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)

C 071405

COPY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

KENDALL COUNTY UTILITY COMPANY

By:_____

TAPATIO SPRINGS SERVICE COMPANY, INC.

By:_____

GUADALUPE-BLANCO RIVER AUTHORITY

By:_____

William E. West, Jr., General Manager

THE STATE OF TEXAS §

COUNTY OF GUADALUPE §

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

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

TERESA VANBOOVEN
Notary Public, State of Texas
My Commission Expires
JANUARY 23, 2008

Teresa VanBooven
Notary Public
The State of Texas

(Seal)

THE STATE OF TEXAS §

COUNTY OF KENDALL §

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

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

CAREY G. EDWARDS
MY COMMISSION EXPIRES
March 7, 2009

Carey G. Edwards
Notary Public
The State of Texas

(Seal)

THE STATE OF TEXAS §

COUNTY OF KENDALL §

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

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

CAREY G. EDWARDS
MY COMMISSION EXPIRES
March 7, 2009

Careyh. Edwards

Notary Public
The State of Texas

(Seal)

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

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

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

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

LOCKHART WATER
TREATMENT PLANT
Old McMahan Road
Lockhart, Texas 78644
Phone 512-398-3528

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

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

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

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

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

GBRA

GUADALUPE-BLANCO RIVER AUTHORITY

REC'D JUL

June 16, 2005

Stan Scott
Kendall County Utility Company and
Tapatio Springs Service Company, Inc.
P O. Box 550
Boerne, Texas 78006

Re: Western Canyon Regional Treated Water Supply Project

Dear Mr. Scott:

In accordance with the GBRA Board action, enclosed please find the First Amendment to Agreement Between Kendall County Utility Company and Tapatio Springs Service Company, Inc. and Guadalupe-Blanco River Authority for your execution. We have also enclosed a copy of the Participation Criteria as well. This Agreement is conditional on amending the CCN as necessary to comply with other conditions stated in the Criteria.

We have enclosed a self-addressed, stamped envelope for your convenience in returning one of the signed original documents to our offices. You may keep the other original for your files.

Please do not hesitate to contact me if you have any questions.

Sincerely,

David Welsch

David Welsch
Director of Project Development

MEMORANDUM OF MEETING
HELD AT TAPATIO SPRINGS COUNTRY CLUB
WEDNESDAY, JULY 20, 2005, 7:30 A.M

Subject of Meeting: Request for Hearing directed to Texas Commission on Environmental Quality Water Supply Division

Re: Notice of Application for Certification of Convenience and Necessity (CCN) to Provide Water and Sewer Utility Service in Kendall County
Tapatio Springs Service Company, Inc. Application to Amend
CCN Nos. 12122 and 20698

Persons Present at Meeting:
For the owners ("Owners") of Tapatio Springs Service Company ("Tapatio"), and Kendall County Utility Company ("Kendall"): Jack Parker, Michael Shalit, Jay Parker, Stan Scott and their engineer.

For the 54 rate payers ("Rate Payers") of Tapatio: Travis Cannon, Fred Clark, and Al Hamilton.

The parties agreed, based upon detailed discussion, as follows:

1. The Owners would merge Tapatio into Kendall so as to create a single utility company serving the Ranger Creek area, Tapatio Springs area, and the proposed new 5,000 acre subdivision adjacent to Ranger Creek and Tapatio Springs with water and sewer service. Such merger would be accomplished at the earliest possible time within the next ninety (90) days. Such merger will eliminate possible conflicts of interest, difficult allocations between the two utilities, and improve the financial and management situation.

2. The present estimated costs of the 14" pipeline including rights of way, easements, pumps, storage facilities, engineering and legal fees to accept the water at the City of Boerne's facilities on Cascade Caverns Road and deliver such water to the Kendall storage tank on Johns Road is $1,850,000 of which the developer of the 5,000 acre property, CDS International Holdings, Inc. ("CDS"), will contribute $1,500,000. Said pipeline is scheduled to be completed on or about March 2006.

