

LEONARD & HURT
A PROFESSIONAL CORPORATION
ATTORNEYS AT LAW
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600 NORTH PEARL STREET
DALLAS, TEXAS 75201-2872
(214) 954-6300
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SUITE 1280
816 CONGRESS
AUSTIN, TEXAS 78701
(512) 477-7161
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SUITE 131
4545 BISSONNET
HOUSTON, TEXAS 77401
(713) 666-6388
TELECOPY (713) 666-6454

SUITE 1175
1819 H STREET N. W.
WASHINGTON, D.C. 20006
(202) 223-2500
TELECOPY (202) 296-7967

March 23, 1998

1 PAGE VIA FAX TO 214 520-1970; 2 PAGES VIA U.S. MAIL

Mr. Samuel R. Bonney, Vice President
Castle Hills Golf Corp.
3838 Oak Lawn Avenue, Suite 800
Dallas, TX 75219

RE: Contract for Non-Potable Water Service dated as of November 1, 1997 (the "Contract"), by and between Denton County Fresh Water Supply District No. 1-C and Castle Hills Golf Corp. ("CHGC")

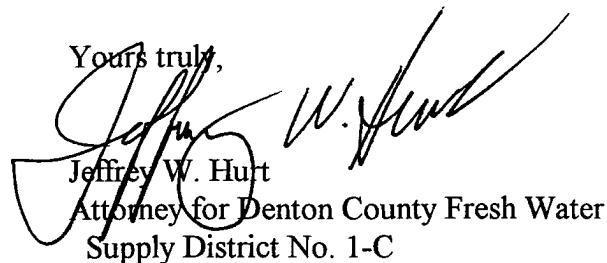
Dear Mr. Bonney:

This is to confirm to you that subject to review and approval of an Assignment Agreement, the Denton County Fresh Water Supply District No. 1-C ("the District") would not object to an Assignment of the above-referenced Contract for Non-Potable Water Service from CHGC to Castle Hills Golf Partners, Ltd., a Texas limited partnership.

In addition, the District's engineer has responded to your request for plan approval, the original of which response has been approved by the District and is enclosed herewith.

Once you have prepared the formal Assignment Agreement, please forward it to me for my comments. The original of this document will be mailed to you for your file. Thank you for your attention to this matter.

Yours truly,


Jeffrey W. Hurt
Attorney for Denton County Fresh Water
Supply District No. 1-C

JWH/jmc/be



HUNTER ASSOCIATES TEXAS, LTD.
ENGINEERS/PLANNERS/SURVEYORS

8140 WALNUT HILL LANE • ONE GLEN LAKES • SUITE 500 • DALLAS, TEXAS 75231-4350 • 214/369-9171 • FAX 214/696-3795
1106 CLAYTON LANE • SUITE 410E • AUSTIN, TEXAS 78723-1033 • 512/454-8716 • FAX 512/454-2433

March 17, 1998

Mr. Joe Cotter
Castle Hills Golf Corporation
North Josey Lane, #120-224
Carrollton, TX 75008

Re: Denton County Fresh Water Supply District No. 1-C
Castle Hills Golf Course

Dear Mr. Cotter:

Hunter Associates Texas, Ltd., as District Engineer for Denton County Fresh Water Supply District No. 1-C, has reviewed the preliminary grading plans prepared by Jay Morrish and Associates, Inc. for the grading of the Castle Hills Golf Course and recommend approval.

Recommended:
Hunter Associates Texas, Ltd.

