Section 3.3 Termination if Connection is Not Made by Deadline.

(a) If Customer's System is not connected to the Project at the Point of Delivery before the Connection Deadline, then GBRA shall have the right to terminate this Agreement by giving written notice of termination to Customer unless Customer requested in writing before such notice is given that GBRA make such connection and, on the date of the request: (i) the Project was in operation; and (ii) Customer held a valid and effective certificate of convenience and necessity from the TNRCC authorizing Customer to provide potable water service to all areas within Customer's Service Area defined in Exhibit 2. If the Project is not in operation on the Connection Deadline or the delay in making the connection is attributable to GBRA, the City of Boerne, or to some other person or event other than the sole delay by Customer, GBRA may not terminate this Agreement if Customer is ready and able to connect.

(b) Regardless of Section 3.3(a) above, GBRA waives the right to terminate this Agreement pursuant to Section 3.3(a) above if and for so long as Customer pays the monthly payments required by this Contract.

Section 3.4 Refund of Connection Fee.

Customer shall be entitled to a refund of the connection fee paid by Customer pursuant to Section 3.1, above, if: (i) this Agreement is terminated by GBRA pursuant to Section 3.3 and the Project was not completed and in operation on the date of termination; or (ii) GBRA terminates this Agreement prior to the Connection Deadline for some reason other than default by the Customer.

ARTICLE IV

SUPPLY OF TREATED WATER

Section 4.1 Diversion, Treatment and Delivery of Water to Customer.

After completion of construction of the Initial Project and commencing upon connection of Customer's System to the Project at the Point of Delivery, GBRA shall divert from Canyon Reservoir at the Point of Diversion and convey to the Plant raw water, and treat such water and convey and deliver treated water to Customer at the Point of Delivery in amounts and at delivery rates as may be requested by Customer, subject to the limitations provided in this Agreement.

Section 4.2 Point of Delivery.

(a) The Point of Delivery for all treated water supplied by GBRA to Customer under this Agreement shall be as shown on Exhibit 1.

(b) GBRA and Customer agree that the Point of Delivery shall be the point at which treated water is supplied through the meter prior to Customer's storage tank. Customer shall be responsible for all costs of design and construction of such additional facilities. Customer shall further acquire and convey to GBRA, at no cost to GBRA, all necessary lands or interests in lands on which such additional facilities are to be located. GBRA shall not be required to obtain any such lands or interests in land.

(c) Customer shall take all steps necessary to prevent backflow of water supplied by GBRA, or any flow of any other water or other substance, from Customer's system to the Project at the Point of Delivery. If Customer fails to install, operate or maintain any facilities needed for such purpose within 10 days after GBRA gives Customer notice to do so, then GBRA may design, install, construct, maintain and operate such facilities, and Customer shall be solely responsible for the costs thereby incurred by GBRA.

(d) Customer plans to contract with the City of Boerne to use a common Point of Delivery and to have Boerne receive and transport Customer water to a location to be designated by the City and the Customer. In the event Customer and Boerne do not enter into a contract for a common Point of Delivery and water transmission services, Customer may receive water from GBRA at either an additional or alternative Point of Delivery. The location(s) of the additional or alternative Point of Delivery will be at a location mutually acceptable to Customer and GBRA and absent an agreement to the contrary, GBRA and Customer agree that the location of the alternative/additional Point of Delivery depicted on Exhibit 1 is acceptable to both, provided Customer pays GBRA in accordance with this subsection. Customer will pay GBRA's actual costs of designing and constructing any additional facilities that may be necessary for the additional or alternative Points of Delivery and obtaining land and right of way and such costs shall not be included as a Project cost.

(e) The parties agree that the system treated water will be discharged into a ground storage tank with an air gap of at least three feet within the tank and that the meters and other measuring devices will be located prior to the discharge into Customer's tank.

Section 4.3 Raw Water Reservation.

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 five hundred (500) acre-feet per year.

Section 4.4 Annual Commitment.

(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 48.88 million gallons (150 ac-ft) per year, subject to increases as set forth in subsection (b), below.

(b) Customer may from time to time request that the Annual Commitment be increased commencing January 1 of a specified year, up to an amount not to exceed the Raw Water Reservation, by giving GBRA a written request for such increase before December 1 immediately preceding the January 1 on which the increase is requested to take effect. The Annual Commitment shall be increased commencing the specified January 1 as requested by Customer up to, but not to exceed, the Raw Water Reservation. The Annual Commitment in effect at any time shall continue in effect through the term of this Agreement unless and until it is increased pursuant to this subsection (b), and it may never be decreased without the written agreement of GBRA.

Section 4.5 Daily Commitment.

The maximum amount of treated water that GBRA shall be obligated to deliver to Customer over any 24-hour period (the "Daily Commitment") in effect for any calendar year shall be the Annual Commitment for that year divided by the number of days in that year. In the event GBRA allows any other customer or participant of the Project to obtain water on a daily basis in excess of the rate of delivery calculated in accordance with this paragraph, GBRA will provide Customer the opportunity to obtain service on the same basis.

Section 4.6 Maximum Delivery Rate and Pressure.

GBRA shall not be obligated to deliver treated water to Customer at any time during any calendar year at a rate in excess of that rate, expressed in gallons per minute, calculated by multiplying the Daily Commitment (in mgd) in effect for that year by 694.44. GBRA shall not be obligated to deliver treated water to Customer at any time during any calendar year at a pressure in excess of TNRCC minimum requirements.

Section 4.7 Purpose of Use.

All water delivered by GBRA to Customer under this Agreement shall be used for municipal and domestic purposes only, as such purposes of use are defined by Chapter 297.1 (16) and (30) of the Rules of the TNRCC, in effect on the date this Agreement is signed.

Section 4.8 Place of Use.

All water delivered by GBRA to Customer under this Agreement shall be used exclusively within Kendall County within Customer's service area defined in Exhibit 2, as the service area may be modified from time to time, and Customer may not use, or supply or resell for use, any water delivered by GBRA to Customer under this Agreement outside Customer's service area defined in Exhibit 2 unless, and except to the extent that, Customer obtains GBRA's prior written approval for use outside such service area. Customer is not prohibited from selling water from a different source.

GBRA shall not be required to supply any water to Customer for any period of time during which Customer does not have in effect a certificate of convenience and necessity from the TNRCC authorizing Customer to provide potable water service.

Section 4.9 Allocation of Water During Drought.

During severe drought conditions as may be defined by conservation or drought management plans adopted by GBRA, or in any other condition when water cannot be supplied to meet the demands of all customers, the water to be distributed shall be divided among all customers of stored water from Canyon Reservoir pro rata, according to the amount each may otherwise be entitled to under their respective contracts with GBRA, subject to reasonable conservation and drought management plans and requirements based on particular purposes of use of the water, so that preference is given to no one and everyone suffers alike. Commencement of a drought shall be initially defined as a period of 45 consecutive days when the inflow to Canyon Reservoir is 90 cfs average or less. GBRA may redefine commencement of a drought so long as the definition applies to all customers uniformly.

