



Crystal Clear SUD Water Availability Report 2016

Comal County, Texas

VOID

A Water Availability Report is a document prepared by a utility to demonstrate their ability to meet the needs of their existing water users and show preparedness to meet the needs of future water users as their system grows.

In accordance with Comal County Rules and Regulations, Crystal Clear Special Utility District (the District) hereby submits this 2016 Water Availability Report for its public water system (PWS) to the Comal County Commissioners for review and approval.

Prepared by:

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ENVIRONMENTAL LLC

Crystal Clear SUD

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All information, resources, and assets identified within this report are assignable to Crystal Clear SUD.



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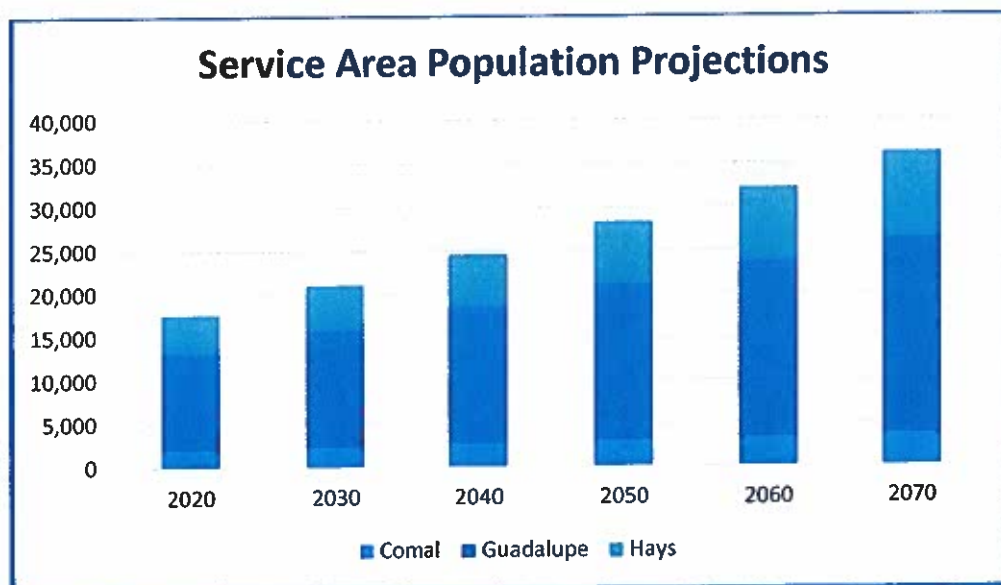
1. Introduction

Crystal Clear Special Utility District (the District) is a Public Water System (PWS) in South Central Texas that currently provides water service to approximately 16,192 residents and 5,151 retail connections over 165 square miles in portions of Comal, Guadalupe, and Hays Counties. The service area extends across Interstate Highway 35 to the northwest and is bordered by Interstate Highway 10 to the south, State Highway 46 to the southwest, and the San Marcos River to the northeast. 82.5% of the service area is located in Guadalupe County, 9.0% is in Hays County, and 8.5% is in Comal County.

The District primarily serves single-family residential units including the communities of Hunter, Kingsbury, Redwood, and Zorn as well as portions of the extra territorial jurisdictions and within the city limits of the Cities of New Braunfels, San Marcos, Seguin, and Staples. The entire service area is located in the Region I South Central Texas Regional Water Planning Group (SCTRWPG), which is administered by the Texas Water Development Board (TWDB).

The SCTRWPG 2016 Regional Water Plan projects the population of the District's service area to increase to 24,554 by 2040 and to 36,215 by the year 2070 with corresponding projected total water demands of 3,368 and 4,909 acre-feet per year (AF/yr) respectively. The Plan recommends water supply from the Wilcox aquifer and Canyon Regional Water Authority (CRWA), as well as other sources including municipal water conservation. Figure 1 below shows the combined population projections for the three counties within the District's service area.

Figure 1: 2016 TWDB Population Projections



The District can currently utilize 5,127 AF/yr of water supply from wells in the Edwards, Edwards/Uvalde, Trinity, and Carrizo aquifer permits as well as Guadalupe County Groundwater Conservation District permits, water supply contracts with the Guadalupe-Blanco River Authority (GBRA), and Canyon Regional Water Authority (CRWA). Twenty year pro forma water supply strategies include the development of groundwater in the Wilcox aquifer.

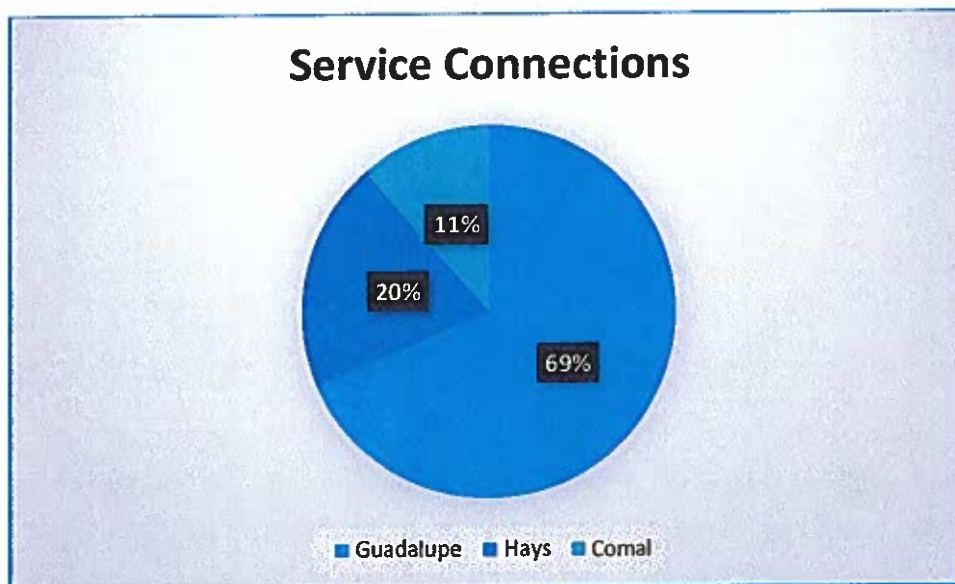
The District is already planning beyond the 20-year horizon required by Comal County. The District is a member of the Hays Caldwell Public Utility Agency (PUA) owning a 10.3% share of the production dedicated and owned by CRWA in the Hays Caldwell PUA Phase 1 and 2 projects. The Hays Caldwell PUA project is within the Gonzalez County Underground Water Conservation District (UWCD) boundaries and is specifically recommended for the District by the South Central Texas Regional Water Planning Group's Water Plan.

2. Population and Land Use Analysis

The District serves retail customers in portions of Comal, Guadalupe, and Hays counties. The area is located on the northern edge of the South Texas Plains and is characterized by an average of 32 inches of rain annually. Land use, historically predominated by agricultural uses is increasingly developing into rural and urbanized residential uses.

Based upon the TWDB 2015 Water Use Survey, the District has 5,151 retail service connections. The majority (69%) of the connections (3,535) are in Guadalupe County. There are 1,022 connections in Hays County and 594 in Comal County. Figure 2 shows the distribution of service connections by county.

Figure 2: Service Connections by County



Due to the nature of the service area, identification of the actual population served is challenging. With a service area located in portions of three counties, additional efforts are required to interpret United States Census data and county appraisal records. An independent population study was performed for the District in 2011 and concluded that the population for the entire service area was 14,932 at the time.

The TWDB projects the combined population for the three counties to grow 124% by 2070. The 2016 TWDB population projections for the District's service area are listed in Table 1.

Table 1: 2016 TWDB Population Projections for Crystal Clear SUD

County	2020	2030	2040	2050	2060	2070
Comal	2,087	2,404	2,726	3,051	3,373	3,683
Guadalupe	11,211	13,479	15,799	18,068	20,378	22,646
Hays	4,393	5,131	6,029	7,152	8,421	9,886
Total	17,691	21,014	24,554	28,271	32,172	36,215

The relationship between water use, population, and gallons per customer per day (gpcd) for the District from 2011 to 2015 is shown in Table 2. Total water use has fluctuated between 571 and 653 million gallons per year while residential use has fluctuated between 397 and 506 million gallons. While population has increased, total water use and per capita water use has declined. Total gallons per capita per day (GPCD) includes commercial and industrial uses that are not population dependent.

Table 2: Utility Water Use, Population, and Per Capita Usage 2011-2015

Year	Total AF	Total Gallons	Residential Gallons	Population	Days	Total GPCD	Residential GPCD
2011	2,004	653,122,100	506,715,900	12,551	365	143	111
2012	1,837	598,572,300	410,034,600	11,543	366	142	97
2013	1,754	571,743,151	398,743,151	13,577	365	115	81
2014	1,880	612,577,126	397,104,108	15,617	365	107	70
2015	1,914	623,742,637	398,390,606	16,129	365	106	67

The TWDB 2106 population and water use projections and the corresponding total GPCD are shown in Table 3. The TWDB 2011 population projections for 2030 and 2040 were 32,804 and 39,853. The 2016 population projections for 2030 and 2040 are 21,014 and 24,554 representing a 36% and 38% reduction in the respective projections. The corresponding per capita use in 2011, based upon the relationship between water demand and population projections, for 2030 and 2040 was 91 GPCD and 89 GPCD. Per capita use in 2016 for the 2030 and 2040 projections is 124 GPCD and 122 GPCD representing a 36% and 37% increase in the respective projections. The resulting overall water use projections for 2030 and 2040 decreased by 12% and 15% respectively.

Table 3: TWDB Water Use and Population Projections

Year	Water Use (AF/yr)	Water Use (Gallons)	Population	GPCD
2020	2,545	829,290,795	17,691	128
2030	2,936	956,698,536	21,014	124
2036*	3,195	1,041,159,115	23,138	123
2040	3,368	1,097,466,168	24,554	122
2050	3,845	1,252,897,095	28,271	121
2060	4,367	1,422,991,317	32,172	121
2070	4,909	1,599,602,559	36,215	121

* 20-Year Planning Horizon

Figures 3 and 4 show that the largest customer sector is residential and that most of the water is used by residential customers. Service is also provided to commercial and industrial users. Figure 5 shows the distribution of water-use sectors within the District's service area and Figure 6 shows the distribution of water usage between the sectors. While commercial use represents 4% of connections, it represents 8% of water use and while Industrial use represents less than 1% of connections, it represents 2% of water use. Commercial and Industrial connections have a higher per connection usage than residential.

Figure 3: Distribution of Service Connections by Water-Use Sector

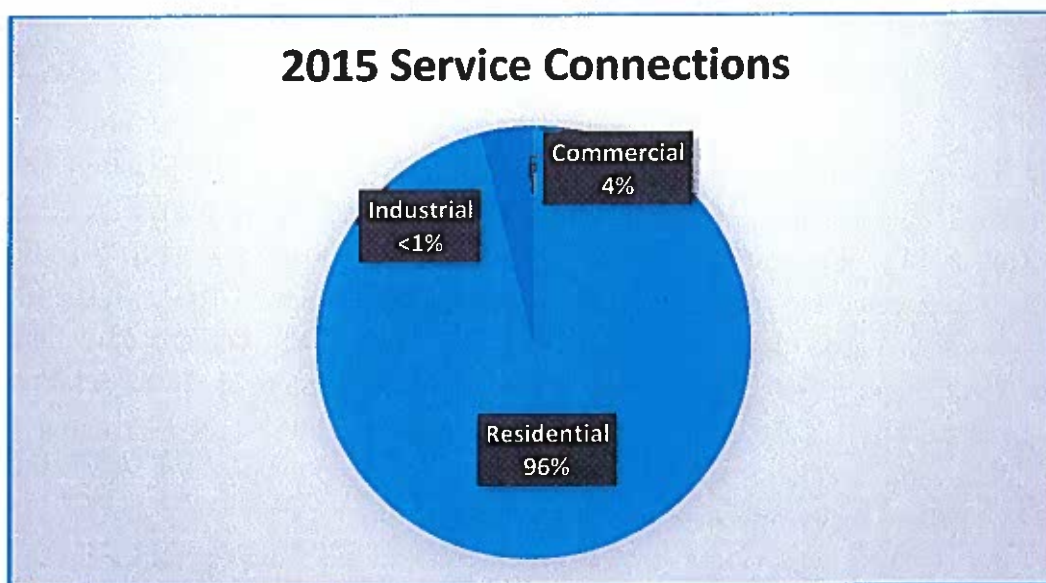
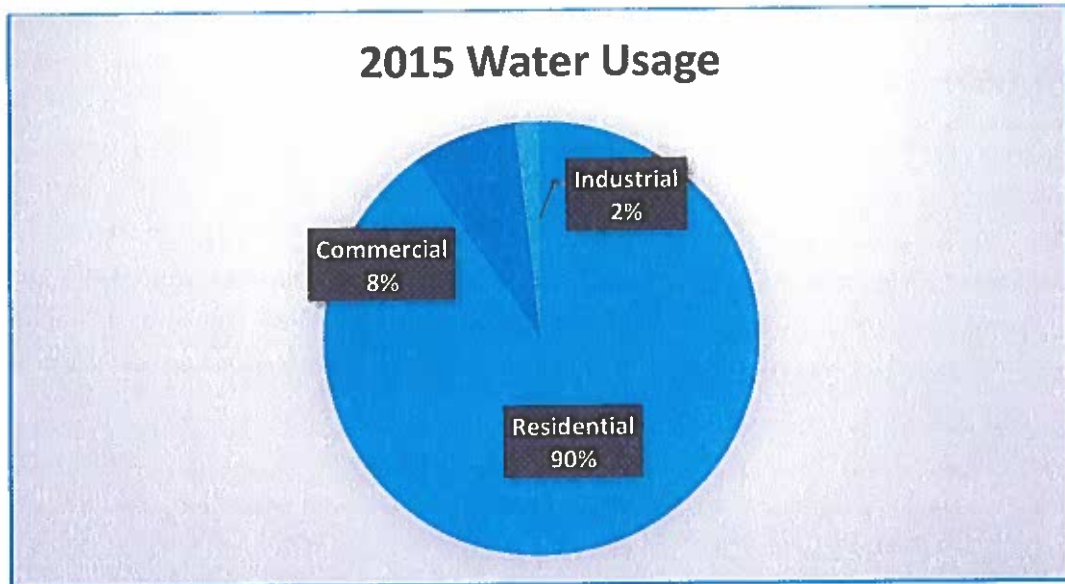


Figure 4: Distribution of Water Usage by Water-Use Sector



3. Description of Facilities and Capacity Analysis

Description of Facilities

According to TCEQ records, the District is a community public water system serving 5,230 connections and a population of 15,690. The water plant general facility and process information can be described as follows based on data provided from the most recent TCEQ Comprehensive Compliance Investigation of the water system conducted in 2014, included in Appendix B. A service area map illustrating the location of these facilities is included in Appendix C. The District has no plans to expand or modify the service area within the next 20 years.

Groundwater Source Plants

McCarty Lane Plant – Two wells (McCarty-1 and McCarty-2) with vertical turbine pumps discharge to one 0.4 million gallon (MG) elevated storage tank. The Longcope Well (Ed's Well) with a submersible pump (located on McCarty Lane) also discharges to this elevated storage tank. Liquid ammonium sulfate (LAS) and gas chlorination are applied to disinfect the water at each well discharge.

Hunter Plant – One well (Hunter) with a submersible pump discharges to one ground storage tank. One service pump takes suction from the 0.03 MG ground storage tank and discharges to distribution. LAS and chlorine are added prior to the ground storage tank.

Nelson Plant – One well (Nelson) with a submersible pump discharges to one 0.2 MG ground storage tank. One service pump takes suction from the ground storage tank and discharges to distribution through a 10,000 gallon pressure tank. LAS and chlorine are added prior to the ground storage tank.

Staples Farmers – One ground water well influenced by surface water, submersible pump, discharges to two ground storage tanks. Two service pumps take suction from ground storage and discharge to distribution through two pressure tanks.

Purchased Water Entry Points

Windmill Plant – One 1 MG ground storage tank is filled from a distribution line from the Canyon Regional Water Authority (CRWA) – Dunlop Treatment Plant. Two service pumps take suction from the ground storage tank and discharge to distribution.

Redwood Plant – Two each 0.2 and 0.02 MG ground storage tanks are filled from a distribution line from the CRWA – Hays Caldwell Treatment Plant. Two service pumps take suction from the ground storage tanks and discharge to distribution through one 5,000 gallon pressure tank.

Ilka Plant – Three each 0.03, 0.5 and 0.3 MG ground storage tanks are filled from a distribution line from the CRWA – Wells Ranch. Two service pumps take suction from the ground storage tanks and discharge to distribution.

Pump Stations

Pape Plant – Two each 0.3 and 0.2 MG ground storage tanks are filled from distribution. Three service pumps take suction from the ground storage tanks and discharge to distribution.

Mill Creek Plant – One 0.045 ground storage tank is filled from distribution. Two service pumps take suction from the ground storage tank and discharge to distribution through one 2,000 gallon pressure tank.

El Camino Plant – One 0.5 MG ground storage tank is filled from distribution. Two service pumps take suction from the ground storage tank and discharge to distribution through two pressure tanks.

Boeder Plant – Two each 0.5 and 0.171 MG elevated ground storage tanks are filled from distribution. Two service pumps take suction from the elevated ground storage tanks and discharge to distribution through one 10,000 gallon pressure tank and to the remainder of the distribution system.

Two standpipes floating on distribution one 0.5 MG tank along Old Bastrop Road and one 0.5 MG tank along Highway 123.

System Production Capacity Analyses

The TCEQ determines the compliance capacity of each public water system based on Title 30 Texas Administrative Code Subchapter D – Rules and Regulations for Public Water Systems. Table 4 below shows the specific sources of water supply, the amount of acre-feet (as applicable), and its equivalent in million gallons per day (MGD) and gallons per minute (GPM). The number of meters served is estimated based on the TCEQ's minimum capacity requirement of 0.6 GPM per meter as stated in Title 30 Texas Administrative Code §290.45(b)(1)(D). The population served is estimated in accordance with Title 30 Texas Administrative Code §290.38(16) at three times the number of metered connections.

Table 4: System Production Capacity

Source	Amount AF/Yr	Amount MGD	GPM	Connections Served	Population Served (3/connection)
Purchased SW					
CRWA Hays Caldwell WTP	500	0.45	310	517	1,550
CRWA Lake Dunlap WTP	792	0.71	491	818	2,455
Total	1,292	1.15	801	1,335	4,005
Purchased GW					
CRWA Wells Ranch	741	0.66	459	766	2,297
Total	741	0.66	459	766	2,297
Produced GW					
Original Edwards Aquifer	875	0.78	542	904	2,712
Edwards/Uvalde Water	864	0.77	536	893	2,678
Staples Well	323	0.29	200	333	1,000
Trinity Well (Kutscher)	968	0.86	600	1,000	3,000
Total	3,029	2.70	1,878	3,130	9,391
Grand Total	5,062	4.52	3,138	5,231	15,692

Table 4 shows that, based upon the 0.6 GPM per meter requirement, the District can provide 4.52 MGD (or 3,138 GPM) of water to 5,231 meters or 15,692 people. As the CCI (Appendix B) indicates, the District is in compliance with TCEQ capacity requirements.

An analysis of District data based on the TCEQ-verified production capacity of the District demonstrates that the District complies with TCEQ requirements.

4. Adequacy of Water Supply

Adequacy of Water Sources

Historically, the District has relied primarily on Edwards Aquifer groundwater to supply its customers with water service. Since 1990, the District has developed alternative sources to decrease its dependence on the Edwards Aquifer and diversify its water system sources. Today the District is participating in developing well fields and purchasing surface water from multiple sources including the Canyon Regional Water Authority (CRWA) and the Guadalupe-Blanco River Authority (GBRA).

Groundwater Sources

Table 5 shows the specific sources of water supply, the amount of acre-feet, and its equivalent in million gallons per day (MGD) and gallons per minute (GPM). The potential meters served column is estimated in accordance with Title 30 Texas Administrative Code §290.38(16) at three people per meter.

The District produces its own groundwater supply from six Edwards Aquifer wells and purchased groundwater from the Canyon Regional Wells Ranch Project. A copy of its Edwards Aquifer Authority permits for are included in Appendices D and E, and a copy of the Canyon Regional Wells Ranch Project 2007 is included in Appendix F. A copy of the Trinity Well Field Project is included in Appendix I. The Wilcox Well Field Project is in Appendix J. In addition, the hydraulically separate portion of the District's CCN service area, the Staples public water system is interconnected with the District's public water system, included in the District's CCI in Appendix B. A copy of the CRWA Regional Water Supply Contract for the Wells Ranch Treatment Plant is located in Appendix L. A summary of groundwater rights is shown in Table 5 below.

Table 5: Groundwater Sources

Source	Amount AF/Yr	Amount MGD	GPM	Potential Meters Served	Potential Population Served
Original Edwards Aquifer	875	0.78	543	2,152	6,456
Edwards/Uvalde Water	864	0.77	536	2,125	6,375
CRWA Wells Ranch Phase 1	741	0.66	459	1,822	5,467
Staples	323	0.29	200	794	2,383
Trinity Well (Kutscher)	968	0.86	600	2,381	7,142
Wilcox Well Field Project	741	0.66	459	2,450	5,467
Total	4,512	4.03	2,797	11,724	33,290

Table 5 shows that 4,512 acre-feet of groundwater is available to be utilized by the District. The District has 4.03 MGD (2,797 GPM) of water available from groundwater sources to provide service to a population of 33,290 people based on the TWDB projected per capita use of 121 GPCD.

Surface Water Sources

The District provides surface water to its customers from multiple sources. These include purchased surface water from Canyon Regional Water Authority through its Lake Dunlap and Hays Caldwell Water Treatment Plants and from the Guadalupe-Blanco River Authority. Table 6 shows the specific sources of water supply, the amount of acre-feet, and its equivalent in million gallons per day (MGD) and gallons per minute (GPM). The potential meters served column is estimated in accordance with Title 30 Texas Administrative Code §290.38(16) at three people per meter.

Copies of water rights contracts and permits for CRWA and the GBRA are included in Appendices G and H. Copies of the CRWA Regional Water Supply Contracts for Lake Dunlap Treatment Plant and Hays Caldwell Treatment Plant are located in Appendix L. A summary of surface water sources is included in Table 6 below.

Table 6: Surface Water Sources

Source	Amount AF/Yr	Amount MGD	GPM	Potential Meters Served	Potential Population Served
CRWA Lake Dunlap TP	792	0.71	491	1,948	5,843
CRWA Water Hays Caldwell TP	500	0.45	310	1,230	3,689
Total	1,292	1.15	801	3,177	9,532

Table 6 shows that 1,292 acre-feet of surface water is available to be utilized by the District. The District has 1.15 MGD (801 GPM) of water available from surface water sources to provide

service to a population of 9,532 people based on the TWDB projected per capita use of 121 GPCD.

Summary of Water Sources

The District provides water to its customers from multiple sources. Table 7 summarizes the groundwater and surface water sources of supply. It also shows the specific sources of water supply, the amount of acre-feet, and its equivalent in million gallons per day (MGD) and gallons per minute (GPM). The potential meters served column is estimated in accordance with Title 30 Texas Administrative Code §290.38(16) at three people per meter. Table 7 below shows the specific sources of water supply, the amount of acre-feet, and its equivalent in million gallons per day (MGD) and gallons per minute (GPM).

The District is already planning for the projected demands of the 50-year RWPG planning horizon, well beyond the required 20-year horizon required by Comal County. The District is also a member of the Hays Caldwell Public Utility Agency (PUA) owning a 10.3% share of the total production in the Hays Caldwell PUA Phase 1 and 2 projects. The projects are within boundaries of the Gonzalez County and Plum Creek Underground Water Conservation Districts and are specifically recommended for the District by the SCTRWPG Water Plan.

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CRWA Water Hays Caldwell TP	500	0.45	310	1,230	3,689
Staples Interconnection	323	0.29	200	794	2,383
Trinity Well (Kutscher)	968	0.86	600	2,381	7,142
Wilcox Well Field Project	741	0.66	459	1,822	5,467
Total	5,804	5.18	3,598	14,274	42,822

Table 7 shows a total of 5,804 acre-feet of water is committed to the District. The District has 5.18 MGD (3,598 GPM) of water sources to provide service to a population of 42,822 people based on the TWDB projected per capita use of 121 GPCD.

An analysis of the District's contracted or permitted water supplies demonstrates that the District has sufficient water sources to supply the TWDB demand projections.

5. Conclusion

The TWDB projects system specific per capita water use using 121 gpcd for the District. Table 8 shows that in 2036, the District is projected by the TWDB to be required to supply 3,195 AF/yr to 23,138 customers.

Table 8: Projected Water Demand and Population Served

Year	Projected Demand AF/Yr	Projected Demand MGD	Projected Demand GPM	Projected Meters	Projected Population
2020	2,545	2.27	1,578	5,897	17,691
2030	2,936	2.62	1,820	7,005	21,014
2036	3,195	2.85	1,981	7,713	23,138

Crystal Clear SUD has more than sufficient documented water sources of 5,804 acre-feet (Table 7) to supply the TWDB projected 20-year customer population demands (Table 8).

In accordance with Comal County Subdivision Rules and Regulations Crystal Clear Water Supply Corporation hereby submits this 2016 Water Availability Report for its public water system to the Comal County Commissioners for review and approval.

Crystal Clear SUD Water Availability Report 2016

Amended: 2/24/17

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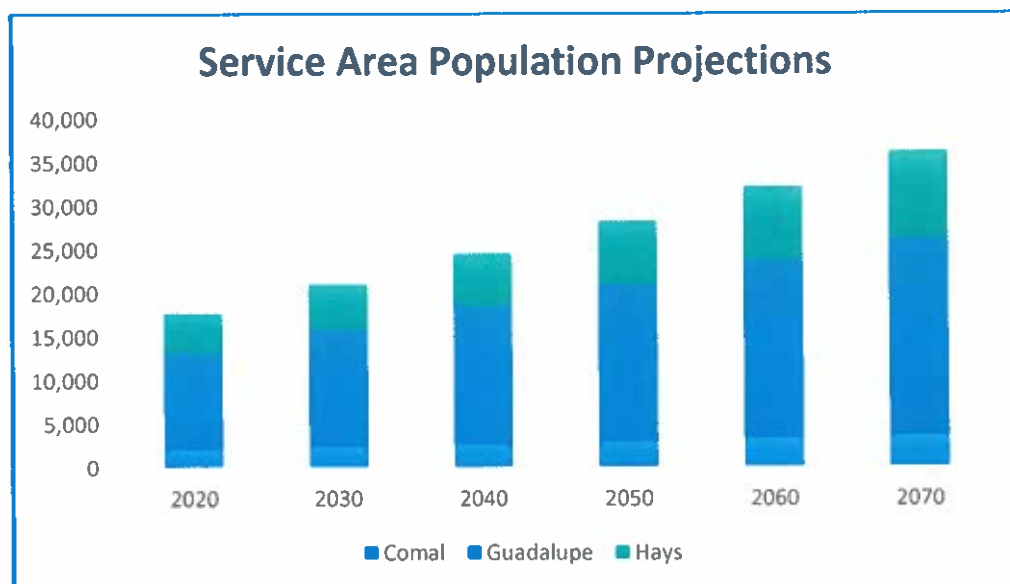
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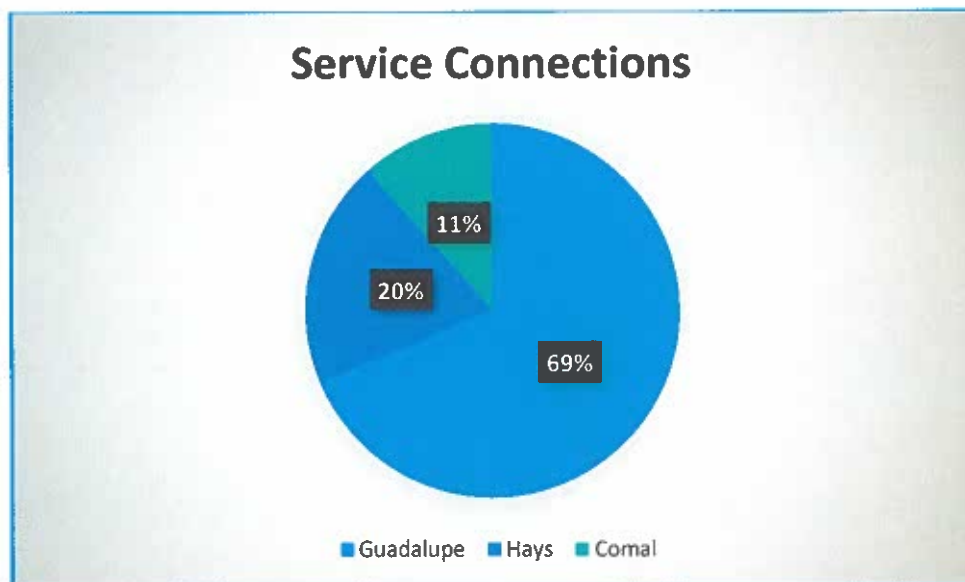
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2036*	3,195	1,041,159,115	23,138	123
2040	3,368	1,097,466,168	24,554	122
2050	3,845	1,252,897,095	28,271	121
2060	4,367	1,422,991,317	32,172	121
2070	4,909	1,599,602,559	36,215	121

* 20-Year Planning Horizon

Figures 3 and 4 show that the largest customer sector is residential and that most of the water is used by residential customers. Service is also provided to commercial and industrial users. Figure 5 shows the distribution of water-use sectors within the District's service area and Figure 6 shows the distribution of water usage between the sectors. While commercial use represents 4% of connections, it represents 8% of water use and while Industrial use represents less than 1% of connections, it represents 2% of water use. Commercial and Industrial connections have a higher per connection usage than residential.

