

Section 6.2 Customer's Debt Service Component.

(a) Subject to the provisions of subsection (b), below, Customer's Debt Service Component for any month shall equal one-twelfth (1/12) of the product of the Annual Debt Service Requirement for that year multiplied by Customer's Debt Service Percentage for that month. For the purposes of determining Customer's Debt Service Percentage, the percentage will be the Customer's Daily Commitment as set forth in this Agreement as the numerator and the Plant Initial Daily Capacity as the denominator.

(b) If a debt service reserve fund is established by GBRA in the bond resolution to secure payment of debt service on the Bonds, the money on deposit in such debt service reserve fund will be used to pay the final debt service requirements on the Bonds when the remaining total outstanding debt service requirements on the Bonds equals the amount of money on deposit in such debt service reserve fund.

Section 6.3 Customer's Operation and Maintenance Component.

Customer's Operation and Maintenance Component for any month shall equal one-twelfth (1/12) of the product of the Annual Operation and Maintenance Requirement for that year multiplied by Customer's Operation and Maintenance Percentage for that month.

Section 6.4 Customer's Miscellaneous Bond Requirements Component.

Customer's Miscellaneous Bond Requirements Component for any month shall equal one-twelfth (1/12) of the product of the Annual Miscellaneous Bond Requirements for that year multiplied by Customer's Debt Service Percentage for that month. For the purposes of determining Customer's Debt Service Percentage, the percentage will be the Customer's Daily Commitment as set forth in this Agreement as the numerator and the Plant Initial Daily Capacity as the denominator.

Section 6.5 Customer's Raw Water Component.

(a) Customer's Required Monthly Raw Water Purchase for each month during any calendar year shall be 1/12th of the Raw Water Reservation. Customer agrees to pay GBRA each month for Customer's Required Monthly Raw Water Purchase, in accordance with the following provisions of this Section 6.5, whether or not such amount, or any of it, is taken by Customer.

(b) Customer's Raw Water Component for each month beginning the earlier of January 2002 or the month immediately following the month in which an order of the TNRCC granting, in

whole, GBRA's Application to Amend the Canyon Certificate becomes final and not appealable, through the Termination Date, shall equal the product of Customer's Required Monthly Raw Water Purchase for each month times the District-Wide Raw Water Rate in effect that month; provided, however, that if Customer's payments under this subsection (c) extend for more than 36 months before GBRA is first able to deliver treated water to the Point of Delivery, then Customer's Raw Water Component beginning the 37th month through the month immediately preceding the month in which GBRA is first able to deliver treated water to the Point of Delivery shall equal one-half of the product of Customer's Required Monthly Raw Water Purchase each month times the District-Wide Raw Water Rate in effect that month.

(c) The District-Wide Raw Water Rate may be changed by the GBRA Board of Directors at any time and from time to time. GBRA agrees to provide Customer with notice 60 days in advance of such changes, provided, however, GBRA's failure to provide Customer with such notice shall not in any manner effect Customer's obligation to pay such changed District-Wide Raw Water Rate in accordance with the terms of this Agreement.

Section 6.6 Payments by Customer Unconditional.

GBRA and Customer recognize that the Bonds will be payable from and secured by a pledge of the sums of money to be received by GBRA from Customer under this Agreement and from Other Customers under similar contracts. In order to make the Bonds marketable at the lowest available interest rate, it is to the mutual advantage of GBRA and Customer that Customer's obligation to make the payments required hereunder be, and the same is hereby, made unconditional. All sums payable hereunder to GBRA shall, so long as any part of the Bonds are outstanding and unpaid, be paid by Customer without set-off, counterclaim, abatement, suspension or diminution except as otherwise expressly provided herein; and so long as any part of the Bonds are outstanding and unpaid, Customer shall not have any right to terminate this Agreement nor be entitled to the abatement of any payment or any reduction thereof nor shall the obligations hereunder of Customer be otherwise affected for any reason, it being the intention of the parties that so long as any portion of the Bonds are outstanding and unpaid, all sums required to be paid by Customer to GBRA shall continue to be payable in all events and the obligations of Customer hereunder shall continue unaffected, unless the requirement to pay the same shall be reduced or terminated pursuant to an express provision of this Agreement or pursuant to express written notice of GBRA.

Section 6.7 Source of Payments from Customer.

(a) All payments required to be made by Customer to GBRA under this Agreement shall be payable from any and all sources available to Customer, including without limitation, the income of Customer's System or debt issued by the Customer secured by the pledge of only the income of Customer's System.

