of America, filed for record on _____

Exhibit A to Utility Security Instrument-Real Estate Deed of Trust for Texas dated _____ from Dobbin-Plantersville Water Supply Corporation to Steven A. Carriker, Trustee,

under File No. _____ in the Office of the Secretary of State of Texas.

4. Reservation and/or conveyance of all oil, gas and other minerals as described in deed dated March 27, 1998 from Champion Realty Corporation to Dobbin-Plantersville WSC recorded in Volume 885, Page 685, Deed Records, Grimes County, Texas. (TRACT 1)
5. Restrictive covenants as described in deed dated March 27, 1998 from Champion Realty Corporation to Dobbin-Plantersville WSC recorded in Volume 885, Page 685, Deed Records, Grimes County, Texas. (TRACT 1)
6. Reservation and/or conveyance of all oil, gas and other minerals described in deed dated February 17, 1983 from Ida Lee Bates to Dobbin-Plantersville WSC as recorded on February 21, 1983, in Clerk's File Number 8308890 and later transferred to Film Code Number 186-01-1744 of the Real Property Records of Montgomery County, Texas. (TRACT 2)
7. Easement dated May 26, 1983 from Dobbin-Plantersville WSC to Gulf States Utilities Company filed of record on June 20, 1983 under Clerk's File Number 8329692 and later transferred to Film Code Number 210-01-1264 of the Real Property Records, Montgomery County, Texas. (TRACT 2)
8. Reservation and/or conveyance of all oil, gas and other minerals described in deed dated March 27, 1976 from Barbara S. Swonke to Dobbin-Plantersville WSC recorded in Volume 708, Page 473, Deed Records, Montgomery County, Texas. (TRACT 3)
9. Reservation and/or conveyance of all oil, gas and other minerals described in deed dated February 22, 1983 from Leon U. Mason to Dobbin-Plantersville WSC recorded in Volume 471, Page 61, Deed Records, Grimes County, Texas. (TRACT 5)
10. Utility easement dated September 29, 1998 from Jackie Lechinger to Mid-South Utility Cooperative, Inc. recorded in Volume 905, Page 442, Real Property Records, Grimes County, Texas. (TRACT 6)
11. Pipeline easement dated January 5, 1923 from W. S. Turney et ux. to Sinclair Pipe Line Company recorded in Volume 108, Page 16, Deed Records, Montgomery County, Texas. (TRACT 7)
12. Pipeline easement from James Herzog et al. to Humble Oil & Refining Company recorded in Volume 618, Page 145, Deed Records, Montgomery County, Texas, the location of said easement having been defined and established by instrument dated October 10, 1967 executed by Humble Oil and Refining Company recorded in Volume 641, Page 252, Deed Records, Montgomery County, Texas. (TRACT 7)

Exhibit A to Utility Security Instrument-Real Estate Deed of Trust for Texas dated _____ from Dobbin-Plantersville Water Supply Corporation to Steven A. Carriker, Trustee,
Page 5 of 7

13. Easement dated June 14, 1975 from James Herzog et ux. to Mid-South Electric Co-operative, Inc. recorded in Real Property Records, Montgomery County, Texas, under Clerk's File Number 9888853. (TRACT 7)

Together with any and all other real property now owned, held, leased, or claimed or which may hereafter be owned, held, leased or claimed by Borrower in said counties.

II.

All right, title and interest of Borrower in, to and under any and all rights, grants, privileges, rights of way and easements now owned, held, leased, enjoyed or exercised, or which may hereafter be owned, held, leased, acquired, enjoyed or exercised by Borrower for the purposes of, and in connection with, the construction or operation by or on behalf of Borrower of water distribution lines, or systems, and facilities, whether underground or overhead or otherwise, or of any water pumping and filter plants and facilities, wherever located in said counties.

III.

All right, title and interest of Borrower in, to and under any and all licenses, franchises, ordinances, privileges and permits heretofore granted, issued or executed, or which may hereafter be granted, issued or executed, to it or to its assignors by the United States of America, or any state or by any county, city, municipality, or other political subdivision thereof, or by any agency, board, commission or department of any of the foregoing, or by any individual, partnership or corporation, authorizing the construction, acquisition, or operation of water pumping or filter plants or distribution lines, or systems, in the said counties.

IV.

All right, title and interest of Borrower in, to and under any and all contracts heretofore or hereafter executed by and between Borrower and any individual, partnership, corporation, state, county, city, municipality, or other political subdivision thereof, providing for the purchase of water by Borrower. Borrower does hereby agree not to modify or terminate any contract providing for the purchase of water without first obtaining the consent of FmHA to such modification or termination.

V.

All water charges and other income from the sale of water, tolls, assessments, accounts receivable and other choses in action of whatever nature.

VI.

Water well equipment and distribution lines thereof together with all appurtenances thereto presently owned or which may hereafter be acquired by Borrower, including but not limited to pump house and mechanical equipment, pumps, motors, electrical material, pipes, valves, meters, couplings, drills, casings, reservoirs and tanks located on the above-described property, and all collateral similar to the above hereafter acquired by Borrower, and all substitutes and replacements for, accessions, attachments and other additions to, and tools, parts and equipment used in connection with the above collateral.

The property described herein was obtained or improved through Federal financial assistance. This property is subject to the provisions of Title VI of the Civil Rights Act of 1964 and the regulations issued pursuant thereto for so long as the property continues to be used for the same or similar purpose for which financial assistance was extended or for so long as the purchaser owns it, whichever is longer.

Attachment B

All water charges and other income from the sale of water, tolls, assessments, accounts receivable and other choses in action of whatever nature.