Figure 3: Distribution of Service Connections by Water-Use Sector

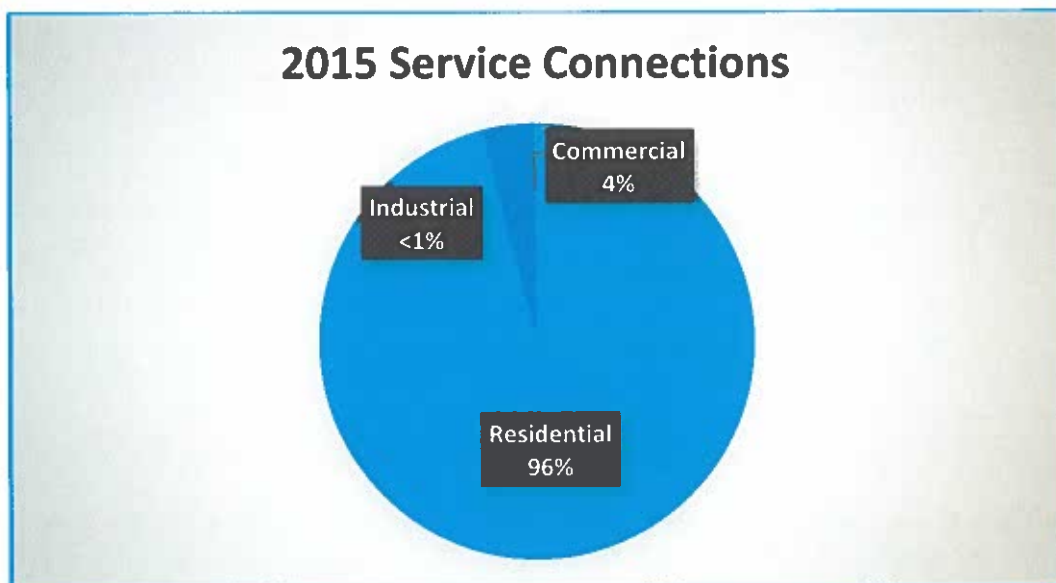
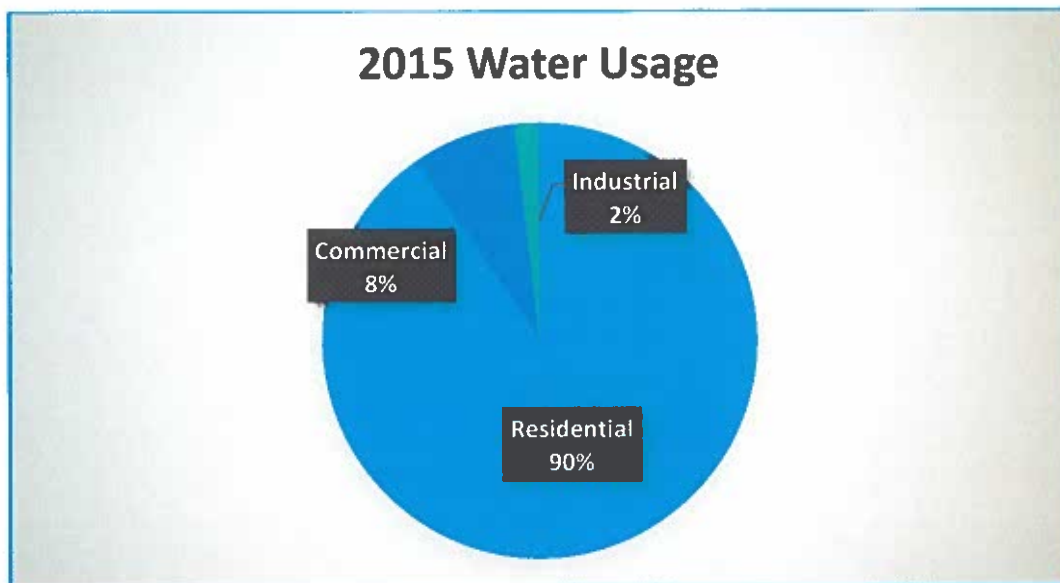


Figure 4: Distribution of Water Usage by Water-Use Sector



3. Description of Facilities and Capacity Analysis

Description of Facilities

According to TCEQ records, the District is a community public water system serving 5,230 connections and a population of 15,690. The water plant general facility and process information can be described as follows based on data provided from the most recent TCEQ Comprehensive Compliance Investigation of the water system conducted in 2014, included in Appendix B. A service area map illustrating the location of these facilities is included in Appendix C. The District has no plans to expand or modify the service area within the next 20 years.

Groundwater Source Plants

McCarty Lane Plant – Two wells (McCarty-1 and McCarty-2) with vertical turbine pumps discharge to one 0.4 million gallon (MG) elevated storage tank. The Longcope Well (Ed's Well) with a submersible pump (located on McCarty Lane) also discharges to this elevated storage tank. Liquid ammonium sulfate (LAS) and gas chlorination are applied to disinfect the water at each well discharge.

Hunter Plant – One well (Hunter) with a submersible pump discharges to one ground storage tank. One service pump takes suction from the 0.03 MG ground storage tank and discharges to distribution. LAS and chlorine are added prior to the ground storage tank.

Nelson Plant – One well (Nelson) with a submersible pump discharges to one 0.2 MG ground storage tank. One service pump takes suction from the ground storage tank and discharges to distribution through a 10,000 gallon pressure tank. LAS and chlorine are added prior to the ground storage tank.

Staples Farmers – One ground water well influenced by surface water, submersible pump, discharges to two ground storage tanks. Two service pumps take suction from ground storage and discharge to distribution through two pressure tanks.

Purchased Water Entry Points

Windmill Plant – One 1 MG ground storage tank is filled from a distribution line from the Canyon Regional Water Authority (CRWA) – Dunlop Treatment Plant. Two service pumps take suction from the ground storage tank and discharge to distribution.

Redwood Plant – Two each 0.2 and 0.02 MG ground storage tanks are filled from a distribution line from the CRWA – Hays Caldwell Treatment Plant. Two service pumps take suction from the ground storage tanks and discharge to distribution through one 5,000 gallon pressure tank.

Ilka Plant – Three each 0.03, 0.5 and 0.3 MG ground storage tanks are filled from a distribution line from the CRWA – Wells Ranch. Two service pumps take suction from the ground storage tanks and discharge to distribution.

Pump Stations

Pape Plant – Two each 0.3 and 0.2 MG ground storage tanks are filled from distribution. Three service pumps take suction from the ground storage tanks and discharge to distribution.

Mill Creek Plant – One 0.045 ground storage tank is filled from distribution. Two service pumps take suction from the ground storage tank and discharge to distribution through one 2,000 gallon pressure tank.

El Camino Plant – One 0.5 MG ground storage tank is filled from distribution. Two service pumps take suction from the ground storage tank and discharge to distribution through two pressure tanks.

Boeder Plant – Two each 0.5 and 0.171 MG elevated ground storage tanks are filled from distribution. Two service pumps take suction from the elevated ground storage tanks and discharge to distribution through one 10,000 gallon pressure tank and to the remainder of the distribution system.

Two standpipes floating on distribution one 0.5 MG tank along Old Bastrop Road and one 0.5 MG tank along Highway 123.

System Production Capacity Analyses

The TCEQ determines the compliance capacity of each public water system based on Title 30 Texas Administrative Code Subchapter D – Rules and Regulations for Public Water Systems. Table 4 below shows the specific sources of water supply, the amount of acre-feet (as applicable), and its equivalent in million gallons per day (MGD) and gallons per minute (GPM). The number of meters served is estimated based on the TCEQ’s minimum capacity requirement of 0.6 GPM per meter as stated in Title 30 Texas Administrative Code §290.45(b)(1)(D). The population served is estimated in accordance with Title 30 Texas Administrative Code §290.38(16) at three times the number of metered connections.

Table 4: System Production Capacity

Source	Amount AF/Yr	Amount MGD	GPM	Connections Served	Population Served (3/connection)
Purchased SW					
CRWA Hays Caldwell WTP	500	0.45	310	517	1,550
CRWA Lake Dunlap WTP	792	0.71	491	818	2,455
Total	1,292	1.15	801	1,335	4,005
Purchased GW					
CRWA Wells Ranch	933	0.83	578	964	2,892
Total	933	0.83	578	964	2,892
Produced GW					
Original Edwards Aquifer	875	0.78	542	904	2,712
Edwards/Uvalde Water	864	0.77	536	893	2,678
Staples Well	403	0.36	250	417	1,250
Trinity Well (Kutscher)	968	0.86	600	1,000	3,000
Total	3,110	2.78	1,928	3,214	9,641
Grand Total	5,335	4.76	3,308	5,513	16,538

Table 4 shows that, based upon the 0.6 GPM per meter requirement, the District can provide 4.52 MGD (or 3,138 GPM) of water to 5,513 meters or 16,538 people. As the CCI (Appendix B) indicates, the District is in compliance with TCEQ capacity requirements.

An analysis of District data based on the TCEQ-verified production capacity of the District demonstrates that the District complies with TCEQ requirements.

4. Adequacy of Water Supply

Adequacy of Water Sources

Historically, the District has relied primarily on Edwards Aquifer groundwater to supply its customers with water service. Since 1990, the District has developed alternative sources to decrease its dependence on the Edwards Aquifer and diversify its water system sources. Today the District is participating in developing well fields and purchasing surface water from multiple sources including the Canyon Regional Water Authority (CRWA) and the Guadalupe-Blanco River Authority (GBRA).

Groundwater Sources

Table 5 shows the specific sources of water supply, the amount of acre-feet, and its equivalent in million gallons per day (MGD) and gallons per minute (GPM). The potential meters served column is estimated in accordance with Title 30 Texas Administrative Code §290.38(16) at three people per meter.

The District produces its own groundwater supply from six Edwards Aquifer wells and purchased groundwater from the Canyon Regional Wells Ranch Project. A copy of its Edwards Aquifer Authority permits for are included in Appendices D and E, and a copy of the Canyon Regional Wells Ranch Project I & II contracts are included in Appendix F. A copy of the Trinity Well Field Project is included in Appendix I. The Wilcox Well Field Project is in Appendix J. In addition, the hydraulically separate portion of the District's CCN service area, the Staples public water system is now merged with the District's public water system and is included in the District's CCI in Appendix B. A copy of the CRWA Regional Water Supply Contract for the Wells Ranch Treatment Plant is located in Appendix L. A summary of groundwater rights is shown in Table 5 below.

Table 5: Groundwater Sources

Source	Amount AF/Yr	Amount MGD	GPM	Potential Meters Served	Potential Population Served
Original Edwards Aquifer	875	0.78	543	2,152	6,456
Edwards/Uvalde Water	864	0.77	536	2,125	6,375
CRWA Wells Ranch	933	0.83	578	2,295	6,884
Staples Well	403	0.36	250	992	2,975
Trinity Well (Kutscher)	968	0.86	600	2,381	7,142
Wilcox Well Field Project	741	0.66	459	2,450	5,467
Total	4,784	4.27	2,966	11,766	35,298

Table 5 shows that 4,784 acre-feet of groundwater is available to be utilized by the District. The District has 4.27 MGD (2,797 GPM) of water available from groundwater sources to provide service to a population of 35,298 people based on the TWDB projected per capita use of 121 GPCD.

Surface Water Sources

The District provides surface water to its customers from multiple sources. These include purchased surface water from Canyon Regional Water Authority through its Lake Dunlap and Hays Caldwell Water Treatment Plants and from the Guadalupe-Blanco River Authority. Table 6 shows the specific sources of water supply, the amount of acre-feet, and its equivalent in million gallons per day (MGD) and gallons per minute (GPM). The potential meters served column is estimated in accordance with Title 30 Texas Administrative Code §290.38(16) at three people per meter.

Copies of water rights contracts and permits for CRWA and the GBRA are included in Appendices G and H. Copies of the CRWA Regional Water Supply Contracts for Lake Dunlap Treatment Plant and Hays Caldwell Treatment Plant are located in Appendix L. A summary of surface water sources is included in Table 6 below.

Table 6: Surface Water Sources

Source	Amount AF/Yr	Amount MGD	GPM	Potential Meters Served	Potential Population Served
CRWA Lake Dunlap TP	792	0.71	491	1,948	5,843
CRWA Water Hays Caldwell TP	500	0.45	310	1,230	3,689
Total	1,292	1.15	801	3,177	9,532

Table 6 shows that 1,292 acre-feet of surface water is available to be utilized by the District. The District has 1.15 MGD (801 GPM) of water available from surface water sources to provide service to a population of 9,532 people based on the TWDB projected per capita use of 121 GPCD.

Summary of Water Sources

The District provides water to its customers from multiple sources. Table 7 summarizes the groundwater and surface water sources of supply. It also shows the specific sources of water supply, the amount of acre-feet, and its equivalent in million gallons per day (MGD) and gallons per minute (GPM). The potential meters served column is estimated in accordance with Title 30 Texas Administrative Code §290.38(16) at three people per meter. Table 7 below shows the specific sources of water supply, the amount of acre-feet, and its equivalent in million gallons per day (MGD) and gallons per minute (GPM).

The District is already planning for the projected demands of the 50-year RWPG planning horizon, well beyond the required 20-year horizon required by Comal County. The District is also a member of the Hays Caldwell Public Utility Agency (PUA) owning a 10.3% share of the total production in the Hays Caldwell PUA for the Wells Ranch Phase 1 and 2 projects. The projects are within boundaries of the Gonzalez County and Plum Creek Underground Water Conservation Districts and are specifically recommended for the District by the SCTRWP Water Plan.

Table 7: Summary of Water Sources

Source	AF/Yr	MGD	GPM	Potential Meters Served	Potential Population Served
Original Edwards Aquifer	875	0.78	542	2,152	6,456
Edwards/Uvalde Water	864	0.77	536	2,125	6,375
CRWA Wells Ranch	933	0.83	578	2,295	6,884
CRWA Lake Dunlap TP	792	0.71	491	1,948	5,843
CRWA Water Hays Caldwell TP	500	0.45	310	1,230	3,689
Staples Well	403	0.36	250	992	2,975
Trinity Well (Kutscher)	968	0.86	600	2,381	7,142
Wilcox Well Field Project	741	0.66	459	1,822	5,467
Total	6,076	5.42	3,767	14,944	44,831

Table 7 shows a total of 6,076 acre-feet of water is committed to the District. The District has 5.42 MGD (3,767 GPM) of water sources to provide service to a population of 44,831 people based on the TWDB projected per capita use of 121 GPCD.

An analysis of the District's contracted or permitted water supplies demonstrates that the District has sufficient water sources to supply the TWDB demand projections.

5. Conclusion

The TWDB projects system specific per capita water use using 121 gpcd for the District. Table 8 shows that in 2036, the District is projected by the TWDB to be required to supply 3,195 AF/yr to 23,138 customers.

Table 8: Projected Water Demand and Population Served

Year	Projected Demand AF/Yr	Projected Demand MGD	Projected Demand GPM	Projected Meters	Projected Population
2020	2,545	2.27	1,578	5,897	17,691
2030	2,936	2.62	1,820	7,005	21,014
2036	3,195	2.85	1,981	7,713	23,138

Crystal Clear SUD has more than sufficient documented water sources of 6,076 acre-feet (Table 7) to supply the TWDB projected 20-year customer population demands (Table 8).

In accordance with Comal County Subdivision Rules and Regulations Crystal Clear Water Supply Corporation hereby submits this 2016 Water Availability Report for its public water system to the Comal County Commissioners for review and approval.

Comal County Subdivision Rules and Regulations

Section A, Regulations, Subsection IV. PLATS, Subsection A. Preliminary Plats, Paragraph 6,

vii) A Water Availability Report is defined as a document prepared by the Utility to reveal their ability to meet the needs of their existing users and show their preparedness to meet the needs of future water users as their system expands. The report shall include, but is not necessarily limited to, the following:

- 1. Copy of the latest TNRCC Public Water Sanitary Survey of the Utility's existing water system indicating no alleged violations pertaining to water quality or water production capability.**
- 2. A map or maps of the Utility's service area showing:**
 - a) the Utility's current service area as define by their existing Certificate of Convenience and Necessity and the projected service area in 20 years.**
 - b) a schematic of the Utility's existing distribution system with line sizes identified.**
 - c) locations of water wells and/or surface water plants with capacities.**
 - d) locations of pump stations and elevated storage tanks with capacities. 5**
- 3. An analysis of the population and land use development projections for the Utility's estimated service area in 20 years.**
- 4. Copies of documents and/or an engineering analysis showing that the Utility has adequate groundwater rights, surface water rights, existing groundwater production capability, or other proofs of water rights or reservations in an amount sufficient to supply the anticipated water use of the expected population and land use within the projected service area in 20 years.**
- 5. In areas where groundwater withdrawal is not regulated by the Edwards Aquifer Authority, if applicable, provide a report prepared by a registered engineer certifying that adequate groundwater is available from the source aquifer(s) to supply the Utility's anticipated groundwater needs for 20 years.**

PWS_0940015_CO_2014_30_Investigation Report
Texas Commission on Environmental Quality
Investigation Report

The TCEQ is committed to accessibility. If you need assistance in accessing this document, please contact oee@tceq.texas.gov

Customer: Crystal Clear Water Supply Corporation
Customer Number: CN600642268

Regulated Entity Name: CRYSTAL CLEAR WSC

Regulated Entity Number: RN101437994

Investigation # 1179256

Investigator: DESHAUNE BLAKE

Incident Numbers

Site Classification GUI 51-250 CONNECTION
 GW >1K-10K CONNECTION
 PURCHASE WATER

Conducted: 06/30/2014 -- 09/12/2014

SIC Code: 4941

NAIC Code: 221310

Program(s): PUBLIC WATER SYSTEM/SUPPLY

Investigation Type: Compliance Investigation

Location: FM 1979 S OF SAN MARCOS

Additional ID(s): 0940015

Address: ,
 , ,

Local Unit: REGION 13 - SAN ANTONIO

Activity Type(s): PWSCCIGWCM - CCI GW PURCHASE
 - COMMUNITY MANDATORY
 PWSCCIGUIC - CCI GUI -
 COMMUNITY MANDATORYW

Principal(s):

Role	Name
RESPONDENT	CRYSTAL CLEAR WSC

Contact(s):

Role	Title	Name	Phone
Notified	OPERATIONS MANAGER	MR ROBERT W WYLY	Fax (830) 372-0067 Work (830) 372-1031 x. 204 Cell (830) 743-6221
Participated in Investigation	OPERATIONS MANAGER	MR ROBERT W WYLY	
Regulated Entity Contact	OPERATIONS MANAGER	MR ROBERT W WYLY	
Regulated Entity Mail Contact	PRESIDENT	MR DENNIS KRACKAU	Work (830) 372-1031

Other Staff Member(s):

Role	Name
Supervisor	JOY THURSTON-COOK
QA Reviewer	CHRIS FRIESENHAHN

Associated Check List

<u>Checklist Name</u>	<u>Unit Name</u>
PWS INVESTIGATION - EQUIPMENT	MONITORING AND SAMPLING
MONITORING AND SAMPLING revised 06/2013	
PWS STANDARD FIELD	PWS STANDARD FIELD

Investigation Comments:

INTRODUCTION

06/18/2014 - Made routine Comprehensive Compliance Investigation (CCI) appointment with Mr. Robert Wyly, Operations Manager with the Crystal Clear Water Supply Corporation (CC) public water system (PWS) and the CC Staples Farmers (SF).

06/30/2014 through 07/01/2014 - The investigator conducted the investigation with Mr. Wyly. The investigation consisted of a record review, an inspection of all physical facilities, and chlorine residual and pressure tests in the distribution system. The investigator advised Mr. Wyly of the outstanding alleged violations found during the investigations and advised that the outstanding alleged violations, and any other issues found after further review, would be noted in Exit Interview Forms (EIFs). At the time of the investigation, CC and SF were two separate PWSs, but were later merged into one system.

07/21/2014- The EIFs were e-mailed to Mr. Wyly noting eleven alleged violations and one additional issue for CC and eleven alleged violations and one additional issue for SF. Since the SF was merged into CC, the violations that are duplicates will be cited as one violation.

08/22/2014 and 08/25/2014- Mr. Wyly signed and faxed the EIFs back to the investigator. In addition, monthly operation records requested in the EIFs along with documentation to resolve some of the violations were also provided. Some of the documentation provided was inadequate.

08/26/2014, 09/03/2014 through 09/06/2015, 09/08/2014 through 09/12/2014- Mr. Wyly provided documentation to resolve some of the violations.

A Notice of Violation letter will be issued to the entity as a result of this investigation.

GENERAL FACILITY AND PROCESS INFORMATION

CC water system is classified as a community public water supply system, serving 5,230 connections and a population of approximately 15,690 people. The system is located beginning at FM 1979 South of San Marcos and around the San Marcos area, Guadalupe County, Texas. The water system consists of:

EP#001 - Two wells (Well #1 is Out of Service) equipped with vertical turbine pumps and a surge tank, discharge to one elevated ground storage tank. The water from the elevated storage tank flows with gravity to distribution. LAS (liquid ammonium sulfate) and gas chlorination are added prior to the elevated ground storage tank.

EP#002- Purchased treated surface water (chloramination) under direct pressure from the Canyon Regional Water Authority (CRWA) public water system via a normally open interconnect discharges directly into distribution and also to the elevated ground storage tank at EP001.

The City of Marion also has a metered, normally closed interconnect with Green Valley Special Utility District (SUD) public water system. This interconnect is located prior to the elevated ground storage tank and would allow the City of Marion to obtain treated water under direct pressure.

MCCARTY (EP#002): Two wells (McCarty-1 & McCarty-2), vertical turbine pumps, discharge to one elevated tank in distribution. The Longcope Well (located on McCarty Lane), submersible pump, also discharges to this elevated storage tank. LAS and gas chlorination are added at each well discharge.

HUNTER PLANT (EP#004): One well (Hunter), submersible pump, discharges to one ground storage tank. Two service pumps (service pump #2 is out of service) take suction from the ground storage tank and discharge to distribution. LAS and gas chlorination are added prior to the ground storage tank.

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NELSON PLANT (EP#005): One well (Nelson), submersible pump, discharges to one ground storage tank. Two service pumps take suction from the ground storage tank and discharge to distribution through one pressure tank. Two additional service pumps take suction from the ground storage and discharge to one elevated storage tank in the distribution. LAS and gas chlorination are added prior to the ground storage tank.

WILLOW CREEK PLANT (EP#006): One well (Willow Creek), submersible pump, discharges to one ground storage tank. Three service pumps take suction from the ground storage tank and discharge to distribution through one pressure tank. LAS and gas chlorination are added prior to the ground storage tank.

REDWOOD PLANT: Two ground storage tanks are filled from distribution. Two service pumps (service pump #2 is out of service) take suction from the ground storage tank and discharge to distribution through one pressure tank.

PAPE PLANT: Two ground storage tanks are filled from distribution. Three service pumps take suction from the ground storage tanks and discharge to distribution.

ILKA PLANT: Two ground storage tanks are filled from distribution. Two service pumps take suction from the ground storage tanks and discharge to distribution through one pressure tank.

KUENSTLER PLANT: One ground storage tank is filled from distribution. Two service pumps take suction from the ground storage tank and discharge to distribution through one pressure tank.

EL CAMINO PLANT: One ground storage tank is filled from distribution. Two service pumps take suction from the ground storage tank and discharge to distribution.

BOEDER PLANT: Two elevated ground storage tanks are filled from distribution. Two service pumps take suction from the elevated ground storage tanks and discharge to distribution through one pressure tank.

WINDMILL PLANT (EP#010): One ground storage tank takes treated water from an interconnection with the Canyon Regional Water Authority (CRWA)-Dunlap Surface Water Treatment Plant (SWTP). Two service pumps take suction from the ground storage tank and discharge to distribution.

SPRINGS HILL (EP#011): Treated water is discharged into distribution from an interconnection with Springs Hill WSC.

CRWA HAYS/CALDWELL (EP#012): Treated water is discharged into distribution from an interconnection with the CRWA Hays/Caldwell SWTP.

BASTROP, KINGSBURY AND ZORN: One elevated ground storage tank and two standpipes float on distribution.

STAPLES FARMERS (EP#013): One ground water well influenced by surface water (GUI), submersible pump, discharges to two ground storage tanks. Two service pumps take suction from ground storage and discharge to distribution through two pressure tanks. Gas chlorination is added prior to the ground storage tanks. It is noted that this entry point is formerly PWS ID No. 0940017.

BACKGROUND

The last Comprehensive Compliance Investigation (CCI) was conducted on 04/26/2011 CC and 11/30/2010 SF. One violation and an additional issue for CC and no violations for SF were noted as a result of these investigations.

Enforcement Actions: A Notice of Enforcement letter mailed on 08/08/2014 regarding the failure to install treatment and monitor as required for a GUI. Enforcement was initiated by the TCEQ Public Drinking Water Program.

Agreed Orders and Compliance Agreements: Pending

Complaints and other Compliance Issues: N/A

ADDITIONAL INFORMATION

Please see the attached T-NET Data documentation for system specifics. Attached for review are Water System, Storage Tank, Water Sources, Service Pumps, System Capacities, and Treatment Plants information sheets.

NOV Date 07/21/2014 Method WRITTEN

NOV Date 09/25/2014 Method WRITTEN

**OUTSTANDING ALLEGED VIOLATION(S)
ASSOCIATED TO A NOTICE OF VIOLATION**

Track Number: 548217

Compliance Due Date: 01/25/2015

Violation Start Date: Unknown

30 TAC Chapter 290.46(m)(4)

Alleged Violation:

Investigation: 1179256

Comment Date: 09/12/2014

Failure to maintain watertight conditions.

At the time of the investigation at the: Pape Plant- the sample tap in the pump house, Ilka Plant- the packing gland (pg) for service pump #1, McCarty Plant- the pg for well #1 and for well #2, Willow Creek Plant- the pressure tank valve and Staples Farmers Plant- the pg for service pump #2 were leaking.

30 TAC 290.46(m)(4)-- All water treatment units, storage and pressure maintenance facilities, distribution system lines, and related appurtenances shall be maintained in a watertight condition and be free of excessive solids.

Recommended Corrective Action: Provide by the compliance due date, documentation indicating that the leaking sample tap, packing glands for service pumps and for the wells and pressure tank valve have been repaired or replaced.

A completed work order, receipt or invoice and/or photographs are acceptable forms of compliance documentation to resolve this violation.

Track Number: 548218

Compliance Due Date: 01/25/2015

Violation Start Date: Unknown

30 TAC Chapter 290.46(m)

Alleged Violation:

Investigation: 1179256

Comment Date: 09/22/2014

Failure to maintain the facilities.

At the time of the investigation at the: Windmill Plant- barbed wire (bw) was not turned outward at a 45 degree angle (45), Pape Plant- the bw was broken, there were gaps under fence, tree limbs hanging over fence and an overgrowth of vegetation on the fence, Boeder Plant- there was an overgrowth of vegetation and tree limbs hanging over the fence, Ilke Plant- the bw was loose, Wilson aka Kingsbury Plant- the bw was loose and not turned outward at a 45, Redwood Plant- there was an overgrowth of vegetation on the fence and the bw was

loose, El Camino Plant- the rungs on the fence were broken and there were gaps under the fence, McCarty Plant- the bw was loose and fence was bent downward, Willow Creek Plant- the bw was loose and there was a gap under fence, Nelson Ground Storage Tank Site- there was an overgrowth of vegetation on the fence and the top of the bw was broken, Havenwood Plant- there were tree limbs hanging over the fence, Kuenstler Plant- the bw was loose and Staples Farmers Plant- the bw was loose as well as broken and there was an overgrowth of vegetation on the fence and tree limbs hanging over the fence.