(b) Customer represents and covenants that all moneys required to be paid by Customer under this Agreement shall constitute an operating expense of Customer's System as authorized by the Constitution and laws of the State of Texas.

Section 6.8 Customer's Covenant to Maintain Sufficient Income.

Subject to any limitations imposed by TNRCC rules, Customer agrees to fix and maintain rates and collect charges for the facilities and services provided by Customer's System as will be adequate to permit Customer to make prompt payment of all expenses of operating and maintaining Customer's System, including payments under this Agreement and to make prompt payment of the interest on and principal of any obligations of Customer payable, in whole or in part, from the revenues of Customer's System. Customer further agrees to comply with all of the provisions of the obligations which are payable, in whole or in part, from the revenues of Customer's System.

Section 6.9 Billing.

GBRA will render bills to Customer once each month for the payments required by this Article. GBRA shall, until further notice, render such bills on or before the 10th day of each month and such bills shall be due and payable at GBRA's office indicated below by the 20th day of each month or fifteen (15) days after such bill is deposited into the United States mail, properly stamped, addressed and postmarked to Customer, whichever is later. GBRA may, however, by sixty (60) days written notice change the monthly date by which it shall render bills, and all bills shall thereafter be due and payable ten (10) days after such date or fifteen (15) days after such bill is deposited into the United States mail, properly stamped, addressed and postmarked to Customer, whichever is later.

Customer shall make all payments in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts and shall make payment to GBRA at its office in the City of Seguin, Texas, or at such other place as GBRA may from time to time designate by sixty (60) days written notice.

Section 6.10 Delinquency in Payment.

All amounts due and owing to GBRA by Customer shall, if not paid when due, bear interest at the maximum rate permitted by law, provided that such rate shall never be usurious. If any amount due and owing by Customer is placed with an attorney for collection by GBRA, Customer shall pay to GBRA, in addition to all other payments provided for by this Agreement, including interest, GBRA's collection expenses, including court costs and attorney's fees. Customer further agrees that GBRA may, at its option, discontinue delivering treated water to Customer until all amounts due and unpaid are paid in full with interest as herein specified. Any such discontinuation shall not, however, relieve Customer of its unconditional obligation to make the payments required hereunder, as provided by Section 6.6 of this Agreement.

ARTICLE VII

PROJECT REPRESENTATION

Section 7.1 Project Management Committee.

An advisory committee (the "Project Management Committee") will be established to provide advice to GBRA with respect to the Project and Project-related actions proposed to be taken by GBRA including, without limitation, advice to GBRA with respect to GBRA's preparation of any operating plans for the Project. Customer is entitled to have a representative on the Project Management Committee. GBRA's representative shall be designated by GBRA's General Manager and shall be the Chairman of the Project Management Committee. Customer's representative will be designated by Customer.

Section 7.2 Budgets, Audits, Records.

GBRA will provide the Project Management Committee with the first annual Project budget four months prior to Project start-up, and it will thereafter provide subsequent annual Project budgets. The Project budgets will include all Operation and Maintenance Expenses, debt service, and capital improvements. GBRA will also submit annual audited financial statements of GBRA to the Project Management Committee.

ARTICLE VIII

TERM OF AGREEMENT AND RIGHTS AFTER TERMINATION

Section 8.1 Term.

(a) This Agreement shall be effective as of the date first written above and, unless it is terminated earlier pursuant to Section 3.3, above or pursuant to any other provision, shall continue in effect until December 31, 2037, or as it may be extended pursuant to subsections (d) or (e) below, on which date this Agreement shall terminate unless extended pursuant to subsection (c) below (the "Termination Date").

(b) From and after the Termination Date, Customer shall have no right to be supplied any water, and GBRA shall have no obligation to supply any water to Customer.

(c) If all of the Project Debt Instruments (including principal and interest) for the Project will not be fully paid by the Termination Date, then GBRA shall have the right, at any time before such date, to extend the Termination Date to December 31 of the year in which the Project Debt Instruments are to be paid. Any extension by GBRA pursuant to this subsection shall be effective as of the date that GBRA gives Customer written notice of the extension.

(d) During the month of January 2037, GBRA shall give Participant written notice of the "Extension Raw Water Rate" to be utilized in calculating Participant's Raw Water Component to be paid by Participant if the Termination Date is extended beyond December 31, 2037. If GBRA fails to give Participant timely written notice of the Extension Raw Water Rate as set forth above in this subsection (d), then the Extension Raw Water Rate for each month beginning January 2038 shall be the District-Wide Raw Water Rate in effect that month. If Participant desires to extend the Termination Date, then it shall give GBRA, after January 31, 2037 and by not later than June 30, 2037, written notice of extension. If Participant gives GBRA timely written notice of extension, then the Termination Date shall be extended to December 31, 2057.

