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November 2, 2007

Janey Miller
President
Fern Bluff Municipal Utility District
7320 Wyoming Springs Dr.
Round Rock, TX 78681

RE: SCADA System Defective Design/Construction Dispute

Dear Ms. Miller:

This letter will serve as a fee agreement letter between the Fern Bluff Municipal Utility District and the firm of Arnold & Placek, P.C. We are pleased to have the opportunity to represent the District in this matter. This letter will outline general terms of the representation.

The purpose of this letter, together with the enclosed "Standard Terms of Engagement," is to set out our understanding with respect to the specific terms of our relationship. Please review the Standard Terms of Engagement carefully and contact us promptly if you have any questions regarding our relationship. This letter, together with the Standard Terms of Engagement, constitutes our agreement with you (this "Agreement") under which our services will be provided.

Identity of Client

We will be representing the interests of the Fern Bluff Municipal Utility District.

Nature and Scope of Representation

We will be providing representation related to the dispute between the Fern Bluff Municipal Utility District and the entities involved in the design, management and project supervision of the SCADA System.

Supervision and Delegation

I will be the lead attorney who will coordinate and supervise the services we perform on your behalf. We routinely delegate selected responsibilities to other persons in our Firm when, because of special expertise, time availability or other reasons, they are in a better position to carry them out. In addition, we will try, where feasible and appropriate, to delegate tasks to persons who can properly perform them at the least cost to you.

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Financial Arrangements

The enclosed Standard Terms of Engagement, together with this letter, outlines the financial terms of our engagement. My hourly rate (and the rate of my partners) is \$185 per hour. We may use associate attorneys to perform some tasks on the project. Associate rates may vary between \$135 and \$175 per hour. Paralegal time will be billed at \$55 per hour.

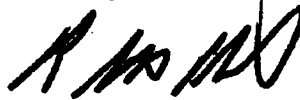
No retainer is required. If anything in this letter or the Standard Terms of Engagement is unclear or presents a problem to you, please advise me promptly so we may discuss it and reach a full understanding.

Acceptance of Terms

If this arrangement is acceptable to you, please sign the this letter and return it to us at your earliest convenience.

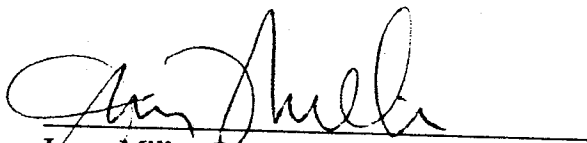
We truly appreciate the opportunity to be of service to you and look forward to working with you in a mutually beneficial relationship.

Sincerely,



R. Scott Placek

AGREED TO AND ACCEPTED:



Janey Miller, President
Fern Bluff Municipal Utility District

STANDARD TERMS OF ENGAGEMENT

This statement sets forth the standard terms of our engagement as your attorneys. Unless modified in writing by mutual agreement, these terms will be an integral part of our agreement with you. Therefore, we ask that you review this statement carefully and contact us promptly if you have any questions. We suggest that you retain this statement in your file.

1. **The Scope of Our Work**

You should have a clear understanding of the legal services we will provide. Any questions that you have should be dealt with promptly. We will provide services related only to matters as to which we have been specifically engaged.

We will at all times act on your behalf to the best of our ability. Any expressions on our part concerning the outcome of your legal matters are expressions of our best professional judgment, but are not guarantees. Such opinions are necessarily limited by our knowledge of the facts and are based on the state of the law at the time they are expressed. We cannot guarantee the success of any given matter, but we will strive to represent your interests professionally and efficiently.

2. **Fees For Legal Services**

Our charges for professional services are customarily based on the time devoted to the matter, the novelty and difficulty of the questions presented, the requisite experience, reputation and skill requested to deal with those questions, time limitations imposed by the circumstances, and the amount involved and the results obtained. Unless otherwise indicated in writing, our fees for legal services are determined on the basis of the hourly rates of the respective lawyers and paralegals who perform the services. These rates vary depending on the expertise and experience of the individual. We adjust these rates from time to time, increasing them as the individuals gain experience and expertise and to reflect current economic conditions. We will notify you in writing if this fee structure is modified.

3. **Other Charges**

All out-of-pocket expenses (such as long distance telephone charges, copying charges, travel expenses, messenger expenses and the like) incurred by us in connection with our representation of you will be billed to you as a separate item on your monthly statement. We have enclosed a schedule which indicates the rate at which most of these items will be charged.

4. **Billing Procedures and Terms of Payment**

Our billing period begins on the 1st day of the month and ends on the last day of the month. We will render periodic statements to you for legal services and expenses. We usually mail these

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periodic statements toward the beginning of the month following the latest date covered in the statement. Each statement is payable within 30 days of its stated date and must be paid in U.S. Dollars. If any statement is not paid within 30 days after its stated date, interest at the rate of 1 ½ percent per month (18 percent per annum) will accrue on the balance due. However, if at any time 18 percent per annum exceeds the highest interest rate permitted by applicable law, then the interest rate that will be applied to any overdue amounts will be reduced to the maximum rate permitted under applicable law.

If you have any question or disagreement about any statement that we submit to you for payment, please contact me at your earliest convenience so that we can resolve any problems without delay. Typically, such questions or disagreements can be resolved to the satisfaction of both sides with little inconvenience or formality.

5. Termination of Services

You have the right at any time to terminate our employment upon written notice to us, and if you do we will immediately cease to render additional services. We reserve the right to discontinue work on pending matters or terminate our attorney-client relationship with you at any time that payment of your account becomes delinquent. Additionally, in the event that you fail to follow our advice and counsel, or otherwise fail to cooperate reasonably with us, we reserve the right to withdraw from representing you upon short notice, regardless of the then status of your matter. No termination shall relieve you of the obligation to pay fees and expenses incurred prior to such termination.

6. Retention of Documents

Although historically we have attempted to retain for a reasonable time copies of most documents generated by this Firm, we cannot be held responsible in any way for failure to do so, and we hereby expressly disclaim any such responsibility or liability. You must ultimately retain all originals and copies you desire among your own files for future reference.

7. Fee Estimates

We are often requested to estimate the amount of fees and costs likely to be incurred in connection with a particular matter. Our attorneys do their best to estimate fees and expenses for particular matters when asked to do so. However, an estimate is just that, and the fees and expenses required are ultimately a function of many conditions over which we have little or no control, especially in litigation or negotiation situations where the extent of necessary legal services may depend to a significant degree upon the tactics of the opposition. Unless otherwise agreed in writing with respect to a specific matter, all estimates made by us shall be subject to your agreement and understanding that such estimates do not constitute maximum or fixed fee quotations and that the ultimate cost is frequently more or less than the amount estimated.

8. Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, United States of America. Venue of any case or controversy arising under or pursuant to this Agreement shall be in Williamson County, Texas, United States of America.

9. Questions

If you have any questions from time to time about any aspect of our arrangements, please feel entirely free to raise those questions. We want to proceed in our work for you with a clear and satisfactory understanding about every aspect of our billing and payment policies; and we encourage an open and frank discussion of any or all of the matters mentioned in this memorandum.

Client Costs Advanced Arnold & Placek

The firm incurs expenses on behalf of clients only when required by the legal needs of the clients. Some cases or matters require extensive use of copy facilities, and other cases may not be so paper intensive. Standard services such as secretarial and word processing time, file setup, and file storage are not charged; however, other expenses such as long distance fees, copies, delivery fees, and fax charges are billed to the client needing those services. An explanation of the billing structure is as follows:

Delivery Services

Runners employed by the firm pick-up and deliver documents to the client as well as to courts, agencies, and opposing parties. We charge a flat fee of \$7.50 per delivery within the downtown area and a graduated fee for longer distances. This fee is significantly lower than outside delivery services. Outside delivery services are used only when firm runners are not available and an urgent delivery is required. Outside delivery fees are charged to the client at the rate charged to the firm. Overnight delivery services are also charged at the rate charged to the firm.

Telephone

Our long distance charges are based on the exact number of minutes per call as provided by our carriers. The rate applied to the call is the actual cost billed plus the tax allocation for each such call. Cell phone charges will be charged at invoice rate if the call is long distance; otherwise, local cell phone charges will not be charged to the client.

Postage

Our postal equipment calculates exact US postage for all sizes and weights of posted material. The rate charged for postage is the same as the amount affixed to the material that is mailed. We will not charge clients for postage on routine correspondence. However, the cost of large-volume mail, certified mail, or other additional mail services will be charged to the client.

Copies

Our standard rate for copies made by firm personnel is \$.15 per copy. This charge covers paper, equipment costs, and other supplies. If savings can be realized within the required time frame by sending copy jobs to subcontractors, the firm uses only qualified legal services copiers and the cost charged to the client is the same as the amount billed to the firm.

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Fax

Long distance fax copies will be charged at the rate of \$.25 per page. Local fax copies will not be charged to the client.

Mileage

Mileage is charged at the current IRS reimbursement rate.

Travel

Attorney and paralegal time spent traveling on behalf of a client is billed to the client. Hotel, meal, local transportation, and similar expenses are charged based on receipts and travel expense forms submitted by the attorney. Documentation is available to the client if requested.

Other Expenses

Expenses incurred to outside providers in connection with the client's legal services should be paid by the client directly to the outside provider unless specifically arranged in advance. If the firm agrees to pay outside providers, the cost charged to the client is the same as the amount billed to the firm. Examples of such charges include: court reporter fees, filing fees, newspaper charges for publication notices, PUC download fees, expert witness fees, consultants, and other similar expenses. Such expenses will not be incurred without approval from the client.

Client Preferred Vendors

If you have preferred vendors or direct bill accounts with any legal support vendors, we will endeavor to use those vendors whenever possible. You should notify the attorney in charge of your project of any such arrangements you would like us to utilize.