3. CDS will pay for all other costs incurred for the purpose of delivering water to its new 5,000 acre subdivision including a sewer plant and the cost of maintaining the 250 acre feet of GBRA water rights until 500 customers are on line.

4. Tapatio and Kendall officers will deliver to Rate Payers' representatives such information as requested concerning the companies' current financials, rate schedules, customer water usage and other operational information.

C07695

5. Owners agreed that no rate adjustment will be sought before March, 2006; provided, however that when a rate increase occurs Rate Payers may contest such action in their sole discretion

6. This agreement, when approved by all parties, shall be presented to the Texas Commission on Environmental Quality together with a statement on behalf of Rate Payers that their concerns listed in their request for hearing noted above have been satisfied as a result of this agreement and that such Rate Payers no longer seek said hearing.

APPROVED AND AGREED TO this _____ day of July, 2005

FOR THE OWNERS:

_____

_____

_____

FOR THE RATE PAYERS:

_____

_____

_____

First Amendment to Non-Standard Service Agreement

State of Texas
County of Kendall

Whereas, CDS International Holdings, Inc., hereinafter referred to as the "Developer," and Tapatio Springs Service Company, Inc., hereinafter referred to as the "Utility Company," for the purpose of extending Utility Company's water and wastewater systems to serve Developer's real property located in Kendall County, Texas previously executed a Non-Standard Service Agreement (the "Agreement"), dated and effective the 9th day of September, 2004 (the "Effective Date"); and

Whereas, CDS and Utility Company desire to amend the Agreement as stated in this Amendment.

NOW THEREFORE, in consideration of the mutual covenants and agreements contained in the Agreement, the receipt and adequacy of which are hereby acknowledged, Developer and Utility Company hereby agree as follows:

1. Definitions. All capitalized terms used in this Amendment without definition herein will have the meanings assigned to such terms in the Agreement.

2. Amendments. The Agreement is hereby amended as follows:

   A. Section 1(d) is deleted in its entirety. Prior to deletion, Section 1(d) stated:

   > 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.

   B. Section 5(e) is deleted in its entirety. Prior to deletion, Section 5(e) stated:

   > 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.

   C. Section 11 is amended to read as follows (with inserted text shown by underlining and deleted text shown by strike-through):

C08270S

11. Effective Date and term.

This Agreement shall be effective from and after the date of the execution by all parties. This agreement may be terminated by Utility Company ~~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 if Utility Company elects not to terminate the Agreement, then this Agreement 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.

3. Effective Date. This Amendment is effective immediately.

4. No Other Changes. Except as specifically set forth in Section 2 of this Amendment, all of the terms and conditions of the Agreement will remain the same and are hereby ratified and confirmed. The Agreement, as amended by this Amendment, will continue in full force and effect, and the Agreement, as amended by this First Amendment will be read and construed as one instrument.

5. Choice of Law. This Amendment will be construed in accordance with and governed by the laws of the State of Texas.

6. Counterparts. This First Amendment may be executed in as many counterparts as may be required; and it shall not be necessary that the signatures of, or on behalf of, each party, or that the signatures of all persons required to bind any party, appear on each counterpart; but it shall be sufficient that the signature of, or on behalf of, each party, or that the signatures of the persons required to bind any party, appear on one or more of the counterparts. All counterparts shall collectively constitute a single agreement. Signatures provided by a confirmed telecopy shall be accepted as originals. In making proof of this Amendment it will not be necessary to produce or account for more than one counterpart signed by each party hereto by and against which enforcement hereof is sought.

IN WITNESS HEREOF, the parties hereto have executed in duplicate originals this Amendment on the _____ day of _____, 2005.

Tapatio Springs Service Company, Inc.