Tony Krauska, P.E.
Senior Vice President

Approved:
Denton County Fresh Water Supply District No. 1-C

By:

Name: Curtis Vaughn

Title: President

MAR-23-98 16:30

ID:214 954 6386

LEONARD HURT DAL

JOB NUMBER

621

INFORMATION CODE

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3838 Oak Lawn Avenue, Suite 800
Dallas, TX 75219

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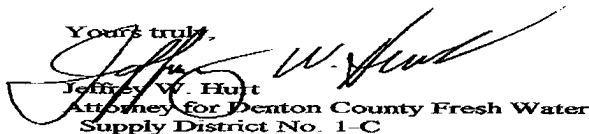
Dear Mr. Bonney:

This is to confirm to you that subject to review and approval of an Assignment Agreement, the Denton County Fresh Water Supply District No. 1-C ("the District") would not object to an Assignment of the above-referenced Contract for Non-Potable Water Service from CHGC to Castle Hills Golf Partners, Ltd., a Texas limited partnership.

In addition, the District's engineer has responded to your request for plan approval, the original of which response has been approved by the District and is enclosed herewith.

Once you have prepared the formal Assignment Agreement, please forward it to me for my comments. The original of this document will be mailed to you for your file. Thank you for your attention to this matter.

Yours truly,


Jeffrey W. Hurt
Attorney for Denton County Fresh Water
Supply District No. 1-C

JWH/jmc/be

DC 100-1-A
Project Management ✓
Agreement (DC 1-C)
11-1-97 ~~not time~~ - or Vette
Finalized & approved by
[Signature] Lewisville

in Note

No in Sappene PID
Created in assessment
Plan approved!
JMC

PROJECT MANAGEMENT AGREEMENT

THIS PROJECT MANAGEMENT AGREEMENT (the "Agreement") is made and entered into as of the 1st day of November, 1997, by and between the City of Lewisville, Texas, a home rule city and political subdivision of the State of Texas, organized pursuant to Article XI, Section 5 of the Constitution of the State of Texas (the "City"), Denton County Fresh Water Supply District No. 1-A, a political subdivision of the State of Texas organized under Article XVI, Section 59 and Article III, Section 52 of the Constitution of the State of Texas ("District 1-A"); and Denton County Fresh Water Supply District No. 1-C, a political subdivision of the State of Texas organized under Article XVI, Section 59 and Article III, Section 52 of the Constitution of the State of Texas ("District 1-C").

R E C I T A L S

WHEREAS, the City, District 1-A and Denton County Fresh Water Supply District No. 1-C ("District 1-C") have entered into an Amended and Restated Joint Utility Contract (the "Joint Utility Contract") dated as of November 1, 1997;

WHEREAS, the Joint Utility Contract, and this Agreement are necessary and appropriate to implement the provisions of the Castle Hills Public Improvement District Assessment/Service Plan, set forth in Resolution No. 2123-7-96CR, adopted by the City on August 5, 1996;

WHEREAS, the City, District 1-A and District 1-C desire to enter into this Agreement pursuant to which District 1-A shall have primary responsibility as the Project Manager, as provided in Section 2.02 of the Joint Utility Contract, and shall attend to the construction, acquisition and operation of the Facilities, as defined in the Joint Utility Contract (the "Project");

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, and subject to the conditions hereinafter set forth, the City and District 1-A hereby agree as follows:

ARTICLE 1

REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 1.1 Representations, Covenants and Warranties of the City.

The City represents, covenants and warrants as follows:

(a) The City is a duly formed and validly existing home rule city and political subdivision of the State of Texas organized pursuant to Article XI, Section 5 of the Constitution of the State of Texas and is governed by laws of the State of Texas.

(b) The City is authorized to enter into this Agreement and the transactions contemplated hereby; and to carry out its obligations under this Agreement.

(c) The officers of the City executing this Agreement have been duly authorized to execute and deliver this Agreement.

(d) The City will not amend or modify the terms of this Agreement or enter into a new project management agreement with District 1-A or any other entity without first having received and delivered to District 1-A the opinion of independent counsel that the proposed amendment or modification of this Agreement or entering into the new agreement will not affect the excludability, for federal income tax purposes, of the interest portion of Obligations issued pursuant to the Joint Utility Contract from the gross income, as defined in Section 61 of the Internal Revenue Code of 1986, as amended. The term "Obligations" shall have the meaning assigned to it in the Joint Utility Contract.