Section 4.10 Conservation.

GBRA and Customer each agrees to provide to the maximum extent practicable for the conservation of water, and each agrees that it will operate and maintain its facilities in a manner that will prevent waste of water. Customer further agrees to implement, to the extent allowed by law, water conservation and drought management plans applicable to the use of treated water from the Project that, at a minimum, comply with all minimum standards that may be required or recommended by the Texas Water Development Board (the "TWDB"), the TNRCC or GBRA. Such standards may include, but shall not be limited to, conservation rate incentives or surcharges to be imposed by Customer on its customers for use of water in excess of amounts that are determined by the TWDB, the TNRCC or GBRA to be adequate for essential indoor domestic uses, to the extent such incentives or surcharges may be allowed by law. GBRA required or recommended minimum standards under this section must apply to all of its customers uniformly. Customer shall not be obligated under this Agreement to implement water conservation and drought management plans that are more stringent than the water conservation and drought management plans that GBRA requires other participants and customers of the Project to implement.

Section 4.11 Water Quality.

(a) The sole source of raw water for the Project will be untreated water in Canyon Reservoir at the Point of Diversion. GBRA agrees to use reasonable diligence and care in treating water diverted from Canyon Reservoir at the Plant, as it may be expanded or otherwise modified by GBRA, and GBRA will use its best efforts to deliver to Customer water of quality that meets or exceeds the standards of the TNRCC or any other applicable regulatory agency for potable water.

(b) GBRA shall periodically collect samples of treated water delivered to Customer and Other Customers and cause same to be analyzed consistent with guidelines established by the TNRCC using the then-current edition of Standard Methods for Examination of Water and Wastewater as published by the American Water Works Association and others.

(c) GBRA and Customer recognize that Customer plans to commingle the water with groundwater produced from Customer's wells producing from formations consisting of the Middle Trinity Aquifer and that the groundwater is disinfected with chlorine, and the ratio of treated and disinfected surface water to disinfected groundwater will vary from time to time. GBRA at the request of Customer and at the expense of Customer will install the treatment and disinfection processes required to reduce adverse taste and odor characteristics in the water, if any, delivered by Customer's system.

Section 4.12 Measurement of Water.

(a) GBRA shall provide, operate, maintain, and read one or more meters which shall record treated water taken by Customer at the Point of Delivery. GBRA shall also provide, operate, maintain, and read one or more meters which shall record treated water taken by Other Customers receiving treated water from the Project at the points of delivery for them. GBRA shall also provide, operate, maintain, and read one or more meters which shall record the total amount of raw water diverted at Canyon Reservoir at the Point of Diversion and conveyed to the Plant. All meters shall be conventional types of approved meter(s).

(b) For all purposes under this Agreement, the amount of raw water diverted from Canyon Reservoir by GBRA and conveyed to the Plant for Customer during any period of time shall be the greater of the following amounts:

(1) the amount of treated water delivered to Customer during that period of time, as measured at the Point of Delivery; or

(2) an amount of water determined by allocating the total amount of raw water diverted during that period of time, as measured at the Point of Diversion, pro-rata, based on the amounts of treated water delivered to Customer and each Other Customer during that period of time.

(c) GBRA shall keep accurate records of all measurements of water required under this Agreement, and the measuring device(s) and such records shall be open for inspection at all reasonable times. Measuring devices and recording equipment shall be accessible for adjusting and testing and the installation of check meter(s). If requested in writing but not less than once in each calendar year, GBRA shall calibrate its water meter(s) that record treated water taken by Customer

at the Point of Delivery. GBRA shall give Customer notice of the date and time when any such calibration is to be made and, if a representative of Customer is not present at the time set, calibration and adjustment may proceed in the absence of any representative of Customer.

(d) If upon any test of the water meter(s), the percentage of inaccuracy of such metering equipment is found to be in excess of five percent (5%), registration thereof shall be corrected for a period extending back to the time when such inaccuracy began, if such time is ascertainable. If such time is not ascertainable, then registration thereof shall be corrected for a period extending back one-half (½) of the time elapsed since the last date of calibration, but in no event further back than period of six (6) months. If any meter(s) that record treated water taken by Customer at the Point of Delivery are out of service or out of repair so that the amount of water delivered cannot be ascertained or computed from the reading thereof, the water delivered through the period such meters(s) are out of service or out of repair shall be estimated and agreed upon by GBRA and Customer upon the basis of the best data available, and, upon written request and with reasonable advance notice, GBRA shall install new meters or repair existing meters and such cost shall be included as a Project cost. If GBRA and Customer fail to agree on the amount of water delivered during such period, the amount of water delivered may be estimated by:

(1) correcting the error if the percentage of the error is ascertainable by calibration tests or mathematical calculation; or

(2) estimating the quantity of delivery by deliveries during the preceding periods under similar conditions when the meter or meters were registering accurately.

Section 4.13 Title to Water.

Title to and responsibility for all water supplied hereunder shall be in GBRA from the Point of Diversion to the Point of Delivery, at which point title to and responsibility for such water shall pass to Customer.

Section 4.14. Other Sources. Nothing in this Agreement is intended by the Parties to limit Customer's options to obtain water from other sources or to limit Customer's use of water from such other sources, nor shall this Agreement be deemed to have the effect of limiting Customer's options to obtain or use water from other sources.

ARTICLE V

PERMITTING AND OTHER REGULATORY REQUIREMENTS

Section 5.1 Applicable Laws and Regulations.

This Agreement is subject to all applicable federal, state, and local laws and any applicable ordinances, rules, orders, and regulations of any local, state, or federal governmental authority having jurisdiction. This Agreement is specifically subject to all applicable sections of the Texas Water Code and the rules of the TNRCC, or any successor agency.

Section 5.2 Cooperation.

Customer agrees to cooperate with GBRA in pursuing all permits and approvals that GBRA determines to be necessary or desirable for the Project, to complete and file all required reports, and to comply with all applicable laws, rules and regulations. Without limiting the generality of and in addition to the foregoing, Customer expressly agrees to support the granting, in whole, of that certain application filed by GBRA with the TNRCC on August 29, 1997, for various amendments to Certificate of Adjudication No. 18-2074C, as such application may be amended by GBRA ("GBRA's Application to Amend the Canyon Certificate").

Section 5.3 Agreement Conditioned upon Permitting.

(a) GBRA's obligations under this Agreement are expressly conditioned upon GBRA obtaining the necessary permits, amendments to permits, licenses and other governmental authorizations to allow GBRA to construct and operate the Initial Project and supply treated water to Customer for use within Customer's Service Area as provided herein.

(b) Without limiting the generality of the condition set forth in subsection (a), above, and in addition to that condition, GBRA's obligations under this Agreement are expressly conditioned upon:

(1) the granting, in whole, of GBRA's Application to Amend the Canyon Certificate;

(2) confirmation by the TNRCC in its order granting the amendment that neither the inflows authorized to be stored in Canyon Reservoir nor the total amount of water authorized to be used from Canyon Reservoir will be reduced in any way during any period of time, solely because water from Canyon Reservoir is being supplied from the Project for use in Bexar County; and

(3) confirmation by the TNRCC in its order granting the amendment that the terms, conditions and guidelines for allocation during drought set forth in

Section 4.9, above, will apply notwithstanding the fact that water from Canyon Reservoir is being supplied from the Project for use in Bexar County.