Water well equipment and distribution lines thereof together with all appurtenances thereto presently owned or which may hereafter be acquired by Borrower, including but not limited to pump house and mechanical equipment, pumps, motors, electrical material, pipes, valves, meters, couplings, drills, casings, reservoirs and tanks located on the above-described property, and all collateral similar to the above hereafter acquired by Borrower, and all substitutes and replacements for, accessions, attachments and other additions to, and tools, parts and equipment used in connection with the above collateral.

The property described herein was obtained or improved through Federal financial assistance. This property is subject to the provisions of Title VI of the Civil Rights Act of 1964 and the regulations issued pursuant thereto for so long as the property continues to be used for the same or similar purpose for which financial assistance was extended or for so long as the purchaser owns it, whichever is longer.



UNITED STATES
DEPARTMENT OF
AGRICULTURE

RURAL
DEVELOPMENT

101 SOUTH MAIN STREET
SUITE 102, FEDERAL BUILDING
TEMPLE, TEXAS 76501

Voice: (254) 742-9789
Fax: (254) 742-9709
TDD: (254) 742-9712

DEC 22 1997
COPY

Mr. Frank A. Gabriel, President
Dobbin-Plantersville Water Supply Corporation
P. O. Box 127
Plantersville, Texas 77363

Dear Mr. Gabriel:

Enclosed is your copy of Form FmHA 1940-1, "Request for Obligation of Funds." Your loan in the amount of \$930,000.00 and grant in the amount of \$1,500,000.00 was approved on December 19, 1997.

Sincerely,


STEVEN A. CARRIKER
Acting State Director

Enclosure

LOAN

ATTACHMENT 2

Rural Development is an Equal Opportunity Lender
Complaints of discrimination should be sent to:
Secretary of Agriculture, Washington, DC 20250

REQUEST FOR OBLIGATION OF FUNDS

INSTRUCTIONS-TYPE IN CAPITALIZED ELITE TYPE IN SPACES MARKED (||||)

Complete Items 1 through 30 and applicable Items 31 through 43. See FMI.

1. CASE NUMBER ST CO BORROWER ID 4 9 0 9 3 0 7 4 1 9 4 1 8 1 9		LOAN NUMBER 0 3	FISCAL YEAR 9 8
2. BORROWER NAME D O B B I N - P L A N T E R S V I L L E		3. NUMBER NAME FIELDS 2 (1, 2, or 3 from Item 2)	
W A T E R , S U P P L Y , C O R P ,		4. STATE NAME T E X A S ,	
		5. COUNTY NAME G R I M E S ,	
GENERAL BORROWER/LOAN INFORMATION			
6. RACE/ETHNIC CLASSIFICATION 1 - WHITE 4 - HISPANIC 2 - BLACK 5 - A/P 3 - AIAN		7. TYPE OF APPLICANT 4 - PUBLIC BODY 5 - ASSOC OF FARMERS 6 - ORG OF FARMERS WORKERS 7 - OTHER 3	
		8. COLLATERAL CODE 1 - REAL ESTATE SECURED 2 - REAL ESTATE AND CHATTEL 3 - NOTE ONLY OR CHATTEL ONLY 2	
		9. EMPLOYEE RELATIONSHIP CODE 1 - EMPLOYEE 2 - MEMBER OF FAMILY 3 - CLOSE RELATIVE 4 - ASSOC	
10. SEX CODE 1 - MALE 3 - FAMILY UNIT 2 - FEMALE 4 - ORGAN MALE OWNED 5 - ORGAN FEMALE OWNED 6 - PUBLIC BODY		11. MARITAL STATUS 1 - MARRIED 3 - UNMARRIED (INCLUDES WIDOWED/DIVORCED) 2 - SEPARATED	
		12. VETERAN CODE 1 - YES 2 - NO 2	
		13. CREDIT REPORT 1 - YES 2 - NO 2	
14. DIRECT PAYMENT 3 (See FMI)		15. TYPE OF PAYMENT 1 1 - MONTHLY 3 - SEMI ANNUALLY 2 - ANNUALLY 4 - QUARTERLY	
		16. FEE INSPECTION 2 1 - YES 2 - NO	
		17. INTEREST CREDIT 2 1 - YES (FOR SFH ONLY) 2 - NO	
18. COMMUNITY SIZE 1 - 10,000 OR LESS (FOR SFH AND HPG ONLY) 2 - OVER 10,000		19. DWELLING TYPE/USE OF FUNDS CODE 0 5 (See FMI)	
COMPLETE FOR OBLIGATION OF FUNDS			
20. TYPE OF ASSISTANCE 0 6 7 (See FMI)		21. PURPOSE CODE	
		22. SOURCE OF FUNDS 2	
23. TYPE OF ACTION 1 1 - OBLIGATION ONLY 2 - OBLIGATION/CHECK REQUEST 3 - CORRECTION OF OBLIGATION			
24. TYPE OF SUBMISSION 2 1 - INITIAL 2 - SUBSEQUENT		25. AMOUNT OF LOAN 9 3 0 0 0 0 0 0	
		26. AMOUNT OF GRANT 1 5 0 0 0 0 0 0	
27. AMOUNT OF IMMEDIATE ADVANCE 0 0 0		28. DATE OF APPROVAL MO DA YR DEC 11 1997	
		29. INTEREST RATE 0 4 5 0 0 0 0	
		30. REPAYMENT TERMS 4 0	
COMPLETE FOR SINGLE FAMILY HOUSING ONLY			
31. INCOME CATEGORY CODES 1 - VERY LOW 3 - MODERATE 2 - LOW 4 - ABOVE MODERATE		32. LOW INCOME LIMIT-MAX. 0 0	
		33. ADJUSTED FAMILY INCOME 0 0 0	
34. R.E. INSURANCE 0 0		35. R.E. TAXES 1st year 0 0	
		36. R.E. TAXES 2nd year 0 0	
		37. NOTE INSTALLMENT INELIGIBLE 0 0	
38. TYPE OF UNIT 1 - FARM TRACT 2 - NON-FARM TRACT			
COMPLETE FOR COMMUNITY PROGRAM AND CERTAIN MULTIPLE-FAMILY HOUSING LOANS			
39. PROFIT TYPE 1 - FULL PROFIT 2 - LIMITED PROFIT 3 - NONPROFIT			
COMPLETE FOR EM LOANS ONLY		COMPLETE FOR CREDIT SALE-ASSUMPTION	
40. DISASTER DESIGNATION NUMBER (See FMI)		41. TYPE OF SALE 1 - CREDIT SALE ONLY 2 - ASSUMPTION ONLY 3 - CREDIT SALE WITH SUBSEQUENT LOAN 4 - ASSUMPTION WITH SUBSEQUENT LOAN	
FINANCE OFFICE USE ONLY		COMPLETE FOR FP LOANS ONLY	
42. OBLIGATION DATE MO DA YR		43. BEGINNING FARMER/RANCHER (See FMI)	