By:_____

Name:_____

Title:_____

Date:_____

CDS International Holdings, Inc.,

By:_____

Name:_____

Title:_____

Date:_____

Pcd151588

C0831 04

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

C0831 04

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 with 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 inabilities 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 Untied 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 word, 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. Milner

Title Treasurer

Date 9/9/04

PCD #: 135536

Andy Calvert

From: Andy Calvert [acalver@gvtc.com]
Sent: Thursday, July 07, 2005 1:12 PM
To: Al Hamilton (E-mail); Bill Weidler (E-mail); Dick Haas (E-mail)
Subject: New Info Regarding Expansion

MEMORANDUM

TO: Al Hamilton, Dick Haas, Bill Weidler

FROM: Andy Calvert

DATE: July 7,2005

SUBJECT: Tapatio Springs New CCN

I had a very interesting telephone conversation with Mr. Dan Smith in the TCEQ. Dan is the Business Plan Administrator in the Utilities Financial Review section. Whenever a Utility applies for a new rate or a new CCN, it is Dan's responsibility to review and approve the financial condition before the rate increase or CCN can be granted.

Dan said he had received the application for a CCN from Tapatio Services a while back. In his review document (Begin Technical Review – BTR) dated May 4, he expressed several concerns and requested additional information. He has not received anything back from them yet. He stated that if he didn't receive the requested information soon he would be issuing a "Notice of Deficiency (NOD)."

I am in the process of obtaining the BTR and will pass a copy on to you as soon as I receive it. In summary the BTR states the scope of the project is very ambitious, the application required 12 more pages to be completed, the financial information provided was inadequate.

In my conversation with him, I asked how we would go about turning the water company into a municipal water company. He said often developers do not want to operate a water company so they sell it to the ratepayers. The typical price paid to the developer for the water company is between $300 and $700 per connection. I explained that there were approximately 200 connections, so at the high end the company would be worth $140,000. In the most recent financial statements Tapatio Services had over $900,000 in long-term debt. Upon hearing that he was appalled and stated that if that were true the water company was insolvent.

Regardless if the new extension is protested or not, Dan Smith must be satisfied with the financial condition of Tapatio Services before it can be approved.

If you have any questions, Dan can be reached at (512) 239-6949

Additionally, the engineer assigned to the CCN case (#34932-C and #34933-C) is Camal. He can be reached at (512) 239-0680

E070705

Andy Calvert

From: Andy Calvert [acalver@gvtc.com]
Sent: Sunday, July 10, 2005 10:04 PM
Subject: Production/Consumption

The annual reports posted on the TCEQ website show the following information:

	Avg. Daily Production	Annual Production	Avg Daily Conumption	Annual Consumption
Kendall County	1.182 MG	431.43 MG	204 MG	74.46 MG
Tapatio Servicies	.103 MG	44.53 MG	.103 MG	37.59 MG
Annual Totals		475.96 MG		112.05 MG

Where is the need for additional water????

Andy
(830) 537-3980

EX 071005

Andy Calvert

From: Andy Calvert [acalver@gvtc.com]
Sent: Wednesday, July 13, 2005 9:00 PM
To: Al Hamilton (E-mail)
Cc: Bill Weidler (E-mail); Dick Haas (E-mail)
Subject: Tonight's meeting

Al,

I thought I would pass on to you what my take was regarding tonight's meeting:

As we thought, they controlled the meeting and made a big concerted push to tell everyone that this was a great deal with no potential downside. Over and over again, the lawyer, the consultant, the engineer and Jay said the same thing. There were a number of questions by the audience (Dick, Bill, Fred, Dennis, Me and several others) but they blew off the questions and continually gravitated back to the standard line that "this is a great deal and all of you are fools to think any differently."

The attorney said he thought he could have the protest squelched in the preliminary hearing if there were only a few protesters. An obvious appeal to those who signed the petition to have their names removed.

Most of the people left the meeting after about an hour. Dick and I stayed until the end of the meeting. It became very clear who bought this line ... Bernie Malson, Rich Smeider, Larry Parmudgin, Gayle McNutt and several others. A few were on the fence .. Terry Doyle and a couple of others.

Jay tried to make us look bad for your filing the protest in advance of this meeting. He kept saying that it was done prematurely because this meeting was going to satisfy everyone's questions. He and the attorney implored the audience to withdraw the request for hearing ... which they kept referring to as a law suit.

At the end, Bernie Malson stated he thought you should call a separate meeting with the community and explain or withdraw the protest.