(e) The Project will assist the City in furnishing water, sewer, drainage and other public improvements to territory within the extraterritorial jurisdiction of the City.

Section 1.2 Representations, Covenants and Warranties of District 1-A.

District 1-A represents, covenants and warrants as follows:

(a) District 1-A is a political subdivision of the State of Texas, created and organized pursuant to Article XVI, Section 59 and Article III, Section 52 of the Constitution of the State of Texas and is duly organized, validly existing and in good standing under the laws of the State of Texas; is duly qualified to transact business in the State of Texas and in every jurisdiction in which the nature of its activities requires it to be so qualified; has full and complete power to enter into this Agreement, to enter into and carry out the transactions contemplated hereby, and to carry out its obligations under this Agreement; and has duly authorized the execution and delivery of this Agreement.

(b) Neither the execution and delivery of this Agreement nor the fulfillment of or compliance with the terms and conditions hereof nor the consummation of the transactions contemplated hereby conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which District 1-A is now a party or by which District 1-A or its project is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the project or assets of District 1-A.

Section 1.3 Representations, Covenants and Warranties of District 1-C.

District 1-C represents, covenants and warrants as follows:

(a) District 1-C is a political subdivision of the State of Texas, created and organized pursuant to Article XVI, Section 59 and Article III, Section 52 of the Constitution of the State of Texas and is duly organized, validly existing and in good standing under the laws of the State of Texas; is duly qualified to transact business in the State of Texas and in every jurisdiction in which the nature of its activities requires it to be so qualified; has full and complete power to enter into this Agreement, to enter into and carry out the transactions contemplated hereby, and to carry out its obligations under this Agreement; and has duly authorized the execution and delivery of this Agreement.

(b) Neither the execution and delivery of this Agreement nor the fulfillment of or compliance with the terms and conditions hereof nor the consummation of the transactions contemplated hereby conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which District 1-C is now a party or by which District 1-C or its project is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the project or assets of District 1-C.

ARTICLE 2

PROJECT MANAGEMENT PLAN AND BUDGET

Section 2.1 Project Management Plan. The parties acknowledge that District 1-A has prepared for the Project, a proposed development plan (the "Project Management Plan") for the completion of development of the Project. The parties acknowledge that the Project Management Plan for the Project contains the following:

(a) The recommended time sequence in which construction and acquisition of the Facilities should be completed, including completion of the streets and highways planned for the Project, installation of water, sewer, drainage and other public utilities on the Project, and completion of off-site development;

(b) Estimating costs of the Facilities; and

(c) Recommending a time sequence for the issuance of bonds, notes and other obligations;

Section 2.2 Project Budget. The parties acknowledge that District 1-A will prepare a general budget for the Project (the "Project Budget"), which will be attached hereto as Exhibit "B", and incorporated herein for all purposes.

Section 2.3 Revised Project Budget. In the event the District 1-A anticipates variances between the results of costs and expenditures incurred with regard to development and construction of the Project and the estimate set forth in the Project Budget, District 1-A

shall deliver written notices to the City of such anticipated variances specifying the reasons therefor and concurrently therewith submit a revised Project Budget to the City for approval. The City shall approve or disapprove the revised Project Budget within fifteen (15) days following the delivery thereof by District 1-A to the City of the revised Project Budget.

Section 2.4 Budget Limitations. Any term or provision hereto to the contrary notwithstanding, the approved Project Budget shall constitute an authorization for District 1-A to expend money to develop and construct the Project. District 1-A may do so without further approval so long as the District 1-A does not exceed the Project Budget. In addition, in any situation which District 1-A deems to be an emergency, District 1-A shall be authorized to make expenditures not approved in the Project Budget to the extent that each such expenditure is either (i) immediately required by law, or (ii) not in excess of \$5,000; provided, however, District 1-A shall attempt to notify the City of such emergency expenditure prior to incurring same.

