LETTER OF AGREEMENT

This Letter of Agreement is being entered into by and between FERN BLUFF MUNICIPAL UTILITY DISTRICT, (the "District"), a political subdivision of the State of Texas created and operating pursuant to Chapter 54 of Texas Water Code and the CITY OF ROUND ROCK, ("Round Rock") a home rule city located in Williamson County, Texas, to set forth the agreement between the District and the City regarding operations and maintenance expenses for that certain 1,500,000 gallon elevated reservoir, ("Reservoir") located within the District and financed and constructed pursuant to "Agreement Regarding Reservoir Construction and Operation" ("Reservoir Agreement") executed by the City, the District and Williamson County Municipal Utility District No. 2 and attached hereto as Exhibit "A" and incorporated herein for all purposes and to also set forth the agreement between the District and the City regarding operations and maintenance expenses for certain water transmission lines ("Transmission Lines") located within the District and financial and constructed pursuant to "West Round Rock Water Supply Agreement" ("West Round Rock Agreement") executed by the City, the District, E. C. Joint Venture, and Hy-Land Resources and attached hereto as Exhibit "B" and incorporated herein for all purposes.

The parties agree as follows:

A. Reservoir Agreement

1. It is understood and acknowledged by the City and the District that the Reservoir Agreement sets forth that Williamson County M.U.D. No. 2 agreed to pay for its pro-rata share of operation and maintenance expenses, as defined in the Reservoir Agreement, in an amount equal to its 40.32 percentage share of ownership of the Reservoir. It is further understood and acknowledged that the Reservoir Agreement did not explicitly provide for payment of any portion of operations and maintenance expenses of the Reservoir by the City.

2. The City and the District now desire to set forth their agreement as to the sharing between them of the remaining 59.68% share of operations and maintenance expenses. The parties agree that of the entire operation and maintenance expenses, the parties shall pay as follows:

Williamson County M.U.D. No. 2	-	40.32%
Fern Bluff M.U.D.	-	34.22%
City of Round Rock	-	25.46%

3. The City and the District agree that the City will pay to the District the City's pro-rata share of operation and maintenance expenses as such expenses are defined

and set forth in the Reservoir Agreement. Provided, however, it is understood and agreed that the District shall invoice the City for its share of such expenses for each prior month in which expenses were incurred and payment for such expenses shall be payable by the City to the District within thirty (30) days of the invoice.

4. The parties agree that this Agreement is supplemental to the Reservoir Agreement and not in lieu thereof.

B. West Round Rock Agreement

1. The parties agree that the District shall be responsible for operation and maintenance costs for the segments of the Transmission Mains located within the boundaries of the District. The parties further agree that the City shall be responsible for operation and maintenance costs for the segments of the Transmission Mains located outside the boundaries of the District.

2. The City and the District agree that if a party fails to timely repair a main break or the Transmission Mains to be maintained by that party, the other party, after giving written notice to the party responsible for maintenance, has the right to perform the needed repairs and the party failing to perform the required repair shall reimburse the other party for the cost of said repairs within thirty (30) days of receipt of a statement therefor.

3. The parties agree that this Agreement is supplemental to the West Round Rock Agreement and not in lieu thereof.

EXECUTED this the 14th day of June, 1989.

CITY OF ROUND ROCK

By: Mike Robinson
MIKE ROBINSON, Mayor

ATTEST:

Joanne Land
JOANNE LAND, City Secretary

**WATER SUPPLY AGREEMENT BETWEEN
THE CITY OF ROUND ROCK, TEXAS AND
FERN BLUFF MUNICIPAL UTILITY DISTRICT**

THE STATE OF TEXAS §
§ KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF WILLIAMSON §

This Water Supply Agreement ("Agreement") is made and entered into as of the 22 day of August, 1991 by and between the City of Round Rock, Texas ("City"), a home rule city located in Williamson County, Texas and Fern Bluff Municipal Utility District ("District"), a conservation and reclamation district created pursuant to Article XVI, Section 59 of the Texas Constitution and operating under the provisions of Chapter 54 of the Texas Water Code.

RECITALS

Whereas, the City and the District have previously entered into that certain Water Supply Agreement between the City of Round Rock, Texas and Fern Bluff Municipal Utility District dated March 28, 1985 ("Prior Agreement"), and

Whereas, the City and the District desire to amend those sections of the Prior Agreement concerning water service from the City to the District, and

Whereas, the City owns and operates a potable water supply system, and

Whereas, the City has a supply of water not contracted to others and available for the District's use, and

Whereas, the City desires to and is authorized to provide water service outside its corporate limits, and

Whereas, the District desires to purchase water service from the City, and

Whereas, the City and the District are authorized to execute this Agreement by §402.014 of the Texas Local Government Code, as amended;

Now Therefore, for and in consideration of the premises and mutual obligations and benefits herein contained, the City and the District hereby agree as follows:

ARTICLE I

DEFINITIONS

The terms and expressions used in this Agreement, unless the context indicates otherwise, shall have meanings as follows:

1.01. "Agreement" means this Water Supply Agreement.

1.02. "Board" and "Board of Directors" means the Board of Directors of the District.

1.03. "Point(s) of Delivery" means the location at which water passes through a master meter and thereafter is owned and controlled by the District.

1.04. "Water" means potable water suitable for use for domestic and municipal uses and meeting the requirements of the Texas Department of Health for public consumption.

ARTICLE II

WATER SERVICES

2.01. Water Service. The City shall deliver and sell water to the District, for commercial and domestic uses, to be supplied from the City's water treatment and distribution system. The City presently has and will maintain an adequate water supply

with which to meet the District's current needs. The City will make a reasonable effort to obtain an additional water supply of water to serve the future needs of the District; provided however, that the supply of water to the District may be reasonably limited by the City on the same basis and to the same extent as the supply of water to other customers within the City. The District shall require compliance with the City's water conservation ordinances, as amended from time to time. The City shall be the sole source of water to the District and the District shall not seek to develop its own wells, except in the event that the City is no longer able to provide water service as contemplated herein. The quantity of water service delivered by the City shall be measured by master meters at all delivery points.

2.02. Water Rates. The rate to be charged to and paid by the District for water actually delivered pursuant to this Agreement shall be set by ordinance as amended from time to time by the Round Rock City Council. Said rates shall be reasonable as that terms is used in §12.013 of the Texas Water Code and shall be based upon the same general methodology used to determine the rates set forth in this paragraph. The base water rates for the 1991-1992 fiscal year beginning October 1, 1991 shall be $10.485 per active connection per month within the District. The gallonage rate, shall be $1.76 per 1000 gallons beginning October 1, 1991, may be adjusted from time to time in the same manner and amounts as it is adjusted for in-city customers of the City.

2.03. Metering Equipment. The District, at its sole expense, shall install and maintain at the Point(s) of Delivery the necessary metering equipment and required devices of standard type to measure properly the quantity of water delivered to the District. The City, at its sole expense, shall install and maintain at any point where water passes from facilities owned by the District to other facilities, to be delivered to other customers of the City, the necessary metering equipment and required devices of standard type to measure properly the quantity of water delivered from the District's facilities to such other customers. Thereafter, the District at its cost shall calibrate once every twelve (12) months the metering equipment at the Point(s) of Delivery, provided, however, the cost of calibrating the metering equipment shall be borne by the City if requested more frequently than once every twelve (12) months. The District shall notify the City at least three (3) days prior to any such calibrations and the City shall have the right to have a representative present during such calibrations. The City shall at its cost calibrate once every twelve (12) months the metering equipment at the point where water passes from the District's facilities to other customers of the City, provided, however, the cost of calibrating the metering equipment shall be borne by the District if requested more frequently than once every twelve (12) months. The City shall notify the District at least three (3) days prior to any such calibrations, and the District shall have the right to have a representative present during such calibration. A

meter registering not more than three percent (3%) above or below the test result shall be deemed to be accurate. The previous readings of any meter disclosed by test to be inaccurate and the statement of charges for water delivered to or from the District shall be corrected for the three (3) months previous to such test in accordance with the percentage of inaccuracy found by such test. If the meter fails to register for any period, the amount of water furnished during such period shall be deemed to be the amount of water delivered in the corresponding period immediately prior to the failure adjusting for seasonal differences, unless the City and the District shall agree upon a different amount. The metering equipment register shall be read on or about the first day of each month during normal business hours.

2.04. Consumption Record. The City shall keep accurate records of all readings from the meters installed pursuant to Section 2.03 above. These records shall be subject to inspection by the District at reasonable times and places.

2.05. Billing. The District shall be billed, and payments shall be due as required by the City's policies for its other customers.

2.06. Point(s) of Delivery. The initial Point(s) of Delivery will be those Points of Delivery currently in existence on the effective date of this Agreement and which are at the discharge side of the meters installed by the District pursuant to Section 2.03 above on the existing City Water System. Additional Point(s) of Delivery may be constructed at a later date by mutual consent of

the parties. Upon passing through the meter at the Point(s) of Delivery, the water becomes the property of the District, its successors and assigns, except for pass-through City water as described in Section 2.03.

2.07. Issuance of District Bonds. The City acknowledges and agrees that any bonds issued by the District may be secured by a pledge of the net revenues from the operation of the District's water system.

2.08. Contracts With Other Customers. The City reserves the right to contract with other persons, natural or corporate, private or public, and to perform services similar to those performed under this Agreement as well as other services; however, to the extent allowed by law, the City shall make no other contract for service to such other persons or entities within the District's boundaries and the City shall make no other contract for service which may impair its ability to deliver the quantity and quality of water to the District which is specified in this Agreement.

