

OATH

State of Texas

I, Patrick Lindner, being duly sworn, file this application as legal counsel; that, in such capacity, I am qualified and authorized to file and verify such application, am personally familiar with the maps filed with this application, and have complied with all the requirements contained in this application; and, that all such statements made and matters set forth therein are true and correct. I further state that the application is made in good faith and that this application does not duplicate any filing presently before the Texas Commission on Environmental Quality.

I further represent that the application form has not been changed, altered or amended from its original form available only from the Commission.

I further represent that the Applicant will provide continuous and adequate service to all customers and qualified applicants for service within its certificated service area.

Patrick Lindner

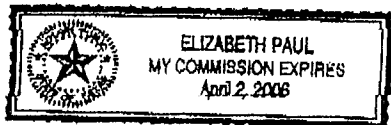
AFFIANT

(Applicant's Authorized Representative)

If the Affiant to this form is any person other than the sole owner, partner, officer of the Applicant, or its attorney, a properly verified Power of Attorney must be enclosed.

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public in and for the State of Texas, this 25th day of April, 2005.

SEAL



Elizabeth Paul
NOTARY PUBLIC

NOTICE OF APPLICATION FOR CERTIFICATE OF CONVENIENCE
AND NECESSITY (CCN) TO PROVIDE WATER AND SEWER
UTILITY SERVICE IN KENDALL COUNTY

Tapatio Springs Services Company, Inc. has filed an application to amend CCN Nos. 12122 and 20698 with the Texas Commission on Environmental Quality to provide water & sewer utility service in Kendall County.

The proposed utility service area is located approximately 2 miles west of downtown Boerne, Texas, and is generally bounded on the north by Ranger Creek Road; on the east by Johns Road; on the south by Tapatio Springs; and on the west by Bear Creek. The total area being requested includes approximately 5000 acres and no current customers.

A copy of the proposed service area map is available at 7550 West IH 10, Suite 800, San Antonio, Texas, 78229.

A request for a public hearing must be in writing. You must state (1) your name, mailing address, and daytime telephone number; (2) the applicant's name, application number or another recognizable reference to this application; (3) the statement, "I/we request a public hearing"; (4) a brief description of how you or the persons you represent, would be adversely affected by the granting of the application for a CCN; and (5) your proposed adjustment to the application or CCN which would satisfy your concerns and cause you to withdraw your request for a hearing.

Persons who wish to intervene or comment should write the:

Texas Commission on Environmental Quality
Water Supply Division
Utilities and Districts Section, MC-153
P. O. Box 13087
Austin, TX 78711-3087

within thirty (30) days from the date of this publication or notice. A public hearing will be held only if a legally sufficient hearing request is received or if the Commission on its own motion requests a hearing. Only those individuals who submit a written hearing request or a written request to be notified if a hearing is set will receive notice if a hearing is scheduled.

If a public hearing is requested, the Executive Director will not issue the CCN and will forward the application to the State Office of Administrative Hearings (SOAH) for a hearing. If no settlement is reached and an evidentiary hearing is held, the SOAH will submit a recommendation to the Commission for final decision. If an evidentiary hearing is held, it will be a legal proceeding similar to a civil trial in state district court.

NOTICE OF APPLICATION FOR CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN)
TO PROVIDE WATER AND SEWER UTILITY SERVICE IN KENDALL COUNTY

To: City of Boerne (CCN Nos. 10676 and 20273)
402 East Blanco Road
Boerne, Texas 78006

Date Notice Mailed: April , 2005

Tapatio Springs Services Company, Inc. has filed an application to amend CCN Nos. 12122 and 20698 with the Texas Commission on Environmental Quality to provide water & sewer utility service in Kendall County.

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NOTICE OF APPLICATION FOR CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN)
TO PROVIDE WATER AND SEWER UTILITY SERVICE IN KENDALL COUNTY

To: AquaSource Utility, Inc. (CCN No. 11157)
1421 Wells Branch Parkway, Suite 105
Pflugerville, Texas 78660

Date Notice Mailed: April , 2005

Tapatio Springs Services Company, Inc. has filed an application to amend CCN Nos. 12122 and 20698 with the Texas Commission on Environmental Quality to provide water & sewer utility service in Kendall County.

The proposed utility service area is located approximately 2 miles west of downtown Boerne, Texas, and is generally bounded on the north by Ranger Creek Road; on the east by Johns Road; on the south by Tapatio Springs; and on the west by Bear Creek. The total area being requested includes approximately 5000 acres and no current customers.

A request for a public hearing must be in writing. You must state (1) your name, mailing address, and daytime telephone number; (2) the applicant's name, application number or another recognizable reference to this application; (3) the statement, "I/we request a public hearing"; (4) a brief description of how you or the persons you represent, would be adversely affected by the granting of the application for a CCN; and (5) your proposed adjustment to the application or CCN which would satisfy your concerns and cause you to withdraw your request for a hearing.

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NOTICE OF APPLICATION FOR CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN)
TO PROVIDE WATER AND SEWER UTILITY SERVICE IN KENDALL COUNTY

To: Foothills Mobile Home Ranch, Inc. (CCN No. 12606)
99 September Lane
Boerne, Texas 78006

Date Notice Mailed: April , 2005

Tapatio Springs Services Company, Inc. has filed an application to amend CCN Nos. 12122 and 20698 with the Texas Commission on Environmental Quality to provide water & sewer utility service in Kendall County.

The proposed utility service area is located approximately 2 miles west of downtown Boerne, Texas, and is generally bounded on the north by Ranger Creek Road; on the east by Johns Road; on the south by Tapatio Springs; and on the west by Bear Creek. The total area being requested includes approximately 5000 acres and no current customers.

A request for a public hearing must be in writing. You must state (1) your name, mailing address, and daytime telephone number; (2) the applicant's name, application number or another recognizable reference to this application; (3) the statement, "I/we request a public hearing"; (4) a brief description of how you or the persons you represent, would be adversely affected by the granting of the application for a CCN; and (5) your proposed adjustment to the application or CCN which would satisfy your concerns and cause you to withdraw your request for a hearing.

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NOTICE OF APPLICATION FOR CERTIFICATE OF CONVENIENCE AND NECESSITY (CCN)
TO PROVIDE WATER AND SEWER UTILITY SERVICE IN KENDALL COUNTY

To: Kendall County Utility Company, Inc (CCN No. 11904) Date Notice Mailed: April , 2005
P.O. Box 1335
Boerne, Texas 78006

Tapatio Springs Services Company, Inc. has filed an application to amend CCN Nos. 12122 and 20698 with the Texas Commission on Environmental Quality to provide water & sewer utility service in Kendall County.

The proposed utility service area is located approximately 2 miles west of downtown Boerne, Texas, and is generally bounded on the north by Ranger Creek Road; on the east by Johns Road; on the south by Tapatio Springs; and on the west by Bear Creek. The total area being requested includes approximately 5000 acres and no current customers.

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If a public hearing is requested, the Executive Director will not issue the CCN and will forward the application to the State Office of Administrative Hearings (SOAH) for a hearing. If no settlement is reached and an evidentiary hearing is held, the SOAH will submit a recommendation to the Commission for final decision. If an evidentiary hearing is held, it will be a legal proceeding similar to a civil trial in state district court.

ATTACHMENT A



TEXAS COMPTROLLER OF PUBLIC ACCOUNTS
CAROLE KEETON STRAYHORN • COMPTROLLER • AUSTIN, TEXAS 78774

March 25, 2005

CERTIFICATE OF ACCOUNT STATUS

THE STATE OF TEXAS
COUNTY OF TRAVIS

I, Carole Keeton Strayhorn, Comptroller of Public Accounts of the State of Texas, DO HEREBY CERTIFY that according to the records of this office

TAPATIO SPRINGS SERVICES COMPANY

is, as of this date, in good standing with this office having no franchise tax reports or payments due at this time. This certificate is valid through the date that the next franchise tax report will be due May 16, 2005.

This certificate does not make a representation as to the status of the corporation's Certificate of Authority, if any, with the Texas Secretary of State.

This certificate is valid for the purpose of conversion when the converted entity is subject to franchise tax as required by law. This certificate is not valid for the purpose of dissolution, merger, or withdrawal.

GIVEN UNDER MY HAND AND
SEAL OF OFFICE in the City of
Austin, this 25th day of
March, 2005 A.D.

Carole Keeton Strayhorn
Texas Comptroller

Taxpayer number: 17422423867
File number: 0062108500

ATTACHMENT B

NON-STANDARD SERVICE AGREEMENT

THE STATE OF TEXAS

COUNTY OF KENDALL

THIS AGREEMENT is made and entered into by and between CDS International Holdings, Inc., hereinafter referred to as the "Developer" and Tapatio Springs Service Company, Inc., hereinafter referred to as the "Utility Company".