(c) If the TNRCC does not enter an order granting, in whole, GBRA's Application to Amend the Canyon Certificate and containing the confirmation provisions required pursuant to subsection (b), above, before January 1, 2002, or if it enters such an order before January 1, 2002 but the order does not become final and not appealable before that date, then GBRA and Customer each shall have the right, on that date or at any time thereafter, but only for so long as no such final and not appealable order of the TNRCC exists, to terminate this Agreement by giving written notice of termination to the other party.

Section 5.4 Development Within Customer's Service Area.

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.

ARTICLE VI

CHARGES FOR WATER

Section 6.1 Charges.

(a) The amount to be paid by Customer to GBRA each month under this Agreement shall be the sum of the following four components:

(1) Customer's Debt Service Component;

(2) Customer's Operation and Maintenance Component;

(3) Customer's Miscellaneous Bond Requirements Component; and

(4) Customer's Raw Water Component.

(b) Customer's Required Monthly Treated Water Purchase for each month during any calendar year shall be 1/12th of the Annual Commitment for that year. Customer agrees to pay GBRA each month for Customer's Required Monthly Treated Water Purchase, in accordance with paragraphs (1) and (3) of subsection (a) of this Section, whether or not such amount, or any of it, is taken by Customer.

(c) 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 paragraph (4) of subsection (a) of this Section, whether or not such amount, or any of it, is taken by Customer.

(d) GBRA shall have the right to use all funds received by GBRA from Customer under this Agreement for any purpose or purposes desired by GBRA in GBRA's discretion.

(e) All funds received by GBRA from Participant's Debt Service Component which constitute payment of the debt service coverage factor as a component of the Annual Debt Service Requirement shall be deposited by GBRA into a separate account, or shall be accounted for separately by GBRA in support of its "Water Resources Division" (of which the Project is or will be a part) for any of the following purposes: (1) paying the cost of improvements, enlargements, extensions, additions, replacements, or other capital expenditures related to the Water Resource Division, (2) paying the costs of unexpected or extraordinary repairs or replacements in connection with the Water Resource Division, (3) paying any bonds, loans or other obligations of the Water Resource Division, or (4) any other lawful purpose related to the cost of operations of the Water Resourse Division.

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 recision 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:

_____

KENDALL COUNTY UTILITY COMPANY

By: _____
Name: John J. Parker
Title: President

TAPATIO SPRINGS SERVICE COMPANY, INC.

By: _____
Name: John J. Parker
Title: President

ATTEST:

_____

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 STATE OF TEXAS MY COMMISSION EXPIRES May 11, 2004

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 K. CLUCK
MY COMMISSION EXPIRES
September 20, 2005

Kellie Cluck
Notary Public
The State of Texas

(Seal)

ATTACHMENT G

TAPATIO SPRINGS SERVICE CO.
Balance Sheet
December 31, 2004

ASSETS

Current Assets		
Bank of America - Operating	$ 7,917.13	
A/R - Trade	5,557.45	
A/R - TSGR	10,000.00	
Total Current Assets		23,474.58
Property and Equipment		
Cable System	56,824.53	
Sewer System	1,287,164.52	
Chlorine Injection - Lake	4,589.80	
HH - Lift Station	22,006.50	
Tapatio West #2 - Lift Station	11,074.44	
Water System	1,098,237.17	
Underground Utilities	72,496.63	
GBRA - Conn/Resv Fees	38,368.75	
Accumulated Depreciation	(2,369,427.70)	
Total Property and Equipment		221,334.64
Other Assets		
Total Other Assets		0.00
Total Assets		$ 244,809.22

TAPATIO SPRINGS SERVICE CO.
Balance Sheet
December 31, 2004

LIABILITIES AND CAPITAL

Current Liabilities			
A/P - KCUC - Note 8	$	35,000.00	
Intercompany - Golf Resort		201,406.81	
Intercompany - TS Dev		(357,153.05)	
I/C-KCDC NOTE 9		23,000.00	
Intercompany - KCUC		42,000.00	
Property Taxes Payable		4,500.00	
Regulatory Assessment Fee		7,360.80	
Total Current Liabilities			(43,885.44)
Long-Term Liabilities			
Clyde B. Smith - (TSSC)		905,146.35	
Allowance For Discount		48.60	
Total Long-Term Liabilities			905,194.95
Total Liabilities			861,309.51
Capital			
Capital Stock		1,000.00	
Additional Paid-in Capital		634,104.75	
Beginning Retained Earnings		(1,293,378.10)	
Net Income		41,773.06	
Total Capital			(616,500.29)
Total Liabilities & Capital			$ 244,809.22

TAPATIO SPRINGS SERVICE CO.
Income Statement
For the Twelve Months Ending December 31, 2004

	Current Month		Year to Date	
evenues				
Sewer	(26,852.43)	(174.31)	13,630.32	5.98
Water	42,242.12	274.22	206,368.55	90.52
Transfer Fees	15.00	0.10	375.00	0.16
Tap Fees - Sewer	0.00	0.00	4,000.00	1.75
Tap Fees - Water	0.00	0.00	3,600.00	1.58
Total Revenues	15,404.69	100.00	227,973.87	100.00
Cost of Sales				
Total Cost of Sales	0.00	0.00	0.00	0.00
Gross Profit	15,404.69	100.00	227,973.87	100.00
Expenses				
Sewer - Chemicals	20.70	0.13	2,226.21	0.98
Sewer - Electric	993.37	6.45	10,473.13	4.59
Sewer - M & R - Lift Stations	365.92	2.38	1,440.45	0.63
Sewer - M & R - Lines	0.00	0.00	29,206.91	12.81
Sewer - M & R - Plant	1,958.07	12.71	11,664.78	5.12
Sewer - Testing	71.00	0.46	871.00	0.38
Sewer - Water Use	0.00	0.00	466.37	0.20
Water - Chemicals	69.06	0.45	2,259.12	0.99
Water - Electric	2,104.11	13.66	26,427.83	11.59
Water - M & R - Distribution	0.00	0.00	2,699.94	1.18
Vater - M & R - Fire Hydrants	0.00	0.00	1,090.79	0.48
Water - M & R - Meters	63.75	0.41	733.75	0.32
Water - M & R - Tanks	391.58	2.54	824.08	0.36
Water - M & R - P/S - Gardens	0.00	0.00	874.13	0.38
Water - M & R - P/S - Ridge	0.00	0.00	3,862.92	1.69
Water - M & R - Well 2	0.00	0.00	583.38	0.26
Water - M & R - Well 6	0.00	0.00	4,638.66	2.03
Water - Meter Reading	195.00	1.27	932.00	0.41
Water - Testing Fees	15.00	0.10	2,986.00	1.31
Assessment Fees	0.00	0.00	2,422.53	1.06
CCGCD Fees	1,230.44	7.99	2,060.66	0.90
Auto Expense	2,499.01	16.22	7,281.73	3.19
Bank Charges	0.00	0.00	13.00	0.01
Fees / Permits / Publications	0.00	0.00	2,060.43	0.90
Interest Expense	4,538.86	29.46	55,314.14	24.26
Office Expense	0.00	0.00	153.43	0.07
Postage	90.25	0.59	571.37	0.25
Taxes - Property	0.00	0.00	6,914.82	3.03
Telephone - Office	136.13	0.88	1,360.14	0.60
Telephone - Mobile	0.00	0.00	320.84	0.14
Telephone - Wells	57.86	0.38	716.27	0.31
Tx Water Comm Assessment	2,750.00	17.85	2,750.00	1.21
Total Expenses	17,550.11	113.93	186,200.81	81.68
Net Income	$ (2,145.42)	(13.93)	$ 41,773.06	18.32

