



6136 FRISCO SQUARE BLVD., SUITE 400
FRISCO, TX 75034 | PHONE: (469) 925-0022
Email: kf@fanherlegal.com

April 25, 2024

Board of Directors
Santo Special Utility District
13497 S FM 4
Santo, Texas 76472

Re: Interpretation of Take-or-Pay Provision in City of Mineral Wells Proposed Contract

Dear Board of Directors:

The purpose of this letter is to provide the Santo Special Utility District (“District”) with additional information on the interpretation of the take-or-pay provisions in the latest version of the proposed contract from the City of Mineral Wells (“City”). The take-or-pay provisions are in the following sections of the proposed contract:

1. Section 6.1 – provides that the contract will become a monthly take-or-pay if the District exceeds the 13,857,503 gallon monthly maximum allocation for three (3) consecutive months. This provision says that the contract is a take-or-pay for the remainder of the “Assessment Period,” which is a rolling five (5) year period of time.
2. Section 2.5 – provides that the City has the option to convert the contract to a take-or-pay if the District uses a third party that is not the City or the District’s own supply within the District’s service area as an additional source of water.

Based on these two sections, the contract would not be an automatic take-or-pay contract upon execution. The contract would become a take-or-pay contract only if one of the conditions listed above is triggered.

Please let me know if you have any questions or need any additional information.

Regards,

A handwritten signature in blue ink that reads 'Kristen Fancher'.

Kristen O. Fancher