WHEREAS, the Developer is engaged in developing that certain 5,000 acres of land (more or less) in Kendall County, Texas, a legal description of the land being attached as Exhibit 1 and a location map being attached as Exhibit 2, said land being hereinafter referred to as "Property"; and

WHEREAS, the Utility Company owns and operates a water system which supplies potable water for human consumption and other domestic uses to customers within its service area and owns and operates a wastewater collection and treatment system that serves customers located within its service area; and,

WHEREAS, the Developer has requested the Utility Company to provide water and wastewater service to no more than 1,700 future customers within the Property through an extension of the Utility Company's water system and wastewater system, such extension hereinafter referred to as "the Extension."

NOW THEREFORE KNOW ALL MEN BY THESE PRESENT:

THAT for and in consideration for the mutual promises hereinafter expressed, and other good and valuable consideration, the sufficiency of which is hereby acknowledged by the parties, the Developer and the Utility Company agree as follows:

1. Engineering and Design of the Extension.
 - a. Prior to preparing any detail design of any portion of the Extension, Developer shall cause a Texas Registered Professional Engineer to prepare an engineering report showing the proposed Extensions, considering both the cost of construction and operation of the various components, and such report shall be submitted to Utility Company for approval. Within thirty days after receipt of the report Utility Company shall either approve the report or describe in detail the changes that must be made to obtain the approval by the Utility Company. Absent objections, within the time allowed, the report will be deemed approved by the Utility Company.
 - b. The Extension shall be engineered and designed by a Texas Registered Professional Engineer in accordance with the applicable specifications of the

Utility Company and all governmental agencies having jurisdiction. Developer will retain the Utility Company's Consulting Engineer to perform all required work on the Extension. After completion of the plans and specifications by the Consulting Engineer, the plans, and specifications shall become part of this Agreement by reference and shall more particularly define the "Extension". Developer and Utility Company each consent to the employment of the Consulting Engineer and waive any conflict of interest inherent to the relationship.

- c. The Extension must be sized to provide continuous and adequate water service to the Property based on plans for the development of the Property provided to the Utility Company by the Developer. The Utility Company may require the Extension to be oversized in anticipation of the needs of other customers of the Utility Company, subject to the obligation to reimburse the Developer for any such over sizing as provided below.
 - d. For a period of sixty (60) days following the date of completion of the plans and specifications of the Extension, the Developer may give notice of termination of this Agreement to the Utility Company. All costs of the preparation of those plans and specifications are to be borne by the Developer.
2. Required Sites, Easements or Right-of-Ways.
- a. Developer shall be responsible for dedicating or acquiring any sites on and easements across the Property, which are necessary for the construction of the Extension. Utility Company will be responsible for acquiring any easements or rights of way necessary for the Extension outside the Property and for obtaining any governmental approvals necessary to construct the Extension in public right-of-ways. Since acquisition of right-of-way, easements, and crossing permits is not subject to control by the Utility Company, the Utility Company's obligation to serve the Property, or any portion of the Property, is subject to Utility Company acquiring the right-of-way, easements, and permits required for the Extension.
 - b. Any sites, easements, and rights of way acquired by the Developer shall be assigned to the Utility Company upon proper completion of the construction of the Extension. The validity of the legal instruments by which the Developer acquires any such easements and by which Developer assigns such easements to the Utility Company must be approved by the Utility Company's attorney.
3. Construction of the Extension.
- a. The Developer shall cause the Extension to be constructed by a contractor acceptable to the Utility Company in accordance with the approved plans and specifications. The Consulting Engineer shall also be responsible for

the inspection of all phases of the construction of the Extension. The Developer will be responsible for the payment of all costs related to the inspections. The Contractor shall warranty the work and material for a term of twelve months after substantial completion of the Extension.

- b. The contractor(s) constructing or installing the Extension shall execute performance and payment bonds for the total projected cost of the contractor(s)' portion of the work and the performance bond shall include the twelve month warranty on the work and material, and shall provide insurance for the typical coverage for the work being performed, such insurance naming the Developer and Utility Company as additional insured for the work performed by the contractor on the Extension.

4. Dedication of Extension to the Utility Company.

Upon proper completion of construction of the Extension and final inspection and testing thereof by the Utility Company, the Extension shall be dedicated to the Utility Company by an appropriate legal instrument approved by the Utility Company's attorney. The Extension shall thereafter be owned and maintained by the Utility Company, subject to the Contractor's warranty obligations.

5. Cost of the Extension.

- a. Developer shall pay all costs associated with the Extension as a contribution in aid of construction, including without limitation the cost of the following:
 - 1. engineering and design;
 - 2. easements or right-of-ways acquisition;
 - 3. construction;
 - 4. inspection;
 - 5. engineering and attorney's fees and expenses;
 - 6. governmental or regulatory approvals required to lawfully provide service;
 - 7. procurement of water allotments(increased reservation of GBRA water).
- b. Developer shall indemnify the Utility Company and hold the Utility Company harmless from all of the foregoing costs.

- c. Provided, however, nothing herein shall be construed as obligating the Developer to maintain the Extension subsequent to its dedication and acceptance for maintenance by the Utility Company.
 - d. If the Utility Company has required the Extension to be oversized in anticipation of the needs of the other customers of the Utility Company, the Utility Company shall reimburse Developer for the additional costs of construction attributable to the over sizing, as determined by the Utility Company's Consulting Engineer.
 - e. The Developer's cost including the total of its contributions in aid of construction and its direct expenditures for the portion of the Extension which is not located on the Developer's Property shall not exceed a total of \$1,500,000.00. All other costs of the Extension as approved by the Utility Company shall be borne by the Utility Company. The Consulting Engineer shall divide the estimated cost of the Extension between the portion on the Property and off the Property in all proposals, plans and specifications prepared for the Extension. If the costs of the Extension not located on Developer's Property exceed \$1,500,000 and Developer chooses not to fund the excess, the Utility Company is under no obligation to fund any portion of the Developer's share of the costs of the Extension and Utility Company is under no obligation to furnish water service to the Property or any portion of the Property.
6. Service From the Extension
- a. After proper completion and dedication of the Extension to the Utility Company and payment by the Developer of all costs in accordance with this Agreement, the Utility Company shall provide continuous and adequate water service to the Property, subject to all duly adopted rules and regulations of the Utility Company and the payment of all standard rates, fees, and charges as reflected in the Utility Company's approved tariff
 - a. It is understood and agreed by the parties that the obligation of the Utility Company to provide water service in the manner contemplated by this Agreement is subject to:
 - 1. The issuance by the Texas Commission on Environmental Quality and all other governmental agencies having jurisdiction of all permits, certificates, or approvals required to lawfully provide such service.
 - 2. The approval by the GBRA of a contract to supply an additional 250 acre-feet of water per year to the Utility Company and approval by GBRA to Utility Company supplying water to the Property.

- c. Unless the prior approval of the Utility Company is obtained, the Developer shall not:
 - 1. Construct or install additional water lines or facilities to service areas outside the Property;
 - 2. Add any additional water lines or facilities to service areas outside the Property.
 - 3. Connect or serve any person or entity who, in turn, sells water service directly or indirectly to another person or entity.
- d. Nothing in this Agreement is intended to grant, nor shall any provision be interpreted to grant, Developer or any Utility Company customer located within the Property any preferential right to service or preferential fees in relation to other similarly situated customers of the Utility Company. The Utility Company's tariff and policies for service shall apply to all service offered or provided by Utility Company within the Property.

7. Service Area Issues.

Developer and Utility Company acknowledge and agree that the Property is not located within Utility Company's service area under the certificates of convenience and necessity issued to the Utility Company. Developer shall pay all costs associated with Utility Company obtaining regulatory authority to provide service to all or any part of the Property if Utility Company is required by law or the rules of the applicable regulatory authorities to obtain such approval prior to providing retail service within the Property.