ARTICLE III

OTHER RIGHTS AND OBLIGATIONS OF THE DISTRICT

3.01. Payment of Rate Charge. Upon receipt of the itemized statement of the amount of water determined to be delivered to the District, and the charges therefor, the District shall pay the amount due on or before the due date listed. If the District disputes the amount of water stated to have been consumed or the charges therefor, it shall be entitled to dispute the

charges in the manner allowed water customers of the City; however, undisputed charges shall be paid by the due date.

3.02 Resale of Water. The District is expressly authorized to resell the water delivered hereunder to retail customers, who may be residential or commercial users. The District shall not sell or deliver water to any party outside the District's current boundaries without prior approval of the City.

ARTICLE IV

RESERVED WATER

4.01 No Reservations. The District acknowledges and agrees that it is not reserving a guaranteed supply of water to meet current or future needs. The City has an adequate supply of water to satisfy the reasonable requirement of its current population, other contractual obligations, and the current population of the District. The City will endeavor to obtain a supply of water to meet the future needs of its own citizens, as well as its contractual customers, including the District as set forth in Section 2.01 above.

ARTICLE V

WATER IMPACT FEES

5.01 Water Impact Fee. For each new connection to its water system, the District agrees to pay any and all water impact fees adopted by the City Council which are applicable to all new connections to the City's water system. The water impact fees shall be adopted in accordance with Chapter 395 of the Texas Local

Government Code. The City agrees to notify the District of any proposed action by the City to modify the amount of impact fees adopted by the City from time to time. The District agrees to notify City on a monthly basis of all new connections to the District's water system. The payment of all impact fees shall be due and payable within thirty (30) days of the date of the connections to the system.

ARTICLE VI

6.01. The District agrees to comply with the following requirements:

6.01.1. Rates and Fees. District shall not be delinquent in the payment of water charge and fees to the City, provided, the District shall have the right to dispute charges in the normal manner provided for City water customers.

6.01.2. Inspection. District shall permit personnel of the City to conduct periodic inspections of the District's system.

6.01.03. Sanitary Control Agreement. District shall permit personnel of the City to enter upon the property of any and all of the District's customers for the purpose of inspecting any and all connections made by such customers to the District's water lines. Should the City have reasonable grounds to believe that any condition exists which might result in contamination of the City's water supply, or

jeopardize the City's certification by the State Department of Health, the City shall notify District and the District shall immediately correct any such condition.

6.01.4. Compliance with Regulations. District shall operate its system in compliance with all applicable regulations of the City, the Texas Department of Health, and the Federal Environmental Protection Agency.

6.01.5. Quality Maintenance. District shall maintain the quality of water beyond the Point of Delivery and provide necessary chlorination or other treatment so as to maintain the quality of water throughout the District's service area, and District agrees to submit samples of such water in accordance with the requirements of the Texas Department of Health.

ARTICLE VII

TERM OF AGREEMENT

The term of this Agreement shall be until March 27, 2025, at which time this Agreement shall expire unless extended by mutual consent.

ARTICLE VIII

FORCE MAJEURE

Neither party shall be liable to the other party or any user of the water service for the failure of either party to perform its

obligations herein where the failure results from force majeure. The term "force majeure" as employed herein, shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of public enemy, orders of any kind of the government of the Untied States or the State of Texas or any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, or explosions. It is understood and agreed that the settlement of strikes and lockouts shall be entirely within the discretion of that party and that the requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes and lockouts by acceding to the demands of the opposing party or parties when such settlement is unfavorable in the judgment of such party.

ARTICLE IX

MISCELLANEOUS PROVISIONS

9.01. Audit Requirements. The District is required by the Texas Water Code to have its accounts and records audited annually by a certified public accountant. The District agrees to instruct such certified public accountant to conduct this audit to audit the District's compliance with its financial duties to the City of Round Rock under this Agreement and to furnish to the City a copy of the completed audit each year.

9.02. Waiver. No failure on the part of either party to this Agreement to require the performance by the other party of any

portion of this Agreement shall in any way affect either party's right to enforce such provision, nor shall any waiver by either party be taken or held to be a waiver of any other provisions. No rights under this Agreement may be waived and no modification or amendment to this Agreement may be made except by written amendment executed by the parties.

9.03. Termination. If either party to this Agreement shall default in the performance of any of the terms or conditions of this Agreement, the defaulting party shall have thirty (30) days after delivery to it of written notice of such default within which to cure such default. If the defaulting party fails to cure its default within such period of time, then the non-defaulting party shall have the right without further notice to terminate this Agreement.

9.04. Regulatory Agencies. This Agreement shall be subject to all valid rules, regulations, and laws applicable thereto, passed or promulgated by the United States of America, the State of Texas, or any governmental body or agency having lawful jurisdiction. The District and the City shall comply with all applicable statutes, rules and regulations as may now exist or as may be promulgated by the State of Texas and its administrative agencies and the United States of America and its administrative agencies.

9.05. Headings. All headings in the Contract have been inserted for convenient reference only and shall not in any manner

be construed as modifying, amending, or affecting in any way the express terms and provisions hereof.

9.06. Indemnification. The District agrees to indemnify and hold the City harmless from any claims which are made against the City which arise as a result of the District's negligence in the operation of the District's Water System. Likewise, the City agrees to indemnify and hold the District harmless from any claims which are made against the District which may arise as a result of the City's negligence in the operations of the City's Water System.

9.07. Addresses and Notice. Unless otherwise provided in this Agreement, any notice, communication, request, reply, or advice (herein severally and collectively, for convenience, called "Notice") herein provided or permitted to be given, made or accepted by either party to the other must be in writing and may be given or be served by depositing the same in the United States mail postpaid and registered or certified and addressed to the party to be notified, with return receipt requested, or by delivering the same to an officer of such party, or by prepaid telegram, when appropriate, addressed to the party to be notified. Notice deposited in the mail in the manner hereinabove described shall be conclusively deemed to be effective, unless otherwise stated in this Agreement, from and after the expiration of four (4) days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the party to be notified. For the purpose of Notice, the addresses of the parties shall, until changed as hereinafter provided, be as follows:

If to City, to:
City of Round Rock
221 East Main Street
Round Rock, Texas 78664
Attention: City Manager

With copy to:
Stephan L. Sheets
309 East Main Street
Round Rock, Texas 78664

If to District, to:
Fern Bluff Municipal Utility District
c/o Am-Tex Corporation
11855 Research Blvd.
Austin, Texas 78759

With copy to:
Sharlene N. Collins
Strasburger & Price,
Armbrust & Brown
2600 One American Center
600 Congress Avenue
Austin, Texas 78701

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

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

9.09. Modification. This Agreement shall be not subject to change or modification without the express written mutual consent of the governing bodies of each of the parties hereto.

9.10. District Authorization. This Agreement and all of its provisions have been authorized, approved and entered into by the District by virtue of action taken by the Board of Directors pursuant to law and has been executed by its President, and attested by its Secretary, upon and by authority of a resolution passed at meeting of the Board of Directors held on this 12th day of August, 1991.

9.11. City Authorization. This Agreement and all of its provisions have been authorized, approved and entered into by the City by virtue of action taken by the City Council pursuant to law and has been executed by its Mayor, and attested by its Secretary, upon its authority of a resolution passed at a meeting of the Round Rock City Council held on the 22nd day of August, 1991.

The effective date of this Agreement is August 22, 1991.

THE CITY OF ROUND ROCK, TEXAS
221 East Main Street
Round Rock, Texas 78664

ATTEST:

Joanne Land
JOANNE LAND, City Secretary

By: Mike Robinson
MIKE ROBINSON, Mayor

FERN BLUFF MUNICIPAL UTILITY DISTRICT
2600 One American Center
600 Congress Avenue
Austin, Texas 78701

ATTEST:

James D. Brush, II
James D. Brush, II, Secretary

By: Jean I. Cochran
Jean I. Cochran, President

791-209.3

Hancock - RM 320

SUBREGIONAL WASTEWATER DISPOSAL CONTRACT
dated
_____, 2000

among

BRAZOS RIVER AUTHORITY
LOWER COLORADO RIVER AUTHORITY
AND
FERN BLUFF MUNICIPAL UTILITY DISTRICT

TABLE OF CONTENTS

ARTICLE I - DEFINITIONS 5
Section 1.01. DEFINITION OF TERMS 5
Section 1.02. INTERPRETATION 7

ARTICLE II - DESIGN, ACQUISITION, CONSTRUCTION, OPERATION AND MAINTENANCE OF SYSTEM BY THE ALLIANCE ~~{7}~~ [8]
Section 2.01. DESIGN, ACQUISITION AND CONSTRUCTION RESPONSIBILITIES ~~{7}~~ [8]
Section 2.02. OPERATION AND MAINTENANCE RESPONSIBILITIES ~~{7}~~ [8]
Section 2.03. INITIATION OF SERVICE TO SUBREGIONAL CUSTOMERS 8
Section 2.04. ALLIANCE MODIFICATIONS 8

ARTICLE III - DISTRICT RESPONSIBILITIES 8
Section 3.01. SERVICE NEEDS 8
Section 3.02. COOPERATION 8

ARTICLE IV - RESERVED CAPACITY AND DISCHARGE OF WASTEWATER ~~{8}~~ [9]
Section 4.01. DISCHARGE QUANTITIES ~~{8}~~ [9]
Section 4.02. POINT(S) OF ENTRY ~~{8}~~ [9]
Section 4.03. RATE AND QUANTITY AT POINT(S) OF ENTRY ~~{8}~~ [9]
Section 4.04. DISCHARGE QUALITY 9
Section 4.05. REGULATIONS 10
Section 4.06. INDUSTRIAL WASTES 10
Section 4.07. SYSTEM LIMITATIONS ~~{10}~~ [11]
Section 4.08. TITLE TO AND RESPONSIBILITY FOR TREATMENT AND DISPOSAL OF WASTEWATER ~~{10}~~ [11]
Section 4.09. METERING 11
Section 4.10. UNIT OF MEASUREMENT ~~{11}~~ [12]