ARTICLE 3

DEVELOPMENT DUTIES

Section 3.01. Development Services. Following the approval of the Development Plan and the Project Budget for the Project, District 1-A shall perform services identified below including, but not limited to, the following (to the extent so required) with respect to the Project:

- (a) Arrange for, supervise and enter into contracts for engineering and architectural services necessary to execute the Development Plan including, but not limited to, the preparation of plats, detailed design of utilities, streets, subdivisions and prepared building sites;
- (b) Together with District 1-C, arrange for, supervise and enter into contracts with architects, engineers and other design and planning professionals, necessary for the planning and construction of the Project in accordance with the Development Plan;
- (c) Submit the Development Plan, or portion thereof, and any necessary plat or plats for approval of the appropriate tribunals as may be necessary;
- (d) Negotiate with each of the various utility companies (other than the City) that provide utility service to obtain installation of electricity, gas, water, sewer and telephone facilities required to implement the Development Plan;
- (e) Arrange for, supervise and enter into contracts for the construction of the Project in accordance with the Development Plan, and plans and specifications approved by District 1-C and District 1-A, and prepare budgets for various stages of development;

(f) Coordinate with various municipal, county, state agencies, school districts and District 1-C with respect to the design of services required to implement the Development Plan, including, without limitation, the location of schools, roads, access to existing roads, major drainage systems, and sewer and water lines;

(g) Review all statements, invoices, requests for payment of bills and expenses and draw requests and send same to a designated representative of District 1-C and the City for approval by the City and District 1-C and payment by Trustee, pursuant to Article 4 hereof;

(h) Arrange for, supervise and cause all contractors to provide all insurance required by the Trust Agreement defined in Article 4 hereof, including worker's compensation insurance, public liability insurance, and other insurance protection for damages which might reasonably be expected to occur in the development of the Project in such amounts and with such insurers as are required by the terms of the Trust Agreement.

(i) Meet with municipal, utility, and state officials and with municipal bodies, such as school and park boards, planning boards, water boards, boards of equalization and appeal, and boards of assessment;

(j) Cause to be prepared, developed and recorded such plats, restrictions, land use agreements, and other documents that are necessary for the proper and orderly development of the Project. Such documents shall be in compliance with ordinances, rules and regulations of the appropriate city and county; the laws, rules, and regulations of the State of Texas applicable to the parties and such Project; and in compliance with the laws, rules, and regulations of any other governmental unit or agency having jurisdiction over the Project;

(k) Negotiate for, and procure, permits and approvals of appropriate governmental, municipal and environmental authorities and utility companies with respect to the development of the Project in accordance with the Development Plan;

(l) Prepare plans and specifications, advertise and take bids for contracts and/or subcontracts for the performance of construction work in connection with the development and improvement of the Property, including the installation of streets, alleys, utilities and other on-site or off-site improvements, in accordance with the Development Plan;

(m) Cause the engineer of District 1-A, or some other qualified party, to supervise the performance of all contracts and/or subcontracts for the performance of construction work in connection with the construction of the Project, including periodic inspection of construction work;

(n) Coordinate work of contractors and subcontractors for the performance of construction work with respect to the Project;

(o) Coordinate the financing related to the development and construction of the Project, subject to the approval and only at the request of District 1-C and the City on such terms and conditions as shall be approved by District 1-C and the City;

(p) Perform such other reasonable services and functions that the City deems are necessary for the successful completion of the development of the Project.

(q) District 1-A shall enter into one or more Contracts with Contractors providing for the design, acquisition, construction and installation of the Facilities. All construction will be coordinated and supervised pursuant to this Project Management Agreement. District 1-A agrees to cause the Project to be constructed and kept at all times free and clear of all liens, encumbrances and security interests (other than those created by, or permitted by, the Trust Agreement) in compliance with State and Federal laws applicable to the construction of the Facilities, and to obtain all approvals necessary from appropriate governmental authorities, to construct the Facilities. District 1-A shall require that each Contractor shall provide payment and performance bonds, as required by law.