8. GBRA issues:

- a. Developer and Utility Company acknowledge and agree that Utility Company may not supply water under its contract with the Guadalupe Blanco River Authority ("GBRA") to the Property without the prior consent of the GBRA. Developer shall pay all costs associated with Utility Company obtaining GBRA consent to supply water to all or any part of the Property.
- b. Section 5.4 of the contract between Utility Company and GBRA states as follows:

Customer agrees that the supply of water to Customer under this Agreement for use on any lands within a CCN in Kendall County shall be conditioned, to the extent allowed by law, on compliance, in the design, construction and operation of any building, facility, development or other improvement on such lands or other use of or activities on such lands or the treatment, disposal or reuse of wastewater generated on such lands, with all federal, state and local

laws, rules and regulations relating to (i) protection of the quality of groundwaters or surface waters; (ii) recharge of aquifers; or (iii) drainage and flood control. Customer further agrees that, to the extent allowed by law, it will not supply any water supplied to Customer under this Agreement for use on any lands if and for so long as there is any material non-compliance, in the design, construction or operation of any building, facility, development or other improvement on such lands or other use of or activities on such lands or the treatment, disposal or reuse of wastewater generated on such lands, with any such laws, rules or regulations. At GBRA's request from time to time, Customer shall demonstrate to GBRA its compliance with the requirements of this Section 5.4. If Customer fails to comply with the requirements of this Section 5.4 with respect to Customer's supply of water for use on any lands, GBRA shall have available all remedies allowed by law including, without limitation, termination of this Agreement, or suspension or reduction of the supply of treated water under this Agreement until Customer demonstrates that compliance has been achieved; provided, however, GBRA will notify Customer of the violation and provide Customer a reasonable time to cure the violation. Customer will not be obligated to implement any requirement that GBRA does not require all other Project customers or participants to implement.

Developer will not take any action that will cause Utility Company to violate this provision and will fully cooperate with Utility Company in performing its obligations under this section.

- c. Developer and Utility Company will fully cooperate with each other in the efforts by Utility Company to amend the GBRA contract to increase the amount of the raw water reservation by an additional 250 acre-feet of water and to relocate the point of delivery. If GBRA refuses to increase the amount of the raw water reservation by 250 acre-feet or lesser amount acceptable to Utility Company, Utility Company may cancel this Agreement upon thirty days notice to Developer. Based upon the information currently known to Utility Company, GBRA is willing to increase the amount of the reservation by 250 acre-feet and has submitted a contract to that effect to Utility Company.

9. Special Conditions.

Utility Company and Developer agree that the following special conditions shall apply and in the event of any inconsistency between these special conditions and the other parts of this Agreement, these special conditions shall apply:

- a. The Extension must include a means to receive water delivered by GBRA to Utility Company under the contract with GBRA, such delivery point being at

the City of Boerne's facilities on Cascade Caverns Road, and the means of storing and pumping the water from such point of delivery to existing Utility Company facilities, such as the ground storage tank on Johns Road, and/or new facilities constructed as part of the Extension. Developer and Utility Customer will cooperate with each other and GBRA to change the point of delivery and to install the necessary facilities at the point of delivery to receive and pump the water. Developer will pay all costs of connecting the Utility Company system to the GBRA system in accordance with section 3.2 of the GBRA contract, provided, however, if the facilities are oversized to allow Utility Company to serve territory located outside of the Property, Developer and Utility Company will pay the GBRA connection costs proportionately based upon the capacity of such connection facilities.

- b. The Extension will include all facilities and improvements required to serve customers within the Property.
- c. The Extension must be sized to accommodate Developer's projected maximum demand equivalent to 1700 residential connections within the Property, but the actual demand will be determined later.
- d. The Extension will include two water wells and related facilities (including storage tank(s), pressure tank(s), and disinfection equipment on two different tracts of land located within the Property, together with the drilling, production, and sanitary control easements required by state and local regulatory authorities, and all easements and utilities to drill and operate the wells and unrestricted access easements. In the event that additional easements or rights of way are required outside of property, Utility Company agrees to cooperate in the acquisition of such rights, including facilitating the use of public rights of way outside the Property.
- e. Upon acknowledgment by GBRA of the reservation of the additional 250 acre feet of water, Developer will pay Utility Company on a monthly basis the raw water component of the monthly charges paid by Utility Company to GBRA for the 250 acre-feet of water, such monthly charge being determined in accordance with section 6.5 of the GBRA contract (such amount being estimated at approximately \$1,800 per month) (the "Reservation Payment") for so long as the Developer's planned project requires the acquisition of this additional water capacity. If Developer's planned project requires less than 250 acre-feet of water, then Utility Company may ask GBRA to amend the contract to reduce the reservation, but absent agreement by GBRA, Developer shall continue to pay such charge until Utility Company obtains GBRA's consent, or another person needs the water and is willing to take over Developer's obligation under this section of the agreement. Payment by Developer of the Reservation Payment will continue until there are at least 500 active connections (homes occupied by the end-user) within the

Property.

- f. In the event Developers plans are revised to decrease the required number of connections all contributions in aid of construction which are variable or no longer required will be proportionately reduced or terminated if such costs are not required to serve the Developer's property.
- g. In order for Utility Company to have required access to and for facilities, Developer will grant a right of way for a service road within the Property for Utility Company's use to all its service facilities and as an easement for installation of water and wastewater facilities, such service road right of way being at the general location shown on the map attached as Exhibit 3 and being at least 30 feet with a temporary easement during the original construction of an additional 30 feet in width. Developer and Utility Company will determine who will pay the cost of constructing the roadway.
- h. Developer desires to install a wastewater collection and treatment system, Utility Company will apply for the necessary permits and Developer will pay the costs of obtaining such permits. The treatment plant will be owned and operated by Utility Company once construction of the treatment plant is completed. The Extensions may include a lift station and force main to the Utility Company's existing plant if necessary to provide limited, temporary service while such permit is being obtained and the treatment plant is being constructed. Nothing in this Agreement prevents Developer, or the ultimate customer, from installing a septic tank on certain lots within the Property, subject to local laws that may require abandonment of septic tanks if a wastewater collection system is within a certain distance. Developer will be responsible for obtaining permits for the wastewater treatment facility and paying the costs of obtaining the permits. Once the permits are final and non-appealable, Developer will assign, transfer, or amend the permits so that Utility Company will be the permittee.
- i. No funds paid by the Developer to the Utility Company will be used to defray any costs other than those directly related to providing services to the Property or the acquisition of water necessary to provide service to the Property or obtaining the consents and approvals required to serve the area . Any funds paid to the Utility Company in anticipation of service to a greater number or capacity of connections than finally constructed will be reimbursed to the Developer; provided, however, if Utility Company does not have a means to recover the costs of such excess capacity from other users (not including its retail customers) Developer will continue to pay the costs until another such user agrees to assume the costs.
- j. If a portion of the Extension is oversized, Utility Company and Developer will cooperate with each other regarding the time of construction and funding of same, but if either needs the portion of the Extension before the other party

desires to fund same, the oversized portion of the Extension will be funded within sixty days after either party gives written notice to the other stating that the party desires to proceed with the construction of the oversized portion of the Extension.

- k. Beginning the first month following GBRA approval of the reservation of 250 acre-feet of water, or a lesser or greater amount acceptable to Utility Company, Developer will pay Utility Company on a monthly basis an amount equal to the Utility Company's monthly payment to GBRA, less the customer's raw water component, such payment being calculated in accordance with article VI of the GBRA contract. The amount of the monthly payment paid by Developer will be calculated as follows:

Monthly GBRA charge (minus Raw water component for 250 acre-feet) multiplied by a factor equal to 0.333 (250/750), unless GBRA contract is amended to reserve more or less than the 250 acre-feet currently anticipated to be reserved).

The payment by Developer will continue until there are at least 500 active connections within the Property (an active connection meaning a home occupied by the end-user.)

- l. Under no circumstances is Utility Company obligated to use any portion of the 500 acre-feet currently reserved under the GBRA contract to provide water service to the Property or any portion of the Property. Under no circumstances is Utility Company obligated to use the groundwater supply facilities that it owns and operates on the effective date of this Agreement to supply water to the Property or any portion of the Property, or to use capacity in its wastewater treatment facilities that it owns on the effective date of this Agreement to supply the Property or any portion of the Property. If Utility Company determines that it may have capacity in either its groundwater supply facilities or wastewater treatment facilities in excess of the requirements for Utility Company's then-existing actual and projected demand within its service area as of the date of this Agreement and Utility Company chooses to use such excess capacity to provide service within the Property for the temporary period of time required to construct the Extension described in this Agreement, then Utility Company will notify Developer of that determination and the two parties will cooperate on developing a plan for the temporary use of such capacity.

However, to the extent of any conflict between the terms of this Agreement (including the special conditions) and the Utility Company's tariff in effect on the date this agreement is approved by the Utility Company, the Utility Company's tariff shall apply, but Utility Company will grant exceptions or variances to the tariff, to conform to this agreement and, if necessary, obtain regulatory

approval or any required changes to the tariff.