ARTICLE V - CHARGES 12
Section 5.01. ESTABLISHING CHARGES 12
Section 5.02. DISPUTES ~~{12}~~ [13]
Section 5.03. CHANGES FROM NEW CUSTOMERS, EMERGENCIES AND LEGAL ACTION 13
Section 5.04. SUBREGIONAL CAPITAL CHARGES; UNCONDITIONAL PAYMENT OBLIGATION ~~{13}~~ [14]
Section 5.05. SUBREGIONAL FLOW CHARGES 15
Section 5.06. HOW, WHEN AND WHERE PAYMENTS ARE TO BE MADE ~~{16}~~ [17]
Section 5.07. DEFAULT ~~{16}~~ [17]

ARTICLE VI - GENERAL PROVISIONS ~~{17}~~ [18]
Section 6.01. PAYMENTS TO CONSTITUTE OPERATING EXPENSES OF DISTRICT ~~{17}~~ [18]
Section 6.02. DISTRICT'S RATES, FEES AND CHARGES ~~{17}~~ [18]
Section 6.03. USE OF PUBLIC PROPERTY 18
Section 6.04. FORCE MAJEURE ~~{18}~~ [19]
Section 6.05. GOVERNMENTAL REGULATION ~~{18}~~ [19]
Section 6.06. SUBREGIONAL CUSTOMER COOPERATION TO ASSURE REGULATORY COMPLIANCE 19
Section 6.07. CONTRACTS WITH OTHERS IN RELATION TO SYSTEM ~~{19}~~ [20]
Section 6.08. NON-INFRINGEMENT 20
Section 6.09. ANNUAL REPORT OF SYSTEM AND AUDITS 20
Section 6.10. NO ADDITIONAL WAIVER IMPLIED ~~{20}~~ [21]

Section 6.11. ADDRESS AND NOTICE {20} [21]
Section 6.12. MODIFICATION {21} [22]
Section 6.13. ASSIGNABILITY {21} [22]
Section 6.14. SEVERABILITY {21} [22]
Section 6.15. MERGER {21} [22]
Section 6.16. VENUE {21} [22]
Section 6.17. NO THIRD PARTY BENEFICIARIES {22} [23]

ARTICLE VII - NEGOTIATION AND MEDIATION OF DISPUTES {22} [23]
Section 7.01. AGREEMENT REGARDING REMEDIES {22} [23]
Section 7.02. AGREEMENT TO NEGOTIATE FIRST TO RESOLVE ISSUES {22} [23]
Section 7.03. AGREEMENT TO MEDIATE {22} [23]
Section 7.04. PRESENTATION OF WRITTEN CLAIM REGARDING DISPUTES NOT RESOLVED BY NEGOTIATION {22} [23]
Section 7.05. PERFORMANCE DURING MEDIATION {23} [24]
Section 7.06. APPOINTMENT OF MEDIATOR {23} [24]
Section 7.07. RULES FOR MEDIATION {23} [24]
Section 7.08. EXCEPTION {24} [25]

ARTICLE VIII - EFFECTIVE DATE AND TERM OF AGREEMENT {24} [25]
Section 8.01. EFFECTIVE DATE {24} [25]
Section 8.02. TERM OF AGREEMENT {24} [25]

SUBREGIONAL WASTEWATER DISPOSAL CONTRACT

This agreement (the "Agreement") is entered into between the Brazos River Authority ("BRA"), the Lower Colorado River Authority ("LCRA") acting together pursuant to the Brazos-Colorado Water Alliance (the "Alliance") and Fern Bluff Municipal Utility District (the "District").

RECITALS

LCRA and BRA have recognized that there are areas in the vicinity of the boundaries of the Colorado and Brazos River Basins in which each can provide services which can be better provided if they cooperate and pool resources.

Pursuant to such recognition, they have entered into an Alliance to implement such cooperation and pooling of resources, including financial and engineering resources and BRA's experience in the operation of regional sewerage systems.

The Alliance is not a separate entity, but a cooperative effort and dedication of resources of LCRA and BRA. The undertakings of each of LCRA and BRA provided for in this Agreement are in furtherance of the purposes of the Alliance and are, in that sense, activities of the Alliance. Because the Alliance is not a separate entity, the undertakings of each of LCRA and BRA in this Agreement, though in furtherance of the purposes of the Alliance, are undertakings of the party specified as making same and are, in no sense, undertakings of the other, so that each of LCRA and BRA shall be solely responsible for its own undertakings provided in this Agreement and neither LCRA nor BRA shall be responsible for the performance by the other of its undertakings provided herein.

LCRA and BRA, acting in furtherance of the purposes of the Alliance, have agreed to utilize their collective financial, engineering and operational resources and expertise to assist in the implementation of the regional wastewater collection, treatment and disposal system (hereafter, the "System"), and, contemporaneously with entering into this Agreement, they also have entered into that certain "Wastewater Disposal Contract dated _____, Among Brazos River Authority, Lower Colorado River Authority, City of Round Rock, City of Cedar Park and City of Austin" (the "Regional System Agreement"), in order to continue to acquire and construct the System and obtain in the name of LCRA (as a "Customer" of the System) a reservation of capacity ("LCRA's Reserved Capacity") in the System and to have BRA operate the System to provide service to LCRA so that LCRA and BRA may provide service to the District and Brushy Creek Municipal Utility District.

LCRA, contemporaneously with entering into this Agreement, has entered into that certain "[Austin/Alliance Acquisition Contract]" to acquire further undivided interests in certain of the assets more particularly described on Exhibit A to the Regional Wastewater Agreement owned by Austin as a result of the Termination Agreement and Austin's participation in efforts to implement the WCID System (the "Austin/Alliance Acquisition Contract").

The District now desires to become a Subregional Customer of the System under this Agreement and BRA and LCRA desire that it become a Subregional Customer under the terms and conditions provided for in this Agreement.

The District desires to discharge wastewater from its wastewater collection system into the System in order to serve the wastewater needs of the District, to achieve efficiencies of cost and operation and to protect and preserve the environment of the Brushy Creek watershed.

LCRA, acting in furtherance of the purposes of the Alliance, is willing to utilize its Reserved Capacity in the System to receive wastewater from the District's wastewater collection system.

In that connection, LCRA has agreed in the Regional System Agreement to provide engineering, technical and other assistance for the System and to advance financial assistance by providing that the System will be part of the "LCRA System" as now or hereafter defined in the resolutions authorizing and governing the LCRA Debt and

has acquired or will acquire Reserved Capacity (hereafter defined) in the System for the District and Brushy Creek Municipal Utility District.

BRA, acting in furtherance of the purposes of the Alliance, is willing, and has agreed in the Regional System Agreement, to operate and maintain the System in order to receive wastewater from the Customers' waste-water collection systems and to treat and dispose of such waste-water.

BRA, LCRA and the District are authorized to make this Agreement under the provisions of Chapters 30 and 49, Texas Water Code; Section 791.026, Texas Government Code; and other applicable provisions of state law.

In consideration of the mutual covenants and agreements herein contained, LCRA and BRA, each acting in furtherance of the purposes of the Alliance, and the District agree as follows:

ARTICLE I
DEFINITIONS

Section 1.01. DEFINITION OF TERMS . Certain of the capitalized terms and expressions as used in this Agreement, unless the context clearly shows otherwise, shall have the meanings set forth in **Exhibit A** hereto, which are the same meanings for those particular terms as they are used in the Regional System Agreement. Other capitalized terms and expressions as used in this Agreement, unless the context clearly shows otherwise, shall have the following meanings:

A. "Agreement" means this agreement.

B. "Contractual Flow" means the maximum amount of Wastewater[, based upon a 30-day average flow,] permitted to be discharged by a Subregional Customer [for such Subregional Customer's ultimate flows into the System] to Point(s) of Entry for the System. The Subregional Customers' Contractual Flows are set forth in **Exhibit B.**

C. "District" means Fern Bluff Municipal Utility District.

D. "LCRA Capital Charges" means the Capital Charges paid by LCRA as a Customer pursuant to the Regional System Agreement to enable LCRA to serve the District and Brushy Creek Municipal Utility District.

E. "LCRA Flow Charges" means the Flow Charges paid by LCRA as a Customer pursuant to the Regional System Agreement to enable LCRA to serve the District and Brushy Creek Municipal Utility District..

F. "LCRA's Reserved Capacity" means LCRA"s Reserved Capacity in the System as a Customer pursuant to the Regional System Agreement to enable LCRA to serve the District and Brushy Creek Municipal Utility District.

G. "Regional System Agreement" means that certain "Wastewater Disposal Contract dated _____, 2000, among Brazos River Authority, Lower Colorado River Authority, City of Round Rock, City of Cedar Park and City of Austin," together with any amendments or supplements thereto entered into hereafter so long as such amendments or supplements do not prevent LCRA or BRA from meeting their obligations to the District under this Agreement.

H. "Subregional Capital Charges" means the charges to the Subregional Customers for LCRA's Capital Charges allocable to a Subregional Customer as provided in Article V.

I. "Subregional Customer" or "Subregional Customers" means the District and/or Brushy Creek Municipal Utility District.

J. "Subregional Customer's Contractual Flow" means the maximum amount of Wastewater that is permitted to be discharged by a Subregional Customer into the Point(s) of Entry for the System.

K. "Subregional Flow Charges" means the charges to the Subregional Customers for LCRA's Flow Charges and LCRA's Subregional Operation and Maintenance Expenses allocable to a Subregional Customer as provided in Article V.