Revision Date _____

SECTION 1.0 - RATE SCHEDULE

Section 1.01 - Rates

Monthly base rate including ____0____ gallons

Meter Size:

Residential

5/8" or 3/4"	$	24.50
1"	$	40.92
1½"	$	81.59
2"	$	130.59
3"	$	245.00
4"	$	408.42

Gallonage Charge: $____2.25____ for each additional 1,000 gallons up to 25,000 gallons
$____2.50____ for each additional 1,000 gallons from 25,001 gallons to 50,000 gallons
$____2.75____ for each additional 1,000 gallons above 50,000 gallons

Regulatory Assessment Fee 1%
A REGULATORY ASSESSMENT, EQUAL TO ONE PERCENT OF THE CHARGE FOR RETAIL WATER SERVICE ONLY, SHALL BE COLLECTED FROM EACH RETAIL CUSTOMER

Section 1.02 - Miscellaneous Fees

TAP FEE $___400.00__
TAP FEE IS BASED ON THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR STANDARD RESIDENTIAL CONNECTION OF 5/8" X 3/4" METER.

RECONNECTION FEE
THE RECONNECT FEE WILL BE CHARGED BEFORE SERVICE CAN BE RESTORED TO A CUSTOMER WHO HAS BEE DISCONNECTED FOR THE FOLLOWING REASONS:

a) Non payment of bill (Maximum $25.00) ..... $___25.00_
b) Customer's request ..... $___25.00_
Or other reasons listed under Section 20CF of this tariff

TRANSFER FEE ..... $___15.00_
THE TRANSFER FEE WILL BE CHARGED FOR CHANGING AN ACCOUNT NAME AT THE SAME SERVICE LOCATION WHEN THE SERVICE IS NOT DISCONNECTED.

LATE CHARGE (Not more than $5.00 or 10%)(Indicate one) ..... $____5.00_
A ONE TIME PENALTY MADE ON DELINQUENT BILLS BUT MAY NOT BE APPLIED TO ANY BALANCE TO WHICH THE PENALTY WAS APPLIED IN A PREVIOUS BILLING.

RETURNED CHECK CHARGE ..... $___25.00_

CUSTOMER DEPOSIT (Maximum $50) ..... $___50.00_

METER TEST FEE (actual cost of testing the meter up to) ..... $___ 25.00_
THIS FEE MAY BE CHARGED IF A CUSTOMER REQUESTS A SECOND METER TEST WITHIN A TWO YEAR PERIOD AND THE TEST INDICATES THAT THE METER IS RECORDING ACCURATELY.

RATES LISTED ARE EFFECTIVE ONLY IF THIS PAGE HAS TCEQ APPROVAL STAMP

SECTION 1.0 - RATE SCHEDULE CONTINUED

Section 1.03 - Pass Through Adjustment Clause

The utility's cost attributable to an annual fee, pumpage fee and/or consumption-based fee from the Guadalupe Blanco River Authority and/or other such governmental authority shall be passed through to all customers affected by such fees using the following calculations.

Annual Fee:
Monthly Minimum Charge + (Annual Fee / Number of Customers Affected / 12 months)

Volume Charge:
Monthly Gallonage Charge per 1000 gallons + (Increase or Decrease in Pumpage Fee x 1.15)

Any change in the utility's cost attributable to the Guadalupe Blanco River Authority and/or other such governmental authority shall go into affect thirty days after notice to all customers subject to TCEQ filings required in 30 TAC 291.21(1).

SECTION 1.0 - RATE SCHEDULE

Section 1.01 - Rates

FOR ALL METER SIZES
Monthly Minimum Charge: $ 24.10 (Including 0 gallons)
Volume Charge: $ 3.50 Per 1,000 gallons

Volume charges are determined based on the average consumption for winter period which includes the following months: December, January, and February

Regulatory Assessment Fee 1%
A REGULATORY ASSESSMENT, EQUAL TO ONE PERCENT OF THE CHARGE FOR RETAIL WATER SERVICE ONLY, SHALL BE COLLECTED FROM EACH RETAIL CUSTOMER

Section 1.02 - Miscellaneous Fees

TAP FEE $ 400.00
TAP FEE IS BASED ON THE UTILITY'S ACTUAL COST FOR MATERIALS AND LABOR FOR STANDARD RESIDENTIAL CONNECTION OF 5/8" X 3/4" METER.

RECONNECTION FEE
THE RECONNECT FEE WILL BE CHARGED BEFORE SERVICE CAN BE RESTORED TO A CUSTOMER WHO HAS BEE DISCONNECTED FOR THE FOLLOWING REASONS:

a) Non payment of bill (Maximum $25.00) ..... $ 25.00
b) Customer's request ..... $ 25.00
Or other reasons listed under Section 20CF of this tariff

TRANSFER FEE ..... $ 15.00
THE TRANSFER FEE WILL BE CHARGED FOR CHANGING AN ACCOUNT NAME AT THE SAME SERVICE LOCATION WHEN THE SERVICE IS NOT DISCONNECTED.

LATE CHARGE (Not more than $5.00 or 10%)(Indicate one) ..... $ 5.00
A ONE TIME PENALTY MADE ON DELINQUENT BILLS BUT MAY NOT BE APPLIED TO ANY BALANCE TO WHICH THE PENALTY WAS APPLIED IN A PREVIOUS BILLING.