10. General Provisions.

- i. Effect of Force Majeure. In the event either party is rendered unable by force majeure to carry out any of its obligations under this Agreement (other than Developer's obligations to pay costs as described in this Agreement), in whole or in part, then the obligations of that party, to the extent affected by the force majeure shall be suspended during the continuance of the inability, provided however that due diligence is exercised to resume performance at the earliest practical time. As soon as reasonably possible after the occurrence of the force majeure relied upon to suspend performance, the party whose contractual obligations are affected thereby shall give notice and full particulars of the force majeure to the other party. The cause, as far as possible, shall be remedied with all reasonable diligence. The term "force majeure" includes acts of God, strikes, lockouts or other industrial disturbance, acts of the public enemy, orders of the government of the United States or the State of Texas or any civil or military authority. Insurrections, riots, epidemics, landslides, lightening, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraints of government and civil disturbance, explosions, breakage, or accidents to equipment, pipelines, or canals, partial or complete failures of water supply, and any other incapacities of either party, whether similar to those enumerated or otherwise, that are not within the control of the party claiming the inability and that could not have been avoided by the exercise of due diligence and care. It is understood and agreed that the settlement of strikes and lockouts shall be entirely within the discretion of the party having the difficulty and that the requirement that any force majeure be remedied with all reasonable dispatch shall not require the settlement of strikes and lockouts by acceding to the demands of the opposing party if the settlement is unfavorable to it in the judgment of the party having the difficulty.
- ii. Notices. Any notice to be given hereunder by either party to the other party shall be in writing and may be effected by personal delivery or by sending said notices by registered or certified mail, return receipt requested, to the address set forth below. Notice shall be deemed given when deposited with the United States Postal Service with sufficient postage affixed. Any notice mailed to the Utility Company shall be addressed:

Any notice mailed to the Utility Company shall be addressed:

Tapatio Springs Service Company, Inc.
P.O. Box 550
Boerne, Texas 78006

Any notice mailed to the Developer shall be addressed:

CDS International Holdings, Inc.
95 Northeast 4th Ave.
Delray Beach, Florida 33483

with copy to:

Grady B. Jolley
Nunley, Davis, Jolley & Hill, L.L.P.
1580 S. Main Street, Suite 200
Boerne, Texas 78006

Either party may change the address for notice to it by giving notice of such change in accordance with the provisions of this paragraph.

- iii. Severability. The provisions of this agreement are severable, and if any work, phrase, clause, sentence, paragraph, section, or other part of this Agreement or the application thereof to any person or circumstance shall ever be held by any court of competent jurisdiction to be invalid or unconstitutional for any reason, the remainder of this Agreement and the application of such word, phrase, clause, sentence, paragraph, section, or other part of this Agreement to other persons or circumstance shall not be affected thereby and this Agreement shall be construed as if such invalid or unconstitutional portion had never been contained therein.
- iv. Entire Agreement. This Agreement, including any exhibits attached hereto and made a part hereof, constitutes the entire agreement between the parties relative to the subject matter of this Agreement. All prior agreements, covenants, representations, or warranties, whether oral or in writing, between the parties are merged herein; provided, however, Developer's request for service and the Utility Company's tariff in effect on the date this Agreement is approved are incorporated by reference into this agreement for all intents and purposes.
- v. Amendments. No amendments of this Agreement shall be effective unless and until it is duly approved by each party and reduced to a writing signed by the authorized representatives of the Utility Company and the Developer, respectively, which amendment shall incorporate this Agreement in every particular not otherwise changed by the amendment.
- vi. Governing Law. This Agreement shall be construed under and in accordance with the laws of the State of Texas and all obligations of the parties are expressly deemed performable in Kendall County, Texas.

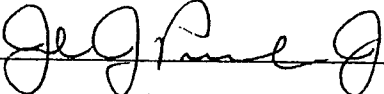
- vii. Venue. Venue for any suit arising hereunder shall be in Kendall County, Texas.
- viii. Successors and Assigns. This Agreement shall be binding on and shall inure to the benefit of the heirs, successors and assigns of the parties.
- ix. Assignability. The rights and obligations of the Developer hereunder may be assigned without the prior written consent of the Utility Company, however, no such assignment shall relieve the Developer, its successors or assigns of any obligation under this Agreement.

11. Effective Date and term.

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.

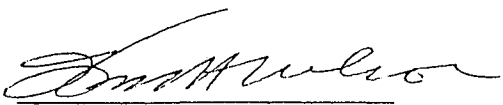
UTILITY COMPANY

By: 

Title: Vice President

Date: 8-31-04

DEVELOPER

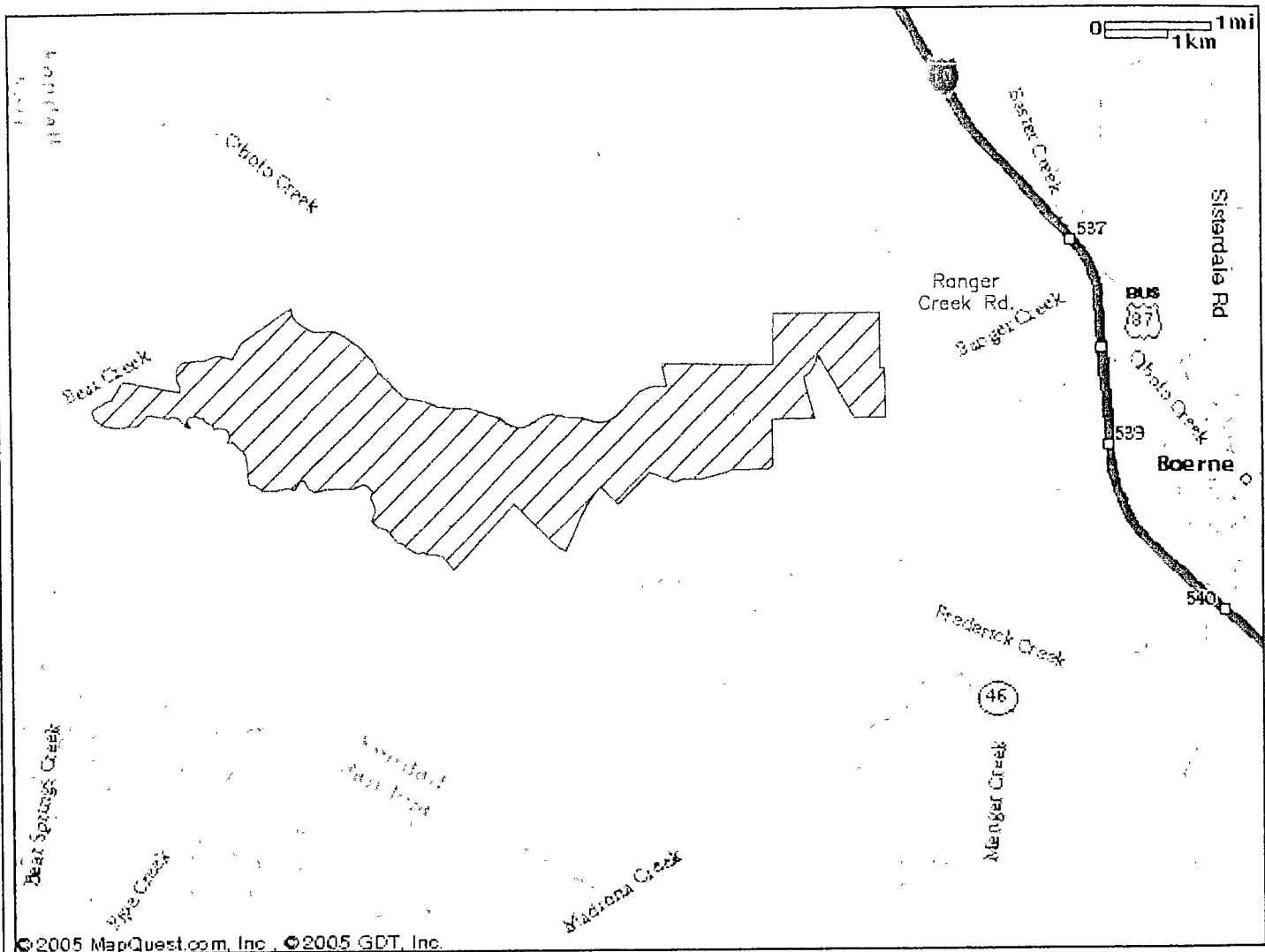
BY: 

Name: W. H. Milnor

Title: Professor

Date: 9/9/01

ATTACHMENT C



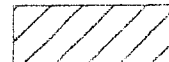
Tapatio Springs Services Company Inc.
Amendment of existing CCN No. 12122 and CCN No. 20698

April 18, 2005



KENDALL COUNTY

LEGEND



**Proposed
Service Area**

B
& ENVIRONMENTAL, INC.
D

ATTACHMENT D

Kathleen Hartnett White, *Chairman*
R. B. "Ralph" Marquez, *Commissioner*
Larry R. Soward, *Commissioner*
Margaret Hoffman, *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

January 12, 2004

Mr. Stan Scott, Systems Operations Manager
Tapatio Springs Services Company
P.O. Box 1335
Boerne, TX 78006-1335

Re: Notice of Violation for the Comprehensive Compliance Investigation at:
Tapatio Springs Wastewater Treatment Facilities located approximately 3.5 miles west-southwest
of the intersection of Interstate Highway 10 and Johns Road in Kendall County, Texas; TCEQ
Permit No. 12404-001.