(e) If the Termination Date is extended to December 31, 2057, pursuant to subsection (d), above, then during the month of January 2057, GBRA shall give Participant written notice of the "Extension Raw Water Rate" to be utilized in calculating Participant's Raw Water Component to be paid by Participant if the Termination Date is extended beyond December 31, 2057. If GBRA fails to give Participant timely written notice of the Extension Raw Water Rate as set forth above in this subsection (e), then the Extension Raw Water Rate for each month beginning January 2058 shall be the District-Wide Raw Water Rate in effect that month. If Participant desires to extend the Termination Date, then it shall give GBRA, after January 31, 2057, and by not later than June 30, 2057, written notice of extension. If Participant gives GBRA timely written notice of extension, then the Termination Date shall be extended to December 31, 2077. Any extension thereafter shall be by mutual agreement of the parties.

Section 8.2. Rights after Termination.

Except as specifically provided otherwise in this Agreement, all of the rights and obligations of the parties under this Agreement shall terminate upon termination of this Agreement, except that such termination shall not affect any rights or liabilities accrued prior to such termination.

ARTICLE IX

OTHER PROVISIONS

Section 9.1 Waiver and Amendment.

Failure to enforce or the waiver of any provision of this Agreement or any breach or nonperformance by Customer or GBRA shall not be deemed a waiver by GBRA or Customer of the right in the future to demand strict compliance and performance of any provision of this Agreement. No officer or agent of GBRA is authorized to waive or modify any provision of this Agreement. No modifications to or rescission of this Agreement may be made except by a written document signed by GBRA's and Customer's authorized representatives.

Section 9.2 Remedies.

It is not intended hereby to specify (and this Agreement shall not be considered as specifying) an exclusive remedy for any default by Customer, but all such other remedies existing at law or in equity including, without limitation, termination or suspension of service, may be availed of by GBRA and shall be cumulative. In no event shall Customer be entitled to any monetary damages (including, without limitation, any consequential or indirect damages) or any other remedy other than specific performance for any default by GBRA under this Agreement or for any claim brought against GBRA under this Agreement or otherwise relating to the supply of water by GBRA, and in no event shall Customer be entitled to any attorneys fees, court costs or other expenses incurred by Customer in bringing any suit alleging such default or claim.

Section 9.3 Force Majeure.

If for any reason of force majeure, either GBRA or Customer shall be rendered unable, wholly or in part, to carry out its obligations under this Agreement, other than the obligation of Customer to make the payments required under the terms of this Agreement, then if the party shall give notice of the reasons in writing to the other party within a reasonable time after the occurrence of the event, or cause relied on, the obligation of the party giving the notice, so far as it is affected by the force majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period. The term "force majeure" as used in this Agreement shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of public enemy, orders or actions of any kind of government of the United States or of the State of Texas, or any civil or military authority, insurrections, riots, epidemics, land slides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraints of government and people, civil disturbances, explosions, breakage or accident to dams, machinery, pipelines, canals, or other structures, partial or entire failure of water supply including pollution (accident or intentional), and any inability on the part of GBRA to deliver treated water on account of any other cause not reasonably within the control of GBRA.

Section 9.4 Non-Assignability.

Customer may not assign this Agreement without first obtaining the written consent of GBRA; provided however, GBRA shall not unreasonably refuse. This prohibition on assignment does not apply to any transfer of stock of the Customer.

Section 9.5 Entire Agreement.

This Agreement constitutes the entire agreement between GBRA and Customer and supersedes any prior understanding or oral or written agreements between GBRA and Customer respecting the subject matter of this Agreement.

Section 9.6 Severability.

The provisions of this Agreement are severable and if, for any reasons, any one or more of the provisions contained in the Agreement shall be held to be invalid, illegal or unenforceable in any respect, the invalidity, illegality or unenforceability shall not affect any other provision of this Agreement and this Agreement shall remain in effect and be construed as if the invalid, illegal or unenforceable provision had never been contained in the Agreement.

Section 9.7 Captions.

The sections and captions contained herein are for convenience and reference only and are not intended to define, extend or limit any provision of this Agreement.

Section 9.8 No Third Party Beneficiaries.