These are my recommendations:

1. Go forward with the protest - post haste.
2. Have every one of us on the "committee" file a protest independently as well, in case that some of the petitioners say they want to be removed ... thereby watering down the effectiveness of the petition.
3. Write a letter to the community stating your reasons for moving forward with the protest and all of us on the "committee" sign it.
4. Forget any public meeting, it will only add fuel to the Jay supporters.
5. Continue to gather data and information to support our case.

Andrew J. Calvert

(830) 537-3980

E 071305

Andy Calvert

From: Andy Calvert [acalver@gvtc.com]
Sent: Thursday, July 14, 2005 8:22 AM
To: Al Hamilton (E-mail)
Cc: Bill Weidler (E-mail); Dick Haas (E-mail)
Subject: Further thoughts

A few more issues that were brought out in the meeting that were significant to me:

1. The City of Boerne has filed a protest with the TCEQ. The attorney said they will be meeting with the City to resolve their protest issues.
2. When asked, the consultant admitted that the CCN has not been approved by the TCEQ but quickly changed the subject when asked why.
3. The engineer said they haven't decided the route the access line from the GBRA to Tapatio yet! They are evaluating several routes.
4. The attorney admitted that the cost of the access line could be as high as 3.2 million, but he said that didn't matter because the access line was going to built anyway and Tapatio would get at least the 1.5 million to help defray the costs.
5. I brought up the issue of Tapatio being responsible for the access roads, and the attorney said that was insignificant and changed the subject immediately.
6. I tried to pin them down on the amount of water used by the resort vs the residents and they "didn't know." In fact they said it didn't matter and surprisingly enough several people in the audience agreed with them. Even if the resort was using 75% of the water "it simply didn't matter."
7. They really tried to scare everyone saying their property values could go down to 25 cents per square foot if they didn't get this water.
8. They said CDS could choose to drill 800 wells on his property and that would drain our wells.

Andy

(830) 537-3980

E07/405

Andy Calvert

From: Andy Calvert [acalver@gvtc.com]
Sent: Monday, July 25, 2005 9:40 AM
To: 'Sandra Hamilton'
Subject: RE:

Al.

After reading your "draft", I went back and reviewed the request for hearing document you prepared on July 12. In that letter you very succinctly and eloquently itemized thirteen areas of concern that formed the basis for the protest. I don't see how the "draft" addresses any of these issues. All you have been given is words backed with no facts. If we were willing to accept their words as facts, there would have been no reason for the protest in the first place.

The TCEQ is not satisfied with there words and continuing to ask for factual information from the owners. The TCEQ has not approved the CCN extension and will not (I am told) until they are satisfied with the information they have been provided. I believe it would be reasonable on our part to hold off on the protest withdrawal until the state has approved the CCN extension. After that, we can review all the documents the owners have provided and then make an informed intelligent fact based decision.

Andy

-----Original Message-----
From: Sandra Hamilton [mailto:sandra@hamiltonmiller.com]
Sent: Monday, July 25, 2005 8:06 AM
To: acalver@gvtc.com; weidler@gvtc.com; Dennis Juren; clarkfr@gvtc.com; thcannon@yahoo.com; waltert@gvtc.com
Subject:

Here is a draft as a result of our meeting. Please give me your thoughts and comments.

Al

E 07505

Andy Calvert

From: Andy Calvert [acalver@gvtc.com]
Sent: Wednesday, July 27, 2005 12:55 PM
To: 'Travis Cannon'
Subject: RE: Revised Memorandum of Meeting

Travis,

According to the application, the CCN extension is strictly for TSSC not KCWC. I know you Al and Fred have been talking with them about merging TSSC with KCWC but that may not be as easy to do as might you think (If I were a ratepayer in KCWC I wouldn't think this would be such a great idea!)
I would be glad to sit down with you and go over my concerns (which I gave to Al several weeks ago.) I also have a list of concerns prepared by Dick Haas and given to Al before he went on vacation As a starting point however, there were 13 issues raised in the protest letter Al prepared and submitted to the TCEQ, and I don't see where any these issues have been satisfied. I have been in contact with individuals at the TCEQ who are responsible for reviewing this application. I have in my possession some documents from the TCEQ to TSSC (Darrell Nichols, Utility Consultant) identifying certain issues, expressing their concerns and requesting additional information, which I would be glad to share with you. Besides these documents, I know the TCEQ has requested additional information. If you would like to speak with them, I would be glad to give you their names and telephone numbers.