Dear Mr. Scott:

The Texas Commission on Environmental Quality (TCEQ) San Antonio Region Office has received the compliance documentation that you submitted December 22, 2003 for the alleged violation noted during the investigation of the above-referenced facility conducted on September 16, 2003. The compliance documentation contained in your response appears to indicate that corrective action has been taken for the alleged violations. No further submittal from you is required concerning this investigation.

The Texas Commission on Environmental Quality appreciates your assistance in this matter and your compliance efforts to ensure protection of the State's environment. If you or members of your staff have any questions regarding these matters, please feel free to contact Mr. Chris Dziuk in the San Antonio Region Office at (210) 403-4027.

Sincerely,

A handwritten signature in cursive script, appearing to read "Thomas G. Haberle".

Thomas G. Haberle
Water Section Team Leader
San Antonio Region Office

TGH/CD/eg

REPLY TO: REGION 13 • 14250 JUDSON RD. • SAN ANTONIO, TEXAS 78233-4480 • 210/490-3096 • FAX 210/545-4329

P.O. Box 13087 • Austin, Texas 78711-3087 • 512/239-1000 • Internet address: www.tceq.state.tx.us

2003 02 PM 2:22

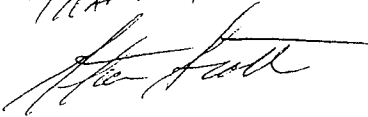
12-17-03

T.C.E.Q.
MANAGEMENT TEAM (MC 148)
AUSTIN, TX

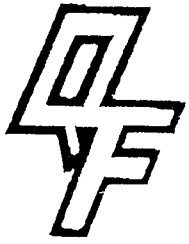
DEAR MANAGEMENT TEAM,
TAPATIO SPRINGS SERVICE COMPANY HAD HIRED ROLLS MANAGEMENT
/ MR. JESS MAYHELD TO OPERATE THE WATER AND WASTE WATER
TREATMENT PLANT FOR THEM.

THEY WERE NOT HAPPY WITH HIS SERVICE AND IN NOVEMBER
OF 1999, THEY HIRED DOUGLAS MOREAU TO TAKE OVER WITH
THE UNDERSTANDING THAT OVER A TIME HE WOULD
SHOW MR. MOREAU HOW EVERYTHING OPERATED. BUT
HE WOULD CONTINUE DOING THE REPORTS.

NOW THAT WE SEE THE REPORTS WERE NOT TAKEN
CARE OF, I HAVE TRIED TO PUT THE PAST REPORTS
TOGETHER AND NOW WE KNOW WHAT IS NEEDED, WE
WILL HAVE THEM IN THE FUTURE.

THANK YOU,

OPERATIONS MANAGER.

03:05 #587 P 02/02
"RECEIVED TOEQ"
SAN ANTONIO,
REGION



QUALITY FENCE & WELDING

NOV 19 PM 2:15

13115 Wetmore • San Antonio, Texas 78247
(210) 545-8767 • Fax (210) 490-9353
www.saqualityfence.com

November 18, 2003

Tapatio Springs Services Co.
P.O. Box 1335
Boerns, TX 78006
(830) 537-5755
(830) 537-5756 Fax

REC'D NOV 18 2003

Attn: Stan Scott
Re: Tank storage locations
Jobsite: Tapatio Springs Resort

We propose the following scope of work:

Install approximately 249 linear feet of 6' tall chain link with 10 each 3" corner posts, 4 each 3" gate posts and 2 each 4' walk gates.

Ridge: A - Pump Station
B - WATER TANK

- Fabric: 6' x 9 gauge
- Line posts: 2" full weight
- Corner Post: 3" full weight
- Top rail: 1 5/8" full weight
- Fittings: Galvanized
- Tension Wire: 7 gauge coil
- Gate Frames: 1 5/8" Full weight

Total.....\$3,197.00

Install approximately 106 linear feet of 1" x 4" x 8' cedar fence with 1 each 12' double drive gate

Hotel Lift Station

- Rails: 3 each 2" x 4" wolmanized
- Posts: 4" x 4" x 10' wolmanized, 8' on center
- Footings: 8" x 24" concrete
- Nails: Ring shank

Total.....\$2,305.00

Approval Signature

11-17-03
Date

Thank you,

Wes Wilkerson
Project Superintendent

WW/AR
Tapatio Springs Resort, CL., WW

CONTRACT CONDITIONS:

- ESTIMATE VALID FOR ONLY 30 DAYS FROM ABOVE DATE.
- PURCHASER IS SOLELY RESPONSIBLE FOR LOCATING, STAKING AND CLEARING FENCE LINES.
- ANY ADDITIONS OR DEVIATIONS FROM THE ABOVE SCOPE OF WORK MAY RESULT IN ADDITIONAL CHARGES OVER AND ABOVE THE QUOTED PRICE.
- S.A. QUALITY FENCE CO., LTD. DOES NOT ACCEPT ANY RESPONSIBILITIES FOR DAMAGE TO UNDERGROUND UTILITIES (I.E.: PLUMBING, ELECTRICAL, MECHANICAL, CABLE, AUTOMATIC SPRINKLERS, ETC.) ON SITE.
- ALL MATERIALS WILL REMAIN THE PROPERTY OF SA QUALITY FENCE LTD., DBA QUALITY FENCE & WELDING. QUALITY FENCE & WELDING HAS THE RIGHT TO REMOVE ANY AND ALL MATERIALS FROM WORK PERFORMED IF NOT PAID IN FULL.

Kathleen Hartnett White, *Chairman*
R. B. "Ralph" Marquez, *Commissioner*
Larry R. Soward, *Commissioner*
Margaret Hoffman, *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

November 14, 2003

CERTIFIED MAIL N^o 7002 2030 0006 9759 3764
RETURN RECEIPT REQUESTED

Mr. Stan Scott, Systems Operations Manager
Tapatio Springs Services Company
P.O. Box 1335
Boerne, TX 78006-1335

Re: Notice of Violation for the Comprehensive Compliance Investigation at:
Tapatio Springs Wastewater Treatment Facilities located approximately 3.5 miles west-southwest of the intersection of Interstate Highway 10 and Johns Road in Kendall County, Texas; TCEQ Permit No. 12404-001.

Dear Mr. Scott:

On September 16, 2003, Mr. Chris Dziuk of the Texas Commission on Environmental Quality (TCEQ) San Antonio Region Office conducted an investigation of the above-referenced facility to evaluate compliance with applicable requirements for wastewater treatment. Enclosed is a summary which lists the investigation findings. During the investigation, some concerns were noted which were alleged noncompliances that have been resolved through verbal notification and subsequent corrective action. In addition, certain outstanding alleged violations were identified for which compliance documentation is required. Please submit to this office by December 14, 2003 a written description of corrective action taken and the required documentation demonstrating that compliance has been achieved for the outstanding alleged violation.

In the listing of alleged violations, we have cited applicable requirements, including TCEQ rules. If you would like to obtain a copy of the applicable TCEQ rules, you may contact any of the sources listed in the enclosed brochure entitled "Obtaining TCEQ Rules."

The Texas Commission on Environmental Quality appreciates your assistance in this matter. Please note that the Legislature has granted TCEQ enforcement powers which we may exercise to ensure compliance with environmental regulatory requirements. Self-reported violations may be subject to enforcement, including penalties, upon review by the Enforcement Division. We anticipate that you will resolve the alleged violations as required in order to protect the State's environment. If you have additional information that we are unaware of, you have the opportunity to contest the

REPLY TO: REGION 13 • 14250 JUDSON RD. • SAN ANTONIO, TEXAS 78233-4480 • 210/490-3096 • FAX 210/545-4329

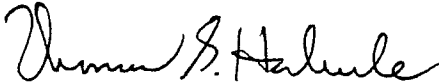
P.O. Box 13087 • Austin, Texas 78711-3087 • 512/239-1000 • Internet address: www.tceq.state.tx.us

Mr. Stan Scott
November 14, 2003
Page 2

violation(s) documented in this notice. Should you choose to do so, you must notify the San Antonio Region Office within 10 days from the date of this letter. At that time, Mr. Bobby Caldwell will schedule a violation review meeting to be conducted (*within 21 days from the date of this letter OR specified date at specific time*). However, please be advised that if you decide to participate in the violation review process, the TCEQ may still require you to adhere to the compliance schedule included in the attached Summary of Investigation Findings until an official decision is made regarding the status of any or all of the contested violations.