09/08/2014- The entity submitted a photograph showing that the tree limbs have been cut at the Havenwood Plant.

09/11/2014- The entity submitted photographs showing that the bw has been tightened at the Kuenstler Plant.

09/12/2014- The entity submitted photographs showing that the bw has been turned outward at a 45 at the Windmill Plant.

30 TAC 290.46(m)-- Maintenance and housekeeping. The maintenance and housekeeping practices used by a public water system shall ensure the good working condition and general appearance of the system's facilities and equipment. The grounds and facilities shall be maintained in a manner so as to minimize the possibility of the harboring of rodents, insects, and other disease vectors, and in such a way as to prevent other conditions that might cause the contamination of the water.

Recommended Corrective Action: Provide by the compliance due date, documentation indicating that broken rungs, loose barbed wire, broken barbed wire, damaged fence has been repaired, barbed wire has been turned outward at a 45 degree angle, the overgrowth of vegetation on the fence and the gaps under the fences have been closed and tree limbs hanging over the fences have been cut back to ensure that the integrity of the intruder resistant fences are not compromised.

A completed work order, receipt or invoice and/or photographs are acceptable forms of compliance documentation to resolve this violation.

Track Number: 548220

Compliance Due Date: 01/25/2014

Violation Start Date: Unknown

30 TAC Chapter 290.41(c)(3)(N)

Alleged Violation:

Investigation: 1179256

Comment Date: 09/12/2014

Failure to provide well flow meters.

At the time of the investigation, no flow meters were installed on the wells for the Willow Creek and Nelson Plant.

30 TAC 290.41(c)(3)(N)-- Flow measuring devices shall be provided for each well to measure production yields and provide for the accumulation of water production data. These devices shall be located to facilitate daily reading.

Recommended Corrective Action: Provide by the compliance due date, documentation indicating that wells for the Willow Creek and Nelson Plant have flow meters installed in compliance with the requirements.

A completed work order, receipt or invoice and/or photographs are acceptable forms of compliance documentation to resolve this violation.

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Track Number: 548227

Compliance Due Date: 01/25/2014

Violation Start Date: Unknown

30 TAC Chapter 290.121(a)

Alleged Violation:

Investigation: 1179256

Comment Date: 09/12/2014

Failure to provide an up-to-date system monitoring plan.

At the time of the investigation, the monitoring plan for the Crystal Clear WSC (CC) did not have an updated schematic map, sampling site map, and updated language to accurately describe the monitoring plan, and the monitoring plan for the Staples Farmers (SF) did not have a schematic map, sampling site map, and lead and copper, disinfection by product and chlorine residual sampling sites were not identified in the monitoring plan.

09/10/2014- The entity submitted a copy of the monitoring plan for SF; however the entity did not include accurate language regarding the connections, identifying the groundwater well that has a status of being under the influence of surface water, and schematic map which also identifies the location for entry point sampling.

30 TAC 290.121(a)-- All public water systems shall maintain an up-to-date chemical and microbiological monitoring plan. Monitoring plans are subject to the review and approval of the executive director. A copy of the monitoring plan must be maintained at each water treatment plant and at a central location.

Recommended Corrective Action: Provide by the compliance due date, a copy of the Crystal Clear WSC system monitoring plan which indicates that it is accurate and compliant with the requirements. Since the Staples Farmers water system is now merged with the Crystal Clear WSC, the monitoring plan must reflect it as it pertains to all facets of the monitoring plan requirements.

Track Number: 548240

Compliance Due Date: 01/25/2015

Violation Start Date: Unknown

30 TAC Chapter 290.46(s)(2)(C)(i)

30 TAC Chapter 290.46(s)(2)(C)(ii)

Alleged Violation:

Investigation: 1179256

Comment Date: 09/12/2014

Failure by the regulated entity to verify the accuracy of manual disinfectant residual analyzers at least once every 90 days using chlorine solutions of known concentrations.

At the time of the investigation, no documentation to indicate that the manual disinfectant residual analyzer was being verified for accuracy at least once every 90 days was provided. In addition, the solutions of known concentrations were expired. The continuous disinfectant residual analyzers were also not being checked for accuracy at least once every seven days or documented.

08/22/2014- The entity submitted an invoice indicating that solutions of known concentrations were purchased on 07/30/2014.

30 TAC 290.46(s)(2)

(C) Chemical disinfectant residual analyzers shall be properly calibrated.

(i) The accuracy of manual disinfectant residual analyzers shall be verified at least once every 90 days using chlorine solutions of known concentrations.

(ii) The accuracy of continuous disinfectant residual analyzers shall be checked at least once every seven days

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with a chlorine solution of known concentration or by comparing the results from the on-line analyzer with the result of approved benchtop method in accordance with §290.119 of this title (relating to Analytical Procedures).

Recommended Corrective Action: Provide by the compliance due date, logs indicating that the accuracy of the manual disinfectant residual analyzer is being verified at least once every 90 days and that the accuracy of the continuous disinfectant residual analyzers is being verified at least once every seven days in accordance with requirements.

Track Number: 548329

Compliance Due Date: 01/25/2014

Violation Start Date: Unknown

30 TAC Chapter 290.46(m)(1)(A)

Alleged Violation:

Investigation: 1179256

Comment Date: 09/15/2014

Failure to conduct annual ground and elevated storage tank inspections.

At the time of the investigation, no annual tank inspections had been performed on the fourteen ground storage tanks, two standpipes and three elevated ground storage tanks. This includes the two ground storage tanks at the Staples Farmers Plant.

08/25/2014- The entity provided copies of ground and elevated storage tanks that indicated that they were conducted in May of 2013. This documentation was inadequate because the tank inspection reports were past one year.

30 TAC 290.46(m)(1)(A)-- Ground and elevated storage tank inspections must determine that the vents are in place and properly screened, the roof hatches closed and locked, flap valves and gasketing provide adequate protection against insects, rodents, and other vermin, the interior and exterior coating systems are continuing to provide adequate protection to all metal surfaces, and the tank remains in a watertight condition.

Recommended Corrective Action: Provide by the compliance due date, copies of the tank inspection forms indicating that the ground storage tanks, standpipes, and elevated storage tanks have been inspected in accordance with the requirements.

Track Number: 548330

Compliance Due Date: 01/25/2014

Violation Start Date: Unknown

30 TAC Chapter 290.46(m)(1)(B)

Alleged Violation:

Investigation: 1179256

Comment Date: 09/15/2014

Failure to conduct pressure tank inspections.

At the time of the investigation, no annual exterior or five year interior tank inspections had been performed on the eight pressure tanks. This includes the two pressure tanks at the Staples Farmers Plant.

30 TAC 290.46(m)(1)(B)-- Pressure tank inspections must determine that the pressure release device and pressure gauge are working properly, the air-water ratio is being maintained at the proper level, the exterior coating systems are continuing to provide adequate protection to all metal surfaces, and the tank remains in watertight condition. Pressure tanks provided with an inspection port must have the interior surface inspected every five years.

Recommended Corrective Action: Provide by the compliance due date, copies of the tank inspection forms indicating that the pressure tanks have been inspected in accordance with the requirements.

Track Number: 548345 **Compliance Due Date:** 01/25/2014
Violation Start Date: Unknown

30 TAC Chapter 290.46(f)(2)
30 TAC Chapter 290.46(f)(3)(A)(iv)

Alleged Violation:

Investigation: 1179256 **Comment Date:** 09/15/2014
Failure to make adequate records available for review.

At the time of the investigation, the dates that dead-end mains were flushed were not provided. This includes Staples Farmers flushing records.

30 TAC 290.46(f)(3)(A)(iv)-- The dates that dead-end mains were flushed.

Recommended Corrective Action: Provide by the compliance due date, flushing records, which indicate that the dead-end mains are being flushed in accordance with requirements.

Track Number: 548346 **Compliance Due Date:** 01/25/2014
Violation Start Date: Unknown

30 TAC Chapter 290.39(e)
30 TAC Chapter 290.39(h)(1)
30 TAC Chapter 290.46(n)(1)

Alleged Violation:

Investigation: 1179256 **Comment Date:** 09/15/2014
Failure to submit and acquire approval of as built engineering plans prior to operating a public water supply.

At the time of the investigation, the water system provided engineering plans and specifications for the wells, storage and pressure maintenance facilities, but no approval letters or granted exceptions were provided. In addition, no approval letters were provided for the three interconnections. Search of the Integrated Water Utility Database indicated that there were submittals for two elevated storage tanks, but there was no documentation made available to identify which tanks were approved for construction. Review of the entity's file indicated that the service pumps at the Ilka Water Plant were approved.

30 TAC 290.46(n)(1)-- Accurate and up-to-date detailed as-built plans or record drawings and specifications for each treatment plant, pump station, and storage tank shall be maintained at the public water system until the facility is decommissioned. As-built plans of individual projects may be used to fulfill this requirement if the plans are maintained in an organized manner.

30 TAC 290.39(h)(1)-- No person may begin construction on a new public water system before receiving written approval of plans and specifications and, if required, approval of a business plan from the executive director. No person may begin construction of modifications to a public water system without providing notification to the executive director and submitting and receiving approval of plans and specifications if requested in accordance with subsection (j) of this section.

CRYSTAL CLEAR WSC - SAN MATEO

6/30/2014 to 9/12/2014 Inv. # - 11,9256

Page 9 of 12

30 TAC 290.39(e)-- Submission of planning material.

Recommended Corrective Action: Provide by the compliance due date, documentation demonstrating that as-built plans or an exceptions request has been submitted to the Texas Commission on Environmental Quality (TCEQ), Utilities Technical Review Team (UTRT), MC 159, P.O. Box 13087, Austin, TX 78711-3087 and that approval or an exception has been granted.

The entity must ensure that the as-built plans are submitted by a licensed professional engineer. For further assistance regarding submittal contact the TCEQ UTRT at (512) 239-4691.

Track Number: 548347

Compliance Due Date: 01/25/2014

Violation Start Date: Unknown

30 TAC Chapter 290.45(f)(3)

Alleged Violation:

Investigation: 1179256

Comment Date: 09/15/2014

Failure to provide an up to date purchased water contract for CRWA or provide a Springs Hill WSC purchased water contract.

At the time of the investigation, the entity provided a purchased water contract with CRWA dated 05/01/2007. The contract specifies that 62 gallons per minute or 89,280 gallons per day is the maximum amount of water that can be purchased on a daily basis; however, according to the entity the current maximum daily rate is 254,491 gallons per day or 176.7 gallons per minute.

08/026/2014- A purchased water contract for Springs Hill WSC was provided, but was inadequate do to not having a maximum daily rate at which the entity was allowed to purchase.

30 TAC 290.45(f)(3)-- The contract shall also establish the maximum rate at which water may be drafted on a daily and hourly basis. In the absence of specific maximum daily or maximum hourly rates in the contract, a uniform purchase rate for the contract period will be used.

Recommended Corrective Action: Provide by the compliance due date, a copy of an updated purchased water contracts that indicates the accurate maximum daily rate with CRWA and Springs Hill WSC.

Track Number: 548348

Compliance Due Date: 01/25/2014

Violation Start Date: Unknown

30 TAC Chapter 290.110(c)(4)(B)

Alleged Violation:

Investigation: 1179256

Comment Date: 09/22/2014

Failure to monitor the disinfectant residual at representative locations in the distribution system at least once per day.

At the time of the investigation the entity was using the reading on the continuous chlorine analyzer at various plants in the distribution for their daily chlorine residual readings in the distribution.

30 TAC 290.110(c)(4)(B)-- Public water systems that serve at least 250 connections or at least 750 people daily, and use only groundwater or purchased water sources must monitor the disinfectant residual at representative locations in the distribution system at least once per day.

CRYSTAL CLEAR WSC - SAN M JOS

6/30/2014 to 9/12/2014 Inv. # - 1179256

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Recommended Corrective Action: Provide by the compliance due date, chlorine logs indicating that the daily chlorine residual tests are being taken at representative locations in the distribution system.

ALLEGED VIOLATION(S) NOTED AND RESOLVED

ASSOCIATED TO A NOTICE OF VIOLATION

Track Number: 548219

Resolution Status Date: 9/15/2014

Violation Start Date: Unknown

Violation End Date: 9/12/2014

30 TAC Chapter 290.46(t)

Alleged Violation:

Investigation: 1179256

Comment Date: 09/15/2014

Failure to provide ownership signs.

At the time of the investigation, no ownership signs were posted at the Willow Creek, Hunter and Kuenstler Plants.

09/11/2014- The entity submitted a photograph showing that an ownership sign has been posted at the Kuenstler Plant.

09/12/2014- The entity submitted photographs showing that ownership signs have been posted at the Willow Creek and Hunter Plants.

30 TAC 290.46(t)-- System ownership. All community water systems shall post a legible sign at each of its production, treatment, and storage facilities. The sign shall be located in plain view of the public and shall provide the name of the water supply and an emergency telephone number where a responsible official can be contacted.

Recommended Corrective Action: Provide by the compliance due date, documentation indicating that the ownership signs have been posted at the Kuenstler, Willow Creek and Hunter Plants in accordance with requirements.

A completed work order, receipt or invoice and/or photographs are acceptable forms of compliance documentation to resolve this violation.

Resolution: Photographs indicating that ownerships signs have been posted at the three plants were provided.

Track Number: 548222

Resolution Status Date: 9/15/2014

Violation Start Date: Unknown

Violation End Date: 9/9/2014

30 TAC Chapter 290.42(l)

Alleged Violation:

Investigation: 1179256

Comment Date: 09/12/2014

Failure to provide a plant operations manual.

At the time of the investigation, no plant operations manual was provided for the Staples Farmers Plant.

30 TAC 290.42(l)-- Plant operations manual. A thorough plant operations manual must be compiled and kept

CRYSTAL CLEAR WSC - SAN MARCOS

6/30/2014 to 9/12/2014 Inv. # - 11/9256

Page 11 of 12

up-to-date for operator review and reference. This manual should be of sufficient detail to provide the operator with routine maintenance and repair procedures, with protocols to be utilized in the event of a natural or man-made catastrophe, as well as provide telephone numbers of water system personnel, system officials, and local/state/federal agencies to be contacted in the event of an emergency.

Recommended Corrective Action: Provide by the compliance due date, a copy of a plant operations manual for the Staples Farmers Plant.

Resolution: 09/09/2014- A copy of the plant operations manual was provided.

Additional Issues

Description Item 14

Additional Comments

At the time of the investigation, the production at Crystal Clear WSC (this includes the well and purchased water together) has reached 86% of its capacity. Based upon the 5,000 connections the entity is required to provide 3,000 gpm of production. The entity provides a total of 3,483 gpm of production. In addition, at the Staples Farmers facility/pressure plane, the pressure tanks, ground storage tanks and service pumps have reached 86%, 98.9% and 92%, respectively. Based upon the 230 connections the entity is required to provide 4,600 gals, 46,000 gals and 460 gpm, respectively. The entity provides a total of 5,300 gals, 46,500 gals and 500 gpm, respectively. An 85% planning report must be submitted in accordance with requirements to avoid any future violation.

30 TAC 291.93(3)-- A retail public utility that possesses a certificate of public convenience and necessity that has reached 85% of its capacity as compared to the most restrictive criteria of the commission's minimum capacity requirements in Chapter 290 of this title shall submit to the executive director a planning report that clearly explains how the retail public utility will provide the expected service demands to the remaining areas within the boundaries of its certificated area. A report is not required if the source of supply available to the utility service provider is reduced to below the 85% level due to a court or agency conservation order unless that order is expected to extend for more than 18 months from the date it is entered in which case a report shall be required.

Signed

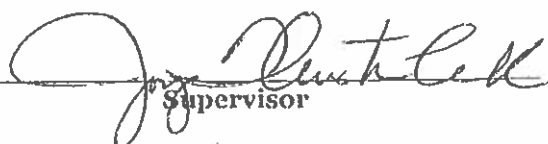


Environmental Investigator

Date

9/18/14

Signed



Supervisor

Date

9/22/2014

CRYSTAL CLEAR WSC - SAN MA OS

6/30/2014 to 9/12/2014 Inv. # - 1179256

Page 12 of 12

Attachments: (in order of final report submittal)

☐ Enforcement Action Request (EAR)

☒ Letter to Facility (specify type) : NOV

☐ Investigation Report

☐ Sample Analysis Results

☐ Manifests

☐ Notice of Registration

☒ Maps, Plans, Sketches

☐ Photographs

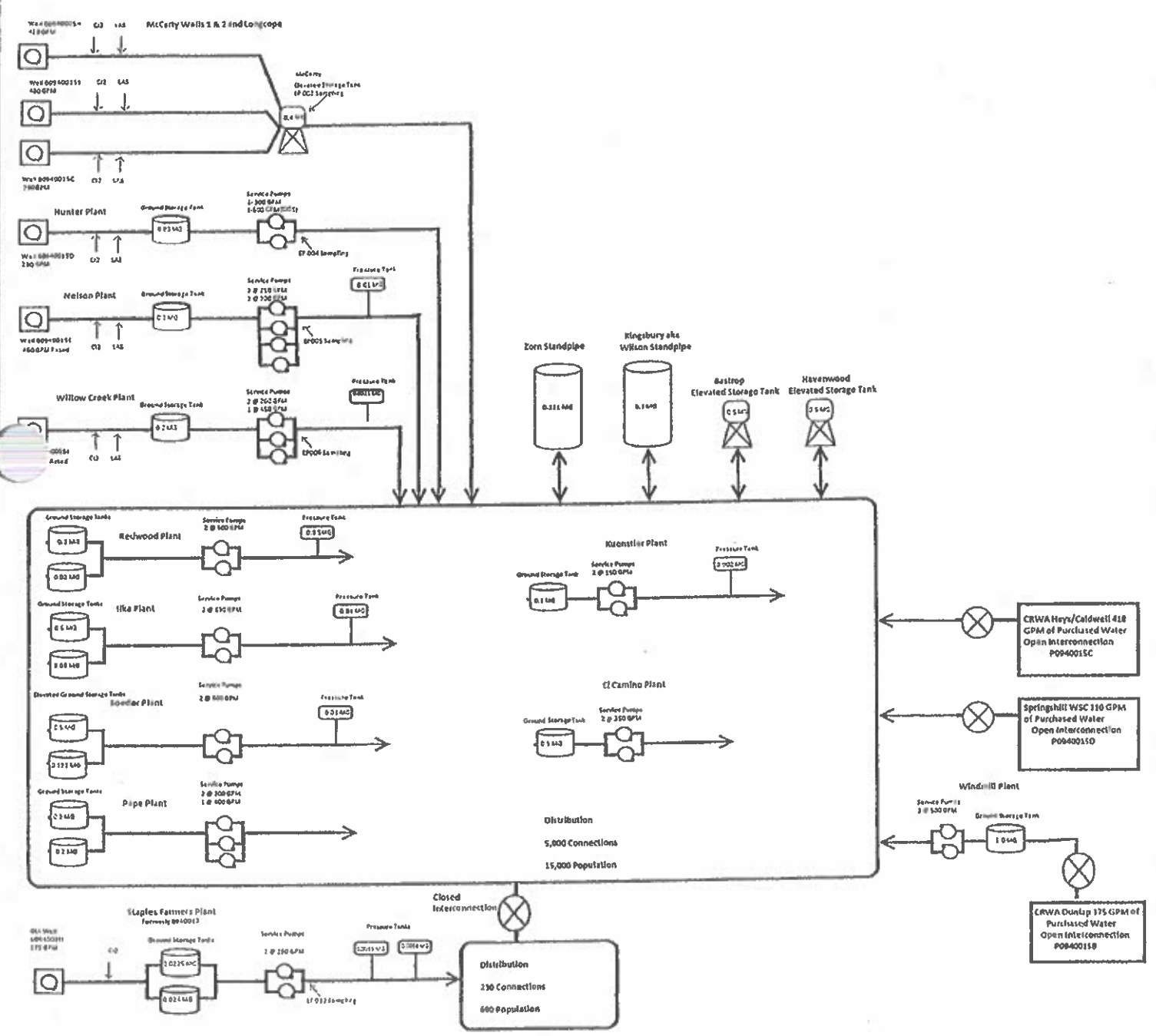
☒ Correspondence from the facility

☒ Other (specify) :

Two Documents Page 1
2 EIF

FWS SYSTEM FLOW DIAGRAM

Name of System:	Crystal Clear WSC	ID#	0940015
Survey Date:	June 30, 2014	Surveyed By:	De'Shaune Blake



PUBLIC WATER SYSTEM DATA

Name of System:	Crystal Clear WSC		
CCN Number:	10297	PWS ID:	940015
Classification:	Not Applicable	Type:	Community
Region Number:	13		

Interconnect with Other PWS:	Yes	Name of PWS I/C:	CRWax2 & Springs Hill
Type I/C:	metered/purchase		

Retail Service Connections:	5230	Retail Meters:	5230
Retail Population:	15690		

Wholesale Master Meters:	0	Wholesale Service Connections:	0
Wholesale Population:	0		

Total Well Capacity:	3658 GPM 5.268 MGD		
Raw Capacity:	0 GPM 0 MGD		

Total Elevated Storage:	2.692 MG	Total Storage Capacity:	3.796 MG
Pressure Tank Capacity:	0.0178		

Maximum Daily Usage:	2.56 MGD	Date:	12/08/2013
Average Daily Usage:	1.11 MGD	Time Period:	06/01/2013 to 05/31/2014
Wholesale Contract:	Yes	Maximum Purchase Rate :	1.59
No. of Samples Required:	16	No. of Samples Submitted:	16
No. of Raw Samples Required:	0	No. of Raw Samples Submitted:	0
Non-Comm Dates of Operation:	09/09/9999 to 09/09/9999		

WATER STORAGE TANKS

Type	Capacity	Material	Location
EL	0.4 MG	ST	McCarty Lane
EL	0.5 MG	ST	Old Bastrop Road
GR	1 MG	ST	Windmill Plant

5	G0940015E Nelson	FM 1102	O	submersible	450	06/30/2014
6	G0940015F Willow Creek	Willow Creek	O	submersible	450	06/30/2014
10	P0940015B Windmill	Hwy 123	O	CRWA Dunlap I/C	375	06/30/2014
11	P0940015D Springs Hill WSC	Ilka/Old Seguin Rd.	O	Springs Hill WSC I/C	310	06/30/2014
12	P0940015C Hays-Caldwell	FM 621/CR 266	O	CRWA Hays/Caldwell I/C	418	06/30/2014
13	U0940015I Staples Farmers	FM 1977	O	submersible	175	06/30/2014

SERVICE PUMPS

Pump Number	Output	Location
1	690 GPM	Ilka Plant
1	250 GPM	Staples Farmers
1	500 GPM	Boeder Plant
1	150 GPM	Kuenstler Plant
1	500 GPM	Redwood Plant
1	500 GPM	Windmill Plant
1	200 GPM	Willow Creek Plant
1	300 GPM	Hunter Plant
1	250 GPM	Nelson Plant
1	200 GPM	Pape Plant
1	350 GPM	El Camino Plant
2	500 GPM	Windmill Plant
2	400 GPM	Pape Plant
2	350 GPM	El Camino Plant
2	500 GPM	Boeder Plant
2	250 GPM	Nelson Plant
2	250 GPM	Staples Farmers
2	200 GPM	Willow Creek Plant
2	500 GPM	Redwood Plant (OOS)
2	500 GPM	Hunter Plant (OOS)
2	150 GPM	Kuenstler Plant

ST	0.3 MG	ST	Wilson Plant
ST	0.321 MG	ST	Zorn (Hwy 123)
GR	0.5 MG	ST	El Camino Plant
HD	0.002 MG	ST	Kuenstler Plant
GR	0.3 MG	ST	Kuenstler Plant
HD	0.01 MG	ST	Boeder Plant
EL	0.171 MG	ST	Boeder Plant
EL	0.5 MG	ST	Boeder Plant
HD	0.01 MG	ST	Ilka Plant
GR	0.03 MG	ST	Ilka Plant
GR	0.5 MG	ST	Ilka Plant
GR	0.2 MG	ST	Pape Plant
GR	0.3 MG	ST	Pape Plant
HD	0.01 MG	ST	Nelson Plant
GR	0.2 MG	ST	Nelson Plant
GR	0.03 MG	ST	Hunter Plant
HD	0.0025 MG	ST	Willow Creek Plant
GR	0.2 MG	ST	Willow Creek Plant
HD	0.005 MG	ST	Redwood Plant
GR	0.02 MG	ST	Redwood Plant
GR	0.2 MG	ST	Redwood Plant
GR	0.0225 MG	ST	Staples Farmers Plant
GR	0.024 MG	ST	Staples Farmers Plant
HD	0.0015 MG	ST	Staples Farmers Plant
HD	0.0038 MG	ST	Staples Farmers Plant

WATER SOURCES

EP No.	Source Code	Owner's Des	Location	Status	Pump Type	Tst GPM	Est GPM	Tst/Est GPM Date
2	G0940015B	McCarty-1	McCarty Lane	O	v.t.	480		06/30/2014
2	G0940015C	McCarty-2	McCarty Lane	O	v.t.	360		06/30/2014
2	G0940015H	Longcope	McCarty Lane	O	submersible	410		06/30/2014
4	G0940015D	Hunter	FM 1102	E	submersible	230		06/30/2014

2	690 GPM	Ilka Plant
3	450 GPM	Willow Creek Plant
3	200 GPM	Pape Plant

SYSTEM CAPACITIES

Pressure Plane Number: 1 **Name: CC WSC Primary**

System Capacities				Required	Provided
Well Production	0.6	GPM Conn X 5000	Conn = 3000	GPM	3483
Elevated Pressure Storage	200	Gal/Conn X 5000	Conn = 1.0	MG	2.692
Ground/Total Storage	200	Gal/Conn X 5000	Conn = 1.0	MG	3.75
Service Pump Capacity	0.6	GPM/Conn X 5000	Conn = 3000	GPM	8730
Service Pump Peaking Factor		MDD/1440 X	**	GPM	
Tested PSI: 38 Tested CL2: 0.87 Total Location: 10425 Hwy 90					

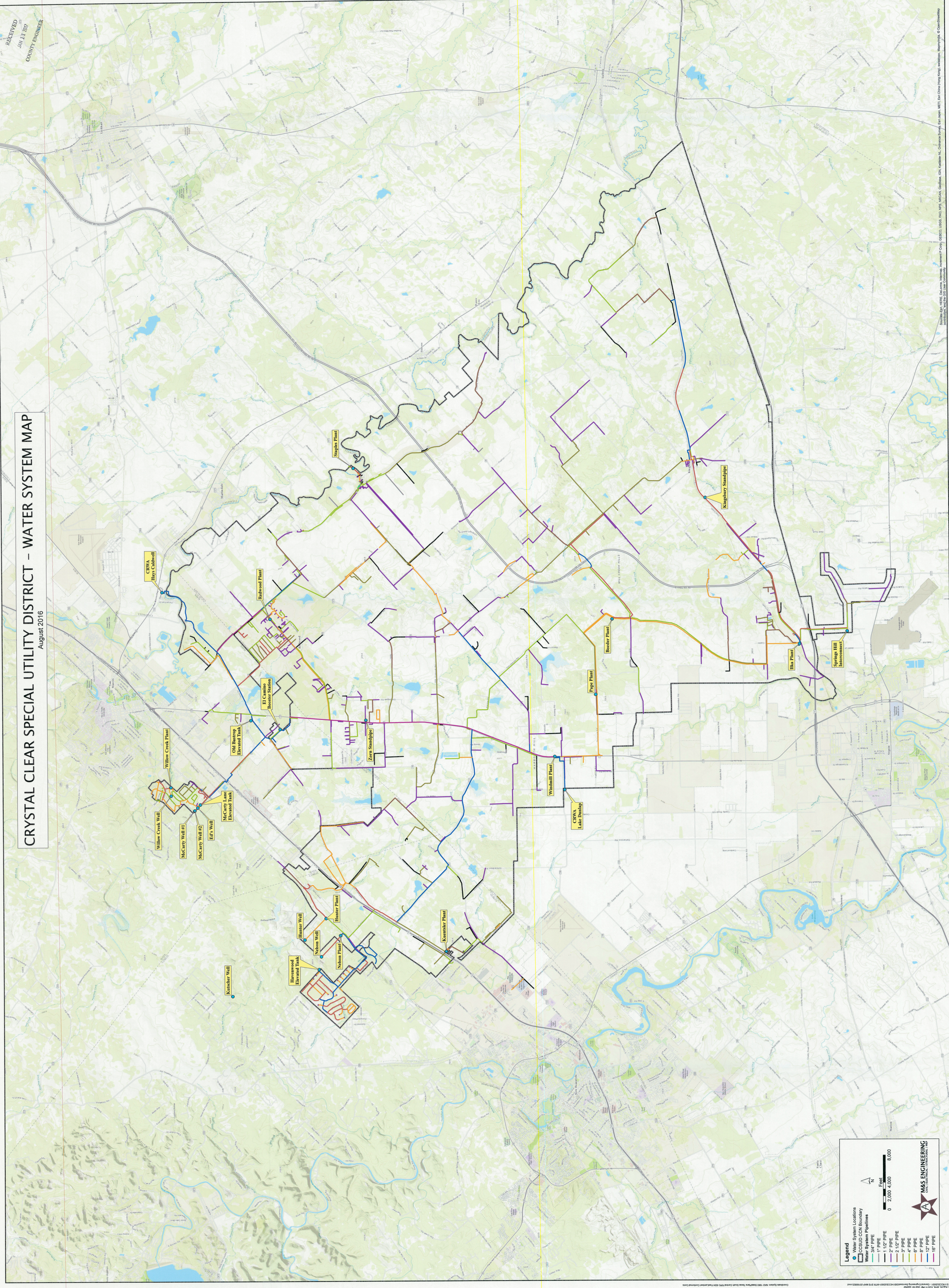
Pressure Plane Number: 2 **Name: Staples Farmers**

