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THE STATE OF TEXAS
COUNTY OF WISE

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THE STATE OF TEXAS
UPPER TRINITY GROUNDWATER
CONSERVATION DISTRICT

**INTERLOCAL AGREEMENT BETWEEN WISE COUNTY, TEXAS,
AND THE UPPER TRINITY GROUNDWATER CONSERVATION DISTRICT**

This Agreement is made and entered into between Wise County, Texas ("County"), and the Upper Trinity Groundwater Conservation District ("District"), a political subdivision of the State of Texas created under the authority of Article XVI, Section 59, Texas Constitution, and operating pursuant to the provisions of Texas Water Code, Chapter 36, and Senate Bill 1983, Acts of the 80th Texas Legislature, Regular Session, 2007.

RECITALS

WHEREAS, the County and the District both believe it is in the best interests of the County and the District to manage the groundwater resources of the Trinity Aquifer in the area in and around Wise County, Texas, for use by the present and future citizens of the County;

WHEREAS, the County and the District find that the District's enabling legislation, Senate Bill 1983, Acts of the 80th Texas Legislature, Regular Session, 2007, provides that the boundaries of the District include the County, as well as Montague, Parker, and Hood Counties;

WHEREAS, the District's enabling legislation requires the District to conduct a confirmation election for the creation of the District;

WHEREAS, the confirmation election for the district has been called by the Board of Directors of the District for the November 6, 2007, uniform election date;

WHEREAS, if confirmed in the confirmation election, the District must then adopt a management plan and rules to establish a permitting system as required by its enabling legislation and the Texas Water Code;

WHEREAS, the District is presently insolvent, the District has no authority to levy taxes, and the District has no revenue source presently nor will it have a revenue source until it is able to promulgate and adopt rules setting user fees for certain groundwater wells;

WHEREAS, the District is likely not to have rules in place that will be generating revenue for the District before at least calendar year 2009;

WHEREAS, the County retained the law offices of Lloyd Gosselink Blevins Rochelle & Townsend, P.C. to pursue creation and organization of the District;

WHEREAS, the District approved retaining Lloyd Gosselink Blevins Rochelle & Townsend, P.C. as its general counsel at its meeting on September 4, 2007;

WHEREAS, the County and the District agree that the District should be responsible for paying fees and costs of Lloyd Gosselink Blevins Rochelle & Townsend, P.C. for services rendered related to the District beginning November 7, 2007, which is the date after the date of the District's confirmation election, and that the County should be responsible for paying such fees and costs that accrue prior to that date; and

WHEREAS, the District has incurred and will incur additional costs, fees, and expenses in obtaining statutorily required bonds, in purchasing insurance, in organizing and holding the confirmation election, in formulating and adopting rules and a district management plan, in establishing and formulating a permitting program, and for other reasons related to the operation and maintenance of the District in furtherance of the purposes for which the District was created before it will have its own source of revenue;

AGREEMENTS

NOW, THEREFORE, in consideration of the mutual covenants and agreements here set forth and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Country and the District agree as follows:

1. Because of the District's insolvency and present inability to generate a revenue stream, the County will pay for the costs of the statutorily required personal bonds for the Directors, for the costs of the District's officers and directors insurance for liability, errors and omissions, for the fees, costs, and expenses of Lloyd Gosselink Blevins Rochelle & Townsend, P.C. related to District work performed on or before November 6, 2007, and for such other costs and expenses as the District may incur that are related to any of the purposes for which it was created that accrue on or before November 6, 2007, on a monthly basis.

2. If the District's confirmation election results in the District being confirmed on November 6, 2007, the County will pay for the operating and maintenance fees, costs, and expenses of the District that accrue after November 6, 2007, but on or before September 30, 2009, on a monthly basis, including without limitation those related to the District directors, employees, engineers, attorneys, insurance, office(s) and other such fees, costs, and expenses that it lawfully may incur pursuant to the District's enabling legislation and Chapter 36, Water Code; provided, however, that such fees, costs, and expenses shall not exceed \$250,000.00 per fiscal year of the County during the fiscal year that they accrue, unless modified by the parties through an amendment to this Agreement or by separate agreement.

3. The District shall reimburse the County without interest for all monies expended on behalf of the District for purposes set forth under Agreement Paragraphs 1 and 2 above, save and except the fees, costs, and expenses incurred on behalf of the District by Lloyd Gosselink Blevins Rochelle & Townsend, P.C. that accrue on or before November 6, 2007, which shall be paid by the County. The District shall complete such reimbursement to the County no later than

December 31, 2011, unless extended by the parties through an amendment to this Agreement. Notwithstanding the foregoing, any actual out-of-pocket election costs incurred on behalf of the District by Lloyd Gosselink Blevins Rochelle & Townsend, P.C. that must be paid by the District under the Texas Election Code shall be reimbursed by the District to the County in accordance with this paragraph.

4. If the District's confirmation election results in the District not being confirmed, thus resulting in the District having no ability or legal authority to generate revenue from any source, the County shall not be obligated to pay any expenses, fees, or costs incurred by the District on or after November 7, 2007, and the District shall not be obligated to reimburse the County for any monies expended on behalf of the District to the extent authorized by law, notwithstanding any provision to the contrary herein.

5. The officers, managers, and attorneys of the District and the County are authorized to take any actions necessary or convenient to effectuate the purposes of this Agreement.

IN WITNESS, WHEREOF, the parties have executed this Agreement in multiple originals, this 20th day of OCTOBER, 2007.

UPPER TRINITY GROUNDWATER CONSERVATION DISTRICT:

By: Mike Massey
Mike Massey
President, Board of Directors

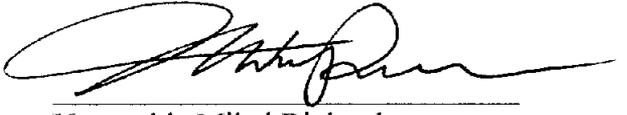
By: Glenn Smith
Glenn Smith
Secretary and Treasurer, Board of Directors

WISE COUNTY, TEXAS:

By: Bill McElhaney
Honorable Bill McElhaney
Wise County Judge

By: Robert Rankin
Honorable Robert Rankin
Wise County Commissioner, Precinct 1

By: 
Honorable Kevin D. Burns
Wise County Commissioner, Precinct 2

By: 
Honorable Mikel Richardson
Wise County Commissioner, Precinct 3

By: 
Honorable Terry Ross
Wise County Commissioner, Precinct 4