If the decision contained above in this form results in denial, reduction or cancellation of USDA assistance, you may appeal this decision and have a hearing or you may request a review in lieu of a hearing. Please use the form we have included for this purpose.

PROMISSORY NOTE
(ASSOCIATION OR ORGANIZATION)

State	TEXAS		
County	GRIMES		
Case No.	49-93-741941819		
FINANCE OFFICE USE ONLY			
F	LN	LC	IA

- KIND OF LOAN:
- ASSOCIATION- ORGANIZATION
 - HOUSING-ORGANIZATION
 - PUBLIC BODY
 - OTHER

COPY FOR YOUR RECORDS

Date AUGUST 3, 2000

FOR VALUE RECEIVED, DOBBIN-PLANTERSVILLE WATER SUPPLY CORPORATION
(herein called "Borrower") promises to pay to the order of the United States of America, acting through the Rural Housing Service, Rural Business-Cooperative Service, or Rural Utilities Service within the Rural Development Mission Area, the Farm Service Agency, or their successor Agencies, United States Department of Agriculture, (herein called the "Government") at its office in _____
BRYAN, TEXAS

, or at such other place as the Government may hereafter designate in writing, the principal amount of NINE HUNDRED THIRTY THOUSAND - - - - - dollars (\$ 930,000.00), plus interest on the unused principal balance at the rate of FOUR AND ONE-HALF percent (4.50 %) per annum. The said principal and interest shall be paid in the following installments on or before the following dates:

- \$ INTEREST ONLY on AUGUST 3, 2001,
- \$ 4,223.00 on SEPTEMBER 3, 2001,
- \$ _____ on _____,
- \$ _____ on _____, and
- \$ 4,223.00 thereafter on the 3rd of each MONTH

until the principal and interest are fully paid except that the final installment of the entire indebtedness evidenced hereby, if not sooner paid, shall be due and payable FORTY (40) years from the date of this note, and except that prepayments may be made as provided below. The consideration herefor shall support any agreement modifying the foregoing schedule of payments.

If the total amount of the loan is not advanced at the time of loan closing, the loan shall be advanced to Borrower as requested by Borrower and approved by the Government and interest shall accrue on the amount of each advance from its actual date as shown on the reverse hereof.

Every payment made on any indebtedness evidenced by this note shall be applied first to interest computed to the effective date of the payment and then to principal.

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of Borrower. Refunds and extra payments, as defined in the regulations of the Government according to the source of funds involved, shall, after payment of interest, be applied to the installments last to become due under this note and shall not affect the obligation of Borrower to pay the remaining installments as scheduled herein.

If the Government at any time assigns this note and insures the payment thereof, Borrower shall continue to make payments to the Government as collection agent for the holder. No assignment of this note shall be effective unless the Borrower is notified in writing of the name and address of the assignee. The Borrower shall thereupon duly note in its records the occurrence of such assignment, together with the name and address of the assignee.

While this note is held by an insured lender, prepayments as above authorized made by Borrower may, at the option of the Government, be remitted by the Government to the holder promptly or, except for final payment, be retained by the Government and remitted to the holder on either a calendar quarter basis or an annual installment due date basis. The effective date of every payment made by Borrower, except payments retained and remitted by the Government on an annual installment due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment of Borrower, and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.

LOAN RESOLUTION SECURITY AGREEMENT

COPY FOR YOUR INFORMATION

A RESOLUTION OF THE BOARD OF DIRECTORS

OF THE DOBBIN-PLANTERSVILLE WATER SUPPLY CORPORATION
AUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS IN THE

PRINCIPAL AMOUNT OF \$ 930,000.00 FOR THE PURPOSE

OF PROVIDING A PORTION OF THE COST OF ACQUIRING AND CONSTRUCTING A

WATER SYSTEM IMPROVEMENTS, PROVIDING FOR THE COLLECTION, HANDLING AND
DISPOSITION OF REVENUES THEREFROM, AND AUTHORIZING MAKINGS OF PROMISSORY
NOTE(S), SECURITY INSTRUMENTS, AND PLEDGES OF REVENUES TO EVIDENCE AND
SECURE THE PAYMENT OF SAID INDEBTEDNESS AND FOR RELATED PURPOSES.