System Capacities				Required	Provided
Well Production	0.6	GPM Conn X 230	Conn = 138	GPM	175
Elevated Pressure Storage	20	Gal/Conn X 230	Conn = 0.0046	MG	0.0053
Ground/Total Storage	200	Gal/Conn X 230	Conn = 0.046	MG	0.047
Service Pump Capacity	2	GPM/Conn X 230	Conn = 460	GPM	500
Service Pump Peaking Factor		MDD/1440 X	**	GPM	
Tested PSI: 54 Tested CL2: 1.39 Free Location: 13210 FM 621					

RECEIVED
JAN 11 2017
COUNTY ENGINEER

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT - WATER SYSTEM MAP

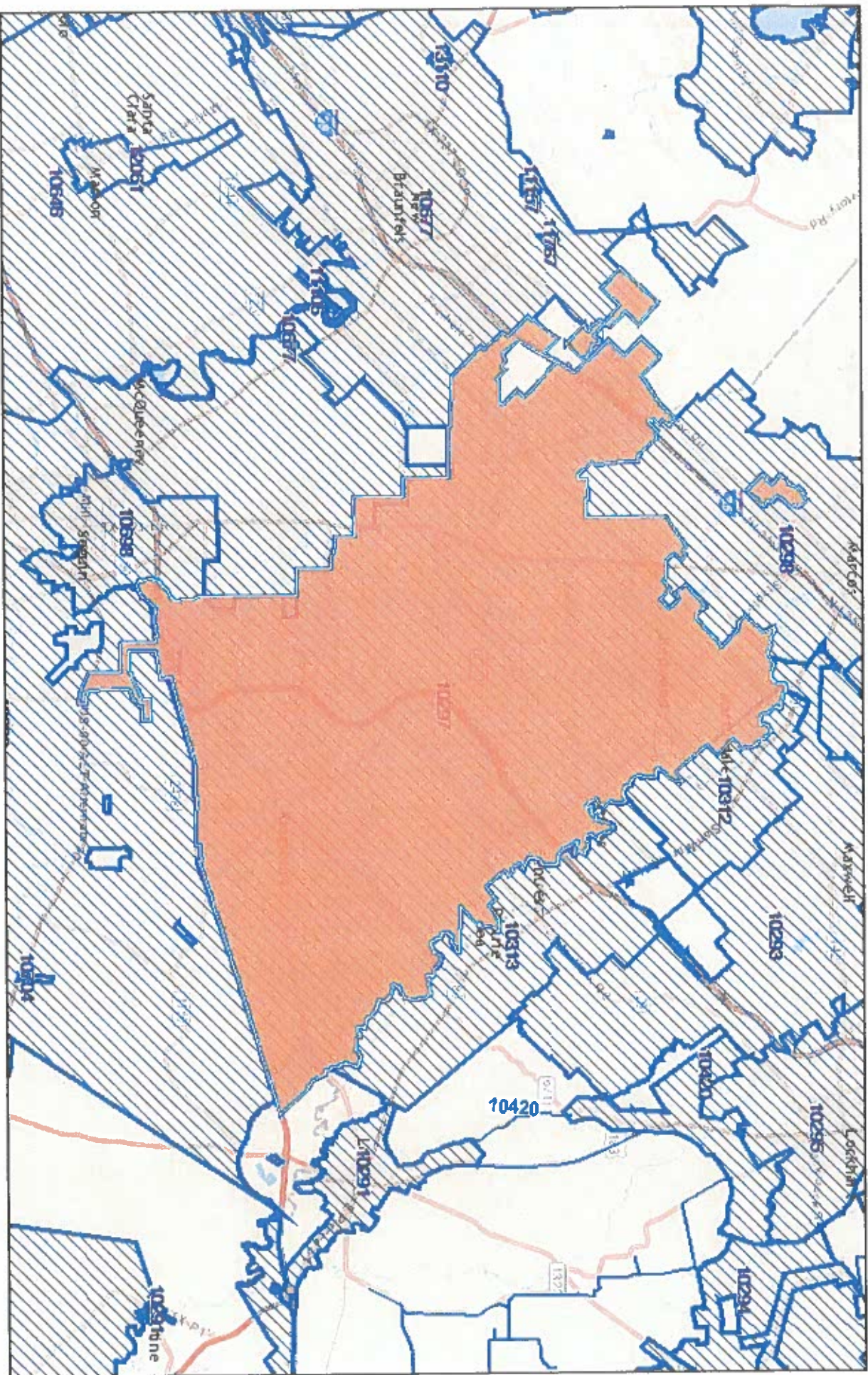
August 2016



Legend

- Water System Locations
- CCSUD CCN Boundary
- Water System Pipelines

M&S ENGINEERING
CIVIL | ELECTRICAL | STRUCTURAL | MECHANICAL



November 16, 2016

Water CCN Facility Lines

What CCN Service Areas



17 Counties

1:288,895

A vertical number line with tick marks at 0, 2.5, 5, 8, and 10. The left side is labeled 'mi' and the right side is labeled 'km'.

Sources: Esri, HERE, DeLorme, USGS, Intermap, INCREMENT P, NRCan, Esri Japan, METI, Esri China (Hong Kong), Esri Korea, Swisstopo, © Mapbox, © OpenStreetMap contributors, SWIS - Swiss Federal Institute of Technology, CNRS, ANI, Esri, Inc., FRA, © 2019

Hays County
Linda C. Fritsche
County Clerk
San Marcos, Texas 78666



70 2008 80031093

Instrument Number: 2008-80031093

As

Recorded On: October 16, 2008

OPR RECORDINGS

Parties: EDWARDS AQUIFER AUTHORITY

Billable Pages: 4

To CRYSTAL CLEAR WATER SUPPLY CORP

Number of Pages: 5

Comment:

(Parties listed above are for Clerks reference only)

**** Examined and Charged as Follows: ****

OPR RECORDINGS	28.00
Total Recording:	28.00

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Any provision herein which restricts the Sale, Rental or use of the described REAL PROPERTY
because of color or race is invalid and unenforceable under federal law.

File Information:

Document Number: 2008-80031093
Receipt Number: 205088
Recorded Date/Time: October 16, 2008 02:31:36P
Book-Vol/Pg: BK-OPR VL-3503 PG-783
User / Station: A Herzog - Cashiering #5

Record and Return To:

EDWARDS AQUIFER AUTHORITY
1615 N ST MARYS
HOLD FOR KIRK DECKER
SAN ANTONIO TX 78215



State of Texas |
County of Hays

I hereby certify that this instrument was filed for record in my office on the date and
time stamped hereon and was recorded on the volume and page of the named records
of Hays County, Texas:

Linda C. Fritsche

Linda C. Fritsche, County Clerk

**EDWARDS AQUIFER AUTHORITY
WATER RIGHTS FILING
INSTRUCTIONS FOR COUNTY CLERKS**

Please file this sheet and the attached Edwards Aquifer Authority, State of Texas "Initial Regular Permit (IRP)" in the Official Public Records using "Edwards Water Rights" as the document type.

1. **DATE OF EXECUTION:** SEP 26 2008
2. **DOCUMENT TYPE:** Edwards Water Rights
3. **GRANTOR:** Edwards Aquifer Authority
4. **GRANTEE(S) (Permittee):** Crystal Clear Water Supply Corporation
5. **LEGAL PLACE OF USE:**

Legal Description Reference	County	CCN No.	Volume/ Book	Page(s)
Certificate of Convenience and Necessity	Hays	10297		

Survey / Abstract No	NCB	CB	Lot	Subdivision

6. **INITIAL REGULAR PERMIT TO WITHDRAW GROUNDWATER FROM THE EDWARDS AQUIFER NO.** P100-215 (HA00214)
7. **ANNUAL WITHDRAWAL AMOUNT:** 875,060 Acre-Feet / Annum
8. **REASON FOR REISSUANCE:** The Passage of Senate Bill No. 3 by The Texas Legislation in 2007 increased the pumping cap from 450,000 acre-feet to 572,000 acre-feet per annum.
9. **AFTER RECORDING RETURN TO:**

*Edwards Aquifer Authority
1615 N. Saint Mary's St.
San Antonio, TX 78215*

EDWARDS AQUIFER AUTHORITY
STATE OF TEXAS
INITIAL REGULAR PERMIT No. P100-215 (HA00214)

THIS CERTIFIES THAT: Crystal Clear Water Supply Corporation
2370 FM 1979
San Marcos, TX 78666

has been issued this Initial Regular Permit by the Board of Directors of the Edwards Aquifer Authority to withdraw groundwater from the Edwards Aquifer. This Permit is issued without a term. All prior permits or other approvals are superseded by this Permit.

Permit Derivation: HA00214 Purpose: Municipal Pool: San Antonio

Authorized Annual Groundwater Withdrawal Amount: 875,060 acre-feet per calendar year.

Place of Use: The Wholesale or retail water service area identified in the Certificate of Convenience and Necessity # 10297, issued on 1/17/1991, filed with the Texas Commission on Environmental Quality.

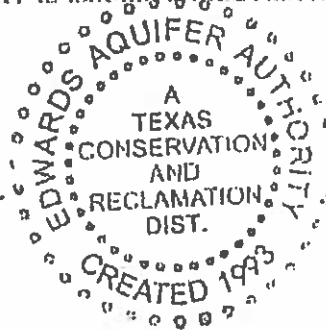
Withdrawal Point(s); Metering; Maximum Withdrawal Rate:

EAA WELL NO.	LOCATION	MEASURING METHOD	WITHDRAWAL RATE
See Exhibit A			

Conditions: Edwards Aquifer groundwater may be withdrawn only under the terms and conditions of this Permit, the Edwards Aquifer Authority Act (Act of May 30, 1993, 73rd Leg., R.S., ch. 626, 1993 Tex. Gen. Laws 2350), other applicable general law, and Authority rules, as these may be amended from time to time. This permit is subject to the continuing jurisdiction and supervision of the Authority, and may be amended from time to time consistent with applicable law.

THIS INITIAL REGULAR PERMIT IS ISSUED, EXECUTED, AND EFFECTIVE THIS 26th day of Sept., 2008.

Douglas R. Miller
DOUGLAS R. MILLER
Chairman, Board of Directors



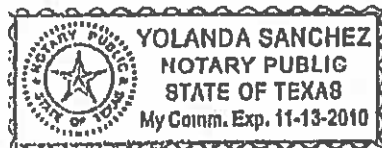
ATTEST:

Carol G. Patterson
CAROL G. PATTERSON
Secretary, Board of Directors

ACKNOWLEDGMENT

STATE OF TEXAS)
COUNTY OF BEXAR)

ON BEHALF OF THE AUTHORITY, THIS PERMIT WAS ACKNOWLEDGED before me on
Sept 26, 2008 by DOUGLAS R. MILLER, Chairman, and CAROL G. PATTERSON, Secretary, Board of
Directors, Edwards Aquifer Authority, a conservation and reclamation district created pursuant to Art. XVI, Sec.59,
Texas Constitution.



Yolanda Sanchez
Notary Public in and for the State of Texas

AFTER RECORDING RETURN TO:

Docket Clerk
Edwards Aquifer Authority
1615 N. St. Mary's St.
San Antonio, Texas 78215

EXHIBIT A

EAA WELL NO.	LOCATION	MEASURING METHOD	WITHDRAWAL RATE
W100-874 (HA00209-001)	29-51.00-3.10 / 97-59.00-6.80	Meter	470 gpm
W100-875 (HA00209-002)	29-51.00-9.46 / 97-59.00-9.60	Meter	0 gpm
W100-876 (HA00209-003)	29-51.00-8.80 / 97-59.00-12.16	Meter	0 gpm
W100-888 (HA00214-001)	29-51.00-19.40 / 97-58.00-53.10	Meter	0 gpm
W100-889 (HA00214-002)	29-51.00-7.80 / 97-59.00-10.70	Meter	450 gpm
W100-890 (HA00214-003)	29-51.00-8.20 / 97-59.00-10.50	Meter	500 gpm
W100-891 (HA00214-004)	29-48.00-29.20 / 98-2.00-14.70	Meter	350 gpm
W100-892 (HA00214-005)	29-47.00-37.30 / 98-2.00-43.30	Meter	316 gpm
W100-893 (HA00214-006)	29-51.00-42.40 / 97-58.00-47.10	Meter	500 gpm

Hays County
Linda C. Fritsche
County Clerk
San Marcos, Texas 78666



70 2010 10003210

Instrument Number: 2010-10003210

Recorded On: February 11, 2010

As
OPR RECORDINGS

Parties: WILLOUGHBY R B JR

To CRYSTAL CLEAR WATER SUPPLY CORPORATION

Billable Pages: 4

Number of Pages: 5

Comment:

(Parties listed above are for Clerks reference only)

**** Examined and Charged as Follows: ****

OPR RECORDINGS	28.00
Total Recording:	28.00

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File Information:

Document Number: 2010-10003210

Receipt Number: 239033

Recorded Date/Time: February 11, 2010 11:30:00A

Book-Vol/Pg: BK-OPR VL-3822 PG-675

User / Station: A Herzog - Cashiering #3

Record and Return To:

EDWARDS AQUIFER AUTHORITY
1615 N. ST. MARYS STREET
ORIGINAL TO CUSTOMER
SAN ANTONIO TX 78215-1415



State of Texas |
County of Hays

I hereby certify that this instrument was filed for record in my office on the date and
time stamped hereon and was recorded on the volume and page of the named records
of Hays County, Texas

Linda C. Fritsche
Linda C. Fritsche, County Clerk

**EDWARDS AQUIFER AUTHORITY
WATER RIGHTS FILING
INSTRUCTIONS FOR COUNTY CLERKS**

Please file this sheet and the attached Edwards Aquifer Authority, State of Texas "Regular Permit" in the Official Public Records using "Edwards Water Rights" as the document type.

1. **DATE OF EXECUTION:** FEB 11 2010
2. **DOCUMENT TYPE:** Edwards Water Rights
3. **GRANTOR:** R. B. Willoughby, Jr. and Cecil R. Atkission, Jr.
4. **GRANTEE(S) (Permittee):** Crystal Clear Water Supply Corporation
5. **LEGAL PLACE OF USE:**

Legal Description Reference	County	CCN Document No.	Volume/ Book	Page(s)
Certificate of Convenience and Necessity	Hays	10297		

6. **REGULAR PERMIT TO WITHDRAW GROUNDWATER FROM THE EDWARDS AQUIFER NO.** P103-038 (UV00414A)
7. **ANNUAL WITHDRAWAL AMOUNT:** 864.600 Acre-Feet / Annum
8. **REASON FOR ISSUANCE:**
This Regular Permit was issued due to the adoption of a Final Order of the Board of Directors of the Edwards Aquifer Authority Granting Application to Transfer and Amend Initial Regular Permit where the location of places of use and the points of withdrawal are proposed to be transferred from west of Cibolo Creek to east of Cibolo Creek.
9. **AFTER RECORDING RETURN TO:**

*Edwards Aquifer Authority
1615 N. Saint Mary's St.
San Antonio, TX 78215*

**EDWARDS AQUIFER AUTHORITY
STATE OF TEXAS
REGULAR PERMIT No. P103-038 (UV00414A)**

THIS CERTIFIES THAT: Crystal Clear Water Supply Corporation
2370 FM 1979
San Marcos, TX 78666

has been issued this Regular Permit by the Board of Directors of the Edwards Aquifer Authority to withdraw groundwater from the Edwards Aquifer. This Permit is issued without a term. All prior permits or other approvals are superceded by this Permit.

Permit Derivation: UV00414A **Purpose:** Municipal **Pool:** San Antonio

Authorized Annual Groundwater Withdrawal Amount: 864,600 acre-feet per calendar year of which 864,600 acre-feet are unrestricted irrigation groundwater and 0.000 acre-feet are base irrigation groundwater.

Place of Use: The Wholesale or retail water service area identified in the Certificate of Convenience and Necessity # 10297, issued on 1/17/1991, filed with the Texas Commission on Environmental Quality.

Withdrawal Point(s); Metering; Maximum Withdrawal Rate:

EAA WELL NO.	LOCATION	MEASURING METHOD	WITHDRAWAL RATE
W100-874 (HA00209-001)	29-51.00-3.10/ 97-59.00-6.80	Meter	470 gpm
W100-893 (HA00214-006)	29-51.00-42.40 / 97-58.00-47.10	Meter	500 gpm

Conditions: Edwards Aquifer groundwater may be withdrawn only under the terms and conditions of this Permit, the Edwards Aquifer Authority Act (Act of May 30, 1993, 73rd Leg., R.S., ch. 626, 1993 Tex. Gen. Laws 2350), other applicable general law, and Authority rules, as these may be amended from time to time. This permit is subject to the continuing jurisdiction and supervision of the Authority, and may be amended from time to time consistent with applicable law.

Special Conditions:

The following special conditions apply:

1. Groundwater may only be withdrawn from the specific well(s) as designated in this Regular Permit. If either of the specific, designated wells becomes inoperable due to age or other physical conditions, the failed well may be replaced by drilling a replacement well or by designating another well nearby the failed well. In addition, the places of use and points of withdrawal for this Regular Permit may not be amended or further transferred to another user or points of withdrawal east of the Cibolo Creek. However, this condition does not prohibit the transfer of groundwater to another user or points of withdrawal west of Cibolo Creek.
2. For each day the daily flow at San Marcos Springs is at or below 100 cubic feet per second (cfs), the daily pumping limit from the specific, designated wells, identified in this Regular Permit, will be a total withdrawal of 1.421 acre-feet per day.

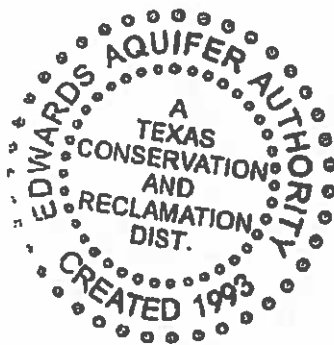
3. If additional withdrawal rights are acquired and transferred to the specific wells identified in this Regular Permit, the overall daily limit will be increased proportionally.
4. If the daily flow at San Marcos Springs is at or below 100 cfs, and the daily maximum pumping limit is exceeded, it will result in enforcement action by the Authority on a daily basis. Enforcement penalties will be based on the Authority's applicable overpumping calculations. Any penalties that are applied will be collected on a yearly basis.
5. The flow at San Marcos Springs will be determined by the data reported by the U.S.G.S. monitoring station located in San Marcos, Texas, U.S.G.S. Gauge No. 08170500.

THIS REGULAR PERMIT IS ISSUED, EXECUTED, AND EFFECTIVE THIS 11th day of Feb, 2010.


LUANA BUCKNER
Chairman, Board of Directors

ATTEST:


ENRIQUE VALDIVIA
Secretary, Board of Directors

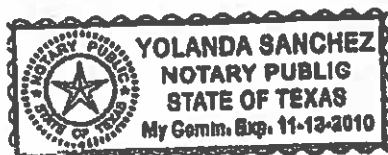


ACKNOWLEDGMENT

Bk Vol
10003210 OPR 3822 679

STATE OF TEXAS)
COUNTY OF BEXAR)

ON BEHALF OF THE AUTHORITY, THIS PERMIT WAS ACKNOWLEDGED before me on Feb 11, 2010, by LUANA BUCKNER, Chairman, and ENRIQUE VALDIVIA, Secretary, Board of Directors, Edwards Aquifer Authority, a conservation and reclamation district created pursuant to Art. XVI, Sec.59, Texas Constitution.



Yolanda Sanchez

Notary Public in and for the State of Texas

AFTER RECORDING RETURN TO:

Docket Clerk
Edwards Aquifer Authority
1615 N. St. Mary's St.
San Antonio, Texas 78215



2370 FM 1979, San Marcos, TX 78666 830-372-1031

January 14, 2016

Edwards Aquifer Authority
900 E. Quincy
San Antonio, TX 78215

Attn: Omar J. Garcia

Dear Mr. Garcia,

Re: Applications to Amend Permits

Enclosed with this letter are two (2) Applications to Amend our existing permits for Edwards Aquifer water. Each application explains what we want to do, i.e., we want to "swap" an existing well in each permit with a corresponding, existing well in the other permit. This is the situation we discussed during our meeting with you and your Executive Director of External and Regulatory Affairs, Marc Friberg.

We deeply appreciate your cooperation and assistance in making this happen. I will be in Mexico starting next Thursday, the 21st, and will be returning on March 15th, so if you have any questions in regards to these applications, please contact our General Manager, Mike Taylor directly at 830-372-1031.

Thank you, again, for your swift attention to our request and we look forward to your response to these applications.

Sincerely,

A handwritten signature in cursive script that reads "Mike Fournier".

Mike Fournier
Administrator

Cc: Mike Taylor, Suzanne Silva, Melanie Murillo, Brady Kosub



EDWARDS AQUIFER
AUTHORITY

900 E Quincy, San Antonio, Texas 78215
Telephone (210) 222-2204
Fax (210) 222-9869
www.edwardsaquifer.org

APPLICATION TO AMEND

T _____
Check # _____

PART I - PERMIT HOLDER INFORMATION

Permit Holder Information:

Name of Permit Holder: Crystal Clear Special Utility District
Mailing Address: 2370 FM 1979 San Marcos TX 78666
(Street or PO Box) (City) (State) (Zip)
Physical Address: 2370 FM 1979 San Marcos TX 78666
(Street) (City) (State) (Zip)
Telephone: 830-372-1031 E-mail Address: mike@crystalclearsud.org
Authorized Representative: Mike Fournier Administrator
(Name) (Relationship)
Mailing Address: 2370 FM 1979 San Marcos TX 78666
(Street or PO Box) (City) (State) (Zip)

Has any of the above information recently changed? ☒ Yes ☐ No

PART II - CURRENT PERMIT INFORMATION

Groundwater Use Information :

Initial Regular Permit (IRP)/Regular Permit (RP) No: P100-215 (HA00214)
Current purpose of use: ☒ Municipal Use ☐ Industrial Use ☐ Irrigation Use
Authorized withdrawal amount per annum: 875,060 acre-feet Rate of withdrawal: 316 gpm
For Irrigation Use: _____ acre-feet of Base Irrigation; _____ acre-feet of Unrestricted Irrigation
County of Current Place of Use: Comal County
Legal Description of Current Place of Use: Well WDM-892 (HA00214-005) is currently located in Comal County serving the area of Havenwood which is part of Crystal Clear SUD's service area.

Part III - Amendment Information

A. Type of Amendment (check all applicable):

- ☐ Permit Holder Name
Please attach documents supporting name change, (example: Last Will and Testament, Letters Testamentary, etc.)
- ☐ Place of Use
Please attach a recorded legal description of the place of use where the groundwater rights will be beneficially used.
- ☒ Point of Withdrawal
Please attach a completed well registration form or well construction application, and well meter registration form if the well is not already registered with the Authority.
- ☐ Purpose of Use
- ☐ Other

Part III - Amendment Information Continued

B. Please describe the proposed amendment(s) below:

Well W100-892 (HA00214-005) is to be swapped/replaced with well W100-893 (HA00214-006) which is currently assigned to Permit No. P103-038 (UV00414A) and is located in Hays County currently serving the Willow Creek area of the Crystal Clear SUD service area.

C. Effective Date of Amendment: March 1, 2016

Part IV - Certification

I hereby certify that the information given herein this application is true and accurate to the best of my knowledge and belief.

Michael F Taylor
Printed Name of Permit Holder or Agent

Michael S Taylor
Signature of Permit Holder or Agent

STATE OF TEXAS
COUNTY OF Guadalupe

Subscribed and sworn before me this 14th day of January, 2016.



Melanie R Murillo
Notary Public's Signature
Date Commission Expires: November 21, 2017



GENERAL APPLICATION INSTRUCTIONS

900 E. Quincy, San Antonio, Texas 78215
Telephone (210) 222-2204
Fax (210) 222-9869
www.edwardsaquifer.org

TYPES OF APPLICATIONS

Application to Transfer - Sale - to permanently transfer all or part of an Initial Regular Permit (IRP)/Regular Permit (RP) or the place of use

Application to Transfer - Lease - to temporarily transfer all or part of an IRP or RP

Application to Amend - to change a part of an IRP or RP (e.g. add/delete a well as a point of withdrawal)

Application to Consolidate - to consolidate multiple IRPs or RPs into one permit

Application to Convert - to convert base irrigation groundwater to unrestricted irrigation groundwater

APPLICATION REQUIREMENTS

For an application to be processed, the applicant(s) must be in compliance with the Authority's Act and rules, and the application must be complete. An application is considered complete if it contains each of the following items:

- ☐ **Application fee of \$25.00**
Only personal check, cashier's check or money order made payable to the Edwards Aquifer Authority will be accepted. No cash accepted.
- ☐ **Permit recording fee of \$34.00 per permit**
This fee does not apply to Applications to Lease. Generally, all other applications require a \$34.00 minimum fee in order to record the resulting permit in county records. Should the fee exceed \$34.00, the applicant will be notified and required to pay the difference.
- ☐ **Notarized applicant's signature**
All applications must be signed and notarized. If an authorized representative or agent is signing on behalf of the applicant, the authorized representative or agent must provide written evidence of his or her authority to represent the transferee or transferor accordingly.
- ☐ **Supporting Documents**
Supporting documents may vary accordingly, but at a minimum should contain names of parties involved, amount of groundwater rights involved, classification of groundwater rights, time frame, and signatures of authorized representatives. All deeds submitted as supporting documents should be recorded in county records prior to submission. For Applications to Transfer, a transfer agreement must accompany the application. For a temporary transfer, these agreements may be a lease agreement or memorandum of lease, and for a permanent transfer the agreement may be a bill of sale, water warranty deed or other deed that references the water rights.
- ☐ **Well Registration**
If a well is not already registered with the Authority, a completed well registration form or well construction application, well meter registration form and \$10 well registration fee must be attached.

OTHER INFORMATION

- Authority staff may request additional information or documents to process an application.
- Incomplete applications will not be processed and will be returned to the applicant.
- A separate form must be completed for each transfer requested.

For assistance, please contact the Groundwater Permits Team at (210) 222-2204 or (800) 292-1047.



900 E Quincy, San Antonio, Texas 78215
Telephone (210) 222-2204
Fax (210) 222-9869
www.edwardsaquifer.org

APPLICATION TO AMEND

T _____
Check # _____

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Permit Holder Information:

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Mailing Address: 2370 FM 1979 SAN MARCOS TX 78666
(Street or PO Box) (City) (State) (Zip)

Physical Address: 2370 FM 1979 SAN MARCOS TX 78666
(Street) (City) (State) (Zip)

Telephone: 820-372-1031 E-mail Address: mike@crystalclearsud.org

Authorized Representative: Mike Fournier Administrator
(Name) (Relationship) (Telephone)

Mailing Address: 2370 FM 1979 SAN MARCOS TX 78666
(Street or PO Box) (City) (State) (Zip)

Has any of the above information recently changed? ☒ Yes ☐ No

PART II - CURRENT PERMIT INFORMATION

Groundwater Use Information:

Initial Regular Permit (IRP)/Regular Permit (RP) No: P 103-038 (UV00414A)

Current purpose of use: ☒ Municipal Use ☐ Industrial Use ☐ Irrigation Use

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For Irrigation Use: _____ acre-feet of Base Irrigation; _____ acre-feet of Unrestricted Irrigation

County of Current Place of Use: Hays County

Legal Description of Current Place of Use: well 10100-893 (NA00214-006) is
currently located in Hays County serving the Willow Creek
area of the Crystal Clear SUD service area

Part III - Amendment Information

A. Type of Amendment (check all applicable):

- ☐ Permit Holder Name
Please attach documents supporting name change, (example: Last Will and Testament, Letters Testamentary, etc.)
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1. Please describe the proposed amendment(s) below:

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C. Effective Date of Amendment: March 1, 2016

Part IV - Certification

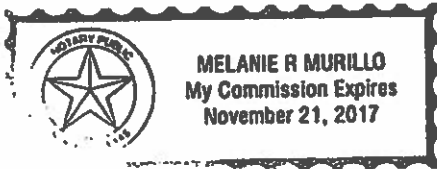
I hereby certify that the information given herein this application is true and accurate to the best of my knowledge and belief.