RETURNED CHECK CHARGE ..... $ 25.00

CUSTOMER DEPOSIT (Maximum $50) ..... $ 50.00

RATES LISTED ARE EFFECTIVE ONLY IF THIS PAGE HAS TCEQ APPROVAL STAMP

South Central Texas Regional Water Planning Area

Regional Water Plan

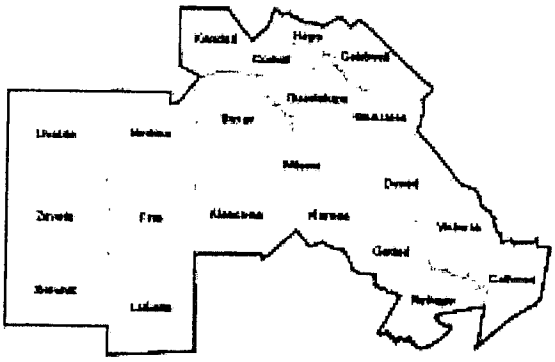
Volume I — Executive Summary and Regional Water Plan

Prepared by:

South Central Texas Regional Water Planning Group

With administration by:

San Antonio River Authority



With technical assistance by:

HDR Engineering, Inc.
Moorhouse Associates, Inc.
Open Forum

In association with:

Paul Price Associates, Inc.
LBG-Guyton Associates
R.J. Brandes Company
The Wellspec Company

January 2001

EXHIBIT 2

Table 4-14
Projected Water Demands, Supplies, and Needs
Kendall County
South Central Texas Region

Basin	Source	Total in 1990 (acft)	Total in 1996 (acft)	Projections 2000 (acft)	2010 (acft)	2020 (acft)	2030 (acft)	2040 (acft)	2050 (acft)
Municipal Demand									
San Antonio Basin									
Boerne		785	1,083	1,259	1,711	1,718	2,199	2,812	3,598
Fair Oaks Ranch		64	81	232	359	326	331	336	342
Rural		515	876	1,070	1,539	2,808	4,099	5,578	6,847
Subtotal		1,364	2,040	2,561	3,609	4,852	6,629	8,726	10,787
Guadalupe Basin									
Comfort		278	293	265	254	245	254	269	285
Rural		468	873	686	874	1,094	1,378	1,513	1,661
Subtotal		746	1,166	951	1,128	1,339	1,632	1,782	1,946
Lower Colorado Basin									
Rural		20	33	22	21	22	23	25	28
Subtotal		20	33	22	21	22	23	25	28
Total Municipal Demand		2,130	3,239	3,534	4,758	6,213	8,284	10,533	12,761
Municipal Existing Supply									
San Antonio Basin									
Boerne	Boerne Lake			506	506	506	506	506	506
	Trinity			719	719	719	719	719	564
Boerne Subtotal				1,225	1,225	1,225	1,225	1,225	1,070
Fair Oaks Ranch	Trinity			142	142	142	142	142	142
Rural	Trinity			0	0	0	0	0	0
Subtotal				1,367	1,367	1,367	1,367	1,367	1,212
Guadalupe Basin									
Comfort	Edwards-Trinity			641	641	641	641	641	641
Rural	Edwards-Trinity			57	57	57	57	57	57
	Trinity			1,604	1,604	1,604	1,604	1,604	1,604
Rural Subtotal				1,661	1,661	1,661	1,661	1,661	1,661
Subtotal				2,302	2,302	2,302	2,302	2,302	2,302
Lower Colorado Basin									
Rural	Edwards-Trinity			22	22	22	22	22	23
	Trinity			6	6	6	6	6	5
Subtotal				28	28	28	28	28	28
Total Municipal Existing Supply				3,697	3,697	3,697	3,697	3,697	3,542
Municipal Surplus/Shortage									
San Antonio Basin									
Boerne				-34	-486	-493	-974	-1,587	-2,528
Fair Oaks Ranch				-90	-217	-184	-189	-194	-200
Rural				-1,070	-1,539	-2,808	-4,099	-5,578	-6,847
Subtotal				-1,194	-2,242	-3,485	-5,262	-7,359	-9,575
Guadalupe Basin									
Comfort				376	387	396	387	372	356
Rural				975	787	567	283	148	0
Subtotal				1,351	1,174	963	670	520	356
Lower Colorado Basin									
Rural				6	7	6	5	3	0
Subtotal				6	7	6	5	3	0
Total Municipal Surplus/Shortage				163	-1,061	-2,516	-4,587	-6,836	-9,219

Table 4-14
Projected Water Demands, Supplies, and Needs
Kendall County
South Central Texas Region

Basin	Source	Total in 1990 (acft)	Total in 1996 (acft)	Projections 2000 (acft)	2010 (acft)	2020 (acft)	2030 (acft)	2040 (acft)	2050 (acft)
Municipal New Supply Need									
San Antonio Basin									
Boerne				34	486	493	974	1,587	2,528
Fair Oaks Ranch				90	217	184	189	194	200
Rural				1,070	1,539	2,808	4,099	5,578	6,847
Subtotal				1,194	2,242	3,485	5,262	7,359	9,575
Guadalupe Basin									
Comfort				0	0	0	0	0	0
Rural				0	0	0	0	0	0
Subtotal				0	0	0	0	0	0
Lower Colorado Basin									
Rural				0	0	0	0	0	0
Subtotal				0	0	0	0	0	0
Total Municipal New Supply Need				1,194	2,242	3,485	5,262	7,359	9,575
Industrial Demand									
San Antonio Basin		2	6	2	3	4	4	5	6
Guadalupe Basin		0	1	0	0	0	0	0	0
Lower Colorado Basin		0	0	0	0	0	0	0	0
Total Industrial Demand		2	7	2	3	4	4	5	6
Industrial Existing Supply									
San Antonio Basin	Trinity			0	0	0	0	0	0
Guadalupe Basin				0	0	0	0	0	0
Lower Colorado Basin				0	0	0	0	0	0
Total Industrial Existing Supply				0	0	0	0	0	0
Industrial Surplus/Shortage									
San Antonio Basin				-2	-3	-4	-4	-5	-6
Guadalupe Basin				0	0	0	0	0	0
Lower Colorado Basin				0	0	0	0	0	0
Total Industrial Surplus/Shortage				-2	-3	-4	-4	-5	-6
Industrial New Supply Need									
San Antonio Basin				2	3	4	4	5	6
Guadalupe Basin				0	0	0	0	0	0
Lower Colorado Basin				0	0	0	0	0	0
Total Industrial New Supply Need				2	3	4	4	5	6
Steam-Electric Demand									
San Antonio Basin		0	0	0	0	0	0	0	0
Guadalupe Basin		0	0	0	0	0	0	0	0
Lower Colorado Basin		0	0	0	0	0	0	0	0
Total Steam-Electric Demand		0	0	0	0	0	0	0	0
Steam-Electric Existing Supply									
San Antonio Basin				0	0	0	0	0	0
Guadalupe Basin				0	0	0	0	0	0
Lower Colorado Basin				0	0	0	0	0	0
Total Steam-Electric Existing Supply				0	0	0	0	0	0
Steam-Electric Surplus/Shortage									
San Antonio Basin				0	0	0	0	0	0
Guadalupe Basin				0	0	0	0	0	0
Lower Colorado Basin				0	0	0	0	0	0
Total Steam-Electric Surplus/Shortage				0	0	0	0	0	0
Steam-Electric New Supply Need									
San Antonio Basin				0	0	0	0	0	0
Guadalupe Basin				0	0	0	0	0	0
Lower Colorado Basin				0	0	0	0	0	0
Total Steam-Electric New Supply Need				0	0	0	0	0	0