ARTICLE 4

COSTS OF PROJECT

Section 4.1 Employees at Project. All employees and consultants necessary or appropriate to the implementation of the terms of the agreement shall be employed by District 1-A or shall be employed by District 1-C, with the approval of District 1-A. All costs of such employees and consultants shall be invoiced monthly by District 1-A to District 1-C.

Section 4.2 Project Costs. 1-C shall pay the costs associated with the Facilities, from any lawfully available funds, including, but not limited to, District Facility Charges, and revenues derived from the ownership and operation of the Facilities and proceeds derived from the sale of the Obligations.

Section 4.3 Contracts. All contracts entered into pertaining to the development of the Project shall be in the name of the District 1-A, or its designated related entity or the City, in the manner specified by the Joint Utility Contract.

Section 4.4 Inspection Rights. The City shall at all times have the right to inspect District 1-A's records with respect to the work provided under this Agreement with respect to the Project. District 1-A agrees to make available to the City the records and accounts kept on the Project for inspection by the City. District 1-A agrees, for accounting purposes,

to keep separate from any of District 1-A's other projects, all records, ledgers, invoices, receipts, and such other documents detailing the activity of the Project.

ARTICLE 5

APPROVALS

Section 5.1 Approvals by the City. District 1-A will take no action in connection with the development of the Project unless such action either is in accordance with the Development Plan and the Project Budget for the Project then in effect or approved in writing by the City. The District 1-A may take any actions reasonably contemplated and required by the approved Development Plan and the approved Project Budget then in effect for the day-to-day operation of the Project, including, without limitation, approving construction contracts, without any prior approval by the City; provided, however, any and all plans, designs and specifications for the Project shall be approved and executed by the City, which approval shall not be unreasonably withheld.

ARTICLE 6

COVENANTS

Section 6.1 Compliance with Laws and Government Regulations. District 1-A shall keep the Project in compliance, in all material respects, with applicable federal, state and local laws, ordinances, regulations and orders relative to the use, operation, leasing, repair, and maintenance of the Project and with all the terms of the Trust Agreement. District 1-A shall, in all material respects, abide by all applicable federal, state and municipal rules and regulations applicable to the Project.

Section 6.2 Liens and Encumbrances. Without the prior written approval of the City (unless required by the Development Plan), District 1-A shall not do any of the following: (i) allow any encumbrance or lien to be placed against the Project or any part thereof (unless created by, or permitted by the Trust Agreement); (ii) allow any easement, right-of-way, deed restrictions, building line, lease, or other cloud on title to be created with respect to the Project or any part thereof; or (iii) modify any existing instrument creating any of the rights or other matters described in clauses (i) and (ii) above.

Section 6.3 Performance. District 1-A shall perform and complete its obligations under this Agreement in a professional and workmanlike manner in accordance with existing first class industry standards and shall maintain and operate the Project in a manner so as to protect the value of the Project.

Section 6.4 Notices and Documents. District 1-A shall promptly advise the City of the Service upon District 1-A of any summons, subpoena, or other like legal document, including any notices, letters or other communications setting out or claiming an actual or alleged potential liability of the City or the Project and to fully cooperate with the City in connection with any legal or arbitration proceeding arising in connection with the Project or its operation. District 1-A shall also notify the City promptly of (i) any notice of violation or claimed violation of any governmental requirement, (ii) any damage to the Project, and (iii) any actual or alleged personal injury or property damage incurring to or claimed by any third party or employee on or with respect to the Project.

Section 6.5 District 1-A's Insurance. District 1-A shall maintain in effect at all times during the full term of this Agreement with insurers licensed to do business in the state where the Project is located and acceptable to the City and under forms of policies satisfactory to the City, and all insurance policies contemplated by this Section shall be placed with such companies, in such amounts, with such beneficial interests appearing thereon and as shall be required by the Trust Agreement. All costs of such insurance shall be "Administrative Expenses" and shall be paid from the "Administrative Expense Fund".