I just do not believe it is in the best interests of the ratepayers to give TSSC cart blanch approval before reviewing the facts and particularly before the TCEQ has given their approval.

-----Original Message-----
From: Travis Cannon [mailto:thcannon@yahoo.com]
Sent: Wednesday, July 27, 2005 11:21 AM
To: acalver@gvtc.com
Subject: RE: Revised Memorandum of Meeting

Andy,
I appreciate your tireless effort in pursuit of the water issue. Your endless hours of time and effort are acknowledged and appreciated by the rate payers of Tapatio Springs. The information and data will be of significant value when the water companies file for a water rate increase or pass through rate increase.
It is my understanding that the filing that has been made by KCWC & TSSC is only to amend the current CCN in order to add customers (rate payers) to the customer base of the water companies.
If my understanding of the facts in this case are wrong and completely off-base, I am willing to listen to whoever can convince me that I am wrong in my understanding.
Thanks,
Travis

E 072705

Andy Calvert

From: Andy Calvert [acalver@gvtc.com]
Sent: Wednesday, July 27, 2005 10:57 AM
To: 'Sandra Hamilton'
Subject: RE: Revised Memorandum of Meeting

Al,

I see absolutely no unearthly reason to sign this document until the TCEQ has approved the CCN extension They have access to far more information than we do, and they have the authority to demand access to the facts. Additionally, they have the incentive and expertise to analyze technical, financial and legal documents on the ratepayers behalf. Currently the TCEQ is actively performing a detailed review of this project largely because of concerns expressed by the ratepayers. All information they gather will be made available to us upon request. I fear that if you (as the ratepayers representative) give your blessing to this project now, the TCEQ will no longer have any incentive to continue this review. Clearly this is not in the best interests of the ratepayers. I personally collected over 35 of the 54 names on the petition and spoke directly with these concerned individuals. The vast majority indicated it was imperative that all the facts be brought out into the open and they be given a fair and impartial hearing. I have invested numerous hours researching and analyzing this issue and know full well that there are many facts and unanswered questions that need to be addressed, not just those listed in your draft. It is my firm opinion that it is premature and imprudent to bless this extension now, especially without the TCEQ's approval.

I sincerely hope you let all the facts come out and not withdraw this protest.

Andy

-----Original Message-----
From: Sandra Hamilton [mailto:sandra@hamiltonmiller.com]
Sent: Wednesday, July 27, 2005 9:40 AM
To: acalver@gvtc.com; weidler@gvtc.com; Dennis Juren; clarkfr@gvtc.com; thcannon@yahoo.com; waltert@gvtc.com
Subject: Revised Memorandum of Meeting

Here's a new draft of the Memorandum of Meeting with some modifications suggested by some of you. To clarify one point, in the take or pay contract we are required to pay for the water even if we don't take it. Also, any water paid for and not taken is lost.

Let me know if you have additional comments.

Al

E0727052

Andy Calvert

From: Sandra Hamilton [sandra@hamiltonmiller.com]

Sent: Friday, August 26, 2005 3:59 PM

To: acalver@gvtc.com; weidler@gvtc.com; Dennis Juren; rerfhaas@hotmail.com; clarkfr@gvtc.com; thcannon@yahoo.com; waltert@gvtc.com

Subject: FW:

This e-mail was received today from Stan Scott in reply to our request for a copy of the amendment to the contract proposed between Tapatio Service Co and CDS International Stan received this from the attorney, thus the threatening language. Michael informed me that he or his investor has paid in approximately $1M which has been used to pay off entirely the note to Clyde Smith. He further informed me that the money was credited to capital and was not put in as indebtedness

I have requested a more current balance sheet reflecting the additional capital and a resolution of the inter-company accounts.