If you or members of your staff have any questions, please feel free to contact Mr. Chris Dziuk in the San Antonio Region Office at (210) 403-4027.

Sincerely,



Thomas G. Haberle
Water Section Team Leader
San Antonio Region Office
Texas Commission on Environmental Quality

TGH/CD/eg

Enclosures: Summary of Investigation Findings
 Obtaining TCEQ Rules

WS ID# 1300025/CO

Robert J. Huston, *Chairman*
R. B. "Ralph" Marquez, *Commissioner*
Kathleen Hartnett White, *Commissioner*
Margaret Hoffman, *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

July 28, 2003

**CERTIFIED MAIL N° 7002 2030 0003 5666 2138
RETURN RECEIPT REQUESTED**

Mr. Stan Scott, Manager
Tapatio Springs Services Company
P.O. Box 1335
Boerne, Texas 78006

Re: Notice of Violation for the Comprehensive Compliance Investigation at:
Tapatio Springs Resort, Boerne County, Texas
TCEQ ID No.: 1300025

Dear Mr. Scott:

On May 28 and May 30, 2003, Mr. Don White of the Texas Commission On Environmental Quality (TCEQ) San Antonio Region Office conducted an investigation of the above-referenced operation to evaluate compliance with applicable requirements for public water supply systems. Enclosed is a summary which lists the investigation findings. During the investigation, outstanding alleged violations were identified for which compliance documentation is required. Please submit to this office by **November 30, 2003**, a written description of corrective action taken and the required documentation demonstrating that compliance has been achieved for the outstanding alleged violations.

In the listing of alleged violations, we have cited applicable requirements, including TCEQ rules. If you would like to obtain a copy of the applicable TCEQ rules, you may contact any of the sources listed in the enclosed brochure entitled "Obtaining TCEQ Rules."

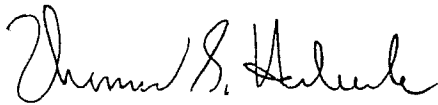
The Texas Commission On Environmental Quality appreciates your assistance in this matter. Please note that the Legislature has granted TCEQ enforcement powers which we may exercise to ensure compliance with environmental regulatory requirements. We anticipate that you will resolve the alleged violations as required in order to protect the State's environment and the Public's health. If you have additional information that we are unaware of, you have the opportunity to contest the violation(s) documented in this notice. Should you choose to do so, you must notify the Region Office within 10 days from the date of this letter. At that time, Mr. Bobby Caldwell, Water Program Manager will schedule a violation review meeting to be conducted within 21 days of the date of this

Mr. Stan Scott
July 28, 2003
Page 2

letter. However, please be advised that if you decide to participate in the violation review process, the TCEQ may still require you to adhere to the compliance schedule included in the attached Summary of Investigation Findings until an official decision is made regarding the status of any or all of the contested violations.

If you or members of your staff have any questions, please feel free to contact Mr. Don White in the San Antonio Region Office at (210) 403-4054.

Sincerely,



Thomas G. Haberle
Water Section Team Leader
San Antonio Region Office

TH/DCW/eg

Enclosures: Summary of Investigation Findings
Obtaining TCEQ Rules

Kathleen Hartnett White, *Chairman*
R. B. "Ralph" Marquez, *Commissioner*
Larry R. Soward, *Commissioner*
Glenn Shankle, *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

August 10, 2004

Mr. Stan Scott, Systems Operations Manager
Tapatio Springs Service Company
P.O. Box 550
Boerne, Texas 78006

Re: Comprehensive Compliance Investigation at:
Tapatio Springs Ranch, Kendall County, Texas
TCEQ ID No.:1300025

Dear Mr. Scott:

The Texas Commission On Environmental Quality (TCEQ) San Antonio Region Office has received compliance documentation that you submitted November 19, 2003 for the alleged violations noted during the investigation of the above-referenced operation conducted on May 30, 2003. The compliance documentation contained in your response appears to indicate that corrective action has been taken for the alleged violations. No further submittal from you is required concerning this investigation.

The Texas Commission On Environmental Quality appreciates your assistance in this matter and your compliance efforts to ensure protection of the State's environment and the Public's health. If you or members of your staff have any questions regarding these matters, please feel free to contact Mr. Don White in the San Antonio Region Office at (210) 403-4054.

Sincerely,

A handwritten signature in cursive script, appearing to read "Thomas G. Haberle".

Thomas G. Haberle
Water Section Team Leader
San Antonio Region Office

TH/DCW/eg

ATTACHMENT E

ATTACHMENT F

* Signed Copy *
ORIGINAL



GUADALUPE-BLANCO RIVER AUTHORITY

RECEIVED
APR 03 2002

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

March 25, 2002

20-041-04-0811--041811

COLETO CREEK PARK
AND RESERVOIR
P.O. Box 68
Fannin, Texas 77960
Phone: 361-375-6366
Fax: 361-575-2267

Mr. Ted Ground
Water Rights Permitting - Contracts, MC-160
Texas Natural Resources Conservation Commission
P. O. Box 13087
Austin, Texas 78711

LAKE WOOD
RECREATION AREA
Route 2, Box 158-A
Gonzales, Texas 78629
Phone: 830-672-2779

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

LOCKHART
WASTEWATER
RECLAMATION
SYSTEM
35 FM 20 East
Lockhart, Texas 78644
Phone 512-398-6391
Fax: 512-398-6526

Dear Mr. Ground:

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 Agreement Between Kendall County Utility Company and Tapatio Springs Service Company, Inc. and Guadalupe-Blanco River Authority. This Agreement is for 500 acre-foot commitment from Canyon and expires on December 31, 2037.

LULING WATER
TREATMENT PLANT
350 Memorial Drive
Luling, Texas 78648
Phone: 830-875-2132
Fax: 830-875-3670

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

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

Sincerely,

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

Fred M. Blumberg
Deputy General Manager

FMB:sb

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

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

GBRA WEBSITE
<http://www.gbra.org>

D:\my documents\recurltr\watrans.doc

Robert J. Huston, *Chairman*
R. B. "Ralph" Marquez, *Commissioner*
Kathleen Hartnett White, *Commissioner*
Jeffrey A. Saitas, *Executive Director*



RECEIVED
JUL 05 2002

TEXAS NATURAL RESOURCE CONSERVATION COMMISSION

Protecting Texas by Reducing and Preventing Pollution

June 28, 2002

Guadalupe-Blanco River Authority
Attn: Fred M. Blumberg
933 East Court Street
Sequin, TX 78155

Subject: Filing of Water Sales Contract, TNRCC No. : 2390
Kendall County Utility Co and Tapatio Springs Service Company, Inc.

Dear Mr. Blumberg:

The Water Supply Contract between the Guadalupe-Blanco River Authority and Kendall County Utility Co and Tapatio Springs Service Company, Inc has been accepted for filing. The Agreement meets the filing requirements of 30 Texas Administrative Code Chapters §295.101 and §297 Sub-Chapter J.

Please note that for correspondence and reporting purposes this contract is being identified as Water Supply Contract TNRCC No. 2390.

Term: 35 years, beginning March 18, 2002 and ending December 31, 2037

Use: Municipal & Domestic; 500 acre-feet per year

Source: Guadalupe River from storage in Canyon Reservoir

Supplier's Water Right: Certificate No. 18-2074

If you have any questions or comments, please call me at (512) 239-0047.

Sincerely,

David N. Koinm - MC 160
Water Rights Permitting
Water Quantity Division

cc: Kendall County Utility Co
Tapatio Springs Service Company, Inc

**REGIONAL WATER SUPPLY PROJECT
FOR PORTIONS OF
COMAL, KENDALL AND BEJAR COUNTIES**

**AGREEMENT BETWEEN
KENDALL COUNTY UTILITY COMPANY AND TAPATIO SPRINGS SERVICE
COMPANY, INC.
AND
GUADALUPE-BLANCO RIVER AUTHORITY**

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**AGREEMENT BETWEEN
KENDALL COUNTY UTILITY COMPANY
AND TAPATIO SPRINGS SERVICE COMPANY, INC.
AND
GUADALUPE-BLANCO RIVER AUTHORITY**

This Agreement Between Kendall County Utility Company and Tapatio Springs Service Company, Inc. and Guadalupe-Blanco River Authority (this "Agreement") is made and entered into as of the 18 day of March, 2002, by and between Kendall County Utility Company and Tapatio Springs Service Company, Inc. (jointly referred to as "Customer"), and the Guadalupe-Blanco River Authority ("GBRA"), a conservation and reclamation district and political subdivision of the State of Texas created pursuant to Article XVI, Section 59 of the Texas Constitution by special act of the Legislature, formerly compiled at Article 8280-106, Vernon's Annotated Civil Statutes.