ARTICLE 7

COMPENSATION TO DISTRICT 1-A

Section 7.1 Development Compensation. As compensation to District 1-A the performance of its duties under this Agreement, District 1-C shall pay to District 1-A a monthly fee in an amount equal to \$1,000 per month beginning February 1, 1998 and ending with the expiration of the Agreement in accordance with Section 8.1 hereof.

ARTICLE 8

TERMS; DEFAULTS; TERMINATION

Section 8.1 Term. The term ("Term") of this Agreement shall commence on the date hereof and terminate thirty (30) days after the issuance of Completion Certificates by the Engineer for District 1-A of all Facilities unless sooner terminated or unless extended by mutual agreement of the City and District 1-A.

Section 8.2 Defaults.

(a) **Default by District 1-A.** District 1-A shall be deemed to be in default under this Agreement: (i) in the event the District 1-A shall fail to keep, observe or perform any material covenant, agreement, term or provision of this Agreement to be kept, observed or performed by the District 1-A, and such failure shall continue for a period of thirty (30)

days after written notice thereof by the City to the District 1-A, or if such failure cannot be cured within such thirty (30) day period, then such additional period not to exceed an additional fifteen (15) days, provided the District 1-A has proceeded to commence the cure of such failure and diligently proceeds to prosecute such cure to its completion, (ii) the making of a general assignment by the District 1-A for the benefit of its creditors, the filing by the District 1-A with any bankruptcy court of competent jurisdiction of a voluntary petition under Title 11 of the United States Code, as the same may be amended from time to time.

(b) Default by City. The City shall be deemed to be in default hereunder (i) in the event the City shall fail to pay or to approve for payment any sums of money due and payable pursuant to the terms of this Agreement within fifteen (15) days after written notice thereof from the District 1-A to the City, (ii) in the event the City shall fail to keep, observe or perform any material covenant, agreement, term or provision of this Agreement to be kept, District 1-A observed or performed by the City (other than the payment of money to the District 1-A) and such failure shall continue for a period of thirty (30) days after written notice thereof by the District 1-A to the City, or if such default cannot be cured within such thirty (30) day period, then such additional period not to exceed an additional fifteen (15) days, provided that the City is capable of curing same and has proceeded to commence the cure of such failure and diligently proceeds to prosecute such cure to its completion, or (iii) the making of a general assignment by the City for the benefit of its creditors, the filing by the City with any bankruptcy court of competent jurisdiction of a voluntary petition under Title 11 of the United States Code, as the same may be amended from time to time. Notwithstanding anything to the contrary in this Agreement, the City's liability shall be limited to the assets in the Trust Estate established under the Trust Agreement.

Section 8.3 Termination for Cause.

(a) Termination by the City. This Agreement may be terminated by the City, for Cause (hereinafter defined), at any time by the City's delivery to the District 1-A of written notice of such termination which notice shall specify in detail the reasons for such termination and any such termination shall be effective (i) two (2) business days after the delivery of such notice, or (ii) immediately in the event that due to the willful misconduct of the District 1-A, material and physical damage to the Project has occurred or is imminent or there exists the imminent likelihood of harm or injury to persons with respect thereto. If this Agreement is terminated pursuant to the provisions of this Section, the City shall pay the compensation contemplated hereby, together with any and all other sums owing by the City to the District 1-A in accordance herewith, through the date of such termination, within ten (10) days after the date of such termination. The obligations of this Section shall survive the termination hereof.

(b) Termination by the District 1-A. This Agreement may be terminated by the District 1-A, with Cause (hereinafter defined), at any time by the District 1-A's

delivery to the City of written notice of such termination which notice shall specify in detail the reasons for such termination and any such termination shall be effective (i) two (2) business days after the delivery of such notice, or (ii) immediately in the event that due to the wanton misconduct of the City, there exists the imminent likelihood of harm or injury to persons with respect to the Project. Regardless of a termination of this Agreement pursuant to the provisions of this Section, the City shall pay the compensation contemplated hereby, from the sources herein referenced, together with any and all other sums owing by the City to District 1-A in accordance herewith, through the date of such termination, within ten (10) days after the date of such termination. The obligations of this Section shall survive the termination hereof. Notwithstanding anything in this Agreement to the contrary, the liability of the City shall be limited to the assets in the Trust Estate established under the Trust Agreement.