Please give me any comments you may have. I will send the new financials as soon as I get them.

Al

From: KCUC / STAN SCOTT [mailto:kcuc@gvtc.com]
Sent: Friday, August 26, 2005 3:23 PM
To: Sandra Hamilton
Subject: Fw:

----- Original Message -----
From: plindner@davidsontroilo.com
To: Stan Scott
Sent: Friday, August 26, 2005 3:15 PM

----- Forwarded by Patrick W Lindner/DandT on 08/26/2005 03:15 PM -----

Patrick W Lindner/DandT

08/18/2005 09:35 AM

To "Stan Scott" <kcuc@gvtc com>
cc
Subject

Stan,

Attached is the first amendment sent to CDS for review and comment. As you know, the delay in the processing the CCN application has caused CDS to evaluate whether to cancel the project and proceed with the plat for lots served by individual wells. If the hearing requests are not withdrawn immediately, and CDS proceeds with lots served by individual wells, the attached amendment is moot, and Tapatio will need to proceed with the line without financial assistance from CDS.

E 08 26 05

Andy Calvert

From: Andy Calvert [acalver@gvtc.com]

Sent: Saturday, August 27, 2005 1:42 PM

To: 'Sandra Hamilton'; 'weidler@gvtc.com'; 'Dennis Juren'; 'rerfhaas@hotmail.com'; 'clarkfr@gvtc.com'; 'thcannon@yahoo.com'; 'waltert@gvtc.com'

Subject: RE:

My comments:

Amendments
A. Section 1(d) deleted - good!
B Section 5(e) deleted - Does this mean that the development costs paid by CDS are no longer capped at 1.5 million, and open-ended? If so then good!
C. Section 11 - isn't this a new section? The contract I have does not have a Section 11; it ends at Section 10! Do we have the current version of the contract? This new section locks the Utility into a contract for twenty-four months. I'm not sure that this is to the benefit of the ratepayers

Critical Items not addressed by the amendment:
1. Section 5(d) Any over sizing of the extension "the Utility shall reimburse the Developer," This is a nebulous open-ended clause and needs to be more specific as to the actual required sizing.
2. Section 9(a) "Developer and Utility Company ... pay the GBRA connection costs proportionally based upon the capacity of such connection facilities." This is a nebulous open-ended clause that places the ratepayers at a financial risk. It needs to be more specific as to the actual capacity and associated costs.
3. Section 9(f) Places the ratepayers at a financial risk for paying the GBRA for the additional water, if the Developer's plans are revised and they no longer need the water.
4. Section 9(g) Places the ratepayers at a financial risk for the development of constructing roadways to serve the 5,000 acres and 1700 connections
5. Section 9(l) Places the ratepayers at a financial risk .... "any funds paid to the Utility Company in anticipation of service to a greater number or capacity or capacity of connections than fully constructed will be reimbursed to the the Developer"
6. Section 9(l) Places the ratepayers of the Utility at a financial risk, water shortage risk and wastewater treatment capacity risk. "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 projected demand within its service area ..... 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 .... then the Utility Company will notify Developer ... and will cooperate on developing a plan for the temporary use of such capacity. "
The only logical reason I can see this Section being in the contract at all is that both parties are fully aware the Utility currently has an over capacity in both water and wastewater treatment facilities. Then, why are we (the ratepayers) acquiring the GBRA water in the first place? The answer is clearly obvious, the benefit of the GBRA water is for the developers. The existing ratepayers don't need it, but they are expected to pay for it!

[Andy Calvert] -----Original Message-----
From: Sandra Hamilton [mailto:sandra@hamiltonmiller.com]
Sent: Friday, August 26, 2005 3:59 PM
To: acalver@gvtc.com; weidler@gvtc.com; Dennis Juren; rerfhaas@hotmail.com; clarkfr@gvtc.com; thcannon@yahoo.com; waltert@gvtc.com
Subject: FW:

This e-mail was received today from Stan Scott in reply to our request for a copy of the amendment to the contract proposed between Tapatio Service Co. and CDS International. Stan received this from the attorney, thus the threatening language. Michael informed me that he or his investor has paid in approximately $1M which has been used to pay off entirely the note to Clyde Smith. He further informed me that the money was credited to capital and was not put in as indebtedness.