L. "Subregional Operation and Maintenance Expenses" means all direct and indirect expenses of LCRA (including those incurred by BRA but paid by LCRA to BRA) for providing service to the Subregional Customers to the extent not included in the LCRA Flow Charges, including, but not limited to:

(1) costs -such as, but not limited to, costs of labor, materials, utilities, supervision, engineering, accounting, auditing, legal and professional services, insurance, personnel, data processing and purchasing[, but specifically excluding LCRA's and/or BRA's costs associated with the negotiation and execution of this Agreement.]~~(;)~~

(2) expenses of BRA and LCRA in communicating with the Technical Review Committee regarding the Subregional Customers;

(3) BRA's and LCRA's costs of complying with this Agreement, including, but not limited to remedy and mediation costs;

(4) such other costs or expenses as may be imposed upon LCRA or BRA in connection with fulfillment of their obligations under this Agreement because of laws, regulations or requirements of the State of Texas, the United States, or of any agency or governmental subdivision of the State of Texas or any agency of the United States having jurisdiction;

(5) payments made by LCRA in satisfaction of judgments resulting from or settlement of claims not covered by the insurance maintained by LCRA or BRA or not paid by one particular Subregional Customer arising in connection with this Agreement;

(6) any and all expenses incurred by LCRA in connection with any litigation or administrative proceedings of any nature whatsoever concerning this Agreement or LCRA's or BRA's responsibilities hereunder to any person, entity or party hereto [except as set forth below]; and

(7) LCRA's expenses of administering this Agreement and serving the Subregional Customers.

[It is specifically understood and agreed that the direct and indirect expenses of LCRA to be included in these Subregional Operation and Maintenance Expenses attributed to the District shall not include the following:

(a) Costs set forth in (L)(1) through (L)(7) above which are incurred by LCRA and/or BRA only for the benefit of another Subregional Customer, such as attending meetings of another Subregional Customer's governing body or costs of mediation or other legal remedies incurred by LCRA and/or BRA as a result of challenges or other protests made by any other Subregional Customer; and

(b) Costs incurred by LCRA in connection with any mediation, litigation or administrative proceeding of any nature whatsoever brought by the District concerning this Agreement or LCRA's or BRA's responsibilities hereunder to any person, entity or party hereto in which the District is the prevailing party.]

Section 1.02. INTERPRETATION . Terms used in this Agreement with initial letters capitalized and not otherwise defined in this Agreement have the meanings assigned to them in Section 1.01 and **Exhibit A**. Except where the context otherwise requires, words imparting the singular number shall include the plural number and vice

versa. Reference to any document means that document as amended or supplemented from time to time. Reference to any party or governmental regulatory agency means that entity and its successors and assigns.

ARTICLE II
DESIGN, ACQUISITION, CONSTRUCTION, OPERATION AND MAINTENANCE OF SYSTEM BY THE ALLIANCE

Section 2.01. DESIGN, ACQUISITION AND CONSTRUCTION RESPONSIBILITIES . LCRA will use its Reserved Capacity in the System for receiving, transporting, treating and disposing of Wastewater for the Subregional Customers. LCRA will design, acquire, construct, expand, extend, enlarge, improve and repair the System as provided in the Regional System Agreement. LCRA shall construct Expansions to the System as requested or needed to meet the service needs at least to the extent of the Subregional Customers' Contractual Flows and as permitted in and provided by the Regional System Agreement. [It is currently anticipated by the parties that improvements will need to be constructed to accommodate the District's Contractual Flow. [DAVID, WILL ANY BE NECESSARY?]]

Section 2.02. OPERATION AND MAINTENANCE RESPONSIBILITIES . BRA will operate and maintain the System and provide inspection during construction by LCRA as provided in the Regional System Agreement. In addition, LCRA and BRA will undertake other management related actions to provide services to the Subregional Customers. Expenses incurred by BRA in such regard shall be paid by LCRA and included in the Subregional Operation and Maintenance Expenses.

Section 2.03. INITIATION OF SERVICE TO SUBREGIONAL CUSTOMERS . LCRA and BRA have commenced operation of the System and service to Round Rock already. The obligation of BRA to provide service to the District is conditioned upon consummation of the Austin/Alliance Acquisition Contract in accordance with the provisions thereof.

Section 2.04. ALLIANCE MODIFICATIONS . BRA and LCRA may jointly modify their respective responsibilities to each other under this Agreement or the Regional System Agreement without approval of the Subregional Customers to the extent that such modification does not adversely affect the Subregional Customers and the Subregional Customers are provided [sixty (60) days] prior written notice of such modifications [and the opportunity to provide written comment thereon].

ARTICLE III
DISTRICT RESPONSIBILITIES

Section 3.01. SERVICE NEEDS . The District agrees to obtain all its wastewater treatment and disposal needs from the System.

Section 3.02. COOPERATION . The District will cooperate with BRA during periods of an emergency or required maintenance of the System and, if necessary, will discontinue, cycle, test, inspect, or otherwise operate and maintain its wastewater facilities at its expense in a manner determined by BRA to be necessary to the safe and efficient completion of repairs or the replacement of the System's facilities, the restoration of service, and the protection of the public health, safety, and welfare. BRA will attempt to provide the District reasonable notice under the circumstance of the actions to be undertaken by BRA and cooperate to try to minimize inconvenience to the District.

ARTICLE IV
RESERVED CAPACITY AND DISCHARGE OF WASTEWATER

Section 4.01. DISCHARGE QUANTITIES . The District shall have the right to discharge Wastewater into the Point(s) of Entry for the System to the extent described in **Exhibit B.**

Section 4.02. POINT(S) OF ENTRY . The District shall discharge its Wastewater at the Point(s) of Entry designated for it in **Exhibit C**. It shall be the sole responsibility of the District to convey its Wastewater to the designated Point(s) of Entry.

Section 4.03. RATE AND QUANTITY AT POINT(S) OF ENTRY . The rate and quantity of Wastewater discharged into the System at the designated Point(s) of Entry by the District shall be metered unless otherwise agreed by all parties to this Agreement. The District shall never make discharges into the System at such Point(s) of Entry at a rate exceeding the design rate.

Section 4.04. DISCHARGE QUALITY . The District shall have the right to discharge Wastewater into the System meeting the requirements of quality as set forth in this Article and not containing wastes identified in the List of Inadmissible Wastes attached as **Exhibit D** of this Agreement.

(a) General Requirements. In order to permit BRA to properly treat and dispose of the District's Wastewater, to protect the public health, and to permit cooperation with other agencies which have requirements for the protection of the physical, chemical, and bacteriological quality of public water and watercourses, the District agrees to prohibit discharge into the System at unauthorized points of entry or at rates of flow or of quality not herein specified as admissible.

(b) Admissible Wastes. Discharges into the System shall consist only of waste which the System is capable of handling:

(1) so that the effluent and sludge from the System meets the legal standards of the EPA, the Commission or any governmental body having legal authority to set standards for such effluents;

(2) without causing damage to the System which would result in increased maintenance costs;

(3) without causing excessive treatment costs; and

(4) which meets the requirements of the EPA Pretreatment Regulations, 40 CFR Part 403, the Customer's applicable ordinances and the EPA-approved pretreatment program for the System.

(c) Inadmissible Wastes. A List of Inadmissible Wastes promulgated by BRA is attached hereto as **Exhibit D**. EPA and the Commission periodically modify standards on prohibited discharges; therefore, revisions to, additions to or deletions from the items listed in this Section will become necessary to comply with these latest standards. It is the intention of this Agreement that prohibited discharge requirements be reviewed periodically by BRA and that **Exhibit D** be revised by BRA in accordance with the latest standards of EPA, the Commission or federal or state agency having regulatory authority over the discharges made to the System. **Exhibit D** may also be revised on the basis of changes in the treatment process or the general character of Wastewater received at the treatment works or indicated in the monitoring data collected pursuant to the System pretreatment program. Any required revisions shall be made by BRA only after notice and opportunity to comment has been provided to LCRA and any affected Subregional Customer and shall become effective upon written notice thereof being given to LCRA and any affected Subregional Customer. The District shall be responsible for integrating such changes into its local sewer use regulations and notifying all affected users of the change.

Section 4.05. REGULATIONS . Discharges to the System shall be governed by the requirements set forth in the EPA pretreatment regulations, Commission pretreatment regulations, the List of Inadmissible Wastes, the System pretreatment program and each Subregional Customer's and Customer's respective sewer use ordinances or regulations.

Periodically, BRA will promulgate a new List of Inadmissible Wastes, **Exhibit D** of this Agreement, in response to changes in federal or state requirements, changes in the treatment process, or the general character of the

Wastewater received at the treatment works, as described in Section 4.04(c) above. The List of Inadmissible Wastes will contain pollutant allocations to the District. The District is responsible for developing specific local limits from the pollutant allocations and enforcing these limits through the District's regulations and sewer use permits.

Section 4.06. INDUSTRIAL WASTES . The District agrees to implement and enforce the System pretreatment program for all areas receiving sanitary sewer service from the District. The District also covenants that it will have in effect and will enforce sewer use regulations in accordance with EPA and Commission regulations or regulations of other governmental agencies having lawful jurisdiction to set standards for waste discharges. Furthermore, the District shall, at any reasonable time upon request by BRA, produce pretreatment program records for review.

The District also agrees that no new Significant Industrial User shall be allowed to connect to the District's sewer system without prior notification being given by the District to BRA and LCRA of the intent to connect. The District will provide BRA and LCRA with a copy of the draft sewer use permit and permit application at the time such notification is given. All Significant Industrial Users that are customers of the District will also be required to obtain a sewer use permit.