RECITALS

This Agreement provides for the development, permitting, design, financing, construction and operation of a treated water supply project to serve portions of Comal, Kendall and Bexar Counties.

The development of a treated surface water supply is important to meet the current and future water needs of residents within GBRA's ten-county statutory service area, which includes Comal and Kendall Counties. The development of a surface water supply project to serve portions of Comal and Kendall Counties can also serve as part of a larger regional system which provides water supplies to meet future demands in a portion of Bexar County.

Customer holds certificate of convenience and necessity nos. 11904 (Kendall) and 12122 (Tapatio) which authorize Customer to provide retail water service within the territory shown by the map attached as Exhibit 2.

GBRA holds the right to store water in and use water from Canyon Reservoir under Certificate of Adjudication No. 18-2074C. This Agreement sets forth terms and conditions agreed upon by Customer and GBRA relating to the diversion and treatment of raw water from Canyon Reservoir, and the conveyance and delivery to Customer of that treated water.

AGREEMENT

For and in consideration of the mutual promises, covenants, obligations, and benefits described in this Agreement, and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, GBRA and Customer agree as follows:

ARTICLE I

DEFINITIONS

"Acre-Foot" means that volume defined by an area of one acre, one foot deep. One acre-foot of water equals 325,851 gallons.

"Annual Commitment" for any calendar year means the maximum amount of treated water that GBRA shall be obligated to deliver to Customer during that year as specified in Section 4.4 of this Agreement.

"Annual Debt Service Requirement" means the total principal and interest scheduled to come due on all Bonds during each twelve month period ending on August 31 of each year, plus a debt service coverage factor as determined by GBRA and provided by the Bond Resolution but not to exceed 10% of such principal and interest unless GBRA and Customer mutually agree upon a greater percentage, less interest to be paid out of Bond proceeds as permitted by the applicable Bond Resolution, if any.

"Annual Operation and Maintenance Requirement" means the total amount budgeted by GBRA for each twelve month period ending on August 31 of each year to pay all estimated Operation and Maintenance Expenses for the Project.

"Annual Miscellaneous Bond Requirement" means the total amount determined by GBRA for each twelve month period ending on August 31 of each year to be required to pay the following:

- (1) the amount of any debt service reserve and contingency funds required to be established and maintained by the provisions of the Bond Resolution which are not otherwise provided from proceeds of Bonds;
- (2) an amount in addition thereto sufficient to restore any deficiency in any of such funds required to be accumulated and maintained by the provisions of the Bond Resolution;
- (3) any amounts due under a reimbursement agreement between GBRA and any credit facility provider providing a credit facility issued to cause the balance on deposit in any debt service reserve funds to satisfy the requirements of the Bond Resolution; and

(4) any charges of the bank or banks where the Bonds are payable.

"Bonds" means all bonds and other obligations issued and outstanding from time to time by GBRA to finance or refinance the costs of construction, acquisition, repair, improvements and upgrading related to the Initial Project and any extension, expansion, maintenance, repair, improvement, upgrade or other modification of the Project including, without limitation of the generality of the foregoing, any costs necessary or desirable to maintain or increase the Plant Initial Daily Capacity and comply with applicable laws, rules and regulations relating to the supply of potable water.

"Bond Resolution" means the resolution or resolutions approved by the Board of Directors of GBRA which authorize the issuance of each series of Bonds, including all amendments related thereto.

"Customer's Commencement Month" means the month during which Customer's System is connected to the Project

"Customer's Debt Service Component" means the component of the price for treated water to be paid by the Customer as determined and described in Section 6.2 of this Agreement.

"Customer's Debt Service Percentage" for any month means the quotient, expressed as a percentage, equal to the Customer's Required Monthly Treated Water Purchase for that month, divided by the Plant Monthly Capacity for that month.

"Customer's Miscellaneous Bond Requirements Component" means the component of the price for treated water to be paid by the Customer as determined and described in Section 6.4 of this Agreement.

"Customer's Operation and Maintenance Percentage" for any month means the quotient, expressed as a percentage, equal to the amount of treated water actually delivered to Customer during that month, divided by the Plant Current Monthly Capacity for that month.

"Customer's Operation and Maintenance Component" means the component of the price for treated water to be paid by the Customer as determined and described in Section 6.3 of this Agreement.

"Customer's Raw Water Component" means the component for the charge for raw water to be paid by the Customer as determined and described in Section 6.3 of this Agreement.

"Customer's Required Monthly Raw Water Purchase" for any month means the amount of raw water that the Customer is obligated to pay for that month, as specified in Section 6.1(c) of this Agreement.

"Customer's Required Monthly Treated Water Purchase" for any month means the amount of treated water from the Project that the Customer is obligated to pay for that month, as specified in Section 6.1(b) of this Agreement.

"Daily Commitment" in effect for any calendar year means the maximum amount of treated water that GBRA shall be obligated to deliver to Customer on a constant basis over any 24-hour period during that year, as specified in Section 4.5 of this Agreement.

"District-Wide Raw Water Rate" at any time is the rate charged by GBRA at that time for stored water from Canyon Reservoir for use within GBRA's ten-county statutory district. The present rate is \$69.00 per acre-foot per year.

"GBRA's Application to Amend the Canyon Certificate" means that certain application filed by GBRA with the TNRCC identified in Section 5.2 of this Agreement, as such application may be amended by GBRA.

"Initial Project" means the surface water supply project described in Section 2.1 of this Agreement, as such project is further defined, constructed, upgraded and maintained pursuant to the terms of this Agreement.

"mgd" means million gallons per day.

"Operation and Maintenance Expenses" means all costs and expenses of operation and maintenance of the Project, including (for greater certainty but without limiting the generality of the foregoing) repairs and replacements which are not paid from a special fund created in the Bond Resolutions or other Project debt instruments, employee salaries, benefits and other expenses, the cost of utilities, the costs of supervision, engineering, accounting, auditing, legal services, other services, supplies, charges by GBRA for administrative and general expenses, and equipment necessary for proper operation and maintenance of the Project.

"Other Customer" means another customer of GBRA's for the supply of treated water from the Project, regardless of when GBRA and the customer enter into the contract for the supply of such water.

"Plant" means the water treatment plant that is included as part of the Project, described generally in Section 2.1 of this Agreement.

"Plant Current Monthly Capacity" for any month means the Plant Daily Capacity during that month, times the number of days during that month.

"Plant Daily Capacity" at any time means the amount of water which the Plant is designed to treat on an average daily basis, based on standards that exist at that time, expressed in terms of million gallons per day, as certified by the General Manager of GBRA and provided in writing to

the Customer and all Other Customers or, if GBRA determines that the entire amount should not be committed, the portion of such amount that GBRA determines should be committed.

"Plant Initial Daily Capacity" means the appropriate Plant Daily Capacity for the Initial Project, as determined by GBRA pursuant to Section 2.4 of this Agreement.

"Plant Initial Monthly Capacity" for any month means the Plant Initial Daily Capacity times the number of days during that month.

"Point of Delivery" means the point on the Project's treated water conveyance system at which treated water is to be delivered to Customer, as such point is identified in Section 4.2 of this Agreement.

"Point of Diversion" means the point on the perimeter of Canyon Reservoir at which raw water to which Customer is entitled under this Agreement is diverted for supply to the Plant under this Agreement, as such point is identified in Section 2.1 of this Agreement.

"Project" at any time means the Initial Project, together with any and all extensions, expansions or other modifications, as it or they exist at that time.

"Project Management Committee" means the committee established pursuant to Section 7.1 of this Agreement.

"Raw Water Reservation" means the maximum amount of raw water that GBRA shall be obligated to reserve for diversion, treatment and delivery to Customer in any calendar year as specified in Section 4.3 of this Agreement.

"Termination Date" means the expiration date of the term of this Agreement, as defined in Section 8.1 of this Agreement.

"TNRCC" means the Texas Natural Resource Conservation Commission.

ARTICLE II

DESIGN, CONSTRUCTION AND OPERATION OF THE PROJECT

Section 2.1 Description of the Initial Project.