Andy Calvert

From: Andy Calvert [acalver@gvtc.com]
Sent: Saturday, October 01, 2005 9:17 PM
To: 'Sandra Hamilton'
Subject: RE: De Facto Water Committee

There was never a doubt there . . A lunch is the least that he ows you.

-----Original Message-----
From: Sandra Hamilton [mailto:sandra@hamiltonmiller.com]
Sent: Friday, September 30, 2005 11:07 AM
To: Andy Calvert; weidler@gvtc.com; Dennis Juren; Dick Haas; Fred Clark; thcannon@yahoo.com; waltert@gvtc.com
Subject: De Facto Water Committee

Yesterday, Carl DeSantis's right hand man, Bill Milmoe, called and inquired about our withdrawal in the water matter.

I informed him that I had sent by fax a signed copy to the utility office at 4:30 and had mailed the original to Austin about noon.

He requested that I fax a copy to Carl DeSantis at his Florida office, which I did this morning.

He further confirmed that he and Carl may take me up on an invitation to lunch or dinner on their next trip here.

Who says Carl DeSantis is not involved here?

Just for your information.

Al

E100105

Andy Calvert

From: Andy Calvert [acalver@gvtc.com]
Sent: Tuesday, October 04, 2005 2:59 PM
To: 'plindner@davidsontroilo.com'; 'kcuc@gvtc.com'
Subject: Contract between CDS International Holdings and TSSC

Mr Lindner

Stan Scott asked me to contact your regarding my concerns on the contract between CDS International Holdings and TSSC. I have a copy of the original contract that was contained in the CCN application and a copy of the proposed amendment Stan e-mailed to Al Hamilton a couple of weeks ago. The following are my comments on the contract amendment and items not addressed in the amendment.

My objective is to remove any and all items which place the ratepayers at risk Before I can withdraw my protest I would have to see a signed contract amendment removing these risks.

Comments/Questions on the Proposed Amendment.

A. Section 1(d) deleted - good!

B Section 5(e) deleted - Does this mean that the development costs paid by CDS are no longer capped at 1 5 million, and open-ended?

C. Section 11 - isn't this a new section? The contract I have does not have a Section 11; it ends at Section 10! This new section locks the Utility into a contract for twenty-four months. I'm not sure that this is to the benefit of the ratepayers.

Critical Items not addressed by the Proposed Amendment:

1. Section 5(d) Any over sizing of the extension "the Utility shall reimburse the Developer," This is a nebulous open-ended clause and needs to be more specific as to the actual required sizing

2. Section 9(a) "Developer and Utility Company ... pay the GBRA connection costs proportionally based upon the capacity of such connection facilities." This is a nebulous open-ended clause that places the ratepayers at a financial risk. It needs to be more specific as to the actual capacity and associated costs.

3 Section 9(f) Places the ratepayers at a financial risk for paying the GBRA for the additional water, if the Developer's plans are revised and they no longer need the water.

4 Section 9(g) Places the ratepayers at a financial risk for the development of constructing roadways to serve the 5,000 acres and 1700 connections.

5. Section 9(I) Places the ratepayers at a financial risk .... "any funds paid to the Utility Company in anticipation of service to a greater number or capacity or capacity of connections than fully constructed will be reimbursed to the Developer"

6. Section 9(I) Places the ratepayers of the Utility at a financial risk, water shortage risk and wastewater treatment capacity risk, by exposing the existing capacity.

"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 projected demand within its service area ..... 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 .... then the Utility Company will notify Developer ... and will cooperate on developing a plan for the temporary use of such capacity.."

Existing capacity should not be available to the developer.