BRA will be responsible for treatment plant monitoring and reporting as required by the EPA and the Commission. All additional responsibilities not mentioned in this Agreement are outlined in the EPA-approved System pretreatment program which may be amended from time to time.

Section 4.07. SYSTEM LIMITATIONS . LCRA and BRA shall be obligated to receive into the System at the Point(s) of Entry only Wastewater meeting the quantity limits and quality requirements of the Article IV of this Agreement; provided, however, (i) the total quantity of Wastewater discharged into the System shall never exceed the amount which the System is capable of receiving, treating, and disposing, and (ii) no discharge will be made into the System which would cause it to be overloaded or be in violation of its permits from the State of Texas and/or the United States of America.

Section 4.08. TITLE TO AND RESPONSIBILITY FOR TREATMENT AND DISPOSAL OF WASTEWATER . Title to and responsibility for the reception, transportation, delivery and disposal of all Wastewater discharged hereunder shall remain with the District to the Point(s) of Entry, and upon passing through the Point(s) of Entry, title to and responsibility for the Wastewater shall, except as provided below, pass to LCRA and BRA, and BRA shall be responsible for the proper reception, transportation, treatment and disposal of all such Wastewater, meeting the applicable quality standards, received by it at the Point(s) of Entry. Responsibility for proper reception, transportation, treatment and disposal of Wastewater received by BRA at the Point(s) of Entry which does not meet the applicable quality standards shall remain with the District delivering same and any expenses incurred by BRA in receiving, transporting, treating and disposing of such non-compliant Wastewater shall be charged directly to the District by BRA.

[It is understood and agreed that in the event LCRA and/or BRA undertakes to resell the treated wastewater produced by the District, the District will receive credit in its wastewater rates from LCRA/BRA for the net profit received by LCRA/BRA for the sale of such treated wastewater. LCRA/BRA shall make available to the District during normal business hours, all records which set forth the costs and revenues from such sale.]

Section 4.09. METERING . The District will furnish and install, and BRA will operate and maintain, at each Point of Entry the necessary equipment and devices of standard type for measuring properly all Wastewater to be discharged by the District under the Regional System Agreement and this Agreement. LCRA and BRA shall review and approve the design, location and construction of the meters. Such meters and other equipment shall be dedicated for ownership to LCRA free and clear of any liens, claims and encumbrances and in dedicated easements or public rights of way and shall remain the property of LCRA and constitute a portion of the System. The Subregional Customers shall have access to such metering equipment at all reasonable times for inspection and examination. The reading, calibration and adjustment of meters shall be done by employees or agents of BRA after two (2) working days notice to the Subregional Customers and in the presence of a representative of any Subregional Customer if requested by the Subregional Customer. All readings of meters will be entered upon proper books of record or in computer records maintained by BRA and a copy or printout of said readings supplied to the Subregional Customers and LCRA. Upon written request any Subregional Customer may have access to said

record books or computer printouts during reasonable business hours. [[WHAT IF TECHNICAL COMMITTEE DELETES METERS?]]

BRA shall calibrate the meters at least once in each year of operation. BRA shall provide reasonable notice of at least two (2) days to the Subregional Customers of a calibration and provide the Subregional Customers an opportunity to observe the calibration. Not more than three (3) times in each year of operation, BRA shall calibrate the meters, if requested in writing by the affected Subregional Customer, in the presence of a representative of the requesting party. Such parties shall jointly observe any adjustments which are made to the meters in case any adjustment is found to be necessary. If, for any reason, any meters are out of service or out of repair, or if, upon any test, the percentage of inaccuracy of any meter is found to be in excess of five percent (5%), registration thereof shall be corrected for a period of time extending back to the time when such inaccuracy began, if such time is ascertainable, and if not ascertainable, then for a period extending back one-half (½) of the time elapsed since the date of the last calibration, but in no event further back than a period of six (6) months. Any Subregional Customer may, at its option and its own expense, install and operate a check meter to check each meter operated by BRA measuring flow from that Subregional Customer, but the measurement for the purpose of this Agreement shall be solely by LCRA's meters, except during any period when a check meter may be used under specific written consent by BRA. All such check meters shall be of standard make and shall be subject at all reasonable times to inspection and examination by any employee or agent of BRA, but the reading, calibration and adjustment thereof shall be made only by the Subregional Customer installing same.

Section 4.10. UNIT OF MEASUREMENT . The unit of measurement for Wastewater delivered hereunder shall be one thousand (1,000) gallons, U.S. Standard Liquid Measure.

ARTICLE V
CHARGES

Section 5.01. ESTABLISHING CHARGES .

(a) Initial Proposals. As soon as reasonably possible during the first partial Fiscal Year and not less than forty-five (45) days before commencement of each Fiscal Year thereafter while this Agreement is in effect, LCRA and BRA shall furnish to the Subregional Customers copies of their annual estimates of costs and flows for the System, their annual estimates for Subregional Operation and Maintenance Expenses and the resulting estimates of Subregional Capital Charges and Subregional Flow Charges projected to be incurred by LCRA in the next ensuing Fiscal Year. [Fiscal Year is defined as September 1 through August 30.]

(b) Approval of ~~{Budget}~~ [Charge] if No Protest. If no protest or request for a hearing on such tentative proposed Subregional Capital Charges and Subregional Flow Charges is presented within ~~{fifteen (15)}~~ [twenty-five (25)] days after such filing of the proposed Subregional Capital Charges and Subregional Flow Charges, the proposed Subregional Capital Charges and Subregional Flow Charges, when approved by LCRA's Board of Directors, shall be deemed to be in effect for all purposes for the next ensuing Fiscal Year.

(c) Procedures for Protest. If a protest or request for a hearing is duly filed, it shall be the duty of LCRA to fix a date and time for a hearing on the proposed Subregional Capital Charges and/or Subregional Flow Charges to be conducted in a manner to enable ~~{interest-ed}~~ [interested] persons to communicate such information as they shall desire to present and such views as they shall desire to express to the Board of Directors of the LCRA. The party filing such protest ~~{,}~~ and the Subregional Customers shall be advised in writing of the time and place of such hearing. After consideration of the information and comments produced at such hearing [which shall be reduced to written findings by the LCRA within fifteen (15) days of such hearing], the Board of Directors of LCRA may adopt the proposed Subregional Capital Charges and/or Subregional Flow Charges or make such amendments thereof as may seem proper. The proposed Subregional Capital Charges and/or Subregional Flow Charges thus approved by the Board of Directors of LCRA shall be deemed to be in effect for the next ensuing Fiscal Year.

[(d) The parties agree that the Subregional Capital Charges and Subregional Flow Charges shall be just and reasonable.]

Section 5.02. DISPUTES . The Subregional Customers retain such rights as they may possess under applicable law to seek review of the reasonableness of LCRA's charges under this Agreement by the Commission. If a Subregional Customer at any time disputes the amount to be paid by it under this Agreement, such Subregional Customer shall nevertheless promptly make the payment or payments determined by LCRA. If it is ~~{subsequent-ly}~~ [subsequently] determined by agreement, administrative agency or court decision that such disputed payments made by the Subregional Customer should be changed, LCRA shall promptly revise and reallocate the charges among all Subregional Customers then being served by LCRA in such manner that the Subregional Customers will pay amounts which cumulatively permit LCRA to receive the entire amount of the Subregional Capital Charges and Subregional Flow Charges permitted hereunder the same may be modified by final effective order of an administrative agency or court of appropriate jurisdiction; provided, however, nothing herein shall ever be construed to prevent LCRA from recovering from the Subregional Customers the amount required to meet the Subregional Capital Charges and Subregional Flow Charges hereunder. If the Subregional Capital Charges or Subregional Flow Charges are redetermined as herein provided, LCRA will promptly furnish each Subregional Customer with an updated schedule of monthly payments reflecting such redetermination.

Section 5.03. CHANGES FROM NEW CUSTOMERS, EMERGENCIES AND LEGAL ACTION . LCRA may adopt amendments to the Subregional Capital Charges or Subregional Flow Charges by following a process similar to that provided above for the establishment of such matters initially if, during a Fiscal Year, the Subregional Capital Charges or Subregional Flow Charges are changed due to:

(i) new Customers are added to the System;
(ii) unanticipated emergency Capital Charges or Flow Charges are experienced; or

(iii) an adjustment is necessitated by regulatory requirement.

Section 5.04. SUBREGIONAL CAPITAL CHARGES; UNCONDITIONAL PAYMENT OBLIGATION .

(a) General. On or before the fifteenth day of each month, the District shall pay its Subregional Capital Charge. During the term of this Agreement, the Subregional Capital Charge for each Subregional Customer to be paid each month shall be determined by allocating among the Subregional Customers one-twelfth (1/12) of the total LCRA Capital Charges for the Fiscal Year in the manner set forth in subsection (b) below, which the District, LCRA and BRA believe is a reasonable basis upon which to allocate said costs. Notwithstanding anything in this Agreement to the contrary, in all circumstances, the sum of the Subregional Capital Charges paid by all Subregional Customers shall equal one hundred percent (100%) of the LCRA Capital Charges.

(b) Allocation of LCRA Capital Charges. The LCRA Capital Charges will be allocated among Subregional Customers in two steps:

(i) The LCRA Capital Charges will be functionalized between Treatment Facilities, Downstream Collection System and Upstream Collection System in proportion to LCRA's cumulative Project Costs in each. LCRA's continuing property records will be used for cost functionalization. Project Costs not directly attributable to one of the three categories will be functionalized among the three categories in proportion to the Project Costs directly functionalized to those categories.