Michael F Taylor
Printed Name of Permit Holder or Agent

Michael F Taylor
Signature of Permit Holder or Agent

STATE OF TEXAS
COUNTY OF Guadalupe

Subscribed and sworn before me this 14th day of January, 2016.



Melanie R. Murillo
Notary Public's Signature
Date Commission Expires: November 21, 2017



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- A separate form must be completed for each transfer requested.

For assistance, please contact the Groundwater Permits Team at (210) 222-2204 or (800) 292-1047.

WATER SUPPLY CONTRACT

May 1, 2007

between

CANYON REGIONAL WATER AUTHORITY

and

BEXAR METROPOLITAN WATER DISTRICT,

CITY OF CIBOLO, TEXAS,

CITY OF MARION, TEXAS

EAST CENTRAL SPECIAL UTILITY DISTRICT

GREEN VALLEY SPECIAL UTILITY DISTRICT,

CRYSTAL CLEAR WATER SUPPLY CORPORATION,

SPRINGS HILL WATER SUPPLY CORPORATION

WELLS RANCH PROJECT

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WATER SUPPLY CONTRACT

THIS WATER SUPPLY CONTRACT (this "Contract") dated as of the 1st day of May, 2007 (the "Contract Date") is between the CANYON REGIONAL WATER AUTHORITY, a regional water authority created under and essential to accomplish the purposes of Article XVI, Section 59 of the Constitution of the State of Texas (the "Authority"), and the EAST CENTRAL SPECIAL UTILITY DISTRICT and the GREEN VALLEY SPECIAL UTILITY DISTRICT, each a special utility district created under Chapter 65, as amended, Texas Water Code, the BEXAR METROPOLITAN WATER DISTRICT, a reclamation and conservation district created under a special act of the Texas legislature and pursuant to Article XVI, Section 59 of the Texas Constitution, the CITIES OF CIBOLO and MARION, TEXAS, each a Type A general law municipality, and CRYSTAL CLEAR WATER SUPPLY CORPORATION and SPRINGS HILL WATER SUPPLY CORPORATION, each a Texas water supply corporation organized originally pursuant to Texas Revised Civil Statutes Annotated Article 1434a, as amended and now codified as Chapter 67, as amended, Texas Water Code (certain of the "Original Participating Members", which, together with any Additional Participating Members as hereinafter defined, are collectively or individually referred to herein as "Participating Members").

PREAMBLE AND WITNESSETH:

WHEREAS, the Authority was created to purchase, own, hold, lease, and otherwise acquire sources of a potable water supply to supplement water from the Edwards Aquifer; to build, operate, and maintain facilities for the treatment and transportation of water; to sell potable water to local governments, water supply corporations, and other persons in the State of Texas; and to protect, preserve, and restore the purity and sanitary condition to water in the Authority; and

WHEREAS, the Authority's boundaries currently include all of the territory located in the service area of its members as provided in their respective certificates of convenience and necessity issued by the Texas Commission on Environmental Quality (the "Commission"); and

WHEREAS, each of the Authority's members currently provides potable water utility service to its customers; and

WHEREAS, in the pursuit of its purposes, the Authority has entered into contracts and has and anticipates entering into additional contracts to acquire rights to purchase raw water for treatment and resale to the Participating Members; and

WHEREAS, the Authority plans to build, operate, and maintain a water treatment facility known as Wells Ranch water treatment facility and certain related transmission lines, including the use of certain Participating Members existing transmission lines and related facilities (the "Project") for the purpose of receiving, treating, and transmitting certain of the water purchased pursuant to certain contracts now in force or to be entered into in the future; and

WHEREAS, the Participating Members hold and may acquire additional rights to raw water from other sources for treatment pursuant to the provisions of this Contract and thereafter to supply, redeliver, or sell this treated water in accordance with the provisions of this Contract; and

WHEREAS, the Authority intends to build, operate, and maintain (i) a new water treatment facility and (ii) certain related transmission lines and storage facilities including the use of certain Participating Members existing transmission lines and related facilities, for the purpose of receiving,

treating, storing, and transmitting certain water purchased pursuant to certain contracts now in force or to be entered into in the future; and

WHEREAS, to finance the costs of the acquisition, construction, and equipping of the Project, the Authority intends to issue one or more series of its contract revenue bonds or other debt obligations (the "Bonds") to the Texas Water Development Board or other entity (including a public or negotiated sale), to be secured by and payable from revenues received by the Authority pursuant to this Contract; and

WHEREAS, for and in consideration of the Authority acquiring the right to purchase raw water for treatment and resale as provided herein, the Participating Members are willing and have agreed to contract with the Authority as hereinafter provided to acquire treated water from the Project and to pay the costs of the Project by assisting in the amortization of the principal of and interest on the Bonds and paying the Authority's Operation and Maintenance Expenses (hereinafter defined); and

WHEREAS, the Authority and the Participating Members are authorized to enter into this Contract pursuant to the Authority's enabling statute, Chapter 670, Acts of the 71st Legislature, Regular Session, 1989, as amended (the "Act"), and Chapter 791, Texas Government Code, as amended (the "Interlocal Cooperation Act"), and other applicable laws; and

WHEREAS, the Authority agrees that the Participating Members shall continue to own their respective Certificates of Convenience and Necessity issued by the Commission, shall continue to own and operate their respective water pumping, storage, and distribution facilities, and any respective water treatment facilities currently owned by each of the Participating Members; and

WHEREAS, the Authority's Board of Trustees has directed that a portion of the raw water under this Contract be made available (following treatment by the Authority) on a firm basis to parties who contract with the Authority pursuant to this Contract; and

WHEREAS, each of the Participating Members under this Contract proposes to pay its share of costs of the Project and the Bonds based upon a rate methodology to be developed by the Authority or in proportion to the respective amounts of treated water each has agreed to purchase under this Contract; and

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and subject to the terms and conditions hereinafter set forth, the Authority and each of the Participating Members agree and contract as follows:

ARTICLE I

Definitions

Section 1.01 Definitions.

The following terms and expressions as used in this Contract, unless the context clearly shows otherwise, shall have the following meanings:

- (1) "Act" means Chapter 670, Acts of the 71st Legislature, Regular Session, 1989, as amended.

(2) "Additional Participating Member(s)" means any entity or entities hereafter agreeing pursuant to Section 6.01 of this Contract to be bound by the terms of this Contract, as it may be amended from time to time.

(3) "Adjusted Annual Payment" means the Annual Payment as adjusted by the Board during or after an Annual Payment Period, as provided by this Contract.

(4) "Annual Payment" means the amount of money to be paid to the Authority by each Participating Member during each Annual Payment Period as its share of the Annual Requirement.

(5) "Annual Payment Period" means the Authority's fiscal year, which currently begins on October 1 of each calendar year and ends on September 30 of the next following calendar year, but which may be any twelve consecutive month period fixed by the Authority.

(6) "Annual Requirement" means, during an Annual Payment Period, the total amount required to pay all Operation and Maintenance Expenses of the Authority and the Project and all costs and payments due and payable for the amortization of the Bonds.

(7) "Authority" means the Canyon Regional Water Authority, a regional water authority created under and essential to accomplish the purposes of Article XVI, Section 59 of the Constitution of the State of Texas created in accordance with the Act. Except as otherwise noted herein, actions required or permitted to be taken by the Authority under this Contract may be taken by the General Manager on behalf of the Authority.

(8) "Board" means the governing body of the Authority.

(9) "Boardmembers" means a member or members of the Board.

(10) "Bond Resolution" means any resolution or other financing documents of the Authority which authorizes any Bonds.

(11) "Bonds" means all bonds, notes, or other debt obligations payable from and secured, in whole or in part, from the payments to the Authority under this Contract, and the interest thereon, hereafter issued by the Authority to finance the costs to acquire, construct, and equip the Project, and/or all bonds, notes, or other obligations issued subsequently to finance costs to improve and extend the Project, and any bonds or other obligations issued to refund any other bonds, notes, or other obligations to refund any other refunding bonds or other obligations.

(12) "Code" means the Internal Revenue Code of 1986, and any amendments thereto, as in force and effect on the date of delivery of any series of Bonds.

(13) "Commission" means the Texas Commission on Environmental Quality or any successor entity thereto.

(14) "Contract" means this Water Supply Contract, as initially executed and as it may be amended from time to time.

(15) "Credit Agreement" means any credit agreement, as defined in and authorized by the provisions of Chapter 1371, as amended, Texas Government Code which the Authority enters into relating to its obligations with respect to the Bonds.

(16) "Force Majeure" means such term only as it is defined in Section 5.04 of this Contract.

(17) "General Manager" means the general manager of the Authority's operations, including any party or entity that the Authority enters into a management contract to provide these services.

(18) "Land Interests" means the easements, right-of-way, and other interests in real property necessary for the acquisition, construction, and operation of the Project.

(19) "MSRB" means the Municipal Securities Rulemaking Board and any successor to its duties.

(20) "NRMSIR" means each person whom the SEC or its staff has determined to be a nationally recognized municipal securities information repository within the meaning of the Rule from time to time.

(21) "Operation and Maintenance Expenses" means, during an Annual Payment Period, all direct costs and expenses incurred by the Authority for its operation and maintenance, including but not limited to, the operation and maintenance of the Project, including (for greater certainty but without limiting the generality of the foregoing) amounts payable under any contract with any federal, state, or local agency for the construction, operation, and/or water storage rights or other interests in water from any source of raw water, any contribution or payment in lieu of taxes or any fee or charge by any government authority relating to the Authority's sale of treated water hereunder, the costs of utilities, supervision, engineering, accounting, auditing, legal services, insurance premiums, supplies, services, and administration of the Project, Overhead Expenses, and costs of operating, repairing, maintaining, and replacing equipment for proper operation and maintenance of the Project. The term "Operation and Maintenance Expenses" does not include depreciation charges or such portion of the above-described costs to the extent such costs are paid pursuant to an agreement other than this Contract.

(22) "Original Participating Members" means Crystal Clear Water Supply Corporation, East Central Special Utility District, Springs Hill Water Supply Corporation, Green Valley Special Utility District, Bexar Metropolitan Water District, and the Cities of Cibolo and Marion, Texas.

(23) "Overhead Expenses" means the Authority's reasonable and necessary costs and expenses incurred and directly related to the issuance and servicing of the Bonds, the acquisition of Land Interests required for the Project, if any, the design, permitting, financing, acquisition, construction, and ownership of the Project and any other activities required of or involving the Authority in connection with or attributable to the Project or the Bonds, including, but not limited to:

(a) per diem and reimbursable expenses incurred by the Board for special meetings of the Board related to the Project,

(b) services of the professional, technical skilled and unskilled persons and firms engaged by or associated with the Authority, other than Authority staff personnel, together with their reimbursable expenses paid or required to be paid by the Authority;

(c) salaries of the Authority's staff attributable to the Project or the Bonds based on time expended, as documented or reasonably estimated by the General Manager of the Authority, times an overhead factor of two (2), which factor shall be subject to adjustment by the Authority from time to time in response to actual or reasonably projected overhead expenses of the Authority;

(d) the costs of preparing applications for and obtaining all approvals and authorizations required for the Project or the Bonds from the regulatory authorities having jurisdiction;

(e) the cost of property casualty and public liability insurance; including any insurance deductible charged to or required to be paid by the Authority;

(f) all costs incurred in litigation involving or relating to the Project; and

(g) any and all other costs and expenses, including out-of-pocket expenses, incurred by the Authority attributable to the Project or the Bonds, whether enumerated above or not and whether or not included in the definition or as a part of Project Costs.

(24) "Participating Member(s)" means certain of the Original Participating Members and all Additional Participating Members from time to time subject to this Contract.

(25) "Permitted Liens" means:

(a) Minor irregularities, charges, liens, encumbrances, defects, easements, licenses, rights-of-way, servitudes, restrictions, mineral rights, and clouds on title which, in the opinion of counsel to the Authority, do not materially impair the use of the Project for the purposes for which it is designed.

(b) Easements for roads (as used in this Contract, the term "roads" shall include, without limitation, streets, curbs, gutters, drains, ditches, sewers, conduits, canals, mains, aqueducts, aerators, connections, ramps, docks, viaducts, alleys, driveways, parking areas, walkways, and trackage), utilities (which for purposes of this Contract shall include, without limitation, water, sewer, electricity, gas, telephone, pipeline, railroad, and other collection, transportation, light, heat, power, and communication systems) and similar easements and other easements, rights-of-way, rights of flowage, flooding, diversion or outfall, licenses, restrictions, and obligations relating to the operation of the Project which, in the opinion of counsel to the Authority, do not materially impair the use of the Project for the purposes for which it is designed.

(c) Rights of the United States or any state or political subdivision thereof, or other public or governmental authority or agency or any other entity vested with the power of eminent domain to take or control property or to terminate any right, power, franchise, grant, license, or permit previously in force.

(26) "Point(s) of Delivery" means the point or points designated in Exhibit B to this Contract or by subsequent agreement where water will be delivered by the Authority to Participating Members from the Project.

(27) "Project" means the "Project" as defined in the preamble of this Contract.

(28) "Project Costs" means and includes, without limitation, the following costs incurred for the Project by or on behalf of the Authority:

(a) the cost of acquisition of the Land Interests, including appraisals, closing costs and title insurance policies;

(b) the cost of acquisition, construction, repair, replacement, or improvement of any structure, item of equipment, or other item, used for, or in connection with, the Project;

(c) the cost of site preparation of the Land Interests, including demolition or removal of structures and improvements as necessary or incident to accomplishing the Project;

(d) the cost of engineering, legal, architectural or other related services;

(e) the preparation cost of plans, specifications, studies, surveys, cost estimates, and other expenses necessary or incident to planning, providing, or financing the Project;

(f) the cost of machinery, equipment, furnishings, and facilities necessary or incident to placing the Project in operation;

- (g) finance charges and interest before, during, and after construction;
- (h) costs incurred in connection with financing the Project, including, without limitation:

- a. financing, legal, accounting, financial advisory, rating agency, and auditing fees, expenses and disbursements;
- b. the costs of a Credit Agreement;
- c. the cost of printing, engraving, and reproduction services; and
- d. the cost of a trustee's or paying agent's initial or acceptance fee and subsequent fees.

- (i) all costs, fees and expenses of litigation of all kinds;
- (j) the cost of property casualty and public liability insurance;
- (k) the Authority's Overhead Expenses; and
- (l) other costs generally recognized as a part of project construction costs.

(29) "Rule" means SEC Rule 15c2-12, as amended from time to time.

(30) "SEC" means the United States Securities and Exchange Commission and any successor to its duties.

(31) "SID" means any entity designated by the State or an authorized department, officer, or agency thereof as, and determined by the SEC or its staff to be, a state information depository within the meaning of the Rule from time to time.

(32) "Sale and Offering Documents" means any official notice of sale, official bid form, preliminary official statement, official statement, application to the Texas Water Development Board, or other offering document for the Bonds.

(33) "State" means the State of Texas.

(34) "System" means all properties, facilities and plants (including the Project) currently owned, operated, and maintained by the Authority for the supply, treatment, and transmission of treated potable water, together with all future extensions, improvements, replacements and additions thereto, whether situated within or without the limits of the Authority; provided, however, that notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term System shall not mean to include facilities of any kind which are declared not to be a part of the System and which are acquired or constructed by or on behalf of the Authority with the proceeds from the issuance of Special Facilities Bonds, which are hereby defined as being special revenue obligations of the Authority which are not payable from revenues of the System but which are payable from and equally and ratably secured by other liens on and pledges of any revenues, sources or payments, not pledged to the payment of the Bonds including, but not limited to, special contract revenues or payments received from any other legal entity in connection with such facilities.

Section 1.02 Construction.

Unless the context requires otherwise, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular

number shall be construed to include correlative words of the plural number and vice versa. This Contract and all the terms and provisions hereof shall be constructed to effectuate the purposes set forth herein and to sustain the validity of this Contract.

ARTICLE II

Representations and Warranties

Section 2.01 Representations and Warranties of Authority.

The Authority hereby represents and warrants that it has full power and authority to sell or otherwise convey treated water to the Participating Members in accordance with the terms of this Contract and the execution and delivery of this Contract by the Authority and the performance by the Authority of the provisions hereof do not and will not conflict with or constitute on the part of the Authority a breach or a default of any provision of any other contract or agreement of the Authority.

Section 2.02 Representations and Warranties of Participating Members.

Each of the Participating Members hereby represents and warrants that it has full power and authority to purchase treated water from the Authority in accordance with the terms of this Contract; and the execution and delivery of this Contract by each Participating Member and the performance of the provisions hereof by each Participating Member do not and will not conflict with or constitute on the part of such Participating Member a breach or a default of any provision of any other contract or agreement of such Participating Member.

ARTICLE III

Construction of Project and Issuance of Bonds

Section 3.01 Construction of Project.

The Authority agrees that the acquisition, construction, and improvement of the Project by the Authority will be accomplished in accordance with generally accepted engineering practices and, subject to the issuance of the Bonds pursuant to Section 3.02 to provide a source of funds, with all practical dispatch.

Section 3.02 Issuance of Bonds.

A. The Authority may issue its Bonds, payable from and secured by a pledge of the Annual Payments from this Contract to finance the costs of acquiring, constructing, extending, enlarging, repairing, renovating, equipping, and otherwise improving the Project.

B. Each Bond Resolution of the Authority shall specify the exact principal amount of the Bonds to be issued thereunder, which Bonds shall mature within the maximum allowable period or such shorter period as determined by the Authority and shall bear interest not exceeding the maximum allowable rates, all as permitted by law, and each Bond Resolution shall contain such other terms and provisions pertaining to the security and payment of Bonds and the operation and maintenance of the Project as may be necessary for the marketing and sale of the Bonds. The Authority may from time to time issue its Bonds in such amounts as are within its judgment and discretion sufficient to achieve full implementation of the Project.

C. Prior to the final adoption of a Bond Resolution or any amendment of a Bond Resolution by the Authority's Board of Directors, a draft of the proposed Bond Resolution, and the Sale and Offering Documents shall be presented to the Participating Member for review and approval. The Participating Members shall adopt a resolution approving the issuance of Bonds and delegate to an authorized representative the approval of the final terms and provisions of the Bonds, including the principal amount, as reflected in the final Bond Resolution.

D. Upon the Participating Member approval of (i) each form of Bond Resolution hereafter adopted by the Authority, (ii) any amendments to any Bond Resolution, and (iii) the Sale and Offering Documents and the delivery to the Authority of a certification signed by the authorized representative of the Participating Member to the effect that the Bond Resolution and the Sale and Offering Documents comply with this Contract, then upon the adoption and approval of the Bond Resolution in such final form by the Authority's Board of Directors, the execution of an approval certificate by the authorized representatives of each of the Participating Members approving the final terms and provisions of the Bonds and the Bond Resolution, and the issuance and delivery of the Bonds to the purchaser thereof, the Bond Resolution shall for all purposes be considered approved by the Authority and deemed to be in compliance with this Contract in all respects, and the Bonds issued thereunder will constitute Bonds as defined in this Contract for all purposes. Any owner of Bonds is entitled to rely fully and unconditionally on any such approval.

E. All covenants and provisions in the Bond Resolution affecting, or purporting to bind, the Participating Member, shall, upon the delivery of the Bonds, become absolute, unconditional, valid, and binding covenants and obligations of the Participating Member so long as said Bonds and interest thereon are outstanding and unpaid, and may be enforced as provided in this Contract and the Bond Resolution. Particularly, the obligation of the Participating Member to make, promptly when due, all Annual Payments specified in this Contract and all payments described in Section 5.03 hereof shall be absolute and unconditional, and said obligation may be enforced as provided in this Contract. In addition, subject to the approval of the Participating Member, the Authority may enter into Credit Agreements, to the extent permitted by law, for the purpose of achieving the lowest financing costs for the Project.

Section 3.03 Liens. Neither the Participating Members nor the Authority will create or permit or suffer to exist any lien, encumbrance, or charge upon the Project or any interest therein at any time, except Permitted Liens.

Section 3.04 Tax-Exempt Bonds. The parties hereto understand and agree that the Authority will use its best efforts to provide for, but will not be liable for a failure to produce, the lowest overall debt service cost for the Bonds to be issued for the Project. In connection therewith, the parties intend that the Authority will issue Bonds the interest on which is excludable from the gross income of the owners thereof for federal income tax purposes. The parties hereto acknowledge their understanding that the federal income tax laws impose certain restrictions on the use and investment of proceeds of such tax-exempt bonds and on the use of the property financed therewith and the output produced therefrom. Accordingly, the parties agree and covenant that if the Bonds are offered to investors with the understanding that the interest will be exempt from federal income taxation, then the parties, their assigns and agents, will take such action to assure, and refrain from such action which will adversely affect the treatment of such Bonds as obligations described in section 103 of the Code. Should either party fail to comply with such covenant, the effect of which being that the Bonds no longer qualify as obligations described in the Code, such defaulting party shall be liable for all costs resulting from the loss of the tax-exempt status of the Bonds. The parties hereby agree and covenant to comply with all of

the representations and covenants relating to such exemption which are set out in any Bond Resolution. The parties further agree and covenant that in the event the Bonds issued are to be tax-exempt, they will modify such agreements, make such filings, restrict the yield on investments, and take such other action necessary to fulfill the applicable provisions of the Code. For these purposes, the parties may rely on the respective opinion of any firm of nationally-recognized bond attorneys selected by them. In the event that a conflict arises in the opinions of the respective firms of each of the parties, the parties will identify a different firm, that is mutually acceptable to both parties, in order to resolve the conflict of opinion.

Section 3.05 Payment to Rebate Fund. In the event that tax-exempt Bonds are issued as provided in Section 3.04, the Authority hereby covenants and agrees to make the determinations and to pay any deficiency into a rebate fund, at the times and as described in the Bond Resolution to comply with the provisions of section 148(f)(2) of the Code. In any event, if the amount of cash held in the rebate fund shall be insufficient to permit the trustee or paying agent to make payment to the United States of America of any amount due on any date under section 148(f)(2) of the Code, the Authority forthwith shall pay the amount of such insufficiency on such date to the trustee or paying agent in immediately available funds for such purpose.

Section 3.06 Sale and Offering Documents. At the request of the Authority, the Participating Members shall provide to the Authority current and historical information concerning their respective utility systems, general fund information, the financial conditions results, and prospects of the Participating Members, and such other information concerning the Participating Members as the Authority shall deem advisable for inclusion in the Sale and Offering Documents for the Bonds of each series and shall certify to the Authority and the underwriters of any offering of Bonds to be made by means of such Sale and Offering Documents when and if the Participating Members deem such Sale and Offering Documents to be complete and final for purposes of the Rule. The Participating Members represent and warrant that all statements concerning the Participating Members (including, without limitation, their financial condition, results, and prospects, their utility system, and any demographic and economic information concerning the area served by their utility system) that are contained in any Sale and Offering Document shall be true in all material respects and shall not omit to state any material fact necessary to make the statements made in such Sale and Offering Document, in the light of the circumstances in which they are made, not misleading.

Section 3.07 Authority's Rights Assigned to Trustee. The Participating Members are advised and recognize that as security for the payment of the Bonds, the Authority may assign to a trustee, pursuant to one or more trust indentures to be authorized by the Bond Resolution, the Authority's rights under this Contract, including the right to receive the Annual Payments hereunder and the amounts described in Section 5.03 hereof. The Participating Members herewith assent to such assignment and will make the Annual Payments and the payments described in Section 5.03 hereof directly to the trustee without defense or set-off by reason of any dispute between the Participating Members and the Authority or the trustee. All rights against the Participating Members arising under this Contract or the Bond Resolution and assigned to the trustee may be enforced by the trustee, or the owners of the Bonds, to the extent provided in the Bond Resolution, and the trustee, or the owners of the Bonds, shall be entitled to bring any suit, action, or proceeding against the Participating Members, to the extent provided in the Bond Resolution, for the enforcement of this Contract, and it shall not be necessary in any such suit, action, or proceeding to make the Authority a party thereto.

ARTICLE IV

Sale and Purchase of Treated Water; Operating Requirements

Section 4.01 Water Conveyance; Option to Purchase.

A. The Participating Members hereby agree to pay for the right to receive from the Authority and the Authority hereby agrees to sell to the Participating Members all of the treated water produced by the Authority through the Project subject to the terms and provisions of this Contract or other contracts which generate System revenues; provided, however, the Authority shall have the right to purchase, and the Participating Members hereby each agree to relinquish their right to purchase, treated water produced by the Project upon reduction, on a proportionate basis, of the Participating Members' share of their Annual Payments under this Contract as provided in Section 5.04 hereof. It is expressly recognized that the treated water delivered to each Participating Member as disclosed in Exhibit A shall be owned by such Participating Member and may be sold or otherwise conveyed by such Participating Member in accordance with applicable law; provided, however, before any Participating Member enters into a contract or other agreement to transfer, sell, or convey any treated water received from the Authority pursuant to the terms of this Contract, such Participating Member shall afford the Authority the right of first refusal for a period of 90 days to obtain such treated water for redistribution to other Participating Members.

B. Each of the Participating Members shall be entitled to receive from the Authority the quantities of treated water identified in Exhibit A attached hereto and in accordance with this Contract. To the extent the Authority has acquired additional water from some other source, or to the extent the Participating Members do not request all of their allotted treated water as set forth on Exhibit A, or to the extent the Authority acquires a percentage share of the treated water produced by the Project pursuant to Paragraph A of this Section, the Authority may sell or otherwise use such water to supply treated water to other Participating Members, to retail customers, if any, of the Authority, or on a spot basis.

Section 4.02 Points of Delivery.

Each Participating Member agrees to take treated water at the Point(s) of Delivery for such Participating Member set forth in Exhibit B hereto. Modification of such Points of Delivery may be mutually agreed to in writing between each Participating Member, respectively, and the Authority. The Authority will maintain ownership of the connection (being any device, including welded pipe connections, water installations, valves, meter vaults, or similar devices) between the Authority's System and the utility system of the Participating Members.

Section 4.03 Resale.

Participating Members hereby agree not to sell treated water purchased from Authority under this Contract to any person or entity outside such Participating Member's boundaries or prescribed service area (as the boundaries or prescribed service area may be adjusted by the Participating Member in its sole discretion and as approved by any regulatory authority with jurisdiction from time to time) unless the Participating Member has received prior written approval from the Authority. Approval to make retail sales of treated water to individual customers outside such boundaries or prescribed service area may be granted by the General Manager of the Authority. Approval to make wholesale sales of treated water pursuant to this Contract outside the Participating Member's boundaries or prescribed service area shall require the specific prior approval of the Board. Notwithstanding any provision in this Section to the contrary, each Participating Member shall have the right and authority to continue to sell

treated water on a retail or wholesale basis to all existing customers situated outside its corporate boundaries or prescribed service area and without the approval or consent of the Authority or General Manager. Additionally, the Participating Members shall have the right and authority to sell treated water received from other sources other than the Authority on a wholesale basis or otherwise without any limitation imposed by this Contract or approval by the Authority or General Manager.

Section 4.04 Other Contracts.

A. If the Authority exercises its right to water under this Contract pursuant to Section 4.01, the Authority reserves the right to supply treated water from the Project to others on wholesale or retail basis. Each such contract with other entities shall be limited to the Authority's share of treated water covered by this Contract and shall not contain any provision which would adversely affect the Participating Members' percentage share of treated water covered by this Contract, except as permitted by Section 4.01.

B. The parties hereto recognize and acknowledge that the Authority shall have the right and authority to contract or make other arrangements with respect to its percentage share of water from the Project without limitation or approval of any Participating Member.

Section 4.05 Quality.

