

Lost Creek Municipal Utility District

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October 12, 2006

City of Austin
Att: City Council Members
P.O. Box 1088
Austin, Texas 78767-8865

Re: Request for Negotiation of Strategic Partnership Agreement with Lost
Creek Municipal Utility District

Dear Council Members:

On behalf of the Board of Directors of Lost Creek Municipal Utility District (the "District"), I am writing to formally request that the Austin City Council negotiate and enter into a written strategic partnership agreement with the District pursuant to and in accordance with Section 43.0751, Texas Local Government Code.

Under the Local Government Code, if the District and City cannot reach an agreement on the terms of a strategic partnership agreement, then either party may request the appointment of an arbitrator within 60 days of the date of this letter. Because of the short time period available for negotiations prior to arbitration, we suggest that a series of meetings be scheduled to conduct negotiations. If you have an alternative method or procedure for conducting negotiations that you prefer, however, please advise us accordingly.

We look forward to your prompt response and negotiations regarding the terms of a strategic partnership agreement.

Sincerely,



Rick Cherye, President

cc: Laura Huffman
City Clerk
LCMUD Board of Directors