WHEREAS, the DOBBIN-PLANTERSVILLE WATER SUPPLY CORPORATION, (hereinafter
referred to as the "Organization"), we organized under ARTICLE 1434a OF THE REVISED CIVIL STATUTES OF
TEXAS, 1925 for the purpose of improving the
central water system to serve the residents in and near the community of Plantersville and Stoneham in Grimes County and
Dacus and Dobbin in Montgomery County (hereinafter referred to as
the "Facility") to serve the Members of the said Organization; and

WHEREAS, a meeting of the Board of Directors of the said organization was held on the 10th day of December 1997
o proper notice thereof to consider plans for the acquisition and construction methods of financing the Facility:

and, as shown by the minutes of said meeting of the Seven (7) members of record of the organization there were
present and voting Seven (7), and by a recorded majority vote, the Facility and its financing authorized; and,

WHEREAS, the proposed Facility is to be constructed and equipment in accordance with plans, and specifications
prepared by J.F. FONTAINE & ASSOCIATES, INC., P.O. BOX 4187, PALESTINE, TEXAS 75802

and in order to finance the Facility, the BOARD OF DIRECTORS
(hereinafter referred to as the "Board") is authorized and empowered, in their discretion, for and in the name of the organization,
to make application to the United States of America, acting through the United States Department of Agriculture,
(hereinafter referred to as the "Government"), for financial assistance; to cause the execution and delivery of a
promissory note or notes or other evidence of indebtedness (hereinafter referred to as the "note"), and appropriate security
instruments to secure any loan or loans made or insured by the Government; to comply with any requirements, terms or
conditions prescribed by the Government or by Government regulations; and to execute contracts or enter into agreements and,
without limitation, to take any and all other action as may be necessary, incidental or appropriate to finance, acquire, construct,
complete, and/or equip the Facility for and on behalf of the Organization.
NOW THEREFORE, it is hereby resolved by the Board as follows:

Section 1. (Determination of Board). That it is necessary to defray a portion of the costs of financing the Facility by
obtaining a loan made or insured by the Government in accordance with applicable provisions of the Consolidated Farm and
Rural Development Act, it being determined that the Organization is unable to obtain sufficient credit elsewhere to finance the
Facility, taking into consideration prevailing private and cooperative rates and terms currently available;

Section 2. (Terms of Loan). That the Organization borrow (An additional) \$930,000.00 and issue as evidence thereof an installment promissory note in the form prescribed by the Government for the full principal amount of the loan. The note shall be signed by the President, attested by the Secretary and have the corporate seal of the Organization affixed thereto, & shall bear interest from its date, which shall be the date of delivery, at a rate not to exceed 4.50% percent per annum; the principal and interest shall be paid over a period of 40 years in accordance with the payment schedule set forth in the promissory note, until the principal and interest are fully paid except the final payment of the entire indebtedness, if not sooner paid, shall be due and payable 40 years from the date of the note. Each payment shall be applied first to the payment of the accrued interest and second to the payment of the principal. Prepayments of any installment may be made in any amount at any time at the option of the Organization.

Section 3. (Assignment and Pledge of Revenue). The indebtedness hereby authorized to be incurred, together with the interest thereon, shall be payable from the gross income and revenue to be derived from the operation of the Facility, a sufficient portion of which, to pay the principal and interest as and when the same shall become due, is hereby assigned, and pledged and shall be set aside for that purpose and this assignment and pledge shall extend to and include any assessments that may be levied pursuant to Section 5 (d) hereof.

Section 4. (Protection and Disposition of Funds). The SECRETARY-TREASURER of the Organization shall be the custodian of all funds of the Organization. Funds may be deposited in institutions insured by the State or Federal Government or invested in readily marketable securities backed by the full faith and credit of the United States. Any income from these accounts will be considered as revenues of the system.

The SECRETARY-TREASURER is hereby directed to establish the following accounts into which the current funds of the Organization, note proceeds, the revenues from the Facility and any other income shall be deposited, which accounts shall be continually maintained, except as otherwise provided, so long as the indebtedness hereby authorized remains unpaid:

(a) Construction Account

The proceeds of the borrowing hereby authorized not disbursed contemporaneously with loan closing for incurred Facility costs, and at least the amount of \$ 0 to be contributed by the Organization from the collection of initial connection fees, membership fees or contributions shall be deposited in the Construction Account which shall be established as required by the Government. Withdrawals from the construction account shall be made only on checks signed by the

SECRETARY-TREASURER of the Organization as authorized by the Board from time to time, and with prior concurrence of FmHA. At the option of the Government, the construction account may be established as a "supervised bank account". Amounts in the supervised bank account exceeding \$100,000 shall be secured by the depository bank in advance in accordance with U.S. Treasury Department Circular No. 176. Withdrawals from a supervised bank account shall be made only on checks signed by the SECRETARY-TREASURER of the Organization and countersigned by an authorized official of the Department of Agriculture. The Organization's share of any insurance or liquidated damages and other monies paid by defaulting contractors or their sureties will be deposited in the Construction Account to assure completion of the Facility. When all construction costs have been paid in full, any balance remaining in the Construction Account may be applied on the loan or used for other authorized purposes that have been approved by the Government and the Construction Account shall be closed.

(b) General Account

As soon as the facility becomes revenue producing, all funds received shall be set aside in an account to be designated as the General Account, and disbursements and transfers from this account shall be in the following priority: Debt Service, Operations and Maintenance, transfers to Reserve Account. Monies deposited in the General Account shall be used only in the manner and order as follows:

(1) Borrowers making monthly USDA Debt Service Payments shall use the General Account for making such payments plus operating and maintenance expenses. Also, funds will be transferred from this account to the Reserve Account in accordance with (d) below.

(2) Borrowers making other than monthly USDA Debt Service Payments shall use the General Account to pay operating and maintenance expenses. Other transfers from this account will be made in the following order: (i) Transfers to the Debt Service Account will be made in accordance with (c) below, (ii) Transfers to the Reserve Account will be made in accordance with (d) below.

(c) Debt Service Account

For borrowers on other than monthly debt service payments, transfers, in proportion to income availability, shall be made from the General Account and set aside in an account designated as the Debt Service Account, in sufficient amounts which will accumulate for the next installment on the note.