A. The water to be delivered by the Authority and received by each Participating Member shall be treated water from the Project of a quality sufficient to meet the requirements for potable water established by the Commission and the United States Environmental Protection Agency.

The Authority shall not be responsible for maintaining any particular amount of chlorine residuals at any point in any Participating Member's utility system.

B. The Authority shall periodically and at a minimum, no less than as may be required by any regulatory authority having jurisdiction, collect samples of treated water delivered to Participating Members and other customers and cause same to be analyzed consistent with guidelines established by the Commission using the then-current edition of Standard Methods for Examination of Water and Wastewater as published by the American Water Works Association ("AWWA") and others.

C. The Authority shall cooperate with any Participating Member in responding to any regulatory or legal inquiry related to the quality of water delivered under this Contract.

Section 4.06 Metering Equipment.

The Authority will furnish, install, operate, and maintain at its expense the necessary equipment and devices (including a meter house or pit) of standard type required for measuring the quantity of water delivered under this Contract from the Project to each Participating Member's Point or Points of Delivery. Such meters and other equipment so installed shall be the property of the Authority. The Authority shall inspect, calibrate, and adjust its meters at least annually as necessary to maintain accurate measurements of the quantity of water being delivered. Each Participating Member shall have access to the metering equipment at all reasonable times for inspection and examination, but the reading, calibration, and adjustment thereof shall be done only by employees or agents of the Authority. If requested, a Participating Member may witness such reading, calibration, and adjustment of meters. Any measuring device which fails to function or which functions incorrectly shall promptly be adjusted, repaired or replaced by a like device having the required accuracy. A meter registering not more than

five percent (5%) above or below the test results shall be deemed to be accurate. The previous readings of any meter disclosed by tests to be inaccurate shall be corrected for one-half (1/2) the period elapsed since the next preceding meter test but in no event to exceed six (6) months in accordance with the percentage of inaccuracy found by such tests. If any meter fails to register for any period, the amount of water furnished during such period shall be deemed to be the amount of water delivered in the corresponding period immediately prior to the failure, unless the Authority and the Participating Member shall agree upon a different amount. All readings of meters will be entered upon proper books of record maintained by the Authority. Any Participating Member may have access to said record books during normal business hours.

Section 4.07 Pressure, Backflow, Maximum Rate of Flow.

A. The Authority shall deliver treated water to the Point(s) of Delivery for each Participating Member (subject to the provisions of Section 4.08) at a pressure of not less than 35 psi or at such other pressure agreed upon by the Authority and the Participating Member. If a Participating Member requires a greater or lesser pressure, such Participating Member shall bear all of the costs of providing such greater or lesser pressure. Pressure failure due to supply line breaks, power failures, flood, fire, earthquakes, other catastrophes, or use of water to fight fires, or any other cause beyond the reasonable control of the Authority shall relieve the Authority from compliance with this provision for such reasonable period of time as may be necessary to restore pressure.

B. The Authority shall install and maintain at its sole expense at each Point of Delivery a backflow preventor of AWWA-approved quality. Each Participating Member shall have the right to inspect the backflow preventor at each of its Points of Delivery at such reasonable times at such Participating Member in its discretion may determine are required.

C. The maximum rate of flow per day that may be provided to each Participating Member by the Authority is established in Exhibit A hereto and incorporated by reference for all purposes to this Contract.

Section 4.08 Cross-Utilization of Lines.

A. Each Participating Member acknowledges that it may be necessary for certain of its transmission lines to be utilized in order for the Authority to transmit treated water to another Participating Member and such Participating Member hereby agrees to permit the Authority to so utilize its transmission lines in accordance with Section 7.09. In such case, the Participating Members involved agree to inform the Authority of any special requirements with respect to pressure or other matters relating to the transmitting Participating Member's lines.

B. The Authority will furnish, install, operate, and maintain at its expense meters at the point of exit from a Participating Member's lines to maintain accurate measurements of the quantity of water being delivered by the Authority to a Participating Member through the lines of another Participating Member. Such meters shall be subject to inspection and examination by both Participating Members in accordance with the provisions of Section 4.06.

C. In the event that repairs are required to be made to any lines of a Participating Member which are utilized for the transmission of treated water to another Participating Member, the receiving Participating Member shall participate in the cost of such repairs as may be agreed from time to time.

ARTICLE V Fiscal Provisions

Section 5.01 Annual Requirement.

Subject to the terms and provisions of this Contract, the Authority will provide and pay for the cost of the Project through the issuance of the Bonds. It is acknowledged and agreed that payments by the Participating Members to the Authority under this Contract will be the sole or primary source of funds available to the Authority to provide the Annual Requirement. Each Participating Member shall be obligated to pay the full amount of its Annual Requirement notwithstanding that it may elect not to receive the full amount of treated water available to it under this Contract. In compliance with the Authority's duty to fix and from time to time to revise the rates and charges for services rendered under this Contract, the Annual Requirement may change from time to time. Each such Annual Requirement shall be allocated among the Participating Members and the Authority based upon a rate methodology to be developed by the Authority or according to their respective percentage shares of treated water covered by this Contract, and the Annual Requirement for each Annual Payment Period shall be identified in each annual budget and shall at all times be not less than an amount sufficient to pay or provide for the payment of the following:

- A. all Operation and Maintenance Expenses; and
- B. an amount to fund a special reserve for the Operation and Maintenance Expenses or for additional capital improvements to the Project; the total amount to be accumulated for such operating and additional capital improvements reserve shall not exceed 25% of the annual Operation and Maintenance Expenses (estimated to be approximately three (3) months' expenses); and
- C. when the Authority and the Participating Members agree to issue Bonds to finance the costs of the Project, a capital component, including principal, interest, premium, reserve funds, and other funds established or required by any Bond Resolution and to pay the principal of and interest on the Bonds.

Section 5.02 Annual Budget.

Each annual budget for the acquisition and/or operation and maintenance of the Project shall always provide for amounts sufficient to pay the Annual Requirement. Each Participating Member will be furnished a copy of such annual budget, and each Participating Member hereby acknowledges its ability to pay its share of the Annual Requirement from available funds budgeted therefor. On or before July 15 of each year thereafter commencing July 15, 2007, the Authority shall furnish to each Participating Member a preliminary estimate of the Annual Payment required from each Participating Member for the next following Annual Payment Period.

Not less than 60 days before the commencement of each Annual Payment Period beginning in Fiscal Year 2007-2008, the Authority shall cause to be prepared a preliminary budget for the Project for the next ensuing Annual Payment Period. A copy of such preliminary budget shall be filed with each Participating Member before action by the Board. Any Participating Member may submit comments about the preliminary budget directly to the Board. The Board may adopt the preliminary budget or make such amendments thereof as to it may seem proper; provided, however, no change or amendment to the preliminary budget will be made by the Board after such preliminary budget has been submitted to the Participating Members which change or amendment would in effect increase the Annual

Requirement without resubmitting such amended preliminary budget to the Participating Members. The Board shall thereupon approve the annual budget. With respect to budgetary matters, the Participating Members shall have the right only to comment on the preliminary budget; their approval of the preliminary or final annual budget shall not be required. The annual budget thus approved by the Board shall be the annual budget for the next ensuing Annual Payment Period. The annual budget, including the first annual budget, may be amended by the Authority at any time to transfer funds from one account or fund to another account or fund, provided such transfer will not increase the total budget and the transfer of funds is attributable to the costs of the Project or to the Project's maintenance and operation. Subject to notification to the Participating Members, the amount for any account or fund, or the amount for any purpose, in the annual budget may be increased through formal action by the Board even though such action might cause the total amount of the annual budget for the Project to be exceeded; provided, however, such action shall be taken only in the event of an emergency or special circumstances which shall be clearly stated in the notice to the Participating Members and in the resolution at the time such action is taken by the Board.

Notwithstanding anything herein to the contrary, no failure of the Authority to estimate, and no mistake by the Authority in any estimate of, the amount of or schedule for Annual Payments due from the Participating Members in any fiscal year shall relieve the Participating Members from (or defer) their absolute and unconditional obligation to make all Annual Payments in full when due.

Section 5.03 Payments by Participating Members.

A. Subject to Sections 4.06 and 4.07B, each Participating Member agrees to pay a connection fee for each Point of Delivery equal to the total cost of material, labor, and equipment required to implement such connection.

B. For the treated water available to the Participating Members under this Contract (whether or not the Participating Members elect to receive such water), each of the Participating Members agrees to pay, at the time and in the manner hereinafter provided, its share of the Annual Requirement. Each of the Participating Members shall pay its part of the Annual Requirement for each Annual Payment Period directly to the Authority (or its assigns), in monthly installments in accordance with the schedule of payments furnished by the Authority, as hereinafter provided.

C. Each Participating Member shall pay a proportionate share of the Annual Requirement according to a rate methodology to be developed by the Authority or based upon the relative amount of water available to each Participating Member and set forth on Exhibit A, as amended from time to time. The Authority shall charge each Participating Member its share of pumping costs according to the volume of water actually delivered.

D. Each Participating Member's allocated share of the Annual Requirement for each Annual Payment Period shall be made in accordance with a written schedule of payments for the appropriate Annual Payment Period which will be supplied to each of the Participating Members by the Authority.

E. Notwithstanding the foregoing, the Annual Requirement, and each Participating Member's share thereof, shall be redetermined, after consultation with each of the Participating Members, at any time during any Annual Payment Period, to the extent deemed necessary or advisable by the Authority, if:

- (1) the Authority exercises its option to acquire treated water pursuant to Section 4.01;

(2) unusual, extraordinary, or unexpected Operation and Maintenance Expenses are required which are not provided for in the Authority's annual budget or reserves for the Project;

(3) Operation and Maintenance Expenses of the Project are substantially less than estimated;

(4) a Participating Member's interest under this Contract is terminated as provided herein or Additional Participating Members become subject to this Contract;

(5) the Authority issues Bonds for the Project; or

(6) the Authority receives either significantly more or significantly less revenues or other amounts than those anticipated.

F. Each Participating Member hereby agrees that it will make payments to the Authority required by this Contract at the Authority's offices within 15 days of the date a bill for service is deposited in the United States mail. If any Participating Member at any time disputes the amount to be paid by it to the Authority, such complaining party shall nevertheless promptly make such payment or payments; but if it is subsequently determined by agreement or by appropriate administrative, board, agency, or court decision that such disputed payments should have been less, or more, the Authority shall promptly revise and reallocate the charges in such manner that the Participating Member will recover its overpayment or the Authority will recover the amount due it. All amounts due and owing to the Authority by each Participating Member or due and owing to any Participating Member by the Authority shall, if not paid when due, bear interest at the maximum lawful nonusurious rate of interest per annum from the date when due until paid.

G. The Authority shall, to the extent permitted by law, suspend the delivery of services or water from the Project to any Participating Member which remains delinquent in any payments due under the preceding paragraph for a period of thirty (30) days, and shall not resume delivery of services or water while such Participating Member is so delinquent. The Authority also retains the right to charge a reconnection fee or other appropriate charges prior to commencing utility service to the delinquent Participating Member. It is further provided and agreed that if any Participating Member should remain delinquent in any payments due hereunder for a period of one hundred twenty days, and if such delinquency continues during any period thereafter, such Participating Member's minimum amount specified in Exhibit A, shall be deemed to have been zero gallons during all periods of such delinquency, for the purpose of calculating and redetermining the percentage of each Annual Payment to be paid by the non-delinquent Participating Members and the Authority, and the Authority shall redetermine such percentage on that basis in such event so that the non-delinquent Participating Members and the Authority collectively shall be required to pay all of the Annual Requirement. However, the Authority shall pursue all legal remedies against any such delinquent Participating Member to enforce and protect the rights of the Authority, the other Participating Members, and the holders of the Bonds, if Bonds have been issued or incurred. The delinquent Participating Member shall not be relieved of the liability to the Authority for the payment of all amounts which would have been due hereunder had no default occurred or the percentage had not been redetermined as provided in this Section. It is understood that the foregoing provisions are for the benefit of the Authority and holders of the Authority's Bonds, if Bonds have been issued or incurred, so as to insure that all of the Annual Requirement will be paid by the non-delinquent Participating Members and the Authority during each Annual Payment Period regardless of the delinquency of a particular Participating Member. If any amount due and owing the Authority by any Participating Member is placed with an attorney for collection, such Participating Member shall pay to the Authority all attorneys' fees, in addition to all other payments provided for herein, including interest.

H. If, during any Annual Payment Period, any Participating Member's Annual Payment is redetermined in any manner as provided or required in this Section, the Authority will promptly furnish such Participating Member with an updated schedule of monthly payments reflecting such redetermination.

Section 5.04 Unconditional Payments.

A. Notwithstanding any provision of this Contract to the contrary, while this Contract remains in effect each of the Participating Members agrees to pay its share of the total cost of the Project and the Bonds. If the Authority elects to exercise its option to acquire a percentage share of the treated water covered by this Contract as provided in Section 4.01, the Annual Payment of each Participating Member shall be reduced to the proportion that each Participating Member's amount of water identified in Exhibit A bears to the total amount of water available from the Project. Initially, the Participating Members agree to pay 100% of the Annual Requirement, but, if the Authority exercises its option to acquire treated water from the Project pursuant to Section 4.01, the Participating Members and the Authority shall share the cost of the Project and the Bonds in proportion to quantities of treated water each is entitled to take from the Project pursuant to this Contract.

B. Recognizing that the Participating Members urgently require the facilities and services of the Project, and that such facilities and services are essential and necessary for actual use and for standby purposes, and further recognizing the fact that the Authority will use payments received from the Participating Members to pay and secure the Bonds, it is hereby agreed that each of the Participating Members shall be unconditionally obligated to pay, without offset or counterclaim, its share of the Annual Requirement, as provided and determined in this Contract, regardless of whether or not the Authority actually acquires, constructs, or completes the Project or is actually delivering water from the Project to any Participating Member hereunder, or whether or not any Participating Member actually receives or uses water from the Project whether due to Force Majeure or any other reason whatsoever, regardless of any other provisions of this or any other contract or agreement between any of the parties hereto. This covenant by the Participating Members shall be for the benefit of and enforceable by the holders of the Bonds as well as the Authority.

C. If by reason of Force Majeure a Participating Member or the Authority shall be rendered unable wholly or in part to carry out its obligations under this Contract, other than the obligation of each Participating Member to make the payments required under Section 5.03 of this Contract, then if such party shall give notice and full particulars of such Force Majeure in writing to the other Participating Members and/or the Authority, as appropriate, within a reasonable time after occurrence of the event or cause relied on, the obligation of the Participating Member or the Authority giving such notice, so far as it is affected by such Force Majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period, and such Participating Member or the Authority shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "Force Majeure" as employed herein shall mean acts of God, strikes, lockouts or other industrial disturbances, acts of public enemy, orders of any kind of the Government of the United States or the State of Texas, or any civil or military authority, insurrection, riots, epidemics, landslides, lightning, earthquake, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipelines or canals, partial or entire failure of water supply, or on account of any other causes not reasonable within the control of the party claiming such inability.

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Section 5.05 Continuing Right to Treated Water.

For and in consideration of agreeing to the unconditional payments to be made under this Contract, each Participating Member is entitled to a firm right to treated water from the Project in the amounts indicated in Exhibit A, as such amount may be modified from time to time by the terms of this Contract. That right shall continue for the term of this Contract and any renewals thereof.

ARTICLE VI
Additional Participating Members

Section 6.01 Additional Participating Members.

If water is available, the Authority and the Original Participating Members agree that additional entities may become subject to the provisions of this Contract as Additional Participating Members by providing the following to the Authority and the then Participating Members:

- A. an executed signature page to this Contract in form satisfactory to the Authority;
- B. to the extent any representation contained in this Contract relating to Participating Members does not correctly describe such entity, a revision of such representations satisfactory in form and content to the Authority in the Authority's sole discretion to be included on Exhibit C to this Contract;
- C. a revised Exhibit A to this Contract satisfactory to the Authority and all then Participating Members;
- D. a revised Exhibit B to this Contract setting forth the Point(s) of Delivery for such entity which shall be satisfactory to the Authority;
- E. a completed Exhibit C to this Contract to the extent applicable to such entity and in form satisfactory to the Authority; and
- F. such other certifications and information as may be reasonably requested by the Authority and the then Participating Members.

ARTICLE VII
Special Conditions

Section 7.01 Operation and Maintenance of the Project.

The Authority will continuously operate and maintain the Project in an efficient manner and in accordance with good business and engineering practices, and at reasonable cost and expense. The Authority recognizes its right and duty to operate the Project in the most prudent and economical manner for the benefit of all Participating Members.

Section 7.02 Project Schedule.

It is the intent of the parties that the Project be placed in operation as soon as practicable, and the Authority agrees to proceed diligently with the evaluation of feasibility, the securing of regulatory

permits, and the design and construction of the Project to meet such schedule, subject to the other terms and conditions in this Contract.

Section 7.03 Permits, Financing, and Applicable Laws.

Any obligations on the part of the Authority to acquire, construct, and complete the Project and related facilities and to provide treated water from the Project to the Participating Members shall be (i) conditioned upon the Authority's ability to obtain all necessary permits, material, labor, and equipment; (ii) subject to the Authority's final determination of feasibility of transportation of the treated water from the Project; (iii) conditioned upon the ability of the Authority to finance the cost of the Project through the sale of the Bonds; and (iv) subject to all present and future valid laws, orders, rules, and regulations of the United States of America, the State of Texas, the Commission, and any regulatory body having jurisdiction.

Section 7.04 Title to Water; Indemnification.

Title to all water supplied to each Participating Member shall be in the Authority up to the Point of Delivery for such Participating Member, at which point title shall pass to the receiving Participating Member. Title to treated water transmitted through the lines of a Participating Member pursuant to Section 4.08 for the use of another Participating Member shall remain in the Authority until it reaches the Point(s) of Delivery of the receiving Participating Member. The Authority and each of the Participating Members shall, to the extent permitted by law, save and hold each other harmless from all claims, demands, and causes of action which may be asserted by anyone on account of the transportation and delivery of said water while title remains in such party.

Section 7.05 Payments Solely From Revenues.

The Authority shall never have the right to demand payment by any Participating Member of any obligations assumed by it or imposed on it under and by virtue of this Contract from funds raised or to be raised by taxes, and the obligations under this Contract shall never be construed to be a debt of such kind as to require any of the Participating Members to levy and collect a tax to discharge such obligation. Nonetheless, any Participating Member may make payments from its utility system revenues, or from any other lawful source, including ad valorem taxes, if lawfully available to such Participating Member.

Section 7.06 Operating Expenses.

Each of the Participating Members represents and covenants that, to the extent payments under this Contract are made with utility system revenues, such payments shall constitute reasonable and necessary "operating expenses" of its utility system, as defined in Chapter 1502, as amended, Texas Government Code, and that all such payments will be made from the revenues of its utility system or any other lawful source. Each Participating Member represents and has determined that the treated water supply to be obtained from the Project is absolutely necessary and essential to the present and future operation of its utility system and that the Project represents a long-term source of supply of treated water to meet current and projected water needs of the Participating Member's utility system and facilities, and, accordingly, all payments required by this Contract to be made by each Participating Member shall constitute reasonable and necessary operating expenses of its utility system as described above, with the effect that such payments from revenues of such systems shall be deducted from gross revenues of the system in the same manner as other system operating and maintenance expenses for purposes of determining net revenues available to pay bonds or other similar obligations heretofore or

hereafter issued by such Participating Member, which obligations are payable from and secured by a pledge of the revenues of the system or facilities after deduction of maintenance and operating expenses.

Section 7.07 Rates for Water.

Each of the Participating Members agrees throughout the term of this Contract to continuously operate and maintain its utility system and to fix and collect such rates and charges for utility services to be supplied by its system as aforesaid as will produce revenues in an amount equal to at least (i) all of the expenses of operation and maintenance expenses of such system, including specifically, its Annual Payment under this Contract, and (ii) all other amounts as required by law and the provisions of the ordinance or resolutions authorizing its revenue bonds or other obligations now or hereafter outstanding, including the amounts required to pay all principal of and interest on such bonds and other obligations.

Section 7.08 Use of Funds and System.

The Authority covenants and agrees that neither the proceeds from the sale of the Bonds, nor the money paid pursuant to this Contract, nor any earnings from the investment of any of the foregoing, will be used for any purposes, except those directly relating to the Project and the Bonds as provided in this Contract.

Section 7.09 Rights-of-Way.

A. Each Participating Member hereby grants to the Authority without additional cost to the Authority, the use of the streets, easements, rights-of-way, and pipelines under its control for the construction, emergency repairs, operation, and maintenance of the Project and the provision and transmission of treated water hereunder; provided, however, such grant of the use of streets, easements, rights-of-way, and pipelines to the Authority is subject to and conditioned on the Authority (i) complying with all applicable policies, practices, and regulations of the Participating Members governing and regulating such use of the streets, easements, rights-of-way, and pipelines and (ii) paying all costs, if any, of restoring such streets, easements, rights-of-way, and pipelines to substantially the same state of condition that existed prior to the Authority's use.

B. To the extent they have such ownership authority, each Participating Member agrees that, with prior written approval, the Authority may use streets, alleys, and public rights-of-way within the Participating Member's boundaries for pipeline purposes.

Section 7.10 Insurance.

The Authority agrees to carry and arrange for fire, casualty, public liability, and/or other insurance, including self-insurance, on the Project for purposes and in amounts which, as determined by the Authority, ordinarily would be carried by a privately owned utility company owning and operating such facilities, except that the Authority shall not be required to provide liability insurance except to insure itself against risk of loss due to claims for which it can, in the opinion of the Authority's legal counsel, be liable under the Texas Tort Claims Act or any similar law or judicial decision. Such insurance will provide, to the extent feasible and practicable, for the restoration of damaged or destroyed properties and equipment, to minimize the interruption of the services of such facilities. Premiums for such insurance that relate directly to the Project or, under generally accepted cost accounting practices, is allocable to the Project, shall constitute an Operation and Maintenance Expense.

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Section 7.11 Additional Special Provisions.

The parties hereto acknowledge and agree to the Special Provisions, if any, which are set forth in Exhibit C hereto. The Special Provisions for this Contract reflect circumstances or issues for specific Participating Members which may be different from those of other Participating Members and therefore constitute a modification of or requirement in addition to the standard provisions otherwise contained in this Contract. To the extent of any conflict between any Special Provision and any other provision of this Contract, the Special Provision shall control.

ARTICLE VIII
Continuing Disclosure

Section 8.01 Annual Reports.

Following the issuance of Bonds of any series, the offer or sale of which is not exempt from the Rule and, until any Participating Member is no longer obligated, contingently or otherwise, to make Annual Payments in respect of the Bonds of such series, any Participating Member undertakes to and shall provide annually to each NRMSIR and any SID, within six months after the end of each fiscal year, (1) financial information and operating data of the general type included in the Sale and Offering Documents for the Bonds of such series, as specified in any Participating Member's approval of such Sale and Offering Documents pursuant to Section 3.02 hereof and (2) audited general purpose financial statements of any Participating Member, if then available. Any financial statements so to be provided shall be (1) prepared in accordance with generally accepted accounting principles for governmental agencies or such other accounting principles as any Participating Member may be required to employ from time to time pursuant to state law or regulation, and (2) audited, if any Participating Member commissions an audit of such statements and the audit is completed within the period during which it must be provided. If the audit of such financial statements is not complete within such period, then any Participating Member shall provide unaudited financial statements within the required period, and shall provide audited financial statements for the applicable Fiscal Year to each NRMSIR and any SID, when and if the audit report on such statements become available.

If any Participating Member changes its fiscal year, it will notify the trustee or paying agent, each NRMSIR, and any SID in writing of the change (and of the date of the new fiscal year end) prior to the next date by which any Participating Member otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be incorporated by specific reference to any document or specific part thereby (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to each NRMSIR and any SID or filed with the SEC. Copies of such information and operating data shall be furnished to the Authority at the same time the information and data are furnished to any NRMSIR or SID.

Section 8.02 Material Event Notices.

A. The following are the events with respect to the Bonds which the Authority must agree to disclose in a timely manner pursuant to the Rule, if "material" under applicable federal securities laws and regulations promulgated thereunder.

- (1) Principal and interest payment delinquencies;

- (2) Non-payment related defaults;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (7) Modifications to rights of holders of the Bonds;
- (8) Bond calls;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds; and
- (11) Rating changes.

B. The Participating Member shall, promptly after obtaining actual knowledge of the occurrence of any of the events enumerated in (a) above, notify the Authority of such event and provide all information in the format required to satisfy the requirements of the Rule. Further, the Participating Member shall provide, in a timely manner, notice of any failure by the Participating member to provide audited financial statements, financial information, and operating data in accordance with Section 8.01 hereof to each NRMSIR and each SID.

Section 8.03 Limitations, Disclaimers, and Amendments.

The Participating Member shall be obligated to observe and perform the covenants specified in this Article in respect of the Bonds of any series for so long as, but only for so long as, the Participating Member remains an "obligated person" with respect to the Bonds of such series within the meaning of the Rule, except that the Participating Member in any event will give notice of any deposit made in accordance with the Bond Resolution that causes Bonds of such series no longer to be Outstanding.

The provisions of this Article are for the sole benefit of (and may be enforced by) the owners and beneficial owners of the Bonds, and nothing in this Article, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Participating Members undertake to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Article and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Participating Members' financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Article or otherwise, except as expressly provided herein. The Participating Members make no representations or warranties concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE PARTICIPATING MEMBERS BE LIABLE TO THE OWNER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE PARTICIPATING MEMBERS WHETHER NEGLIGENT OR WITHOUT FAULT ON THEIR PART, OF ANY COVENANT SPECIFIED IN THIS ARTICLE, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the Participating Members in observing or performing their obligations under this Article shall comprise a breach of or default under this Contract for purposes of any other provision of this Contract.

Nothing in this Article is intended or shall act to disclaim, waive, or otherwise limit the duties of the Authority or the Participating Members under federal and state securities laws.

The provisions of this Article may be amended by the Authority and the Participating Members from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Authority or the Participating Members, but only if (1) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell Bonds of the applicable series in the primary offering of the Bonds of such series in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances, and (2) either (a) the owners of a majority in aggregate principal amount (or any greater amount required by any other provision of this Contract that authorizes such an amendment) of the outstanding Bonds of each such series affected consent to such amendment or (b) an entity that is unaffiliated with the Authority or the Participating Members (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the owners and beneficial owners of the Bonds of such series and is permitted by the terms of the Article. If the Authority and the Participating Members so amend the provisions of this Article in connection with the financial or operating data which the Participating Members are required to disclose under Section 8.01 hereof, the Participating Members shall provide a notice of such amendment to be filed in accordance with Section 8.02(b) hereof, together with an explanation, in narrative form, of the reason for the amendment and the impact of any change in the type of financial information or operating data to be so provided. The Authority and the Participating Members may also amend or repeal the provisions of this Article if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

Section 8.04 Allocation of Water During Drought.

During drought conditions or in any other condition when water cannot be supplied to meet the demands of all customers, the water to be distributed shall be divided among all customers of stored water pro rata, according to the amount each may be entitled to, subject to reasonable conservation and drought management plans and requirements based on particular purposes of use of the water, so that preference is given to no one and everyone suffers alike.

Section 8.05 Conservation.

The Authority and Participating Member each agree to provide to the maximum extent practicable for the conservation of water, and each agrees that it will operate and maintain its facilities in a manner that will prevent waste of water. Participating Members further agree to implement water conservation and drought management plans applicable to the use of treated water from the Project that are consistent in purpose, provisions and application with those implemented by other Participating Members to the extent practicable considering any differences in the legal authority of Participating Members and other Participating Members to institute those plans.

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Section 8.06 Term of Contract.

This Contract shall be effective on and from the Contract Date, and shall continue in force and effect for forty (40) years; provided, however, the term of this Contract and the expiration date may be extended for succeeding five (5) year periods at the option of one or more of the Participating Members for as long as an agreement providing an adequate source of raw water remains in effect. It is understood and agreed by the Authority and each Participating Member that the right to receive treated water hereunder shall continue throughout any renewals or extension of this Contract. The Authority's obligation to provide treated water services hereunder shall commence from the date the Project becomes operational and functional as certified by the consulting engineers for the Project or on such other date that one or more of the Participating Members receives treated water by virtue of or in exchange for treated water from the Project. This Contract constitutes the sole agreement between the parties hereto with respect to the Project.

Section 8.07 Approval and Consent.

Unless otherwise provided herein, any approval or consent required by the provisions of this Contract by a Participating Member or the Authority shall be evidenced by a written resolution adopted by the governing body of the party giving such approval or consent (or by the General Manager on behalf of the Authority when permitted). Upon receipt of such written resolution duly certified by the appropriate party, the Authority or the Participating Member can conclusively act on the matter requiring such approval.