Table 4-14
Projected Water Demands, Supplies, and Needs
Kendall County
South Central Texas Region

Basin	Source	Total in 1990 (acft)	Total in 1996 (acft)	Projections 2000 (acft)	2010 (acft)	2020 (acft)	2030 (acft)	2040 (acft)	2050 (acft)
Irrigation Demand									
San Antonio Basin		0	330	0	0	0	0	0	0
Guadalupe Basin		380	894	364	349	334	320	306	293
Lower Colorado Basin		0	0	0	0	0	0	0	0
Total Irrigation Demand		380	1,224	364	349	334	320	306	293
Irrigation Supply									
San Antonio Basin				0	0	0	0	0	0
Guadalupe Basin	Run-of-River			69	69	69	69	69	69
	Edwards-Trinity			0	0	0	0	0	0
	Trinity			300	285	270	256	242	229
Guadalupe Basin Subtotal				369	354	339	325	311	298
Lower Colorado Basin				0	0	0	0	0	0
Total Irrigation Supply				369	354	339	325	311	298
Irrigation Surplus/Shortage									
San Antonio Basin				0	0	0	0	0	0
Guadalupe Basin				5	5	5	5	5	5
Lower Colorado Basin				0	0	0	0	0	0
Total Irrigation Surplus/Shortage				5	5	5	5	5	5
Mining Demand									
San Antonio Basin		0	0	0	0	0	0	0	0
Guadalupe Basin		0	0	0	0	0	0	0	0
Lower Colorado Basin		0	6	13	9	5	1	0	0
Total Mining Demand		0	6	13	9	5	1	0	0
Mining Supply									
San Antonio Basin				0	0	0	0	0	0
Guadalupe Basin				0	0	0	0	0	0
Lower Colorado Basin	Edwards-Trinity			10	7	4	1	0	0
	Trinity			3	2	1	0	0	0
Lower Colorado Basin Subtotal				13	9	5	1	0	0
Total Mining Supply				13	9	5	1	0	0
Mining Surplus/Shortage									
San Antonio Basin				0	0	0	0	0	0
Guadalupe Basin				0	0	0	0	0	0
Lower Colorado Basin				0	0	0	0	0	0
Total Mining Surplus/Shortage				0	0	0	0	0	0
Livestock Demand									
San Antonio Basin		70	68	91	91	91	91	91	91
Guadalupe Basin		307	299	404	404	404	404	404	404
Lower Colorado Basin		12	13	17	17	17	17	17	17
Total Livestock Demand		389	380	512	512	512	512	512	512
Livestock Supply									
San Antonio Basin	Local	70	68	91	91	91	91	91	91
Guadalupe Basin	Local	307	299	404	404	404	404	404	404
Lower Colorado Basin	Local	12	13	17	17	17	17	17	17
Total Livestock Supply		389	380	512	512	512	512	512	512
Livestock Surplus/Shortage									
San Antonio Basin		0	0	0	0	0	0	0	0
Guadalupe Basin		0	0	0	0	0	0	0	0
Lower Colorado Basin		0	0	0	0	0	0	0	0
Total Livestock Surplus/Shortage		0	0	0	0	0	0	0	0

Table 4-14
Projected Water Demands, Supplies, and Needs
Kendall County
South Central Texas Region

Basin	Source	Total in 1990 (acft)	Total in 1996 (acft)	Projections 2000 (acft)	2010 (acft)	2020 (acft)	2030 (acft)	2040 (acft)	2050 (acft)
Total Kendall County Demand									
Municipal		2,130	3,239	3,534	4,758	6,213	8,284	10,533	12,761
Industrial		2	7	2	3	4	4	5	6
Steam-Electric		0	0	0	0	0	0	0	0
Irrigation		380	1,224	364	349	334	320	306	293
Mining		0	6	13	9	5	1	0	0
Livestock		389	380	512	512	512	512	512	512
Total County Demand		2,901	4,856	4,425	5,631	7,068	9,121	11,356	13,572
Total Kendall County Supply									
Municipal				3,697	3,697	3,697	3,697	3,697	3,542
Industrial				0	0	0	0	0	0
Steam-Electric				0	0	0	0	0	0
Irrigation				369	354	339	325	311	298
Mining				13	9	5	1	0	0
Livestock				512	512	512	512	512	512
Total County Supply				4,591	4,572	4,553	4,535	4,520	4,352
Total Kendall County Surplus/Shortage									
Municipal				163	-1,061	-2,516	-4,587	-6,836	-9,219
Industrial				-2	-3	-4	-4	-5	-6
Steam-Electric				0	0	0	0	0	0
Irrigation				5	5	5	5	5	5
Mining				0	0	0	0	0	0
Livestock				0	0	0	0	0	0
Total County Surplus/Shortage				166	-1,059	-2,515	-4,586	-6,836	-9,220
Total Basin Demand									
San Antonio									
Municipal		1,364	2,040	2,561	3,609	4,852	6,629	8,726	10,787
Industrial		2	6	2	3	4	4	5	6
Steam-Electric		0	0	0	0	0	0	0	0
Irrigation		0	330	0	0	0	0	0	0
Mining		0	0	0	0	0	0	0	0
Livestock		70	68	91	91	91	91	91	91
Total San Antonio Basin Demand		1,436	2,444	2,654	3,703	4,947	6,724	8,822	10,884
Guadalupe									
Municipal		746	1,166	951	1,128	1,339	1,632	1,782	1,946
Industrial		0	1	0	0	0	0	0	0
Steam-Electric		0	0	0	0	0	0	0	0
Irrigation		380	894	364	349	334	320	306	293
Mining		0	0	0	0	0	0	0	0
Livestock		307	299	404	404	404	404	404	404
Total Guadalupe Basin Demand		1,433	2,360	1,719	1,881	2,077	2,356	2,492	2,643
Lower Colorado									
Municipal		20	33	22	21	22	23	25	28
Industrial		0	0	0	0	0	0	0	0
Steam-Electric		0	0	0	0	0	0	0	0
Irrigation		0	0	0	0	0	0	0	0
Mining		0	6	13	9	5	1	0	0
Livestock		12	13	17	17	17	17	17	17
Total Lower Colorado Basin Demand		32	52	52	47	44	41	42	45
Total Basin Supply									
San Antonio									
Municipal				1,367	1,367	1,367	1,367	1,367	1,212
Industrial				0	0	0	0	0	0
Steam-Electric				0	0	0	0	0	0
Irrigation				0	0	0	0	0	0
Mining				0	0	0	0	0	0
Livestock				91	91	91	91	91	91
Total San Antonio Basin Supply				1,458	1,458	1,458	1,458	1,458	1,303

Table 4-14
Projected Water Demands, Supplies, and Needs
Kendall County
South Central Texas Region