(d) Reserve Account

From the remaining funds in the General Account, after transfers and payments required in (b) (1) or (b) (2) and (c), there shall be set aside into an account(s) designated as the Reserve Account(s) the sum of \$ (An additional) 421.13 every month for the life of the loan unless prohibited by Federal or state law. If collection of the sum above is prohibited by Federal or state law an amendment to this Resolution will be adopted by the Organization setting forth the reserve amounts to be collected and attached to this Resolution. With the prior written approval of the Government, funds may be withdrawn and used for such things as loan installments, emergency maintenance, extensions to facilities and replacement of short-lived assets.

(c) Whenever there shall accumulate in the General Account amounts in excess of those required in subsections (b)(1) and (2), (c), and (d), such excess will be used by the organization to make prepayments on the loan or retained in the General Account.

(f) The accounts required in subsections (b)(1) and (2), (c), and (d) may be established and maintained as bookkeeping accounts or as separate bank accounts at the election of the Organization, unless otherwise directed by the Government.

Section 5. (Other Covenants and Agreements of the Organization). The Organization covenants and agrees that so long as the indebtedness hereby authorized remains unpaid:

(a) It will indemnify the Government for any payments made or losses suffered by the Government.

(b) It will comply with applicable State laws and regulations and continually operate and maintain the Facility in good condition.

(c) It will impose and collect such rates and charges that gross revenues will be sufficient at all times to provide for payment of the operation and maintenance thereof; and the installment payments on the note; and the maintenance of the various funds herein created. All service rendered by or use of the Facility shall be subject to the full rates prescribed in the rules and regulations of the Organization; no free service by or use of the Facility will be permitted.

(d) It will cause to be levied and collected such assessments as may be necessary to operate and maintain the Facility in good condition and meet installment payments on the note when the same become due if, for any reason, gross revenues are insufficient.

(e) It will establish and maintain such books and records relating to the operation of the system and its financial affairs and will provide for the annual audit thereof, in such manner as may be required by the Government; will provide the Government without its request a copy of each such audit; and will make and forward to the Government such additional information and reports as it may from time to time require.

(f) It will provide the Government, at all reasonable times, access to all books and records relating to the Facility and access to the property of the Facility so that the Government may ascertain that the Organization is complying with the provisions hereof and with the provisions of other instruments incident to the making or insuring of the loan.

(g) It will maintain at least such insurance and fidelity bond coverage as may be required by the Government.

(h) It will not borrow any money from any source or enter into any contract or agreement or incur any other liabilities in connection with making extensions or improvements to the Facility, exclusive of normal maintenance, without obtaining the prior written consent of the Government.

(i) It will not cause or permit any voluntary dissolution of its organization, or merge or consolidate with any other organization, without obtaining the prior written consent of the Government. It will not dispose of or transfer title to the facility or any part thereof, including lands and interest in lands, by sale, security instrument, lease or other encumbrance, without obtaining the prior written consent of the Government. Revenue, in excess of the amount required to maintain the accounts described in Section 4 herein will not be distributed or transferred to any other organization or legal entity.

(j) It will not modify or amend the Articles of Incorporation or the Bylaws of the Organization without the written consent of the government.

(k) It will provide adequate service to all persons within the service area who can feasibly and legally be served and will obtain USDA's concurrence prior to refusing new or adequate service to such persons. Upon failure to provide services which are feasible and legal, such person shall have a direct right of action against the organization or public body.

(l) All present and future contract rights, accounts receivable, and general intangibles arising in connection with the facility are pledged as security for the loan.

(m) It will comply with the measures identified in the Government's environmental impact analysis for this facility for the purpose of avoiding or reducing the adverse environmental impacts of the facility's construction or operation.

Section 6. (Security Instrument). In order to secure the payment of the principal & interest of the note, the President and Secretary of the Organization are hereby authorized and directed to execute and deliver good and sufficient lien instruments, where necessary, encumbering the properties and assets both real and personal constituting said Facility, as completed or as the same may be thereafter extended, including an assignment and pledge of revenues and such other instruments as may be prescribed by the Government.

Section 7. (Refinancing). If at any time it shall appear to the Government that the Organization is able to refinance the amount of the indebtedness then outstanding, in whole or in part, by obtaining a loan for such purposes from responsible cooperative or private credit sources at reasonable rates and terms for loans for similar purposes and periods of time, the Organization will, upon request of the Government, apply for and accept such loan in sufficient amount to repay the Government and will take such actions as may be required in connection with such loan.

Section 8. ("Equal Employment Opportunity under Construction Contracts and Nondiscrimination"). The President and the Secretary be and they are hereby authorized and directed to execute for and on behalf of the Organization, Form RD 400-1, "Equal Opportunity Agreement", and Form RD 400-4, "Assurance Agreement".

Section 9. In the case of a grant in the sum not to exceed \$1,500,000.00, the Organization hereby accepts the grant under the terms as offered by the Government and that the President and Secretary-Treasurer of the Organization are hereby authorized and empowered to take all action necessary or appropriate in the execution of all written instruments as may be required in regard to or as evidence of such grant and the Organization hereby resolves to operate the facility under the terms as offered in said grant agreement(s).

Section 10. Default under the provision of this agreement or any instrument incident to the making or issuing of the loan may be construed by the Government to constitute default under any other instrument held by the Government and executed or assumed by the Organization, and default under any such instrument may be construed by the Government to constitute default hereunder.

Section 11. (Resolution of Contract). The provisions hereof and the provisions of all instruments incident to the making or the insuring of the loan, unless otherwise specifically provided by the terms of such instruments, shall constitute a contract between the Organization and the Government or assignee so long as the note hereby authorized remains unpaid.