(ii) (A) LCRA Capital Charges - Treatment Facilities will be allocated among the Subregional Customers in proportion to the Subregional Customers' Contractual Flows on **Exhibit B.**

(B) LCRA Capital Charges - Downstream Collection System will be allocated among the Subregional Customers in proportion to their Contractual Flows on **Exhibit B.**

(C) LCRA Capital Charges - Upstream Collection System will be allocated among the Subregional Customers in proportion to the Subregional Customers' Contractual Flows on **Exhibit B**.

The sum of the allocated LCRA Capital Charges, as functionalized, will be the Subregional Capital Charge for each Subregional Customer, respectively.

(c) Recognizing that LCRA or BRA has pledged the revenues of the System, together with, in the case of LCRA, other revenues of the LCRA System, to pay, secure and finance the issuance of Bonds, it is hereby agreed that upon the effective date of this Agreement, the District shall be unconditionally obligated to pay the Subregional Capital Charge and Subregional Flow Charge regardless of whether or not the District actually discharges Wastewater hereunder, whether due to Force Majeure or otherwise. The District agrees that its obligation to pay the Subregional Capital Charge and Subregional Flow Charge shall be absolute and unconditional, irrespective of any rights of set-off, diminution, abatement, recoupment or counterclaim the District might otherwise have against BRA or LCRA or any other person, and the District covenants not to seek and hereby waives, to the extent permitted by applicable law, the benefits of any rights which it may have at any time to any stay or extension of time for performance or to terminate, cancel or limit its liability to pay the Subregional Capital Charge and Subregional Flow Charge. The District hereby agrees that the holders from time to time of the Bonds shall be entitled to rely upon the agreement of the District to pay the Subregional Capital Charge and Subregional Flow Charge regardless of the validity of the remainder of this Agreement, the Regional System Agreement or any other agreement. The District agrees, if requested to do so by LCRA to execute a separate agreement with LCRA, the owners of the Bonds or a trustee acting on behalf of the owners of the Bonds evidencing its unconditional obligation, to pay the Subregional Capital Charge and Subregional Flow Charge to enable LCRA to pay debt service on the Bonds issued by LCRA. Such additional agreement shall in all respects be consistent with the requirements of this Agreement regarding the payment of the Subregional Capital Charge and Subregional Flow Charge by the District.

(d) The preceding paragraph shall not be construed to release LCRA from the performance of any of its undertakings contained in this Agreement or, except to the extent provided in this section, prevent or restrict any Subregional Customer from asserting any rights which it may have against LCRA or any other person under this Agreement or under any provision of law or prevent or restrict such Subregional Customer, at its own cost and expense, from prosecuting or defending any action or proceeding against or by third parties or taking any other action to secure or protect its rights under this Agreement.

(e) The District recognizes that the Bonds issued by LCRA for the System will be supported by the pledge, directly or indirectly, of the payment of the Subregional Capital Charges and Subregional Flow Charges by the Subregional Customers under the terms of this Agreement and the Regional System Agreement and, therefore, that the District is an "obligated person" as that term is applied within the meaning of Securities Exchange Commission Rule 15c2-12. In order to enable LCRA to issue the Bonds and comply with applicable securities laws, the District agrees to execute, and by signing this Agreement approves and authorizes the execution of, if requested by LCRA, a continuing disclosure agreement in form and substance substantially as provided in **Exhibit E** hereto.

Section 5.05. SUBREGIONAL FLOW CHARGES .

(a) During the term of this Agreement, the District each month shall be required to pay a Subregional Flow Charge designed to recover that portion of the LCRA Flow Charge and the Subregional Operation and Maintenance Expenses attributable to the provision of wastewater service to the District. The Subregional Flow Charge shall be the sum of the following divided by 12 (or in the case of the initial Fiscal Year the fraction obtained by dividing the number of complete calendar months between the *Initial Funding Date* and August 31, 2000):

(i) That portion of the LCRA Flow Charges allocated to the District as described in Section 5.05(b);

(ii) That portion of the estimated Subregional Operation and Maintenance Expense not directly attributable to a specific Subregional Customer established in Section 5.01(a) and allocated to the District as described in Section 5.05(b);

(iii) Those estimated Subregional Operation and Maintenance Expenses that are directly attributable to the District as provided in Section 5.01(a);

(iv) The adjustment for actual from prior periods, if any, as described in Section 5.05(c).

(b) The allocation between the Subregional Customers of the LCRA Flow Charges and the estimated Subregional Operation and Maintenance Expenses not directly attributable to a specific Subregional Customer shall be as follows:

(i) The percentage allocation for each Subregional Customer will be determined by dividing the actual flows of Wastewater from such party's collector system into the System during the twelve (12) month period ending April 30 preceding the beginning of the Fiscal Year for which the calculation is being made, expressed in thousands of gallons, by the actual flows into the System, also expressed in thousands of gallons, of both Subregional Customers during the twelve (12) month period ending on such April 30. In the initial Fiscal Year of service, the percentage allocation for each Subregional Customer shall be based on projected flows as follows: Brushy Creek Municipal Utility District - _____ gallons, and Fern Bluff Municipal Utility District -_____ gallons.

(ii) The percentage allocation established in (i) above shall be multiplied by the total estimated LCRA Flow Charges and the total estimated Subregional Operation and Maintenance Expense not directly attributable to a specific Subregional Customer to determine that portion of the Subregional Flow Charge described in Section 5.05(a)(I) and 5.05(a)(ii) above.

(c) Adjustment for Actual. After the actual LCRA Flow Charges and the actual Subregional Operation and Maintenance Expenses for a given Fiscal Year for which the Subregional Flow Charge in Section 5.05(a) is set are known, LCRA shall report to the District the difference, if any, between the amounts collected from the District and the actual LCRA Flow Charges and Subregional Operation and Maintenance Expenses incurred by LCRA in that Fiscal Year which were allocable to the District. The difference, if any, shall be applied as an adjustment in calculating the Subregional Flow Charge pursuant to this section for the Fiscal Year immediately following the Fiscal Year in which the actual LCRA Flow Charges and Subregional Operation and Maintenance Expenses are known.

Section 5.06. HOW, WHEN AND WHERE PAYMENTS ARE TO BE MADE . Delivery to the District of the final budgets for a Fiscal Year, together with the schedule of resulting Subregional Capital Charges and Subregional Flow Charges, shall constitute the invoice for same for the entire Fiscal Year [to be paid monthly in 1/12th increments]. Payment of all Subregional Capital Charges and Subregional Flow Charges required to be paid by the District under the provisions of this Agreement shall be made to LCRA. LCRA and the individual(s) acting for it in receiving payment of such charges shall receive the portion of each payment received consisting of Subregional Operation and Maintenance Expenses owing to BRA as agent for BRA. Receipt of such payments by LCRA as agent for BRA shall completely discharge any liability of the District to BRA for such payments. All such funds so received as agent shall be disbursed to BRA as soon as reasonably practicable, but in any event in at least three working days after the due date, per directions to be given by BRA to LCRA in writing, and the duties of the agent shall be completely discharged by such disbursement. All charges payable for any calendar month shall be due and payable in Travis County, Texas, on or before the fifteenth day of such month. Past due payments shall bear interest from the date due until paid at the lower of ten percent (10%) per annum or the highest lawful rate in the State of Texas.

Section 5.07. DEFAULT .

(a) Monetary Defaults by District. In the event the District defaults in the payment of the Subregional Capital Charge or Subregional Flow Charge required hereunder, LCRA shall immediately give notice of such default to the District; provided, however, that nothing in this section shall prevent the District from paying under protest any amount alleged as owed by LCRA or prevent LCRA from accepting any payment even if less than the amount alleged by LCRA as owed by the District. Payment or receipt of any such disputed amount shall not be construed as a waiver of any right of the party making or receiving such disputed amount to contest such matter and to demand payment or receipt of a different amount. Thereafter, the District shall take all appropriate steps to correct such default and shall correct such default within ten (10) days after receipt of such notice. Any past due amount shall be paid, together with interest at the lesser of ten percent (10%) per annum or the maximum legal rate of interest then in effect.

(b) Other Defaults by District, BRA and LCRA. In the event that the District or BRA or LCRA defaults in the performance of any of their respective obligations under this Agreement, other than the obligation to make payments of the Subregional Capital Charge or Subregional Flow Charge, any of the non-defaulting parties, after giving reasonable notice of the default and opportunity to cure same, may exercise any remedy at law or in equity or as provided below in Article VII.

ARTICLE VI
GENERAL PROVISIONS

Section 6.01. PAYMENTS TO CONSTITUTE OPERATING EXPENSES OF DISTRICT . The District represents and covenants that the services to be obtained pursuant to this Agreement are essential and necessary to the operation by the District of its own Wastewater facilities and the provision of sanitary sewer services to its constituents, and that all payments to be made hereunder by it will constitute reasonable and necessary operating expenses of the District's waterworks and sanitary sewer systems, and the provisions of all resolutions, as appropriate, authorizing the issuance of all bonds of the District which are payable from revenues of the District's waterworks and sanitary sewer systems payable from the revenues of said system and from the proceeds of its maintenance tax. The parties acknowledge that LCRA and BRA intend to own and operate the System as capital improvements on behalf of that Subregional Customer within the meaning of Section 395.002(1), Texas Local Government Code. The parties understand and agree that the decision as to whether the capital improvements constructed or acquired by LCRA and BRA on behalf of a Subregional Customer are used to serve new development (within the meaning of Section 395.001(6), Texas Local Government Code) and the decision as to whether to impose any impact fees (within the meaning of Section 395.001(4), Texas Local Government Code) is exclusively that of such Subregional Customer.