This Agreement does not create any third party benefits to any person or entity other than the signatories hereto, and is solely for the consideration herein expressed.

Section 9.9 Notices.

All notices, payments and communications ("notices") required or allowed by this Agreement shall be in writing and be given by depositing the notice in the United States mail postpaid and registered or certified, with return receipt requested, and addressed to the party to be notified. Notice deposited in the mail in the previously described manner shall be conclusively deemed to be effective from and after the expiration of three (3) days after the notice is deposited in the mail. For purposes of notice, the addresses of and the designated representative for receipt of notice for each of the parties shall be as follows:

For GBRA:

Guadalupe-Blanco River Authority
Attention: General Manager
933 E. Court Street
Seguin, Texas 78155

And for Customer:

Jay Parker
Kendall County Utility Company, Inc.
Tapatio Springs Service Company, Inc.
P.O. Box 550
Boerne, Texas 78006

Either party may change its address by giving written notice of the change to the other party at least fourteen (14) days before the change becomes effective.

In witness whereof, the parties hereto, acting under the authority of the respective governing bodies, have caused this Agreement to be duly executed in multiple counterparts, each of which shall constitute an original.

GUADALUPE-BLANCO RIVER AUTHORITY

By: _____

William E. West, Jr., General Manager

ATTEST:

Dawn Helsch

KENDALL COUNTY UTILITY COMPANY

By: _____

Name: John J. Parker

Title: President

TAPATIO SPRINGS SERVICE COMPANY, INC.

By: _____

Name: John J. Parker

Title: President

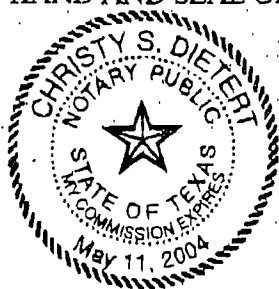
ATTEST:

Dawn Paymorean

THE STATE OF TEXAS §
 §
COUNTY OF GUADALUPE §

BEFORE ME, the undersigned, a Notary Public in and for said State, on this day personally appeared William E. West, Jr., known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the GUADALUPE-BLANCO RIVER AUTHORITY, a conservation district and political subdivision, and that he executed the same as the act of such conservation district and political subdivision, and that he executed the same as the act of such conservation district and political subdivision for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 21st day of March, 2002.



Christy S. Dietert
Notary Public
The State of Texas

(Seal)

THE STATE OF TEXAS §
 §
COUNTY OF KENDALL §

BEFORE ME, the undersigned, a Notary Public in and for said State, on this day personally appeared John J. Parker, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 18 day of March, 2002.



Kellie Cluck
Notary Public
The State of Texas

(Seal)

REC'D SEP 13 2005



GENERAL OFFICE
933 East Court Street
Seguin, Texas 78155
Phone: 830-379-5822
800-413-5822
Fax: 830-379-9718

BUDA WASTEWATER
RECLAMATION
PLANT
575 County Road 236
Buda, Texas 78610
Phone: 512-312-0526
Fax: 512-312-0526

COLETO CREEK PARK
AND RESERVOIR
P.O. Box 68
Pattin, Texas 77960
Phone: 361-575-6366
Fax: 361-575-2267

LAKE WOOD
RECREATION AREA
167 FM 2091 South
Gonzales, Texas 78629
Phone: 830-672-2779
Fax: 830-672-2779

LOCKHART WATER
TREATMENT PLANT
547 Old McMahon Road
Lockhart, Texas 78644
Phone: 512-398-3528

LOCKHART
WASTEWATER
RECLAMATION
SYSTEM
4435 FM 20 East
Lockhart, Texas 78644
Phone: 512-398-6391
Fax: 512-398-2036

LIVING WATER
TREATMENT PLANT
350 Memorial Drive
Living, Texas 78648
Phone: 830-875-2132
Fax: 830-875-2132

PORT LAVACA
OPERATIONS
P.O. Box 146
Port Lavaca, Texas 77979
Phone: 361-552-9751
Fax: 361-552-6529

SAN MARCOS WATER
TREATMENT PLANT
91 Old Bastrop Road
San Marcos, Texas 78666
Phone: 512-353-3888
Fax: 512-353-3127

VICTORIAL REGIONAL
WASTEWATER
RECLAMATION
SYSTEM
P.O. Box 2085
Victoria, Texas 77902-2085
Phone: 361-578-2878
Fax: 361-578-9039

GBRA WEBSITE
www.gbra.org

GUADALUPE-BLANCO RIVER AUTHORITY

August 31, 2005

20-041-004-0811

Kellye Rila
Team Leader
Water Rights Permitting Team
P.O. Box 13087
Austin, TX 78711-3087