Section 12. This resolution shall take affect and be in force from and after the 10th day of December, 1997, being the date of its enactment.

The vote was: Yeas 7 Nays 0 Absent 0

DOBBIN-PLANTERSVILLE WATER SUPPLY CORPORATION

(SEAL) (if applicable)

By John Mock
John Mock

Title President

Attest:

Joy Stephenson
Joy Stephenson
Title Secretary-Treasurer

CERTIFICATION

I, the undersigned, as secretary of the DOBBIN-PLANTERSVILLE WATER SUPPLY CORPORATION hereby certify that the BOARD OF DIRECTORS of such Organization or Corporation is composed of seven (7) members of whom seven (7), constituting a quorum, were present at a meeting thereof duly called and held on the 10th day of December, 1997; that the foregoing resolution was adopted at such meeting by the vote shown above, and that said resolution has not been rescinded or amended in any way.

Dated, this 29TH day of June, 1999.

Joy Stephenson
Joy Stephenson
Secretary of DOBBIN-PLANTERSVILLE WATER SUPPLY CORPORATION

COPY FOR YOUR INFORMATION

Water and Waste System Grant Agreement

United States Department of Agriculture

Rural Utilities Service

JAN 05 2000

THIS AGREEMENT dated June 29, 1999, between

Dobbin-Plantersville Water Supply Corporation
a public corporation organized and operating under

State Statutes
(Authorizing Statute)

herein called "Grantee," and the United States of America acting through the Rural Development Service, Department of Agriculture, herein called "Grantor," WITNESSTH:

WHEREAS

Grantee has determined to undertake a project of acquisition, construction, enlargement, or capital improvement of a (water) (waste) system to serve the area under its jurisdiction at an estimated cost of \$ 2,430,000.00 and has duly authorized the undertaking of such project.

Grantee is able to finance not more than \$ 930,000.00 of the development cost through revenues, charges, taxes or assessments, or funds otherwise available to Grantee resulting in a reasonable user charge.

Said sum of \$ 930,000.00 has been committed to and by Grantee for such project development costs.

Grantor has agreed to grant the Grantee a sum not to exceed \$ 1,500,000.00 or 62 percent of said project development costs, whichever is the lesser, subject to the terms and conditions established by the Grantor. Provided, however, that the proportionate share of any grant funds actually advanced and not needed for grant purposes shall be returned immediately to the Grantor. The Grantor may terminate the grant in whole, or in part, at any time before the date of completion, whenever it is determined that the Grantee has failed to comply with the Conditions of the grant.

As a condition of this grant agreement, the Grantee assures and certifies that it is in compliance with and will comply in the course of the agreement with all applicable laws, regulations, Executive orders and other generally applicable requirements, including those set out in 7 CFR 3015.205(b), which hereby are incorporated into this agreement by reference, and such other statutory provisions as are specifically set forth herein.

NOW, THEREFORE, in consideration of said grant by Grantor to Grantee, to be made pursuant to Section 306(a) of The Consolidated Farm and Rural Development Act, for the purpose only of defraying a part not to exceed 35 percent of the project development costs, as defined by applicable Rural Utilities Service instructions.

Grantee Agrees That Grantee Will:

A. Cause said project to be constructed within the total sums available to it, including said grant, in accordance with the project plans and specifications and any modifications thereof prepared by Grantee and approved by Grantor.

B. Permit periodic inspection of the construction by a representative of Grantor during construction

C. Manage, operate and maintain the system, including this project if less than the whole of said system, continuously in an efficient and economical manner.

D. Make the service of said system available within its capacity to all persons in Grantee's service area without discrimination as to race, color, religion, sex, national origin, age, martial status, or physical or mental handicap (possess capacity to enter into legal contract for services) at reasonable charges, including assessments, taxes, or fees in accordance with a schedule of such charges, whether for one or more classes of service, adopted by resolution dated December 10, 1997, as may be modified from time to time by Grantee. The initial rate schedule must be approved by Grantor. Thereafter, Grantee may make such modifications to the rate system as long as the rate schedule remains reasonable and nondiscriminatory.

E. Adjust its operating costs and service charges from time to time to provide for adequate operation and maintenance, emergency repair reserves, obsolescence reserves, debt service and debt service reserves.

F. Expand its system from time to time to meet reasonably anticipated growth or service required in the area within its jurisdiction.

G. Provide Grantor with such periodic reports as it may require and permit periodic inspection of its operation by a representative of the Grantor.

H. to execute any agreement required by Grantor which Grantee is legally authorized to execute. If any such agreement has been executed by Grantee as a result of a loan being made to Grantee by Grantor contemporaneously with the making of this grant, another agreement of the same type need not be executed in connection with this grant.

I. Upon any default under its representations or agreements set forth in this instruments, Grantee, at the option and demand of Grantor, will repay to Grantor forthwith the original principal amount of the grant stated herein above with the interest at the rate of 5 percentum per annum from the date of the default. Default by the Grantee will constitute termination of the grant thereby causing cancellation of Federal assistance under the grant. The provisions of this Grant Agreement may be enforced by Grantor, at its option and without regard to prior waivers by it previous defaults of Grantee, by judicial proceedings to require specific performance of the terms of this Grant Agreement or by such other proceedings in law or equity, in either Federal or State courts, as may be deemed necessary by Grantor to assure compliance with the provisions of this Grant Agreement and the laws and regulations under which this grant is made.

J. Return immediately to Grantor, as required by the regulations of Grantor, any grant funds actually advanced and not needed by Grantee for approved purposes.

K. Use the real property including land, land improvements, structures, and appurtenances thereto, for authorized purposes of the grant as long as needed.

1. Title to real property shall vest in the recipient subject to the condition that the Grantee shall use the real property for the authorized purpose of the original grant as long as needed.

2. The Grantee shall obtain approval by the Grantor agency for the use of the real property in other projects when the Grantee determines that the property is no longer needed for the original grant purposes. Use in other projects shall be limited to those under other Federal grant programs or programs that have purposes consistent with those authorized for support by the Grantor.

3. When the real property is no longer needed as provided in 1 and 2 above, the Grantee shall request disposition instructions from the Grantor agency or its successor Federal agency. The Grantor agency shall observe the following rules in the disposition instructions:

(a) The Grantee may be permitted to retain title after it compensates the Federal Government in an amount computed by applying the Federal percentage of participation in the cost of the original project to the fair market value of the property.

(b) The Grantee may be directed to sell property under guidelines provided by the Grantor agency. When the Grantee is authorized or required to sell the property, proper sales procedures shall be established that provide for completion to the extent practicable and result in the highest possible return.

[Revision 1, 04/17/1998]

(c) The Grantee may be directed to transfer title to the property to the Federal Government provided that in such cases the Grantee shall be entitled to compensation computed by applying the Grantee's percentage of participation in the cost of the program or project to the current fair market value of the property.

This Grant Agreement covers the following described real property (use continuation sheets as necessary).

See Attachment A

L. Abide by the following conditions pertaining to equipment which is furnished by the Grantor or acquired wholly or in part with grant funds. Equipment means tangible, non-expendable, personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. A grantee may use its own definition of equipment provided that such definition would at least include all equipment defined above.

[Revision 1, 04/17/1998]

1. Use of equipment.

(a) The Grantee shall use the equipment in the project for which it was acquired as long as needed. When no longer needed for the original project, the Grantee shall use the equipment in connection with its other Federally sponsored activities, if any, in the following order of priority.

(1) Activities sponsored by the Grantor.

(2) Activities sponsored by other Federal agencies.

(b) During the time that equipment is held for use on the property for which it was acquired, the Grantee shall make it available for use on other projects if such other use will not interfere with the work on the project for which the equipment was originally acquired. First preference for such other use shall be given to Grantor sponsored projects. Second preference will be given to other Federally sponsored projects.

2. Disposition of equipment. When the Grantee no longer needs the equipment as provided in paragraph (a) above, the equipment may be used for other activities in accordance with the following standards:

(a) Equipment with a current per unit fair market value of less than \$5,000. The Grantee may use the equipment for other activities without reimbursement to the Federal Government or sell the equipment and retain the proceeds.

(b) Equipment with a current per unit fair market value of \$5,000 or more. The Grantee may retain the equipment for other uses provided that compensation is made to the original Grantor agency or its shall be computed by applying the percentage of Federal participation in the cost of the original project or program to the current fair market value or proceeds from sale of the equipment. If the Grantee has no need for the equipment and the equipment has further use value, the Grantee shall request disposition instructions from the original Grantor agency.

The Grantor agency shall determine whether the equipment can be used to meet the agency's requirements. If no requirements exist within that agency, the availability of the equipment shall be reported, in accordance with the guidelines of the Federal Property Management Regulations (FPMR), to the General Services Administration by the Grantor agency to determine whether a requirement for the equipment exist in other Federal agencies. The Grantor agency shall issue instructions to the Grantee no later than 120 days after the Grantee requests and the following procedures shall govern:

(1) If so instructed or if disposition instructions are not issued within 120 calendar days after the Grantee's request, the Grantee shall sell the equipment and reimburse the Grantor agency an amount computed by applying to the sales proceeds the percentage of Federal participation in the cost of the original project or program. However, the Grantee shall be permitted to deduct and retain from the Federal share ten percent of the proceeds for Grantee's selling and handling expenses.

(2) If the Grantee is instructed to ship the equipment elsewhere the Grantee shall be reimbursed by the benefitting Federal agency with an amount which is computed by applying the percentage of the Grantee participation in the cost of the original grant project or program to the current fair market value of the equipment, plus any reasonable shipping or interim storage costs incurred.

(3) If the Grantee is instructed to otherwise dispose of the equipment, the Grantee shall be reimbursed by the Grantor agency for such costs incurred in its disposition.

3. The Grantee's property management standards for equipment shall also include:

(a) Record which accurately provided for; a description of the equipment; manufacture's serial number or other identification number; acquisition date and cost; source of the equipment; percentage(at the end of budget year) of Federal participation in the cost of the project for which the equipment was acquired; location, use and condition of the equipment and the date the information was reported; and ultimate disposition data including sales price or the method used to determine current fair market value if the Grantee reimburses the Grantor for its share.

(b) A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years to verify the existence, current utilization, and continued need for the equipment.

(c) A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented.

(d) Adequate maintenance procedures shall be implemented to keep the equipment in good condition.

(e) Proper sales procedures shall be established for unneeded equipment which would provide for completion to the extent practicable and result in the highest possible return.

This Grant Agreement covers the following described equipment (use continuation sheets as necessary).

See Attachment B

M. Provide Financial Management System which will include:

1. Accurate, current, and complete disclosure of the financial results of each grant. Financial reporting will be on an accrual basis.

2. Record which identify adequately the source and application of funds for grant-supported activities. Those records shall contain information pertaining to grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays, and income.

3. Effective control over and accountability for all funds, property and other assets. Grantees shall adequately safeguard all such assets and shall assure that they are used solely for authorized purposes.

N. Retain financial records, supporting documents, statistical records, and all other records pertinent to the grant for a period of at least three years after grant closing except that the records shall be retained beyond the three-year period if audit findings have not been resolved. Microfilm or photo copies or similar methods may be substituted in lieu of original records. The Grantor and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any books, documents, papers, and records of the Grantee's government which are pertinent to the specific grant program for the purpose of making audits, examinations, excerpts and transcripts.