Section 6.02. DISTRICT'S RATES, FEES AND CHARGES . BRA and LCRA acknowledge that the District has the right under applicable law to assess, charge and collect such District maintenance taxes, impact fees, capital recovery fees, connection fees, meter fees, or other service fees, rates, taxes or other charges as it will deem appropriate. They will not construe this Agreement to require (except as provided otherwise in this Section), limit or restrict the governmental power of the District to implement the same. The District will be solely responsible for the proper exercise of its governmental power to assess and collect such fees and charges and for ensuring that all fees, taxes, rates and charges the District elects to charge are in compliance with applicable law. The District agrees to establish and collect such taxes, rates and charges for its waterworks and sanitary sewer services to be supplied by its system as will make possible the prompt payment of all expenses of operating and maintaining its system including the payments committed hereunder, and the prompt payment of the principal of and interest on its obligations, if any, payable from the revenues of its waterworks and sanitary sewer systems.

Section 6.03. USE OF PUBLIC PROPERTY . By these presents, the District, to the extent capable under existing law, authorizes use by BRA and LCRA of general utility or sewer easements and rights-of-way of the District for construction, operation and maintenance of the System, so long as such use is in compliance with the terms of any easement or right-of-way utilized by BRA and LCRA and does not interfere with any lawful use by the District and subject to all of the District's rules and regulations respecting the manner of such use and restoration of lands, pavement or improvements resulting from exercise of the rights provided in this section, including the cost of relocation of any facilities located within any such easement or right-of-way as an expense of the System. BRA and LCRA will cooperate with the District in the timing, planning and installation of the System to be constructed and installed hereunder.

Section 6.04. FORCE MAJEURE . In case by reason of "Force Majeure" any party hereto shall be rendered unable wholly or in part to carry out its obligations under this Agreement, then if such party shall give notice and full particulars of such "Force Majeure" in writing to the other parties within a reasonable time after occurrence of the event or cause relied on, the obligation of the party giving such notice, so far as it is affected by such Force Majeure, with the exception of the obligation to pay amounts owed hereunder, shall be suspended during the continuance of the inability then claimed, but for no longer period, and any such party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "Force Majeure" as employed herein shall mean acts of God, strikes, lockouts or other industrial disturbances, acts of public enemy, orders of any kind of the United States or the State of Texas or any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipelines or canals, partial or entire failure of water supply and inability on the part of the District to provide water necessary for operation of its water and waste-water system hereunder or of BRA and LCRA to receive Wastewater on account of any other causes not reasonably within the control of the party claiming such inability. It is understood and agreed that the settlement of strikes and lockouts shall be entirely within the discretion of the party having the difficulty and that the above requirement that any Force Majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes and lockouts by acceding to the demands of the opposing party or parties when such settlement is unfavorable in the judgment of the party having the difficulty.

Section 6.05. GOVERNMENTAL REGULATION . This Agreement shall be subject to all valid rules, regulations and laws applicable hereto passed or promulgated by the United States of America, the State of Texas or any governmental body or agency having lawful jurisdiction or any authorized representative or agency of any of them. In each instance herein where reference is made to a federal or State regulation, it is the intention of the parties that at any given time the then current edition of any such federal or State regulation shall apply. BRA, LCRA and the District agree that their obligations under this Agreement shall include compliance with the requirements made under said laws, and any rules and regulations issued pursuant thereto. New standards shall be adopted by the District, BRA and LCRA which are in compliance with applicable State and federal laws and any valid rules and regulations issued pursuant thereto.

Section 6.06. SUBREGIONAL CUSTOMER COOPERATION TO ASSURE REGULATORY COMPLIANCE . Since BRA and LCRA must comply with all federal, state and local requirements to obtain permits, grants and assistance for system construction, studies, etc., the District will cooperate with BRA and LCRA in good faith at all times to assure compliance with any such governmental requirements where noncompliance or non-cooperation by the District may subject BRA and LCRA to penalties, loss of grants or other funds, or other adverse regulatory action. In making the determinations called for herein, BRA and LCRA covenant that such determinations will be made only after detailed studies of statistical data available as to the need and feasibility have been made and after consulting with engineers and financial advisors. The District will be kept advised at all times of planning and implementing Required Improvements. In that regard, the District agrees to adopt and enforce, and to provide in its wholesale contracts with its water customers in the future that they shall adopt and enforce, an appropriate water conservation and/or drought management plan as required by the Texas Water Development Board as a result of its loan of funds to LCRA for construction and acquisition of the System.

Section 6.07. CONTRACTS WITH OTHERS IN RELATION TO SYSTEM .

(a) The District shall have the right to enter into contracts with other persons natural or corporate, private or public, to receive Wastewater from such persons. The District covenants that it will advise BRA and LCRA of all such written contracts and will, if requested by BRA or LCRA, furnish BRA and LCRA with a list of all customers other than retail, residential customers. Initially, within thirty (30) days after execution of this Agreement, and thereafter for each calendar year during the tenure hereof, the District will send to LCRA and BRA by January 15 of each year an annual report containing the following data about the District's customers that the System ultimately serves:

(1) actual number of connections as of the end of the calendar year;

(2) number of new wastewater connections made in the previous calendar year;

(3) classification, by number and percentage, of accounts according to the following:

(i) residential;
(ii) multi-family;
(iii) business/commercial; and
(iv) other; and

(4) if business or commercial connections, a copy of any District industrial waste discharge permit issued to such premises.

(b) BRA and LCRA shall have the right to enter into or amend agreements with other persons, including, without limitation, entering into agreements with other customers or amendments of the Regional System Agreement, so long as such agreements or amendments do not prevent BRA or LCRA from meeting their obligations to provide service to the Subregional Customers from the System in accordance with this Agreement.

Section 6.08. NON-INFRINGEMENT . Notwithstanding anything in Section 6.08, the District agrees that it will not provide or enter into an agreement to provide Wastewater service directly or indirectly outside of its current service area unless BRA, LCRA and the Customer or Subregional Customer in whose service area the service is to be provided consents. For purposes of this Section, the District's service area shall mean the area presently served by the District as shown in **Exhibit F**.

Section 6.09. ANNUAL REPORT OF SYSTEM AND AUDITS . BRA and LCRA shall cause to be prepared an annual report of the System each year. Such report shall contain such matters and information as may be considered necessary and useful by BRA, LCRA and the Technical Review Committee. A copy of the annual report and BRA's and LCRA's annual audits and accompanying management letters shall be promptly provided to the District.

Section 6.10. NO ADDITIONAL WAIVER IMPLIED . No waiver or waivers of any breach or default (or any breaches or defaults) by any party hereto of any term, covenant, conditions, or liability hereunder, or of performance by the other parties of any duty or obligation hereunder, shall be deemed or construed to be a waiver of subsequent breaches or defaults of any kind, under any circumstances.

Section 6.11. ADDRESS AND NOTICE . Unless otherwise provided in this Agreement, any notice, communication, request, reply, or advice (herein severally and collectively, for convenience, called "Notice") herein provided or permitted to be given, made or accepted by any party to the others must be in writing and may be given or be served by depositing the same in the United States mail postpaid and registered or certified and addressed to the party to be notified, with return receipt requested, or by delivering the same to an officer of such party, or by telecopier, when appropriate, addressed to the party to be notified. Notice deposited in the mail in the manner hereinabove described shall be conclusively deemed to be effective, unless otherwise stated in this Agreement, from and after the expiration of four (4) days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the party to be notified. For the purpose of notice, the addresses of the parties shall, until changed as hereinafter provided, be as follows:

If to LCRA, to:

General Manager
Lower Colorado River Authority
P. O. Box 220
3701 Lake Austin Boulevard
Austin, Texas 78767
Fax No. (512) 473-3298

If to BRA, to:

General Manager
Brazos River Authority
PO Box 7555
4400 Cobbs Drive
Waco, Texas 78710
Fax No. (817) 772-5780

If to the District, to:

General Manager
Fern Bluff Municipal Utility District
9511 Ranch Road 620 N.
Austin, Texas 78726
Fax (512) 244-3731

[with cc to:

Sharlene N. Collins
Armbrust Brown & Davis, L.L.P.
100 Congress Avenue, Suite 1300
Austin, Texas 78701
Fax (512) 435-2360]

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

Section 6.12. MODIFICATION . Except as otherwise provided in Section 2.04, this Agreement shall be subject to change or modification only with the mutual consent of the governing bodies of each of the parties hereto, which consent shall not be unreason-ably withheld or delayed, but the parties recognize that the Bond Resolution may contain covenants by BRA or LCRA not to consent to certain changes or modifications of this Agreement.

Section 6.13. ASSIGNABILITY . This Agreement shall not be assignable by any party without the prior written consent of the other parties, which consent shall not be unreasonably withheld or delayed.

Section 6.14. SEVERABILITY . The provisions of this Agreement are severable, and if any provision or part of this Agreement or the application thereof to any person or circumstance shall ever be held by any court of competent jurisdiction to be invalid or unconstitutional for any reason, the remainder of this Agreement and the application of such provision or part of this Agreement to other persons or circumstances shall not be affected thereby.

Section 6.15. MERGER . Other than the other contracts mentioned herein, this Agreement constitutes the entire agreement between the parties relative to the subject matter thereof. Except as noted in the previous sentence, there have been and are no agreements, covenants, representations or warranties between the parties other than those expressly stated herein or expressly provided for herein.

Section 6.16. VENUE . Venue for any action arising hereunder will be in Williamson County, Texas.

Section 6.17. NO THIRD PARTY BENEFICIARIES . Nothing in this Agreement, express or implied, is intended to confer upon any person or entity, other than the parties hereto, any rights, benefits, or remedies under or by reason of this Agreement.