Re: First Amendment to Agreement Between Kendall County Utility Company and
Tapatio Springs Service Company, Inc. and Guadalupe-Blanco River Authority

Dear Ms. Rila:

In accordance with Rule 31 Texas Administrative Code, Sections 295.101 and 295.111, and Subchapter J of TAC Chapter 297, we hereby submit for your records the attached First Amendment to Agreement Between Kendall County Utility Company and Tapatio Springs Service Company, Inc. and Guadalupe-Blanco River Authority. This Amendment increases the commitment of raw water from Canyon Reservoir under Certificate of Adjudication 18-2074, as amended, from 500 acre-feet per year to 750 acre-feet to be used for municipal purposes. This contract expires on December 31, 2037.

Thank you for your attention to this matter. Please do not hesitate to contact me, if you have any questions.

Sincerely,

Fred M. Blumberg
Deputy General Manager

Enc.

Cc: John J. Parker, Jr.
Al Segovia, South Texas Watermaster
Roger Nevola, Attorney at Law

EXHIBIT 3

First Amendment to Agreement Between Kendall County Utility Company
and Tapatio Springs Service Company, Inc. and
Guadalupe-Blanco River Authority

This First Amendment to the March 18, 2002 Agreement between Kendall County Utility Company and Tapatio Springs Service Company, Inc. and the Guadalupe-Blanco River Authority (this "First Amendment") is made and entered into as of this 14th day of ~~June~~^{July} 2005, the "Effective Date" by and between Kendall County Utility Company and Tapatio Springs Service Company, Inc. ("Kendall County/Tapatio Springs") and the Guadalupe-Blanco River Authority (the "GBRA").

WHEREAS, on March 18, 2002, Kendall County/Tapatio Springs and GBRA entered into an agreement relating to the development, permitting, design, financing, construction and operation of a treated water supply project to serve Kendall County/Tapatio Springs and other parties; and

WHEREAS, within said agreement, the parties agreed that the raw water reservation amount was 500 acre-feet per year and an annual commitment of 150 acre-feet per year; and

WHEREAS, Kendall County/Tapatio Springs and GBRA both agree that it is desirable to amend the March 18, 2002 Agreement to increase the amount of raw water reserved by Kendall County/Tapatio Springs and to increase the annual commitment of treated water to Kendall County/Tapatio Springs.

NOW, THEREFORE, in consideration of the foregoing recitals and of the mutual benefits and provisions hereinafter contained in this First Amendment, Kendall County/Tapatio Springs and GBRA agree that the March 18, 2002 Agreement between Kendall County/Tapatio Springs and GBRA is amended as follows:

Section 4.3 Raw Water Reservation is stricken and this new Section 4.3 Raw Water Reservation is substituted to read as follows:

"The Raw Water Reservation is the maximum amount of raw water that GBRA shall be obligated to reserve for diversion, treatment and delivery to Customer in any calendar year. The Raw Water Reservation shall be seven hundred fifty (750) acre-feet per year."

Section 4.4 Annual Commitment, subsection (a), is stricken and this new Section 4.4 Annual Commitment, subsection (a), is substituted to read as follows:

"(a) The Annual Commitment for any calendar year is the maximum amount of treated water that GBRA shall be obligated to deliver to Customer during that year. The Annual Commitment initially shall be

.179 million gallons per day (200 acre-feet per year), subject to increase as set forth in subsection (b), below."

New Section 9.10 Participation Criteria is added to read as follows:

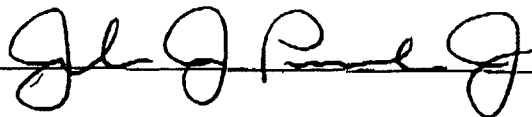
"This Agreement is subject to and the parties hereto agree to comply with the 'Participation Criteria for Treated Water Service from the Western Canyon Regional Treated Water Supply System (May 9, 2005)' approved by the GBRA Board of Directors on May 18, 2005."

IN WITNESS WHEREOF, this First Amendment to Agreement between Kendall County Utility Company and Tapatio Springs Service Company, Inc. and the Guadalupe-Blanco River Authority is executed as of the date first written above on behalf of Kendall County/Tapatio Springs and GBRA by their respective authorized officers, in multiple counterparts, each of which shall constitute an original.

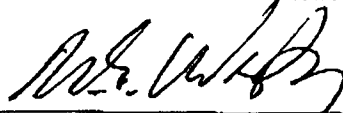
KENDALL COUNTY UTILITY COMPANY

By: 

TAPATIO SPRINGS SERVICE COMPANY, INC.

By: 

GUADALUPE-BLANCO RIVER AUTHORITY

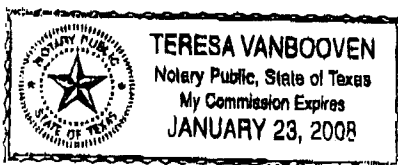
By: 
William E. West, Jr., General Manager

THE STATE OF TEXAS §

COUNTY OF GUADALUPE §

BEFORE ME, the undersigned, a Notary Public in and for said State, on this day personally appeared William E. West, Jr., known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that the same was the act of the GUADALUPE-BLANCO RIVER AUTHORITY, a conservation district and political subdivision, and that he executed the same as the act of such conservation district and political subdivision for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 16th day of June, 2005.



Teresa VanBooven
Notary Public
The State of Texas

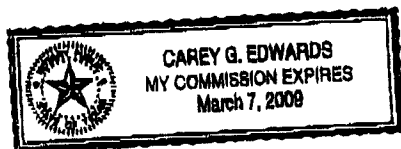
(Seal)

THE STATE OF TEXAS §

COUNTY OF KENDALL §

BEFORE ME, the undersigned, a Notary Public in and for said State, on this day personally appeared John J. Parker, Jr., known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 14 day of July, 2005.



Carey G. Edwards
Notary Public
The State of Texas

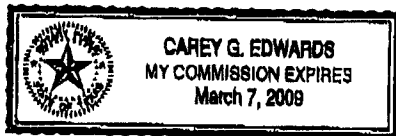
(Seal)

THE STATE OF TEXAS §

COUNTY OF KENDALL §

BEFORE ME, the undersigned, a Notary Public in and for said State, on this day personally appeared John J. Parker, Jr., known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 14th day of July, 2005.



Carey G. Edwards
Notary Public
The State of Texas

(Seal)

B & D ENVIRONMENTAL, INC.
UTILITY MANAGEMENT, OPERATIONS, AND CONSULTING

P.O. Box 90544
Austin, Texas 78709

Phone: (512) 264-9124
Fax: (512) 891-0740

October 7, 2005

Mr. Kamal Adhikari
TCEQ
Water Supply Division - MC 153
P.O. Box 13087
Austin, Texas 78711-3087

RE: Application from Tapatio Springs Services Company, Inc., (Tapatio Springs) to amend Water CCN No. 12122 and Sewer CCN No. 20698 in Kendall County; Application Nos. 34932-C and 34933-C

Dear Mr. Adhikari:

Attached, please find a copy of the report prepared by the design engineer evaluating the water supply issues related to serving the proposed development. I have also included a map of the proposed tracts to be developed in the proposed area.

As per the Non-Standard Service Agreement (a copy is included in Attachment B of the application), the developer is required to provide all the infrastructure necessary to serve the new development including storage, water distribution, pressure maintenance, wastewater collection, and wastewater treatment facilities. The new development most likely will include onsite facilities for the larger initial tracts. Future sections will have centralized sanitary sewer. However, the developer will be responsible for installing the necessary infrastructure. Existing sewer capacity will not be utilized to serve the proposed development.

Should you have any questions, please do not hesitate to contact me at 512-892-6366 or 512-917-6065 at any time.

Sincerely,



Darrell Nichols
B & D Environmental, Inc

Attachments: Water Supply Analysis
Map of Proposed Development

RECEIVED

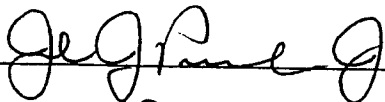
OCT 12 2005
TEXAS COMMISSION
ON
ENVIRONMENTAL QUALITY

SOAH Ex.
P-1

This Agreement shall be effective from and after the date of the execution by all parties. This agreement shall expire and be null and void if work on the Extension does not begin within twenty-four months after approval of this Agreement and shall be in effect for a term ending four years and one day after Developer fully performs the obligations under this Agreement; provided, however, if any claim or suit is filed relating to this Agreement or the Extension prior to the termination of this Agreement, this Agreement shall continue in effect until such claim or suit is finally resolved.

IN WITNESS WHEREOF each of the parties has caused this Agreement to be executed by its duly authorized representative in multiple copies, each of equal dignity, on the date or dates indicated below.

UTILITY COMPANY

By: 

Title: Vice President

Date: 8-31-04