Basin	Source	Total in 1990 (acft)	Total in 1996 (acft)	Projections 2000 (acft)	2010 (acft)	2020 (acft)	2030 (acft)	2040 (acft)	2050 (acft)
Guadalupe									
Municipal				2,302	2,302	2,302	2,302	2,302	2,302
Industrial				0	0	0	0	0	0
Steam-Electric				0	0	0	0	0	0
Irrigation				369	354	339	325	311	298
Mining				0	0	0	0	0	0
Livestock				404	404	404	404	404	404
Unallocated Groundwater Supply				1,119	1,134	1,149	1,163	1,177	646
Total Guadalupe Basin Supply				4,194	4,194	4,194	4,194	4,194	3,650
Lower Colorado									
Municipal				28	28	28	28	28	28
Industrial				0	0	0	0	0	0
Steam-Electric				0	0	0	0	0	0
Irrigation				0	0	0	0	0	0
Mining				13	9	5	1	0	0
Livestock				17	17	17	17	17	17
Unallocated Groundwater Supply				217	221	225	229	230	220
Total Lower Colorado Basin Supply				275	275	275	275	275	265
Total Basin Surplus/Shortage									
San Antonio									
Municipal				-1,194	-2,242	-3,485	-5,262	-7,359	-9,575
Industrial				-2	-3	-4	-4	-5	-6
Steam-Electric				0	0	0	0	0	0
Irrigation				0	0	0	0	0	0
Mining				0	0	0	0	0	0
Livestock				0	0	0	0	0	0
Total San Antonio Basin Surplus/Shortage				-1,196	-2,245	-3,489	-5,266	-7,364	-9,581
Guadalupe									
Municipal				1,351	1,174	963	670	520	356
Industrial				0	0	0	0	0	0
Steam-Electric				0	0	0	0	0	0
Irrigation				5	5	5	5	5	5
Mining				0	0	0	0	0	0
Livestock				0	0	0	0	0	0
Unallocated Groundwater Supply				1,119	1,134	1,149	1,163	1,177	646
Total Guadalupe Basin Surplus/Shortage				2,475	2,313	2,117	1,838	1,702	1,007
Lower Colorado									
Municipal				6	7	6	5	3	0
Industrial				0	0	0	0	0	0
Steam-Electric				0	0	0	0	0	0
Irrigation				0	0	0	0	0	0
Mining				0	0	0	0	0	0
Livestock				0	0	0	0	0	0
Unallocated Groundwater Supply				217	221	225	229	230	220
Total Lower Colorado Basin Surplus/Shortage				223	228	231	234	233	220

Table 4-14
Projected Water Demands, Supplies, and Needs
Kendall County
South Central Texas Region

Basin		Source	Total in 1990 (acft)	Total in 1996 (acft)	Projections 2000 (acft)	2010 (acft)	2020 (acft)	2030 (acft)	2040 (acft)	2050 (acft)
Groundwater Supplies										
	Available									
	Colorado	Edwards-Trinity			207	207	207	207	207	207
	Guadalupe	Edwards-Trinity			698	698	698	698	698	698
	Colorado	Trinity			51	51	51	51	51	41
	Guadalupe	Trinity			3,023	3,023	3,023	3,023	3,023	2,479
	San Antonio	Trinity			861	861	861	861	861	706
	Total Available				4,840	4,840	4,840	4,840	4,840	4,131
	Allocated									
	Colorado	Edwards-Trinity			33	30	26	23	22	23
	Guadalupe	Edwards-Trinity			698	698	698	698	698	698
	Colorado	Trinity			8	7	7	6	6	5
	Guadalupe	Trinity			1,904	1,889	1,874	1,860	1,846	1,833
	San Antonio	Trinity			861	861	861	861	861	706
	Total Allocated				3,504	3,485	3,466	3,448	3,433	3,265
	Total Unallocated				1,336	1,355	1,374	1,392	1,407	866

South Central Texas Regional Water Planning Area

2006 Regional Water Plan

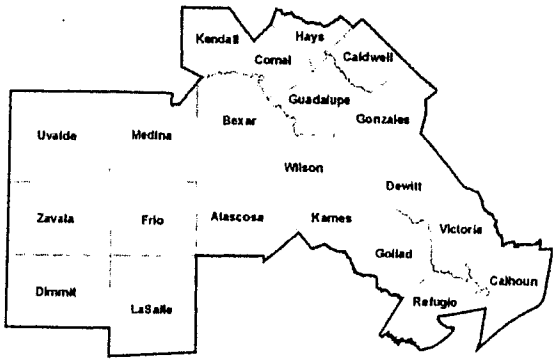
Volume I — Executive Summary and Regional Water Plan

Prepared by:

South Central Texas Regional Water Planning Group

With administration by:

San Antonio River Authority



With technical assistance by:

HDR Engineering, Inc.
Margaret Dalthorp

In association with:

Paul Price Associates, Inc.
John Folk-Williams, Sr. Mediator

January 2006

EXHIBIT 3

4B.2.14 Kendall County Water Supply Plan

Table 4B.2.14-1 lists each water user group in Kendall County and its corresponding management supply or shortage in years 2010 and 2060. For each water user group with a projected shortage, or need, a water supply plan has been developed and is presented in the following subsections.

Table 4B.2.14-1.
Kendall County Management Supply/Shortage by Water User Group

Water User Group	Management Supply/Shortage		Comment
	2010 (acft/yr)	2060 (acft/yr)	
City of Boerne	38	-1,542	Projected shortage (2030 through 2060)
City of Fair Oaks Ranch			See Bexar County
Water Service Inc.			See Bexar County
Rural Area Residential and Commercial	-221	-4,163	Projected shortage
Industrial	0	0	No projected demand
Steam-Electric Power	0	0	No projected demand
Mining	0	0	
Irrigation	-148	-140	Projected shortage (2010 through 2060)
Livestock	-25	-28	Projected shortage (2010 through 2060)

4B.2.14.1 City of Boerne

Current water supply for the City of Boerne is obtained from the Trinity Aquifer, Canyon Reservoir, and Boerne Lake. Boerne is projected to need additional water supplies prior to 2030. Working within the planning criteria established by the SCTRWPG and the TWDB, it is recommended that Boerne implement the following water supply plan to meet the projected needs for the city (Table 4B.2.14-2).

- Municipal Water Conservation to be implemented or enhanced in the immediate future. This strategy can provide an additional 98 acft/yr by 2010, increasing to 816 acft/yr of supply in 2060 (Volume II, Section 4C.1.1).
- Purchase from a WWP (GBRA) to be implemented prior to 2030. This strategy can provide an additional 23 acft/yr by 2010, increasing to 1,542 acft/yr of supply in 2060.

Table 4B.2.14-2.
Recommended Water Supply Plan for the City of Boerne

	2010 (acft/yr)	2020 (acft/yr)	2030 (acft/yr)	2040 (acft/yr)	2050 (acft/yr)	2060 (acft/yr)
Projected Need (Shortage)	0	0	23	549	1,092	1,542
Recommended Plan						
Municipal Water Conservation (L-10 Mun)	98	280	394	502	652	816
Purchase from WWP (GBRA)	—	—	23	549	1,092	1,542
Total New Supply	**98**	**280**	**417**	**1,051**	**1,744**	**2,358**

Estimated costs of the recommended plan to meet the City of Boerne's projected needs are shown in Table 4B.2.14-3.