ARTICLE VII
NEGOTIATION AND MEDIATION OF DISPUTES

Section 7.01. AGREEMENT REGARDING REMEDIES . The parties agree that their respective obligations under this Agreement are unique and recognize that LCRA or BRA may be issuing its Bonds to acquire, construct, expand, improve or replace the System and may pledge the revenues from this Agreement to secure payment of principal of, premium, if any, and interest on the Bonds. The failure by any party to perform its obligations under this Agreement would not be capable of being appropriately remedied by award of damages to any other affected party to this Agreement and in any event, such damages would be difficult, if not impossible, to determine because of the unique nature of the parties' obligations to each other hereunder. Further, the parties agree that the remedy of termination of this Agreement by any party is inappropriate and not in the public interest. Therefore, the parties agree that they shall be entitled, and limited, to the remedies of specific performance, mandamus and injunction in the event of any breach of any obligation by any party under this Agreement. The parties hereby waive any requirement that they be required to provide any bond or other surety in order to obtain any of the agreed upon remedies. The parties also agree that attorneys fees and court costs incurred by any party prevailing in any legal action to enforce this Agreement or collect or defend any amounts owed or claimed as owed shall be paid by the non-prevailing party.

Section 7.02. AGREEMENT TO NEGOTIATE FIRST TO RESOLVE ISSUES . The parties agree to attempt first to resolve disputes concerning this Agreement amicably by promptly entering into negotiations in good faith. The parties agree that they will not refer any dispute to another dispute resolution procedure including mediation or litigation until they have first made reasonable and good faith efforts to settle their differences by joint negotiations conducted in a timely manner.

Section 7.03. AGREEMENT TO MEDIATE . If any dispute cannot be resolved through good faith negotiation, then the parties shall endeavor to resolve the dispute by mediation as provided herein.

Section 7.04. PRESENTATION OF WRITTEN CLAIM REGARDING DISPUTES NOT RESOLVED BY NEGOTIATION . In the event that a dispute is not resolved as a result of such negotiations, either party may at any time give formal written notice to the other of a "claim." A "claim" as used herein means a demand or assertion by one of the parties (the "claimant") seeking, as a matter of right, adjustment or interpretation of contract terms, the payment of money, an extension of time for performance or other relief with respect to the terms of this Agreement or any other dispute or matter in question among the parties arising out of or related to this Agreement. Such notice shall be in writing. After such notice is given, the dispute resolution procedure provided for below shall immediately enter into effect.

Section 7.05. PERFORMANCE DURING MEDIATION . The claimant shall continue with performance under this Agreement pending mediation of the dispute.

Section 7.06. APPOINTMENT OF MEDIATOR . Promptly following the making of a written claim by any party, the parties will consult with one another to agree on the appointment of a mediator acceptable to all parties. The mediator shall have experience in matters of the kind giving rise to the claim. If within five (5) business days the parties are unable to agree on the appointment of a mediator, then any party may request the appointment of a mediator by the Center for Public Policy Dispute Resolution at the University of Texas at Austin School of Law. The parties shall endeavor to secure such appointment from the Center for Public Policy Dispute Resolution within ten (10) business days after the request for same is made. The parties agree to utilize the mediator appointed by the Center unless they ultimately reach agreement on an alternative selection and give notice to the Center that another selection has been made by agreement.

Section 7.07. RULES FOR MEDIATION . The parties agree to the following stipulations concerning the conduct of the mediation:

(a) The mediator shall be impartial among the parties and shall have no conflict of interest.

(b) The mediator shall not have any past, present or anticipated financial interest in the Agreement or the System except for the payment for services as mediator nor shall the mediator have been previously employed or

acted as a consultant, attorney, employee, engineer, architect, contractor or subcontractor of any party nor have any present or anticipated future engagement of the kind described. Before the engagement of the mediator is finalized, the mediator shall provide to the parties a disclosure statement containing a resume of experience, a description of past, present or anticipated future relationships to the System and the parties, their engineers, contractors, subcontractors, attorneys, architects, or consultants.

(c) The mediation shall be held at a time and location mutually agreeable to the parties and the mediator provided, however, that the mediation shall commence no later than fifteen (15) business days following the confirmation of appointment.

(d) At least five (5) business days prior to the mediation, the claimant shall submit to the parties and the mediator a statement of the claimant's position, the issues that need to be resolved and a summary of the arguments supporting the claimant's position. At least two (2) business days prior to the mediation, the responding parties shall submit their written response to the claimant's statement and provide a summary of their arguments in response.

(e) If the parties agree that independent expert or technical advice would be helpful in facilitating a negotiated resolution of the dispute, the mediator may make arrangements to obtain such advice, and may, with the agreement of the parties, make arrangements for an independent expert to render a non-binding advisory opinion with respect to any technical matters in dispute after hearing the contentions of the parties with respect thereto. The expenses of obtaining such independent advice or advisory opinion shall be borne equally by the parties.

(f) No party shall engage in any private interview, discussion or argument with the mediator concerning the subject matter of the mediation.

(g) The fees of the mediator and any other costs of administering the mediation shall be borne equally by the parties unless otherwise agreed among them in writing.

(h) The mediator may promote settlement in any manner the mediator believes appropriate at one or several mediation sessions as agreed to by the parties. The mediation shall continue only so long as desired by the parties and with the consent of all of them.

(i) Mediation sessions shall be private unless otherwise required by law. Persons other than the representatives of the parties may attend mediation sessions only with the permission of all parties and the consent of the mediator.

(j) All communications made in the course of the mediation process including any advice or advisory opinions rendered shall be confidential in accordance with V.T.C.A. Civil Practice and Remedies Code, Section 154.073.

Section 7.08. EXCEPTION . Notwithstanding the foregoing provisions of Sections 7.02-7.07, the parties agree that those provisions shall not be applicable in emergency situations.

ARTICLE VIII
EFFECTIVE DATE AND TERM OF AGREEMENT

Section 8.01. EFFECTIVE DATE . This Agreement shall become effective upon execution by BRA, LCRA and the District and such act shall be communicated in writing to the District by BRA and LCRA. This Agreement shall constitute the sole and only contract between the District and BRA and LCRA regarding Wastewater disposal services and the District hereby recognizes and affirms its responsibility to make the payments required hereunder.

Section 8.02. TERM OF AGREEMENT . This Agreement shall continue in force and effect from the effective date hereof for a period of forty (40) years, and thereafter shall continue in effect until any Bonds, or Bonds issued to refund same, if any, have been paid in full. The District shall have the right to the continued performance of services provided hereunder for so long as LCRA has Reserved Capacity as a Customer of the

System to the extent of the District' s Contractual Flow after amortization of LCRA's and BRA's investment in the System, upon payment of just and reasonable charges by the District.

IN WITNESS WHEREOF, the parties hereto acting under authority of their respective governing bodies have caused this Agreement to be duly executed in several counterparts, each of which shall constitute an original, all as of the _____ day of _____, 2000.

BRAZOS RIVER AUTHORITY

By: _____
Name: Gary Gwyn
Title: General Manager

ATTEST:

By: _____
Name: _____
Title: _____

LOWER COLORADO RIVER AUTHORITY

By: _____
Name: Paul Thornhill, P.E.
Title: Manager, WaterCo

ATTEST:

By: _____
Name: _____
Title: _____

FERN BLUFF MUNICIPAL UTILITY DISTRICT

By: _____
Name: Jean I[,][.] Cochran
Title: President, Board of Directors

ATTEST:

By: _____
Name: Glen R. Luepnitz
Title: Secretary, Board of Directors

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---------- REVISION LIST ----------

The bracketed numbers refer to the Page and Paragraph for the **start** of the paragraph in both the **old** and the **new** documents.

[2:5 2:5] Changed	"7" to "8"
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[3:27 3:27] Changed	"24" to "25"
[3:28 3:28] Changed	"24" to "25"
[5:12 5:12] Changed	"Wastewater permitted" to "Wastewater, ... permitted"
[5:12 5:12] Changed	"Customer to" to "Customer for ... System to"
[6:11 6:12] Changed	"; " to ", but specifically ... Agreement."
[7:4 7:5] Changed	"hereto;" to "hereto except ... forth below;"
[7:6 7:7] Add Paras	"It is specifically ... prevailing party. "
[7:11 8:5] Changed	"by the Regional ... Agreement. " to "by the Regional ... NECESSARY?]"
[8:2 8:8] Changed	"provided prior" to "provided sixty (60) days prior"
[8:2 8:8] Changed	"modifications." to "modifications ... comment thereon."
[11:1 11:4] Add Para	"It is understood ... from such sale. "
[11:1 11:5] Changed	"hours." to "hours. [WHAT ... DELETES METERS?]"

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[12:4 12:6] Changed	"Year. " to "Year. Fiscal ... August 30."
[12:5 12:7] Changed	"Budget " to "Charge "
[12:5 12:7] Changed	"fifteen (15) " to "twenty-five (25) "
[12:6 13:1] Changed	"interest-ed " to "interested "
[12:6 13:1] Changed	"protest -and" to "protest and"
[12:6 13:1] Changed	"hearing," to "hearing which ... such hearing,"
[12:7 13:2] Add Para	"(d) The parties ... and reasonable. "
[12:7 13:3] Changed	"subsequent-ly " to "subsequently "
[16:3 17:1] Changed	"Year." to "Year to be ... increments."
[21:14 22:7] Add Paras	"with cc to: ... (512) 435-2360"
[25:20 26:20] Changed	", " to ". "

This redlined draft, generated by CompareRite (TM) - The Instant Redliner, shows the differences between -
original document : I:\DOCSDATA\ABDAUST\32955\0100\0080505.01
and revised document: I:\DOCSDATA\ABDAUST\32955\0100\0080505.02

CompareRite found 61 change(s) in the text

Deletions appear as Strikethrough text surrounded by {}
Additions appear as Double Underline text surrounded by []