O. Provide information as requested by the Grantor to determine the need for and complete any necessary Environmental Impact Statements.

P. Provide an audit report prepared in accordance with Grantor regulations to allow the Grantor to determine that funds have been used in compliance with the proposal, any applicable laws and regulations and this Agreement.

Q. Agree to account for and return to Grantors interest earned on grant funds pending their disbursement for program purposes when the Grantee is a unit of local Government. States and agencies or instrumentality's of states shall not be held accountable for interest earned on grant funds pending their disbursement.

R. Not encumber, transfer or dispose of the property or any part thereof, furnished by the Grantor or acquired wholly or in part with Grantor funds without the written consent of the Grantor except as provided in item K above.

S. To include in all contracts for construction or repair a provision for compliance with the Copeland "Anti-Kick Back" Act (18 U.S.C. 874) as supplemented in Department of Labor regulations (29 CFR, Part 3). The Grantee shall report all suspected or reported violations to the Grantor.

T. To include in all contracts in excess of \$100,000 a provision that the contractor agrees to comply with all the requirements of the Clean Air Act (42 U.S. C. §7414) and Section 308 of the Water Pollution Control Act (33 U.S. C. §1318) relating to inspection, monitoring, entry, reports, and information, as well as all other requirements specified in Section 114 of the Clear Air Act and Section 308 of the Water Pollution control Act and all regulations and guidelines issued thereunder after the award of the contract. In so doing the Contractor further agrees:

[Revisions 1, 11/20/1997]

1. As a condition for the award of contract, to notify the Owner of the receipt of any communication from the Environmental Protection Agency (EPA) indicating that a facility to be utilized in the performance of the contract is under consideration to be listed on the EPA list of Violating Facilities. Prompt notification is required prior to contract award.

2. To certify that any facility to be utilized in the performance of any nonexempt contractor subcontract is not listed on the EPA list of Violating Facilities pursuant to 40 CFR Part 32 as of the date of contract award.

[Revision 1, 11/20/1997]

3. To include or cause to be included the above criteria and the requirements in every nonexempt subcontract and that the Contractor will take such action as the Government may direct as a means of enforcing such provisions.

As used in these paragraphs the terms "facility" means any building, plan, installation, structure, mine, vessel or other floating craft, location, or site of operations, owned, leased, or supervised by a Grantee, contractor, or subcontractor, to be utilized in the performance of a grant, agreement, contract, subgrant, or subcontract. Where a location or site of operation contains or includes more than one building, plan, installation, or structure, the entire location shall be deemed to be a facility except where the Director, Office of Federal Activities, Environmental Protection Agency, determines that the independent facilities are co-located in one geographical area.

Grantor Agrees That It:

A. Will make available to Grantee for the purpose of this Agreement not to exceed \$ 1,500,000.00 which it will advance to Grantee to meet not to exceed 62 percent of the project development costs of the project in accordance with the actual needs of Grantee as determined by Grantor.

B. Will assist Grantee, within available appropriations, with such technical assistance as Grantor deems appropriate in planning the project and coordinating the plan with local official comprehensive plans for sewer and water and with State or area plans for the area in which the project is located.

C. At its sole discretion and at any time may give any consent, deferment, subordination, release, satisfaction, or termination of any or all of Grantee's grant obligations, with or without valuable consideration, upon such terms and conditions as Grantor may determine to be (1) advisable to further the purpose of the grant or to protect Grantor's financial interest therein and (2) consistent with both the statutory purposes of the grant and the limitations of the statutory authority under which it is made.

Termination of This Agreement

This Agreement may be terminated for cause in the event of default on the part of the Grantee as provided in paragraph I above or for convenience of the Grantor and Grantee prior to the date of completion of the grant purpose. Termination for convenience will occur when both the Grantee and Grantor agree that the continuation of the project will not produce beneficial results commensurate with the further expenditure of funds.

In witness whereof Grantee on the date first above written has caused these presence to be executed by its duly authorized

John Mock, President

attested and its corporate seal affixed by its duly authorized

Joy Stephenson, Secretary-Treasurer

Attest:

By John Mock
John Mock
(Title) President

By Joy Stephenson
Joy Stephenson
(Title) Secretary-Treasurer

June 29, 1999

UNITED STATES OF AMERICA

RURAL UTILITIES SERVICE

By Danda M. Micklitz, Community Development Specialist
(Title)

JAN 05 2000

GRANT RESOLUTION

WHEREAS, the Dobbin-Plantersville Water Supply Corporation deems it necessary
(Legal name of Applicant)

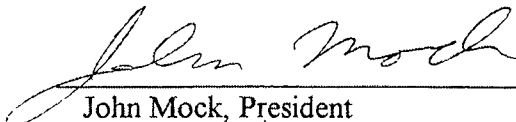
and proper to apply for grant assistance under the rules and regulations of Farmers Home Administration, a department of the United States Department of Agriculture,

NOW, THEREFORE, BE IT PROVIDED by the above-named Applicant that

John Mock, President, as the Signatory Agent of

the applicant, or the successor of said Agent, is hereby authorized and directed to make application for grant assistance under the rules and regulations of Farmers Home Administration, a department of the United States Department of Agriculture; and to sign the acceptance of the grant assistance, when made, and any other documents required to complete the project, on behalf of the above-named Applicant.

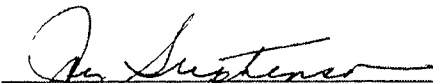
PASSED, APPROVED, AND ADOPTED THIS 29th day of June, 1999.



John Mock, President

(Seal)

ATTEST:



Joy Stephenson, Secretary-Treasurer