Table 4B.2.14-3.
Recommended Plan Costs by Decade for the City of Boerne

Plan Element	2010	2020	2030	2040	2050	2060
Municipal Water Conservation (L-10 Mun)						
Annual Cost ($/yr)	$57,546	$134,963	$181,274	$221,288	$283,804	$352,354
Unit Cost ($/acft)	$588	$483	$460	$440	$435	$432
Purchase from WWP (GBRA)						
Annual Cost ($/yr)	—	—	$30,902	$737,606	$481,074	$679,319
Unit Cost ($/acft)	—	—	$1,344	$1,344	$441	$441

4B.2.14.2 Rural Area Residential and Commercial

Current water supply for Rural Areas is obtained from the Edwards-Trinity Aquifer, Trinity Aquifer, and Canyon Reservoir. Rural Areas are projected to need additional water supplies prior to 2010. Working within the planning criteria established by the SCTRWPG and the TWDB, it is recommended that rural area water supply districts and authorities and individual households and/or businesses not served by public water supply systems implement the following water supply plan to meet the projected needs for rural areas (Table 4B.2.14-4).

- Municipal Water Conservation to be implemented or enhanced in the immediate future. This strategy can provide an additional 73 acft/yr by 2050, increasing to 264 acft/yr in 2060 (Volume II, Section 4C.1.1).

- Purchase from WWP (GBRA) to be implemented prior to 2010. This strategy can provide an additional 221 acft/yr by 2010, increasing to 4,163 acft/yr in 2060.

Table 4B.2.14-4.
Recommended Water Supply Plan for Rural Areas

	2010 (acft/yr)	2020 (acft/yr)	2030 (acft/yr)	2040 (acft/yr)	2050 (acft/yr)	2060 (acft/yr)
Projected Need (Shortage)	221	865	1,612	2,527	3,385	4,163
Recommended Plan						
Municipal Water Conservation (L-10 Mun)	—	—	—	—	73	264
Purchase from WWP (GBRA)	221	865	1,612	2,527	3,385	4,163
Total New Supply	**221**	**865**	**1,612**	**2,527**	**3,458**	**4,427**

Estimated costs of the recommended plan to meet the projected needs of rural areas are shown in Table 4B.2.14-5.

Table 4B.2.14-5.
Recommended Plan Costs by Decade for Rural Areas

Plan Element	2010	2020	2030	2040	2050	2060
Municipal Water Conservation (L-10 Mun)						
Annual Cost ($/yr)	—	—	—	—	$43,086	$155,415
Unit Cost ($/acft)	—	—	—	—	$588	$588
Purchase from WWP (GBRA)						
Annual Cost ($/yr)	$201,608	$789,101	$1,470,556	$2,305,270	$3,087,985	$3,797,720
Unit Cost ($/acft)	$912	$912	$912	$912	$912	$912

4B.2.14.3 Industrial

There is no projected industrial water demand in Kendall County, therefore no water management strategies are recommended for this water user group.

4B.2.14.4 Steam-Electric Power

There is no projected steam-electric power water demand in Kendall County, therefore no water management strategies are recommended for this water user group.

4B.2.14.5 Mining

Mining is projected to have adequate water supplies available from the Trinity Aquifer to meet the water user group's projected demand during the planning period.

4B.2.1.6 Irrigation

Current water supply for irrigation is obtained from the Trinity Aquifer and run-of-river rights. Irrigation is projected to need additional water supplies prior to 2010. Working within the planning criteria established by the SCTRWPG and the TWDB, it is recommended that individual irrigators implement the following water supply plan to meet a portion of the projected needs for irrigation (Table 4B.2.14-6).

- Local Trinity to be implemented prior to 2010. This strategy can provide an additional 148 acft/yr of supply.

Table 4B.2.14-6.
Recommended Water Supply Plan for Irrigation

	2010 (acft/yr)	2020 (acft/yr)	2030 (acft/yr)	2040 (acft/yr)	2050 (acft/yr)	2060 (acft/yr)
Projected Need (Shortage)	148	145	141	138	143	140
Recommended Plan						
Local Trinity	148	148	148	148	148	148
Total New Supply	**148**	**148**	**148**	**148**	**148**	**148**

No estimated costs of the recommended plan to meet the irrigation projected needs are included as additional supplies will likely be produced from existing wells. Data indicate that there is insufficient irrigated acreage for the Irrigation Water Conservation water management strategy to meet projected needs by demand reduction. SCTRWPG has determined that it is not economically feasible for agricultural producers to pay for additional supplies to meet projected needs.

4B.2.14.7 Livestock

Current water supply for livestock is obtained from the Trinity Aquifer and local sources. Livestock is projected to need additional water supplies prior to 2010. Working within the planning criteria established by the SCTRWPG and the TWDB, it is recommended that

individual livestock operations implement the following water supply plan to meet a portion of the projected needs for livestock (Table 4B.2.14-7).

- Local Trinity to be implemented prior to 2010. This strategy can provide an additional 28 acft/yr of supply.

Table 4B.2.14-7.
Recommended Water Supply Plan for Livestock

	2010 (acft/yr)	2020 (acft/yr)	2030 (acft/yr)	2040 (acft/yr)	2050 (acft/yr)	2060 (acft/yr)
Projected Need (Shortage)	25	25	25	25	28	28
Recommended Plan						
Local Trinity	28	28	28	28	28	28
Total New Supply	**28**	**28**	**28**	**28**	**28**	**28**

No estimated costs of the recommended plan to meet the livestock projected needs are included as additional supplies will likely be produced from existing wells. It is not expected to be economically feasible to develop new sources of firm supply to meet these small unconcentrated needs.

Bank of America

August 12, 2005

B& D Environmental
P.O. Box 90544
Austin, Texas 78709-0544
Attn: Mr. Nichols

Bank of America
Private Bank
FL5-611-03-11
1001 East Atlantic Avenue
Delray Beach, FL 33483
Tel 561.279.7670
800.449.6775
Fax 561.279.1294

Re: Application to amend Certificate of Convenience and Necessity Nos. 12122 and 20698 filed with the Texas Commission on Environmental Quality to provide water and sewer utility service to approximately 5,000 acres in Kendall County, Texas.

Dear Mr. Nichols:

Please be advised that CDS International Holdings, Inc. ("CDS") and CDS Texas Realty LTD (an affiliate of CDS) are long standing customers of Bank of America with all accounts handled in a satisfactory manner.

CDS currently has unrestricted funds available in the low seven figure amount which can be provided for construction and infrastructure improvements pursuant to the certain Non-Standard Service Agreement by and between CDS and Tapatio Springs Service Company, Inc.

Should a letter of credit or a specific loan be required to accomplish these improvements, the Bank would most likely consider such a request.

Please contact me at (561) 279-7638 if you require any additional information.

Sincerely,

Joseph Silk
Senior Vice President

EXHIBIT 4