The Initial Project will consist of facilities for the diversion of raw water from Canyon Reservoir, a water treatment plant (the "Plant"), facilities to convey the raw water after diversion from Canyon Reservoir to the Plant, and facilities to convey treated water from the Plant for use in areas within portions of Comal, Kendall and Bexar Counties. The scope and capacity of the Initial Project will depend upon which other entities enter into contracts with GBRA for the supply of treated water before the design of the Initial Project is finalized as set forth in this Agreement, the amounts of water contracted to be supplied to each, and other factors such as the timing and outcome of GBRA's applications for permits, amendments to permits or other governmental authorizations required for the Initial Project or portions thereof. In any case, the Initial Project may also include storage and other facilities necessary or desirable for the supply of treated water to GBRA's customers. The Initial Project also includes all lands and interests in lands necessary or desirable for the construction, operation and maintenance of Initial Project facilities. The Initial Project is further described by the map and facility plan attached as Exhibit 1 showing the general location of the point of diversion from Canyon Reservoir and the general routings of treated water conveyance facilities.

Section 2.2 GBRA Responsibilities.

(a) GBRA shall be responsible for the design, permitting, financing, construction, operation and maintenance of the Initial Project.

(b) GBRA will select and retain all legal, financial, engineering and other consultants that GBRA determines are necessary or desirable for GBRA to satisfy its obligations under this Agreement.

Section 2.3 Ownership of Project.

(a) Except as provided otherwise in subsection (b), below, GBRA shall own all facilities, lands and interests in land comprising the Project.

(b) If the Project extends into Bexar County, then GBRA may transfer title to any facilities, lands and interests in lands within Bexar County comprising a portion of the Project to one or more other Participants who may be so entitled pursuant to the terms of its or their contracts with GBRA, but only after the Bonds have been fully retired, or redeemed; provided, however, if the portion of the Project to be transferred is used to deliver water to Customer, GBRA may not transfer that portion of the Project used to deliver water to Customer until Customer consents to the transfer or this Agreement has terminated.

Section 2.4 Preliminary Design and Cost Estimate.

(a) GBRA will determine the appropriate Plant Initial Daily Capacity, taking into account the total amount of water required to be treated and delivered under this Agreement and all other contracts that have been entered into at that time with Other Customers, as well as any other information that GBRA considers relevant. GBRA will also prepare a preliminary design and cost estimate of the Initial Project (the "Basis of Design Report, including amendments thereto approved by the GBRA Board of Directors"), and will provide copies to Customer and all Other Customers. GBRA will then proceed with final design, acquisition, construction and financing of the Initial Project.

(b) Customer shall have the right to terminate this Agreement by giving GBRA written notice of termination within 30 days after GBRA delivers Basis of Design Report, as amended, to Customer pursuant to subsection (a) of this Section.

(c) At any time before GBRA sells any of its Bonds, GBRA shall have the right to terminate this Agreement for any reason by giving Customer written notice of termination; provided, however, GBRA will not discriminate against Customer in regards to the termination of contracts relating to the Project and will not grant preferential treatment to other persons in regards to the termination of this Agreement.

Section 2.5 Preparation of Plans and Specifications; Competitive Bids.

(a) GBRA will cause to be prepared plans, specifications and contract documents for construction of all facilities comprising the Initial Project. Plans and specifications for any portion of the Initial Project shall be subject to approval by the GBRA General Manager, after which GBRA will advertise for competitive bids for construction of that portion and GBRA shall determine which construction bid or bids to accept.

(b) If GBRA determines that the total amount of the projected costs of the Initial Project may exceed or will exceed the estimated construction costs stated in the Basis of Design Report, as amended, by ten percent or more, GBRA will notify Customer.

Section 2.6 Financing of Project.

(a) If GBRA determines to proceed with the Initial Project, GBRA may finalize the terms and conditions (including maturity) of GBRA's Bonds necessary to finance the design, acquisition, construction and testing of all facilities, lands and interests in lands comprising the portion of the Initial Project being constructed. GBRA will prepare such data, materials and documents as may be necessary to facilitate the sale and delivery of the Bonds, and Customer agrees to furnish GBRA with such data, projections and related information as may reasonably be required by GBRA in the sale of the Bonds in compliance with all applicable laws, rules and regulations. In addition to the

amounts paid under the construction contract or contracts, the proceeds of the Bonds will also be used to pay additional costs such as Initial Project development costs (including, without limitation, preliminary engineering costs, employee salaries, benefits and other expenses, legal, and other advisory fees, charges by GBRA for administrative and general expenses, insurance premiums, if any, and any other costs incurred in developing and pursuing information, contracts and permit applications related directly to the Initial Project); land acquisition costs, interest during construction, employee salaries, benefits and other expenses, printing costs, engineering, legal, financial and other advisory fees, charges by GBRA for administrative and general expenses, insurance premiums, if any, and any other costs incurred in the issuance of the Bonds and in the design, acquisition, construction and testing of the facilities, lands, and interests in lands comprising the Initial Project.

(b) GBRA shall be authorized from time to time to issue Bonds to refund outstanding Bonds or otherwise refinance costs of the Initial Project. Such refunding Bonds may be issued without approval from the Customer.

Section 2.7 Extensions or Other Modifications of Project.

GBRA may extend, expand, maintain, repair, improve, upgrade or otherwise modify the Project from time to time, as it determines to be necessary or desirable. GBRA shall be authorized from time to time to issue Bonds for any such expansion, maintenance, repair, improvement, upgrade or other modification of the Project. Such Bonds may be issued without approval from the Customer. Customer shall not be liable under this Agreement for any portion of the costs of construction of new facilities in addition to those facilities initially constructed as the Initial Project, except replacement facilities or facilities that are necessary or desirable to maintain the Plant Initial Daily Capacity or comply with applicable state or federal laws, rules and regulations relating to the supply of potable water. Participant shall be liable for its share of Operation and Maintenance Expenses of the Project as it may exist at any time, based on the Plant Daily Capacity at that time and the amount of treated water actually delivered to Customer during the month, as set forth in this Agreement.

Section 2.8 Additional Customers.

GBRA may enter into contracts with new Other Customers to supply treated water from the Project, and may amend existing contracts with Other Customers to supply greater or lesser amounts of treated water from the Project, at any time and from time to time, so long as GBRA's obligations to Customer under this Agreement continue to be satisfied.

Section 2.9. Plant Capacity.

The Initial Project will be sized to divert, treat, and deliver to the Point of Delivery the entire amount of Customer's Raw Water Reservation less reasonable amounts, not to exceed 5%, for

losses during treatment and transmission. This capacity will be available for use by GBRA to meet Customer's demands for treated potable water to the extent limited by this Agreement regardless of the provisions of Section 2.8.

ARTICLE III

CONNECTION FEE; DEADLINE FOR CONNECTION

Section 3.1 Connection Fee.

Upon execution of this Agreement, Customer shall pay GBRA a connection fee of \$25,000, which shall allow Customer the right, until December 31, 2005, (the "Connection Deadline") to have GBRA connect the potable water distribution system serving Customer's service area defined in Exhibit 2 ("Customer's System") to the Project at the Point of Delivery in accordance with the terms of this Agreement. The connection fee is based on the Raw Water Reservation, as set forth in the schedule attached hereto as Exhibit 3. GBRA may modify the schedule attached as Exhibit 3 from time to time, and such modified schedule shall be applicable to any new agreement or amendment to this Agreement entered into by the parties after the date of adoption of the modified schedule by the GBRA.

Section 3.2 Connection by GBRA.

(a) Customer shall be responsible, at its sole cost, for extending Customer's System to the Point of Delivery. GBRA shall not be required to obtain any lands or interests in land that may be needed by Customer to extend Customer's System to the Point of Delivery.

(b) Connection of Customer's System to the Project at the Point of Delivery shall be made by GBRA upon the written request of Customer, in accordance with plans, specifications and requirements prepared or adopted by GBRA; provided, however, that GBRA shall not be required to connect or allow Customer to connect Customer's System to the Project at the Point of Delivery at any time unless, on the date of Customer's written request: (i) the Project was in operation; and (ii) Customer held a valid and effective certificate of convenience and necessity from the TNRC authorizing Customer to provide potable water service to all areas within Customer's Service Area defined in Exhibit 2. Connection shall be accomplished by GBRA setting the meter at the Point of Delivery.

(c) In addition to payment of the connection fee, Customer shall also pay all costs associated with connecting Customer's System to the Project at the Point of Delivery including, without limitation, all costs of design, construction, installation, operation and maintenance of all connection facilities and equipment, including one or more meters, valves, and telemetry equipment.