(c) Cause. For purposes of this Agreement, the term "Cause" shall mean and be defined herein as follows:

i. The condemnation or destruction by casualty of all or substantially all of the Project;

ii. The occurrence of a default hereunder by the District 1-A or the City, as the case may be, and the delivery of any applicable notice and the expiration of any opportunity to cure contemplated hereby;

iii. The incurrence of costs and expenditures in excess of 100% of the costs and expenses contemplated by the Project Budget (as revised in accordance with Section 1.3 hereof), excluding any cost or expense overruns beyond the control of the District 1-A (including, without limitation, interest rate differentials, costs and expenses arising from any changes to the Development Plan or in the construction or development of the Project required by any governmental agency); or

iv. For purposes of this Section only, in the event construction or development of the Project ceases for a period of fifteen (15) consecutive business days and the District 1-A has not recommenced development and construction of the Project prior to the expiration of thirty (30) days after the delivery of written notice by the City to the District 1-A requesting that the District 1-A recommence construction and development of the Project.

Section 8.4 Delivery of Records. In the event of the termination of this Agreement (including any termination of this Agreement pursuant to Section 8.3 above), District 1-A shall deliver to the City within five (5) days after the date of such termination, all books, documents, funds, contracts, invoices, surveys, plans, receipts for payment, and the like maintained in connection with the development, marketing, and management of the Project and shall render a final accounting to the City within thirty (30) days after termination reflecting all invoices outstanding, all invoices paid, and any pending contracts of sale, in

addition to such other materials or actions as the City may request in order to effectuate an orderly and systematic termination of the District 1-A duties and activities hereunder.

ARTICLE 9

MISCELLANEOUS PROVISIONS

Section 9.1 Attorney's Fees. Should either party be required to employ an attorney to enforce or defend the rights of such party hereunder, the prevailing party shall be entitled to recover its reasonable attorneys' fees and expenses actually incurred in connection therewith.

Section 9.2 Governing Law. This Agreement is being executed and delivered, and is intended to be performed in the State of Texas, and the laws of such state shall govern the rights and duties of the parties hereto and the validity, construction, enforcement, and interpretation hereof.

Section 9.3 Notices. Unless specifically otherwise provided, whenever this Agreement requires or permits any consent, approval, notice, request, or demand from one party to another such communication must be in writing to be effective and shall be deemed to have been given on the day actually delivered by (a) telephonic facsimile communication, or (b) Federal Express or other guaranteed overnight delivery service. Until changed by notice pursuant hereto, the address for each party for purposes hereof is as follows:

City:

City of Lewisville
1197 W. Main at Civic Center
Lewisville, TX 75209
Attention: Claude King, Assistant City Manger

Denton County Fresh Water Supply District No. 1-A:

600 N. Pearl Street, Suite 900
Dallas, TX 75201
Attention: Jeff Hurt

with a copy to:

Tom Leonard
Leonard & Hurt,
a professional corporation
816 Congress Avenue, Suite 1280
Austin, TX 78701

Section 9.4 Headings; Terminology. Wherever in this Agreement the singular number is used, the same shall include the plural where appropriate, and vice versa; and words of any gender in this Agreement shall include each other gender where appropriate. The words "herein," "hereof," and "hereunder," and other words of similar import refer to this Agreement as a whole and not to any particular part of subdivision hereof. The headings, captions, and arrangements used in this Agreement are, unless specified otherwise, for convenience only and shall not be deemed to limit, amplify, or modify the terms hereof, nor affect the meaning thereof.

Section 9.5 No Assignment. No party hereto shall have the right to assign, transfer or convey any of its rights, title or interest hereunder to any entity without the prior written consent of the other party.