Andrew J. Calvert

E/0676

Andy Calvert

From: Andy Calvert [acalver@gvtc.com]
Sent: Tuesday, October 11, 2005 3:51 PM
To: Dick Haas (E-mail)
Subject: FW: Questions

-----Original Message-----
From: Andy Calvert [mailto:acalver@gvtc.com]
Sent: Tuesday, October 04, 2005 8:44 AM
To: 'george@georgemendez.com'
Subject: Questions

George:

Thank you for taking the time to discuss my concerns regarding the financial statements for TSSC. I understand you are you have worked with TSSC for a very short time and are not completely familiar with their operation or financial records, but you are willing to provide, as best you can, information I am requesting. To reiterate, my questions are not concerning the rate base, I am trying to determine the company's financial condition and the company's financial management as represented in the financial statements.

The latest financial statements I have are dated December 31, 2005. These statements were included in the CCN application to the TCEQ dated April 20, 2005. I understand that there have been additional internally generated financial statements which I would certainly like to see.

My primary questions concerning these financial statements are as follows:

Balance Sheet
1. The Property and Equipment have been depreciated 91% - Is this correct?
2. In Current Liabilities:
- What is the source document, purpose and dates for the following:
  A/P KCUC - Note 8 ..... $35,000
  Intercompany Golf Resort 201,406
  Intercompany - T/S Dev .....(357,153)
  I/C-KCDC Note 9 23,000
  Intercompany - KCUC 42,000
3. Long-Term Liabilities.
  a) Is the amount of $905,146 to Clyde Smith the original loan form 1993, or has the loan been increased from the original amount.
  b) I understand this loan has been paid off. I would like to see the source document evidencing this transaction, and the resulting journal entry.

Income Statement
1. What is the basis for the negative Sewer income of 26,852 (current month)?
2. What are the sources of the interest expense of $55,314.14?

Thanks again for your help.

Andrew J. Calvert
Information Technology Consultant
Microsoft Certified Professional

(830) 537-3980

E 10/11/05

Andy Calvert

From: Andy Calvert [acalver@gvtc.com]
Sent: Monday, October 17, 2005 10:24 AM
To: 'george@georgemendez.com'
Subject: TSSC questions

Mr. Mendez:

I sent you an email on 10/4 regarding TSSC questions. I know that you are very busy right now given the time of the year. I just wanted to make sure that you received my email and that you intend to respond to it in the near future.

Since our last conversation, I have obtained internally generated financial statements dated 9/30/05 and I have several questions for you on these statements as well.

I look forward to hearing from you soon.

Andrew J. Calvert
Information Technology Consultant
Microsoft Certified Professional

(830) 537-3980

EE 10755

SOAH DOCKET NO. 582-06-0425
TCEQ DOCKET NO 2005-1516-UCR

APPLICATION OF TAPATIO SPRINGS SERVICE COMPANY, INC. TO AMEND CERTIFICATES OF CONVENIENCE AND NECESSITY NOS. 12122 AND 20698 IN KENDALL COUNTY, TEXAS	§ § § § § § §	BEFORE THE STATE OFFICE OF ADMINISTRATIVE HEARINGS

BEFORE THE HONORABLE MIKE ROGAN,
ADMINISTRATIVE LAW JUDGE

MOTION TO WITHDRAW

COMES NOW, Al Hamilton, on behalf of himself and the Ratepayers of Tapatio Springs Service Company, Inc. whom he represents (herein "Ratepayers") and presents as an attachment hereto a list of said Ratepayers verified from the records of the Utility by its General Manager, Mr. Stan Scott.

FURTHER, on behalf of said Ratepayers, Petitioner submits this Ratepayers' Motion to Withdraw from the above proceedings and declares their support for the Applicant, Tapatio Springs Service Company, Inc. in this matter.

WHEREFORE, Petitioner requests this court to grant this Motion to Withdrawn and any additional relief the Court may deem proper.

DATED this the 17th day of February, 2006.

Respectfully Submitted,

Al Hamilton

Al Hamilton
301 Eagle Drive, Boerne, TX 78006
Telephone: 830-537-6001
Fax: 830-537-6041
E-mail: al@hamiltonmiller.com

CERTIFICATE OF SERVICE

Copies of this Motion to Withdraw have been faxed with hard copies deposited in the U. S. Mail, postage prepaid, and addressed to the following, this 17th day of February, 2006: