

Memo

To: Board of Directors of Chimney Hill MUD
From: Troy M. Bordelon, P.E.
CC: District Consultants
Date: July 13, 2005
Re: Chimney Hill MUD Website Q&A – Description of Annexation Process

Any landowner outside the boundaries of Chimney Hill MUD (the "District") seeking utilities from the District must be annexed into the District as a condition for receiving service.

The landowner must complete an APPLICATION FOR SERVICE and pay a deposit to the District in the amount of \$2,500. The District uses the deposit to prepare a feasibility study. The District's Engineer prepares the feasibility study with the authorization from the Board of Directors (the "Board") of the District.

The Board reviews the feasibility study to determine if annexation is feasible for the District. If the Board determines that annexation of the land is not feasible, any remaining monies from the \$2,500 are returned to the landowner. Utilities will not be provided to the landowner.

If the Board determines that annexation of the tract is feasible for the District, the landowner will be responsible for surveying, engineering, and legal costs related to the annexation. The costs will initially be funded through a deposit in the amount of \$10,000 to be paid by the landowner to the District. If costs exceed this deposit, the District will bill the landowner for the additional costs. The terms of the annexation will be specified in an annexation agreement between the District and landowner.

The landowner must advance 100% of the costs for the design and construction of the utilities to serve the tract. The District will consider reimbursing the landowner for up to 70% of the costs of the utilities out of proceeds of a future District bond sale. The reimbursement would be subject to the rules of the Texas Commission on Environmental Quality (TCEQ) and the terms of the annexation agreement between the District and the landowner.