Section 9.6 Invalid Provisions. If any provision of this Agreement is held to be illegal, invalid, or unenforceable under the present or future laws effective during the term hereof, such provision shall be fully severable; this Agreement shall be construed and enforced as if such illegal, invalid, or enforceable provision or by its severance herefrom.

Section 9.7 Multiple Counterparts. This Agreement may be executed in a number of identical counterparts, each of which shall be deemed an original for all purposes and all of which constitute, collectively, one agreement; but, in making proof of this contract, it shall not be necessary to produce or account for more than one such counterpart.

Section 9.8 Entirety and Amendments. This Agreement embodies the entire agreement between the parties, supersedes all prior agreements and understandings, if any, relating to the subject matter hereof, and may be amended only by an instrument in writing executed jointly by District 1-A and the City, and supplemented only by documents delivered or to be delivered in accordance with the express terms hereof.

Section 9.9 Binding Effect. This Agreement shall be binding, and shall inure to the benefit of, District 1-A, the City, and the respective successors and assigns of each; subject to the restrictions on assignability set forth in Section 9.5 hereof.

Section 9.10 Business Day. For purposes hereof, the term "business day" or words of like import shall mean any day of the week other than Saturday, Sunday or legal holiday.

EXECUTED as of this 14th day of November, 1997.

ATTEST:

Gaylord S. Orr

DENTON COUNTY FRESH WATER SUPPLY
DISTRICT NO. 1-A

By: Mark H. Hall

ATTEST:

Trig W. Decker

DENTON COUNTY FRESH WATER SUPPLY
DISTRICT NO. 1-C

By: [Signature]

ATTEST:

CITY OF LEWISVILLE

By: _____

EXHIBIT "A"

Project Management Plan

Recommended Sequence of Construction of New Facilities
Pro Rata Share of Facilities for
City of Lewisville (Castle Hills Project)
Benefiting District Property

<u>Project</u>	<u>Estimated Amount</u>	<u>Completion Date</u>
Major Roadway and Landscape Incidental to such roadways to Access District 1-C		
Major Water System Improvements		
Major Sewer System Improvements and Share of Existing Lift Station		
Major Drainage System Improvements		

Recommended Time Sequence of Issuance of New Obligations

<u>Date</u>	<u>Amount</u>
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EXHIBIT "B"

The estimate of the principal amount of the obligations to be incurred by the District to provide the facilities, improvements and services and to cover the expenses necessary to administer, maintain and operate the improvements, facilities and services is \$ _____, more particularly set out as follows:

CONSTRUCTION COSTS

Acquisition of Contract Right To Capacity In Sanitary Sewer Trunk Line and Laterals	\$ _____
Roads and Streets	\$ _____
Storm Drainage System	\$ _____
Water Supply and Distribution System	\$ _____
Sanitary Sewer Collection System	\$ _____

SUBTOTAL \$ _____

Contingencies (13.41% of Subtotal) \$ _____

Design, Survey, Geotechnical, Engineering
and Contract Administration
(10.69% of Subtotal and Contingencies) \$ _____

TOTAL CONSTRUCTION COSTS \$ _____

NON-CONSTRUCTION COSTS

Legal Fees (2%)	\$ _____
Financial Advisory Fee (2%)	\$ _____
Underwriter's Discount (3%)	\$ _____
Capitalized Interest (2 Years @ 8% per annum)	\$ _____
Administration, organization, maintenance, and operation expenses	\$ _____

TOTAL NON CONSTRUCTION COSTS \$ _____

TOTAL PRINCIPAL AMOUNT OF
OBLIGATIONS TO BE INCURRED
BY THE DISTRICT TO PROVIDE
FACILITIES, IMPROVEMENTS
AND SERVICES AND TO BE REIMBURSED
FOR PRORATA SHARE OF PREVIOUSLY
FINANCED FACILITIES BENEFITTING
DISTRICT

\$ _____