Section 8.08 Modification and Amendment.

A. No change, amendment, or modification of this Contract shall be made or be effective which will affect adversely the prompt payment when due of all money required to be paid by any Participating Member under this Contract or any similar contract, and no such change, amendment, or modification shall be made or be effective which would cause a violation of any provisions of any Bond Resolution.

B. This Contract may be amended upon the written consent of the Authority and all then Participating Members; provided, however, no amendment to this Contract shall impair the rights of any holder of any of the Authority's Bonds.

Section 8.09 Addresses and Notice.

Unless otherwise provided herein, any notice, communication, request, reply, or advice (herein severally and collectively, for convenience, called "Notice") herein provided or permitted to be given, made or accepted by any party to any other party must be in writing and may be given or be served by depositing the same in the United States mail postpaid and registered or certified and addressed to the party to be notified, with return receipt requested, or by delivering the same to an officer of such party, or by prepaid telegram when appropriate, addressed to the party to be notified. Notice deposited in the mail in the manner hereinabove described shall be conclusively deemed to be effective, unless otherwise stated herein, from and after the expiration of three days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the party to be notified. For the purposes of notice, the addresses of the parties hereto shall, until changed as hereinafter provided, be as follows:

- A. If to the Authority, to:
 Canyon Regional Water Authority
 850 Lakeside Pass
 New Braunfels, Texas 78130

- B. If to Green Valley Special Utility District, to:
 Green Valley Special Utility District
 Post Office Box 99
 Marion, Texas 78124

- C. If to Bexar Metropolitan Water District, to:
 Bexar Metropolitan Water District
 2047 West Malone
 San Antonio, Texas 78225

- D. If to the City of Cibolo, Texas to:
 City of Cibolo, Texas
 109 South Main Street
 Post Office Box 88
 Cibolo, Texas 78108

- E. If to the City of Marion, Texas to:
 City of Marion, Texas
 Post Office Box 158
 Marion, Texas 78124-0158

- F. If to the Crystal Clear Water Supply Corporation to:
 Crystal Clear Water Supply Corporation
 2370 FM 1979
 San Marcos, Texas 78666

- G. If to the Springs Hill Water Supply Corporation to:
 Springs Hill Water Supply Corporation
 Post Office Box 29
 Seguin, Texas 78156-0029

H. If to the East Central Special Utility District to:

East Central Special Utility District
5520 F.M. 1628
Adkins, Texas 78101

The parties hereto shall have the right from time to time and at any time to change their respective addresses and each shall have the right to specify as its address any other address by at least fifteen (15) days' written notice to the other parties hereto.

Section 8.10 State or Federal Laws, Rules, Orders, or Regulations.

This Contract is subject to all applicable federal and state laws and any applicable permits, ordinances, rules, orders, and regulations of any local, state, or federal governmental authority having or asserting jurisdiction, but nothing contained herein shall be construed as a waiver of any right to question or contest any such law, ordinance, order, rule, or regulation in any forum having jurisdiction.

Section 8.11 Remedies Upon Default.

It is not intended hereby to specify (and this Contract shall not be considered as specifying) an exclusive remedy for any default, but all such other remedies (other than termination) existing at law or in equity may be availed of by any party hereto and shall be cumulative. Recognizing, however, that the Authority's undertaking to provide and maintain the Project is an obligation, failure in the performance of which cannot be adequately compensated in money damages alone, the Authority agrees, in the event of any default on its part, that each Participating Member shall have available to it the equitable remedy of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available. Recognizing that failure in the performance of any Participating Member's obligations hereunder could not be adequately compensated in money damages alone, each Participating Member agrees in the event of any default on its part that the Authority shall have available to it the equitable remedy of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available to the Authority. Notwithstanding anything to the contrary contained in this Contract, any right or remedy or any default hereunder, except the right of the Authority to receive the Annual Payment which shall never be determined to be waived, shall be deemed to be conclusively waived unless asserted by a proper proceeding at law or in equity within two (2) years plus one (1) day after the occurrence of such default. No waiver or waivers of any breach or default (or any breaches or defaults) by any party hereto or of performance by any other party of any duty or obligation hereunder shall be deemed a waiver thereof in the future, nor shall any such waiver or waivers be deemed or construed to be a waiver of subsequent breaches or defaults of any kind, character, or description, under any circumstance.

Section 8.12 Severability.

The parties hereto specifically agree that in case any one or more of the sections, subsections, provisions, clauses, or words of this Contract or the application of such sections, subsections, provisions, clauses, or words to any situation or circumstance should be, or should be held to be, for any reason, invalid or unconstitutional, under the laws of the State or the United States of America, or in contravention of any such laws, such invalidity, unconstitutionality, or contravention shall not affect any other sections, subsections, provisions, clauses, or words of this Contract or the application of such sections, subsections, provisions, clauses, or words to any other situation or circumstance, and it is

intended that this Contract shall be severable and shall be construed and applied as if any such invalid or unconstitutional section, subsection, provision, clause or word had not been included herein, and the rights and obligations of the parties hereto shall be construed and remain in force accordingly.

Section 8.13 Venue.

All amounts due under this Contract, including, but not limited to, payments due under this Contract or damages for the breach of this Contract, shall be paid and be due in Guadalupe County, Texas, which is the County in which the principal administrative offices of the Authority are located. It is specifically agreed among the parties to this Contract that Guadalupe County, Texas, is the place of performance of this Contract; and in the event that any legal proceeding is brought to enforce this Contract or any provision hereof, the same shall be brought in Guadalupe County, Texas.

Section 8.14 Assignment.

Neither the Authority nor any Participating Member may assign any interest it may have under this Contract without the prior written consent of the other parties hereto; provided, however, the foregoing restriction shall not prevent the Authority from taking any action in connection with the issuance of the Bonds to secure the payment of the Bonds with amounts to be received by the Authority under this Contract.

Section 8.15 Entire Agreement.

This Contract constitutes the entire agreement among the parties with respect to the sale of treated water by the Authority to the Participating Members.

Section 8.16 Applicable Law.

This Contract shall be governed by and construed in accordance with the laws of the State, and the obligations, rights, and remedies of the parties hereunder shall be determined in accordance with such laws without reference to the laws of any other state or jurisdiction, except for applicable federal laws, rules, and regulations.

Section 8.17 No Sale, Lease, or Other Transfer of Participating Members' Utility System.

Pursuant to the terms of this Contract, a Participating Member, to the extent permitted by law, shall not sale, lease, or otherwise transfer any interest in such Participating Member's utility system without the written consent of the Authority.

Section 8.18 Counterparts.

This Contract may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

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IN WITNESS WHEREOF, the parties hereto acting under authority of their respective governing bodies have caused this Contract to be duly executed as of the day and year first above written.

CANYON REGIONAL WATER
AUTHORITY

By: Melvin E. Stray
Chairman, Board of Trustees

ATTEST:

Mark Speed
Secretary, Board of Trustees

(AUTHORITY SEAL)

EAST CENTRAL SPECIAL UTILITY

DISTRICT

By: Melvin E. Struy
President, Board of Directors

ATTEST:

Daniel C. [Signature]
Secretary, Board of Directors


(SEAL)

GREEN VALLEY SPECIAL UTILITY

DISTRICT


By: 
President, Board of Directors

ATTEST:


Secretary, Board of Directors

(SEAL)

BEXAR METROPOLITAN WATER
DISTRICT

By: 
President, Board of Directors

ATTEST:


Secretary, Board of Directors

(SEAL)

CITY OF CIBOLO, TEXAS

By: Jennifer Hartman
Mayor

ATTEST:

Peggy Linn
Secretary

(CITY SEAL)

CITY OF MARION TEXAS

By: _____
Mayor

ATTEST:

Laurie J. Hubinger
Secretary

(CITY SEAL)

CRYSTAL CLEAR WATER SUPPLY
CORPORATION

By: Richard Hanz
President, Board of Directors

ATTEST:

Ramon Conz
Secretary-Treasurer, Board of Directors

(SEAL)

SPRINGS HILL WATER SUPPLY
CORPORATION

By: William D. Deffen
President, Board of Directors

ATTEST:

Clarence Bell
Secretary, Board of Directors

(SEAL)

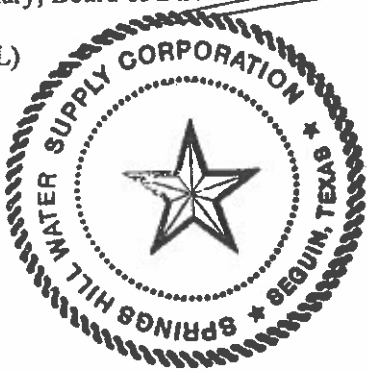


Exhibit A

Allocations and Maximum Rate of Flow

Entity	Plant Capacity in A/F	Percent of Ownership (%)	GPM Daily	Instantaneous Peak (GPM)
Bexar Metropolitan Water District	2800	53.85	1,735.89	2,256.65
City of Cibola	700	13.46	433.97	564.16
East Central Special Utility District	500	9.62	309.98	402.97
Green Valley Special Utility District	700	13.46	433.97	564.16
City of Marion	100	1.92	62.00	80.59
Springs Hill Water Supply Corporation	100	1.92	62.00	80.59
Crystal Clear Water Supply Corporation	300	5.77	185.99	241.78
Totals	5,200.00	100%	3,223.80	4,190.90

Exhibit B

Points of Delivery

Bexar Metropolitan Water District
East Central Special Utility District
City of Cibolo
City of Marion
Green Valley Special Utility District

Springs Hill Water Supply Corporation
Crystal Clear Water Supply Corporation

1604 Booster Station Meter
IH-10/East Central Meter Station
Cibolo Meter Station
Marion Meter Station
1518 Elevated Tank
Haeckerville Road Meter Station
Wagner Booster Station
Hardy Road Meter Station
Green Valley/Cunlap Meter Station
Springs Hill Meter Dunlap Water Treatment Plant
Wells Ranch Treatment Plant
Crystal Clear Meter/Windmill/FM 758

Exhibit C

Special Provisions

None



Crystal Clear Water Supply Corp

2370 FM 1979

San Marcos Texas 78666

(830) 372-1031

February 21, 2013

David Davenport
General Manager
Canyon Regional Water Authority
850 Lakeside Pass
New Braunfels, TX 78130-8233

Dear Mr. Davenport

Re: Crystal Clear Water Supply Corporation Commitment to Wells Ranch Phase II Water

This is in response to your letter of Dec. 21, 2012 regarding our participation in and commitment to both the allocated amount of water for Wells Ranch Phase II (300 Acre Feet) and the Additional Water Permitted in 2012 (141 Acre Feet). The board of directors has affirmed Crystal Clear WSC's participation and commitment to the original allocation and accepts the reservation for the additional amount.

As to the timeline for when we will need the Phase II water (including the additional allocation), sooner than 2018 or later than 2023.

We trust that this response meets with your approval

Sincerely,

A handwritten signature in cursive script that reads "Dennis Krackau".

Dennis Krackau
President, Crystal Clear WSC Board of Directors

CC: Robert Wyly
Suzie Silva

FINAL

NEW WATER SUPPLY CONTRACT

October 19, 2015

between

CANYON REGIONAL WATER AUTHORITY

and

CITY OF CIBOLO, TEXAS,

CITY OF CONVERSE, TEXAS,

CITY OF MARION, TEXAS,

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT,

EAST CENTRAL SPECIAL UTILITY DISTRICT, and

GREEN VALLEY SPECIAL UTILITY DISTRICT

WELLS RANCH PROJECT II

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WATER SUPPLY CONTRACT

THIS NEW WATER SUPPLY CONTRACT (this "Contract") dated as of the October 19, 2015 (the "Contract Date") is between the CANYON REGIONAL WATER AUTHORITY, a regional water authority created under and essential to accomplish the purposes of Article XVI, Section 59 of the Constitution of the State of Texas (the "Authority"), and the CRYSTAL CLEAR SPECIAL UTILITY DISTRICT, a special utility district created by a special act of the Texas Legislature, the EAST CENTRAL SPECIAL UTILITY DISTRICT and the GREEN VALLEY SPECIAL UTILITY DISTRICT, each a special utility district created under Chapter 65, as amended, Texas Water Code, the CITIES OF CONVERSE and CIBOLO, TEXAS, each a home rule municipality, AND the CITY OF MARION, TEXAS, a Type A general law municipality (as the "Original Participating Members", which, together with any Additional Participating Members as hereinafter defined, are collectively or individually referred to herein as "Participating Members").

PREAMBLE AND WITNESSETH:

WHEREAS, the Authority was created to purchase, own, hold, lease, and otherwise acquire sources of a potable water supply to supplement water from the Edwards Aquifer; to build, operate, and maintain facilities for the treatment and transportation of water; to sell potable water to local governments, water supply corporations, and other persons in the State of Texas; and to protect, preserve, and restore the purity and sanitary condition to water in the Authority; and

WHEREAS, the Authority's boundaries currently include all of the territory located in the service area of its members as provided in their respective certificates of convenience and necessity issued by the Texas Commission on Environmental Quality (the "Commission"); and

WHEREAS, each of the Authority's members currently provides potable water utility service to its customers; and

WHEREAS, in the pursuit of its purposes, the Authority has entered into contracts and has and anticipates entering into additional contracts to acquire rights to purchase raw water for treatment and resale to the Participating Members; and

WHEREAS, the Authority previously issued three series of contract revenue bonds to finance the original project and these contract revenue bonds are supported by a separate take-or-pay contract by the contracting entities to that contract, as amended, and this new water supply contract will finance an expansion of the original project with different entities executing this new take-or-pay contract to secure the issuance of a new series of tax-exempt contract revenue bonds to be issued in 2015; and

WHEREAS, the Authority plans to build, expand, improve, renovate, equip, operate, and maintain a water treatment facility known as Wells Ranch water treatment facility and certain related transmission lines, including the use of certain Participating Members existing transmission lines and related facilities (the "Project") for the purpose of receiving, treating, and transmitting certain of the water purchased pursuant to certain contracts now in force or to be entered into in the future; and

WHEREAS, the Participating Members hold and may acquire additional rights to raw water from other sources for treatment pursuant to the provisions of this Contract and thereafter to supply, redeliver, or sell this treated water in accordance with the provisions of this Contract; and

WHEREAS, the Participating Members hold and may acquire additional rights to raw water from other sources for treatment pursuant to the provisions of this Contract and thereafter to supply, redeliver, or sell this treated water in accordance with the provisions of this Contract; and

WHEREAS, the Authority intends to build, operate, and maintain (i) an expanded water treatment facility and (ii) certain related transmission lines and storage facilities including the use of certain Participating Members existing transmission lines and related facilities, for the purpose of receiving, treating, storing, and transmitting certain water purchased pursuant to certain contracts now in force or to be entered into in the future; and

WHEREAS, to finance the costs of the acquisition, construction, and equipping of the Project, the Authority intends to issue one or more series of its contract revenue bonds or other debt obligations (the "Bonds") to the Texas Water Development Board or other entity (including a public or negotiated sale), to be secured by and payable from revenues received by the Authority pursuant to this Contract; and

WHEREAS, for and in consideration of the Authority acquiring the right to purchase raw water for treatment and resale as provided herein, the Participating Members are willing and have agreed to contract with the Authority as hereinafter provided to acquire treated water from the Project and to pay the costs of the Project by assisting in the amortization of the principal of and interest on the Bonds and paying the Authority's Operation and Maintenance Expenses (hereinafter defined); and

WHEREAS, the Authority and the Participating Members are authorized to enter into this Contract pursuant to the Authority's enabling statute, Chapter 670, Acts of the 71st Legislature, Regular Session, 1989, as amended (the "Act"), and Chapter 791, Texas Government Code, as amended (the "Interlocal Cooperation Act"), and other applicable laws; and

WHEREAS, the Authority agrees that the Participating Members shall continue to own their respective Certificates of Convenience and Necessity issued by the Commission, shall continue to own and operate their respective water pumping, storage, and distribution facilities, and any respective water treatment facilities currently owned by each of the Participating Members; and

WHEREAS, the Authority's Board of Trustees has directed that a portion of the raw water under this Contract be made available (following treatment by the Authority) on a firm basis to parties who contract with the Authority pursuant to this Contract; and

WHEREAS, each of the Participating Members under this Contract proposes to pay its share of costs of the Project and the Bonds based upon a rate methodology to be developed by the Authority or in proportion to the respective amounts of treated water each has agreed to purchase under this Contract; and

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and subject to the terms and conditions hereinafter set forth, the Authority and each of the Participating Members agree and contract as follows:

ARTICLE I Definitions

Section 1.01 Definitions.

The following terms and expressions as used in this Contract, unless the context clearly shows otherwise, shall have the following meanings:

- (1) "Act" means Chapter 670, Acts of the 71st Legislature, Regular Session, 1989, as amended.
- (2) "Additional Participating Member(s)" means any entity or entities hereafter agreeing pursuant to Section 6.01 of this Contract to be bound by the terms of this Contract, as it may be amended from time to time.
- (3) "Adjusted Annual Payment" means the Annual Payment as adjusted by the Board during or after an Annual Payment Period, as provided by this Contract.
- (4) "Annual Payment" means the amount of money to be paid to the Authority by each Participating Member during each Annual Payment Period as its share of the Annual Requirement.
- (5) "Annual Payment Period" means the Authority's Fiscal Year, which currently begins on October 1 of each calendar year and ends on September 30 of the next following calendar year, but which may be any twelve consecutive month period fixed by the Authority.
- (6) "Annual Requirement" means, during an Annual Payment Period, the total amount required to pay all Operation and Maintenance Expenses of the Authority and the Project and all costs and payments due and payable for the amortization of the Bonds.
- (7) "Authority" means the Canyon Regional Water Authority, a regional water authority created under and essential to accomplish the purposes of Article XVI, Section 59 of the Constitution of the State of Texas created in accordance with the Act. Except as otherwise noted herein, actions required or permitted to be taken by the Board under this Contract may be taken by the General Manager on behalf of the Board.
- (8) "Board" means the governing body of the Authority.
- (9) "Boardmembers" means a member or members of the Board.
- (10) "Bond Resolution" means any resolution or other financing documents of the Authority which authorizes any Bonds.
- (11) "Bonds" means all bonds, notes, or other debt obligations payable from and secured, in whole or in part, from the payments to the Authority under this Contract, and the interest thereon, hereafter issued by the Authority to finance the costs to acquire, construct, expand, renovate, improve, and equip the Project, and/or all bonds, notes, or other obligations issued subsequently to finance costs to improve and extend the Project, and any bonds or other obligations issued to refund any other bonds, notes, or other obligations to refund any other refunding bonds or other obligations.
- (12) "Code" means the Internal Revenue Code of 1986, and any amendments thereto, as in force and effect on the date of delivery of any series of Bonds.
- (13) "Commission" means the Texas Commission on Environmental Quality or any successor entity thereto.

(14) "Contract" means this new Water Supply Contract, as initially executed and as it may be amended from time to time.

(15) "Credit Agreement" means any credit agreement, as defined in and authorized by the provisions of Chapter 1371, as amended, Texas Government Code which the Authority enters into relating to its obligations with respect to the Bonds.

(16) "EMMA" means the MSRB's Electronic Municipal Market Access system, accessible by the general public, without charge, on the internet through the uniform resource locator (URL) <http://www.emma.msrb.org>.

(17) "Fiscal Year" means the Authority's fiscal year, which currently begins on October 1 of each year and ends on September 30 of the following year, as it may be changed from time to time by the Authority with notice to the Participating Members.

(18) "Force Majeure" means such term only as it is defined in Section 5.04 of this Contract.

(19) "General Manager" means the general manager of the Authority's operations, including any party or entity that the Authority enters into a management contract to provide these services.

(20) "Land Interests" means the easements, right-of-way, and other interests in real property necessary for the acquisition, construction, and operation of the Project.

(21) "MSRB" means the Municipal Securities Rulemaking Board and any successor to its duties.

(22) "Operation and Maintenance Expenses" means, during an Annual Payment Period, all direct costs and expenses incurred and paid by the Authority for the operation and maintenance of the Project, including (for greater certainty but without limiting the generality of the foregoing) amounts payable under any contract with any federal, state, or local agency for the construction, operation, and/or water storage rights or other interests in water from any source of raw water, any contribution or payment in lieu of taxes or any fee or charge by any government authority relating to the Authority's sale of treated water hereunder, the costs of utilities, supervision, engineering, accounting, auditing, legal services, insurance premiums, supplies, services, and administration of the Project, Overhead Expenses, and costs of operating, repairing, maintaining, and replacing equipment for proper operation and maintenance of the Project. The term "Operation and Maintenance Expenses" does not include depreciation charges or such portion of the above-described costs to the extent such costs are paid pursuant to an agreement other than this Contract.

(23) "Original Participating Members" means Crystal Clear Special Utility District, East Central Special Utility District, Green Valley Special Utility District, and the Cities of Cibolo, Converse, and Marion, Texas.

(24) "Overhead Expenses" means the reasonable and necessary costs and expenses incurred and paid by the Authority which are directly related to the issuance and servicing of the Bonds; the acquisition of Land Interests required for the Project, if any; the design, permitting, financing, acquisition, construction, and ownership of the Project; and any other activities required of or involving the Authority directly in connection with or attributable to the Project or the Bonds, including, but not limited to:

- (a) per diem and reimbursable expenses incurred by the Board for special meetings of the Board related solely to the Project, or a portion of such expenses if a special meeting relates to other Board matters in addition to the Project;

(b) services of the professional, technical skilled and unskilled persons and firms engaged by or associated with the Authority, other than Authority staff personnel, together with the reimbursable expenses of such persons and firms paid by the Authority;

(c) salaries of the Authority's staff attributable to the Project or the Bonds based on time expended, as documented or reasonably estimated by the General Manager of the Authority, times an overhead factor of two (2), which factor shall be subject to adjustment by the Authority from time to time in response to actual or reasonably projected overhead expenses of the Authority;

(d) the costs of preparing applications for and obtaining all approvals and authorizations required for the Project or the Bonds from the regulatory authorities having jurisdiction;

(e) the cost of property casualty and public liability insurance; including any insurance deductible charged to or required to be paid by the Authority;

(f) all costs incurred in litigation involving or relating to the Project; and

(g) any and all other costs and expenses, including out-of-pocket expenses, incurred by the Authority attributable to the Project or the Bonds, whether enumerated above or not and whether or not included in the definition or as a part of Project Costs.

(25) "Participating Member(s)" means certain of the Original Participating Members and all Additional Participating Members from time to time subject to this Contract.

(26) "Permitted Liens" means:

(a) Minor irregularities, charges, liens, encumbrances, defects, easements, licenses, rights-of-way, servitudes, restrictions, mineral rights, and clouds on title which, in the opinion of counsel to the Authority, do not materially impair the use of the Project for the purposes for which it is designed.

(b) Easements for roads (as used in this Contract, the term "roads" shall include, without limitation, streets, curbs, gutters, drains, ditches, sewers, conduits, canals, mains, aqueducts, aerators, connections, ramps, docks, viaducts, alleys, driveways, parking areas, walkways, and trackage), utilities (which for purposes of this Contract shall include, without limitation, water, sewer, electricity, gas, telephone, pipeline, railroad, and other collection, transportation, light, heat, power, and communication systems) and similar easements and other easements, rights-of-way, rights of flowage, flooding, diversion or outfall, licenses, restrictions, and obligations relating to the operation of the Project which, in the opinion of counsel to the Authority, do not materially impair the use of the Project for the purposes for which it is designed.

(c) Rights of the United States or any state or political subdivision thereof, or other public or governmental authority or agency or any other entity vested with the power of eminent domain to take or control property or to terminate any right, power, franchise, grant, license, or permit previously in force.

(27) "Point(s) of Delivery" means the point or points designated in Exhibit B to this Contract or by subsequent agreement where water will be delivered by the Authority to Participating Members from the Project.

(28) "Project" means the "Project" as defined in the preamble of this Contract and reflects the expansion of the original project and commonly known as Wells Ranch Project II.

(29) "Project Costs" means and includes, without limitation, the following costs incurred for the Project by or on behalf of the Authority:

- (a) the cost of acquisition of the Land Interests, including appraisals, closing costs and title insurance policies;
- (b) the cost of acquisition, construction, repair, replacement, or improvement of any structure, item of equipment, or other item, used for, or in connection with, the Project;
- (c) the cost of site preparation of the Land Interests, including demolition or removal of structures and improvements as necessary or incident to accomplishing the Project;
- (d) the cost of engineering, legal, architectural or other related services;
- (e) the preparation cost of plans, specifications, studies, surveys, cost estimates, and other expenses necessary or incident to planning, providing, or financing the Project;
- (f) the cost of machinery, equipment, furnishings, and facilities necessary or incident to placing the Project in operation;
- (g) finance charges and interest before, during, and after construction;
- (h) costs incurred in connection with financing the Project, including, without limitation:
 - a. financing, legal, accounting, financial advisory, rating agency, and auditing fees, expenses and disbursements;
 - b. the costs of a Credit Agreement;
 - c. the cost of printing, engraving, and reproduction services; and
 - d. the cost of a trustee's or paying agent's initial or acceptance fee and subsequent fees.
- (i) all costs, fees and expenses of litigation of all kinds;
- (j) the cost of property casualty and public liability insurance;
- (k) the Authority's Overhead Expenses; and
- (l) other costs generally recognized as a part of project construction costs.

(30) "Rule" means SEC Rule 15c2-12, as amended from time to time.

(31) "SEC" means the United States Securities and Exchange Commission and any successor to its duties.

(32) "Sale and Offering Documents" means any official notice of sale, official bid form, preliminary official statement, official statement, application to the Texas Water Development Board, or other offering document for the Bonds.

(33) "State" means the State of Texas.

(34) "System" means all properties, facilities and plants (including the Project) currently owned, operated, and maintained by the Authority for the supply, treatment, and transmission of treated potable water, together with all future extensions, improvements, replacements and additions thereto, whether situated within or without the limits of the Authority; provided, however, that notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term System shall

not mean to include facilities of any kind which are declared not to be a part of the System and which are acquired or constructed by or on behalf of the Authority with the proceeds from the issuance of Special Facilities Bonds, which are hereby defined as being special revenue obligations of the Authority which are not payable from revenues of the System but which are payable from and equally and ratably secured by other liens on and pledges of any revenues, sources or payments, not pledged to the payment of the Bonds including, but not limited to, special contract revenues or payments received from any other legal entity in connection with such facilities.

Section 1.02 Construction.

Unless the context requires otherwise, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa. This Contract and all the terms and provisions hereof shall be constructed to effectuate the purposes set forth herein and to sustain the validity of this Contract.

ARTICLE II Representations and Warranties

Section 2.01 Representations and Warranties of Authority.

The Authority hereby represents and warrants that it has full power and authority to sell or otherwise convey treated water to the Participating Members in accordance with the terms of this Contract and the execution and delivery of this Contract by the Authority and the performance by the Authority of the provisions hereof do not and will not conflict with or constitute on the part of the Authority a breach or a default of any provision of any other contract or agreement of the Authority.

Section 2.02 Representations and Warranties of Participating Members.

Each of the Participating Members hereby represents and warrants that it has full power and authority to purchase treated water from the Authority in accordance with the terms of this Contract; and the execution and delivery of this Contract by each Participating Member and the performance of the provisions hereof by each Participating Member do not and will not conflict with or constitute on the part of such Participating Member a breach or a default of any provision of any other contract or agreement of such Participating Member.

ARTICLE III Construction of Project and Issuance of Bonds

Section 3.01 Construction of Project.

The Authority agrees that the acquisition, construction, and improvement of the Project by the Authority will be accomplished in accordance with generally accepted engineering practices and, subject to the issuance of the Bonds pursuant to Section 3.02 to provide a source of funds, with all practical dispatch.

Section 3.02 Issuance of Bonds.

A. The Authority may issue its Bonds, payable from and secured by a pledge of the Annual Payments from this Contract to finance the costs of acquiring, constructing, extending, enlarging, repairing, renovating, equipping, and otherwise improving the Project.

B. Each Bond Resolution of the Authority shall specify the exact principal amount of the Bonds to be issued thereunder, which Bonds shall mature within the maximum allowable period or such shorter period as determined by the Authority and shall bear interest not exceeding the maximum allowable rates, all as permitted by law, and each Bond Resolution shall contain such other terms and provisions pertaining to the security and payment of Bonds and the operation and maintenance of the Project as may be necessary for the marketing and sale of the Bonds. The Authority may from time to time issue its Bonds in such amounts as are within its judgment and discretion sufficient to achieve full implementation of the Project.

C. Prior to the final adoption of a Bond Resolution or any amendment of a Bond Resolution by the Authority's Board of Trustees, a draft of the proposed Bond Resolution, and the Sale and Offering Documents shall be presented to the Participating Member for review and approval. The Participating Members shall adopt a resolution approving the issuance of Bonds and delegate to an authorized representative the approval of the final terms and provisions of the Bonds, including the principal amount, as reflected in the final Bond Resolution.

D. Upon the Participating Member approval of (i) each form of Bond Resolution hereafter adopted by the Authority, (ii) any amendments to any Bond Resolution, and (iii) the Sale and Offering Documents and the delivery to the Authority of a certification signed by the authorized representative of the Participating Member to the effect that the Bond Resolution and the Sale and Offering Documents comply with this Contract, then upon the adoption and approval of the Bond Resolution in such final form by the Authority's Board of Trustees, the execution of an approval certificate by the authorized representatives of each of the Participating Members approving the final terms and provisions of the Bonds and the Bond Resolution, and the issuance and delivery of the Bonds to the purchaser thereof, the Bond Resolution shall for all purposes be considered approved by the Authority and deemed to be in compliance with this Contract in all respects, and the Bonds issued thereunder will constitute Bonds as defined in this Contract for all purposes. Any owner of Bonds is entitled to rely fully and unconditionally on any such approval.

E. All covenants and provisions in the Bond Resolution affecting, or purporting to bind, the Participating Member, shall, upon the delivery of the Bonds, become absolute, unconditional, valid, and binding covenants and obligations of the Participating Member so long as said Bonds and interest thereon are covenants and obligations of the Participating Member so long as said Bonds and interest thereon are outstanding and unpaid, and may be enforced as provided in this Contract and the Bond Resolution. Particularly, the obligation of the Participating Member to make, promptly when due, all Annual Payments specified in this Contract and all payments described in Section 5.03 hereof shall be absolute and unconditional, and said obligation may be enforced as provided in this Contract. In addition, subject to the approval of the Participating Member, the Authority may enter into Credit Agreements, to the extent permitted by law, for the purpose of achieving the lowest financing costs for the Project.

Section 3.03 Liens. Neither the Participating Members nor the Authority will create or permit or suffer to exist any lien, encumbrance, or charge upon the Project or any interest therein at any time, except Permitted Liens.

Section 3.04 Tax-Exempt Bonds. The parties hereto understand and agree that the Authority will use its best efforts to provide for, but will not be liable for a failure to produce, the lowest overall debt service cost for the Bonds to be issued for the Project. In connection therewith, the parties intend that the Authority will issue Bonds the interest on which is excludable from the gross income of the owners thereof for federal income tax purposes. The parties hereto acknowledge their understanding that the federal income tax laws impose certain restrictions on the use and investment of proceeds of such tax-exempt bonds and on the use of the property financed therewith and the output produced therefrom. Accordingly, the parties agree and covenant that if the Bonds are offered to investors with the understanding that the interest will be exempt from federal income taxation, then the parties, their assigns and agents, will take such action to assure, and refrain from such action which will adversely affect the treatment of such Bonds as obligations described in section 103 of the Code. Should either party fail to comply with such covenant, the effect of which being that the Bonds no longer qualify as obligations described in the Code, such defaulting party shall be liable for all costs resulting from the loss of the tax-exempt status of the Bonds. The parties hereby agree and covenant to comply with all of the representations and covenants relating to such exemption which are set out in any Bond Resolution. The parties further agree and covenant that in the event the Bonds issued are to be tax-exempt, they will modify such agreements, make such filings, restrict the yield on investments, and take such other action necessary to fulfill the applicable provisions of the Code. For these purposes, the parties may rely on the respective opinion of any firm of nationally-recognized bond attorneys selected by them. In the event that a conflict arises in the opinions of the respective firms of each of the parties, the parties will identify a different firm, that is mutually acceptable to both parties, in order to resolve the conflict of opinion.

Section 3.05 Payment to Rebate Fund. In the event that tax-exempt Bonds are issued as provided in Section 3.04, the Authority hereby covenants and agrees to make the determinations and to pay any deficiency into a rebate fund, at the times and as described in the Bond Resolution to comply with the provisions of section 148(0)(2) of the Code. In any event, if the amount of cash held in the rebate fund shall be insufficient to permit the trustee or paying agent to make payment to the United States of America of any amount due on any date under section 148(f)(2) of the Code, the Authority forthwith shall pay the amount of such insufficiency on such date to the trustee or paying agent in immediately available funds for such purpose.

Section 3.06 Sale and Offering Documents. At the request of the Authority, the Participating Members shall provide to the Authority current and historical information concerning their respective utility systems, general fund information, the financial conditions results, and prospects of the Participating Members, and such other information concerning the Participating Members as the Authority shall deem advisable for inclusion in the Sale and Offering Documents for the Bonds of each series and shall certify to the Authority and the underwriters of any offering of Bonds to be made by means of such Sale and Offering Documents when and if the Participating Members deem such Sale and Offering Documents to be complete and final for purposes of the Rule. The Participating Members represent and warrant that all statements concerning the Participating Members (including, without limitation, their financial condition, results, and prospects, their utility system, and any demographic and economic information concerning the area served by their utility system) that are contained in any Sale and Offering Document shall be true in all material respects and shall not omit to state any material fact necessary to make the statements made in such Sale and Offering Document, in the light of the circumstances in which they are made, not misleading.

Section 3.07 Authority's Rights Assigned to Trustee. The Participating Members are advised and recognize that as security for the payment of the Bonds, the Authority may assign to a trustee, pursuant to one or more trust indentures to be authorized by the Bond Resolution, the

Authority's rights under this Contract, including the right to receive the Annual Payments hereunder and the amounts described in Section 5.03 hereof. The Participating Members herewith assent to such assignment and will make the Annual Payments and the payments described in Section 5.03 hereof directly to the trustee without defense or set-off by reason of any dispute between the Participating Members and the Authority or the trustee. All rights against the Participating Members arising under this Contract or the Bond Resolution and assigned to the trustee may be enforced by the trustee, or the owners of the Bonds, to the extent provided in the Bond Resolution, and the trustee, or the owners of the Bonds, shall be entitled to bring any suit, action, or proceeding against the Participating Members, to the extent provided in the Bond Resolution, for the enforcement of this Contract, and it shall not be necessary in any such suit, action, or proceeding to make the Authority a party thereto.

ARTICLE IV

Sale and Purchase of Treated Water; Operating Requirements

Section 4.01 Water Conveyance; Option to Purchase.

A. The Participating Members hereby agree to pay for the right to receive from the Authority and the Authority hereby agrees to sell to the Participating Members all of the treated water produced by the Authority through the Project subject to the terms and provisions of this Contract or other contracts which generate System revenues; provided, however, the Authority shall have the right to purchase, and the Participating Members hereby each agree to relinquish their right to purchase, treated water produced by the Project upon reduction, on a proportionate basis, of the Participating Members' share of their Annual Payments under this Contract as provided in Section 5.04 hereof. It is expressly recognized that the treated water delivered to each Participating Member as disclosed in Exhibit A shall be owned by such Participating Member and may be sold or otherwise conveyed by such Participating Member in accordance with applicable law; provided, however, before any Participating Member enters into a contract or other agreement to transfer, sell, or convey any treated water received from the Authority pursuant to the terms of this Contract, such Participating Member shall afford the Authority the right of first refusal for a period of 90 days to obtain such treated water for redistribution to other Participating Members.

B. Each of the Participating Members shall be entitled to receive from the Authority the quantities of treated water identified in Exhibit A attached hereto in accordance with this Contract. To the extent the Authority has acquired additional water from some other source, or to the extent any Participating Member does not request all of its allotted treated water as set forth on Exhibit A, or to the extent the Authority acquires a percentage share of the treated water produced by the Project pursuant to Paragraph A of this Section, the Authority may sell or otherwise use the allotted treated water not requested or the share of treated water produced by the Project and acquired by the Authority to supply treated water or spot water sales to other Participating Members, to retail customers, if any, of the Authority, or on a spot basis. The Authority agrees to utilize the revenues from this potential sale of water pursuant to this Paragraph B to benefit all Participating Members as these revenues will be accounted for and disclosed in the Authority's next succeeding budget.

Section 4.02 Points of Delivery.

Each Participating Member agrees to take treated water at the Point(s) of Delivery for such Participating Member set forth in Exhibit B hereto. Modification of such Points of Delivery may be mutually agreed to in writing between each Participating Member, respectively, and the Authority. The Authority will maintain ownership of the connection (being any device, including welded pipe

connections, water installations, valves, meter vaults, or similar devices) between the Authority's System and the utility system of the Participating Members.

Section 4.03 Resale.

Participating Members hereby agree not to sell treated water purchased from the Authority under this Contract to any person or entity outside such Participating Member's boundaries or prescribed service area (as the boundaries or prescribed service area may be adjusted by the Participating Member in its sole discretion and as approved by any regulatory authority with jurisdiction from time to time) unless the Participating Member has received prior written approval from the Board and are subject to compliance with Section 4.01A above. Approval to make retail sales of treated water to individual customers outside such boundaries or prescribed service area may be granted by the General Manager of the Authority. Approval to make wholesale sales of treated water pursuant to this Contract outside the Participating Member's boundaries or prescribed service area shall require the specific prior approval of the Board and are subject to compliance with Section 4.01A above. Notwithstanding any provision in this Section to the contrary, each Participating Member shall have the right and authority to continue to sell treated water on a retail or wholesale basis to all existing customers situated outside its corporate boundaries or prescribed service area and without the approval or consent of the Board or General Manager. Additionally, the Participating Members shall have the right and authority to sell treated water received from other sources other than the Authority on a wholesale basis or otherwise without any limitation imposed by this Contract or approval by the Board or General Manager.

Section 4.04 Other Contracts.

A. If the Authority exercises its right to water under this Contract pursuant to Section 4.01, the Authority reserves the right to supply treated water from the Project to others on wholesale or retail basis. Each such contract with other entities shall be limited to the Authority's share of treated water covered by this Contract and shall not contain any provision which would adversely affect the Participating Members' percentage share of treated water covered by this Contract, except as permitted by Section 4.01. In addition, the Authority shall not sell treated water (or such sales will be suspended) pursuant to this Section 4.04 to any entity other than a Participating Member when a condition of drought or other water conservation measure exists which resulted in all Participating Members having their allocation of treated water reduced on a pro rata basis.

B. The parties hereto recognize and acknowledge that the Authority shall have the right and authority to contract or make other arrangements with respect to its percentage share of water from the Project without limitation or approval of any Participating Member.

Section 4.05 Quality.

A. The water to be delivered by the Authority and received by each Participating Member shall be treated water from the Project of a quality sufficient to meet the requirements for potable water established by the Commission and the United States Environmental Protection Agency.

The Authority shall not be responsible for maintaining any particular amount of chlorine residuals at any point in any Participating Member's utility system.

B. The Authority shall periodically and at a minimum, no less than as may be required by any regulatory authority having jurisdiction, collect samples of treated water delivered to Participating

Members and other customers and cause same to be analyzed consistent with guidelines established by the Commission using the then-current edition of Standard Methods for Examination of Water and Wastewater as published by the American Water Works Association ("AWWA") and others.

C. The Authority shall cooperate with any Participating Member in responding to any regulatory or legal inquiry related to the quality of water delivered under this Contract.

Section 4.06 Metering Equipment.

A. The Authority will furnish, install, operate, and maintain at its expense the necessary equipment and devices (including a meter house or pit) of standard type required for measuring the quantity of water delivered under this Contract from the Project to each Participating Member's Point or Points of Delivery. Such meters and other equipment so installed shall be the property of the Authority. The Authority shall inspect, calibrate, and adjust its meters at least annually as necessary to maintain accurate measurements of the quantity of water being delivered. Each Participating Member shall have access to the metering equipment at all reasonable times for inspection and examination, but the reading, calibration, and adjustment thereof shall be done only by employees or agents of the Authority. The Authority will notify each Participating Member of any scheduled reading, inspection, calibration, or adjustment at least three (3) business days in advance of the scheduled date. If a Participating Member so requests, the Participating Member may observe such reading, inspection, calibration, and adjustment of meters. Any measuring device which fails to function or which functions incorrectly shall promptly be adjusted, repaired, or replaced by the Authority. Replacement shall be by a like device having the required accuracy. A meter registering not more than five percent (5%) above or below the test results shall be deemed to be accurate. The previous readings of any meter disclosed by tests to be inaccurate shall be corrected for a period equal to one-half (1/2) the time elapsed since the date of the immediately preceding meter test at which no inaccuracy was discovered, but in no event will a period of correction exceed six (6) months, in accordance with the percentage of inaccuracy found by such tests. If any meter fails to register for any period, the amount of water furnished during such period shall be deemed to be the amount of water delivered in the corresponding period immediately prior to the failure, unless the Authority and the Participating Member shall agree upon a different amount. All readings of meters will be entered upon proper books of record maintained by the Authority. Any Participating Member may have access to said record books during the Authority's normal business hours.

B. Notwithstanding the requirements for other notices provided in this Contract, any notice, communication, request, reply, or advice from the Authority to a Participating Member, or vice versa, relating to the activities described in Subsection A above, or any other communication relating to the devices for metering of water, may be by electronic or telephone communication, provided receipt of the notice is confirmed by the intended recipient.

Section 4.07 Pressure, Backflow, Maximum Rate of Flow.

A. The Authority shall deliver treated water to the Point(s) of Delivery for each Participating Member (subject to the provisions of Section 4.08) at a pressure of not less than 35 psi or at such other pressure agreed upon by the Authority and the Participating Member. If a Participating Member requires a greater or lesser pressure, such Participating Member shall bear all of the costs of providing such greater or lesser pressure. Pressure failure due to supply line breaks, power failures, flood, fire, earthquakes, other catastrophes, or use of water to fight fires, or any other cause beyond the reasonable control of the Authority shall relieve the Authority from compliance with this provision for such reasonable period of time as may be necessary to restore pressure.

B. The Authority shall install and maintain at its sole expense at each Point of Delivery a backflow preventor of AWWA-approved quality. Each Participating Member shall have the right to inspect the backflow preventor at each of its Points of Delivery at such reasonable times at such Participating Member in its discretion may determine are required.

C. The maximum rate of flow per day that may be provided to each Participating Member by the Authority is established in Exhibit A hereto and incorporated by reference for all purposes to this Contract.

Section 4.08 Cross-Utilization of Lines.

A. Each Participating Member acknowledges that it may be necessary for certain of its transmission lines to be utilized in order for the Authority to transmit treated water to another Participating Member and such Participating Member hereby agrees to permit the Authority to so utilize its transmission lines in accordance with Section 7.09. In such case, the Participating Members involved agree to inform the Authority of any special requirements with respect to pressure or other matters relating to the transmitting Participating Member's lines.

B. The Authority will furnish, install, operate, and maintain at its expense meters at the point of exit from a Participating Member's lines to maintain accurate measurements of the quantity of water being delivered by the Authority to a Participating Member through the lines of another Participating Member. Such meters shall be subject to inspection and examination by both Participating Members in accordance with the provisions of Section 4.06.

C. In the event that repairs are required to be made to any lines of a Participating Member which are utilized for the transmission of treated water to another Participating Member, the receiving Participating Member shall participate in the cost of such repairs as may be agreed from time to time.

ARTICLE V Fiscal Provisions

Section 5.01 Annual Requirement.

Subject to the terms and provisions of this Contract, the Authority will provide and pay for the cost of the Project through the issuance of the Bonds. It is acknowledged and agreed that payments by the Participating Members to the Authority under this Contract will be the sole or primary source of funds available to the Authority to provide the Annual Requirement. Each Participating Member shall be obligated to pay the full amount of its Annual Requirement notwithstanding that it may elect not to receive the full amount of treated water available to it under this Contract. In compliance with the Authority's duty to fix and from time to time to revise the rates and charges for services rendered under this Contract, the Annual Requirement may change from time to time. Each such Annual Requirement shall be allocated among the Participating Members and the Authority based upon a rate methodology to be developed by the Authority or according to their respective percentage shares of treated water covered by this Contract, and the Annual Requirement for each Annual Payment Period shall be identified in each annual budget and shall at all times be not less than an amount sufficient to pay or provide for the payment of the following:

A. all Operation and Maintenance Expenses; and

- B. an amount to fund a special reserve for the Operation and Maintenance Expenses or for additional capital improvements to the Project; the total amount to be accumulated annually (subject to replenishment) for such operating and additional capital improvements reserve shall not exceed 25% of the annual Operation and Maintenance Expenses (estimated to be approximately three (3) months' expenses); and
- C. when the Authority and the Participating Members agree to issue Bonds to finance the costs of the Project, a capital component, including principal, interest, premium, reserve funds, and other funds established or required by any Bond Resolution and to pay the principal of and interest on the Bonds.

Section 5.02 Annual Budget.

Each annual budget for the acquisition and/or operation and maintenance of the Project shall always provide for amounts sufficient to pay the Annual Requirement. Each Participating Member will be furnished a copy of such annual budget, and each Participating Member hereby acknowledges its ability to pay its share of the Annual Requirement from available funds budgeted therefor. On or before July 15 of each year thereafter commencing July 15, [2015], the Authority shall furnish to each Participating Member a preliminary estimate of the Annual Payment required from each Participating Member for the next following Annual Payment Period.

Not less than 60 days before the commencement of each Annual Payment Period beginning in Fiscal Year [2015-2016], the Authority (i) shall cause to be prepared a preliminary budget for the Project for the next ensuing Annual Payment Period and (ii) shall provide a copy of such preliminary budget to each Participating Member. A Participating Member who disputes any information in the preliminary budget shall submit written comments, questions, or requests for clarification about the preliminary budget directly to the Authority, with copy to each member of the Board, not less than thirty (30) days before the commencement of the Annual Payment Period. The Board may adopt the preliminary budget or make such amendments thereof as to it may seem proper; provided, however, no change or amendment to the preliminary budget will be made by the Board after such preliminary budget has been submitted to the Participating Members which change or amendment would in effect increase the Annual Requirement without resubmitting such amended preliminary budget to the Participating Members not less than 10 days prior to the date of the Board meeting scheduled for approval of the annual budget. The Board shall thereupon approve the annual budget. With respect to budgetary matters, the Participating Members shall have the right only to comment on the preliminary budget; their approval of the preliminary or final annual budget shall not be required. The annual budget thus approved by the Board shall be the annual budget for the next ensuing Annual Payment Period. The annual budget, including the first annual budget, may be amended by the Authority at any time to transfer funds from one account or fund to another account or fund, provided such transfer will not increase the total budget and the transfer of funds is attributable to the costs of the Project or to the Project's maintenance and operation. Subject to notification to the Participating Members, the amount for any account or fund, or the amount for any purpose, in the annual budget may be increased through formal action by the Board even though such action might cause the total amount of the annual budget for the Project to be exceeded; provided, however, such action shall be taken only in the event of an emergency or special circumstances which shall be clearly stated in the notice to the Participating Members and in the resolution at the time such action is taken by the Board.

Notwithstanding anything herein to the contrary, no failure of the Authority to estimate, and no mistake by the Authority in any estimate of, the amount of or schedule for Annual Payments due from the Participating Members in any Fiscal Year shall relieve the Participating Members from (or allow

them to defer) their absolute and unconditional obligation to make all Annual Payments in full when due.

Section 5.03 Payments by Participating Members.

A. Subject to Sections 4.06 and 4.07B, each Participating Member agrees to pay a connection fee for each Point of Delivery equal to the total cost of material, labor, and equipment required to implement such connection.

B. For the treated water available to the Participating Members under this Contract (whether or not the Participating Members elect to receive such water), each of the Participating Members agrees to pay, at the time and in the manner hereinafter provided, its share of the Annual Requirement. Each of the Participating Members shall pay its part of the Annual Requirement for each Annual Payment Period directly to the Authority (or its assigns), in monthly installments in accordance with the schedule of payments furnished by the Authority, as hereinafter provided.

C. Each Participating Member shall pay a proportionate share of the Annual Requirement according to a rate methodology to be developed by the Authority or based upon the relative amount of water available to each Participating Member and set forth on Exhibit A, as amended from time to time. The Authority shall charge each Participating Member its share of pumping costs according to the volume of water actually delivered.

D. Each Participating Member's allocated share of the Annual Requirement for each Annual Payment Period shall be made in accordance with a written schedule of payments for the appropriate Annual Payment Period which will be supplied to each of the Participating Members by the Authority.

E. Notwithstanding the foregoing, the Annual Requirement, and each Participating Member's share thereof, shall be redetermined, after consultation with each of the Participating Members, at any time during any Annual Payment Period, to the extent deemed necessary or advisable by the Authority, if:

- (1) the Authority exercises its option to acquire treated water pursuant to Section 4.01;
- (2) unusual, extraordinary, or unexpected Operation and Maintenance Expenses are required which are not provided for in the Authority's annual budget or reserves for the Project;
- (3) Operation and Maintenance Expenses of the Project are substantially less than estimated;
- (4) a Participating Member's interest under this Contract is terminated as provided herein or Additional Participating Members become subject to this Contract;
- (5) the Authority issues Bonds for the Project; or
- (6) the Authority receives either substantially more or substantially less revenues or other amounts than those anticipated by the Authority at the time a Participating Member elects to execute this Contract or at the time any annual Preliminary Budget is distributed by the Authority. "Substantially" in this subsection (6) means by an amount of 15% or greater, determined in accordance with generally accepted accounting practices.

F. Each Participating Member hereby agrees that it will make payments to the Authority required by this Contract at the Authority's offices within thirty (30) days of the date a bill for service is

deposited in the United States mail. If any Participating Member at any time disputes the amount to be paid by it to the Authority, such complaining party shall nevertheless promptly make such payment or payments; but if it is subsequently determined by agreement or by appropriate administrative, board, agency, or court decision that such disputed payments should have been less, or more, the Authority shall promptly revise and reallocate the charges in such manner that the Participating Member will recover its overpayment or the Authority will recover the amount due it. All amounts due and owing to the Authority by each Participating Member or due and owing to any Participating Member by the Authority shall, if not paid when due, bear interest at the maximum lawful nonusurious rate of interest per annum from the date when due until paid.

G. The Authority shall, to the extent permitted by law, suspend the delivery of services or water from the Project to any Participating Member which remains delinquent in any payments due under the preceding paragraph for a period of forty-five (45) days, and shall not resume delivery of services or water while such Participating Member is so delinquent. The Authority also retains the right to charge a reconnection fee or other appropriate charges prior to commencing utility service to the delinquent Participating Member. It is further provided and agreed that if any Participating Member should remain delinquent in any payments due hereunder for a period of one hundred twenty days, and if such delinquency continues during any period thereafter, such Participating Member's minimum amount specified in Exhibit A, shall be deemed to have been zero gallons during all periods of such delinquency, for the purpose of calculating and redetermining the percentage of each Annual Payment to be paid by the non-delinquent Participating Members and the Authority, and the Authority shall redetermine such percentage on that basis in such event so that the non-delinquent Participating Members and the Authority collectively shall be required to pay all of the Annual Requirement. However, the Authority shall pursue all legal remedies against any such delinquent Participating Member to enforce and protect the rights of the Authority, the other Participating Members, and the holders of the Bonds, if Bonds have been issued or incurred. The delinquent Participating Member shall not be relieved of the liability to the Authority for the payment of all amounts which would have been due hereunder had no default occurred or the percentage had not been redetermined as provided in this Section. It is understood that the foregoing provisions are for the benefit of the Authority and holders of the Authority's Bonds, if Bonds have been issued or incurred, so as to insure that all of the Annual Requirement will be paid by the non-delinquent Participating Members and the Authority during each Annual Payment Period regardless of the delinquency of a particular Participating Member. If any amount due and owing the Authority by any Participating Member is placed with an attorney for collection, such Participating Member shall pay to the Authority all attorneys' fees, in addition to all other payments provided for herein, including interest.

H. If, during any Annual Payment Period, any Participating Member's Annual Payment is redetermined in any manner as provided or required in this Section, the Authority will promptly furnish such Participating Member with an updated schedule of monthly payments reflecting such redetermination.

Section 5.04 Unconditional Payments.

A. Notwithstanding any provision of this Contract to the contrary, while this Contract remains in effect each of the Participating Members agrees to pay its share of the total cost of the Project and the Bonds. If the Authority elects to exercise its option to acquire a percentage share of the treated water covered by this Contract as provided in Section 4.01, the Annual Payment of each Participating Member shall be reduced to the proportion that each Participating Member's amount of water identified in Exhibit A bears to the total amount of water available from the Project. Initially, the Participating Members agree to pay 100% of the Annual Requirement, but, if the Authority exercises its

option to acquire treated water from the Project pursuant to Section 4.01, the Participating Members and the Authority shall share the cost of the Project and the Bonds in proportion to quantities of treated water each is entitled to take from the Project pursuant to this Contract.

B. Recognizing that the Participating Members urgently require the facilities and services of the Project, and that such facilities and services are essential and necessary for actual use and for standby purposes, and further recognizing the fact that the Authority will use payments received from the Participating Members to pay and secure the Bonds, it is hereby agreed that each of the Participating Members shall be unconditionally obligated to pay, without offset or counterclaim, its share of the Annual Requirement, as provided and determined in this Contract, regardless of whether or not the Authority actually acquires, constructs, or completes the Project or is actually delivering water from the Project to any Participating Member hereunder, or whether or not any Participating Member actually receives or uses water from the Project whether due to Force Majeure or any other reason whatsoever, regardless of any other provisions of this or any other contract or agreement between any of the parties hereto. This covenant by the Participating Members shall be for the benefit of and enforceable by the holders of the Bonds as well as the Authority.

C. If by reason of Force Majeure a Participating Member or the Authority shall be rendered unable wholly or in part to carry out its obligations under this Contract, other than the obligation of each Participating Member to make the payments required under Section 5.03 of this Contract, then if such party shall give notice and full particulars of such Force Majeure in writing to the other Participating Members and/or the Authority, as appropriate, within a reasonable time after occurrence of the event or cause relied on, the obligation of the Participating Member or the Authority giving such notice, so far as it is affected by such Force Majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period, and such Participating Member or the Authority shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "Force Majeure" as employed herein shall mean acts of God, strikes, lockouts or other industrial disturbances, acts of public enemy, orders of any kind of the Government of the United States or the State of Texas, or any civil or military authority, insurrection, riots, epidemics, landslides, lightning, earthquake, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipelines or canals, partial or entire failure of water supply, or on account of any other causes not reasonable within the control of the party claiming such inability.

Section 5.05 Continuing Right to Treated Water.

For and in consideration of agreeing to the unconditional payments to be made under this Contract, each Participating Member is entitled to a firm right to treated water from the Project in the amounts indicated in Exhibit A, as such amount may be modified from time to time by the terms of this Contract. That right shall continue for the term of this Contract and any renewals thereof.

ARTICLE VI Additional Participating Members

Section 6.01 Additional Participating Members.

If water is available, the Authority and the Original Participating Members agree that additional entities may become subject to the provisions of this Contract as Additional Participating Members by providing the following to the Authority and the then Participating Members:

- A. an executed signature page to this Contract in form satisfactory to the Authority;
- B. to the extent any representation contained in this Contract relating to Participating Members does not correctly describe such entity, a revision of such representations satisfactory in form and content to the Authority in the Authority's sole discretion to be included on Exhibit C to this Contract;
- C. a revised Exhibit A to this Contract satisfactory to the Authority and all then Participating Members;
- D. a revised Exhibit B to this Contract setting forth the Point(s) of Delivery for such entity which shall be satisfactory to the Authority;
- E. a completed Exhibit C to this Contract to the extent applicable to such entity and in form satisfactory to the Authority; and
- F. such other certifications and information as may be reasonably requested by the Authority and the then Participating Members.

ARTICLE VII Special Conditions

Section 7.01 Operation and Maintenance of the Project.

The Authority will continuously operate and maintain the Project in an efficient manner and in accordance with good business and engineering practices, and at reasonable cost and expense. The Authority recognizes its right and duty to operate the Project in the most prudent and economical manner for the benefit of all Participating Members.

Section 7.02 Project Schedule.

It is the intent of the parties that the Project be placed in operation as soon as practicable, and the Authority agrees to proceed diligently with the evaluation of feasibility, the securing of regulatory permits, and the design and construction of the Project to meet such schedule, subject to the other terms and conditions in this Contract.

Section 7.03 Permits, Financing, and Applicable Laws.

Any obligations on the part of the Authority to acquire, construct, and complete the Project and related facilities and to provide treated water from the Project to the Participating Members shall be (i) conditioned upon the Authority's ability to obtain all necessary permits, material, labor, and equipment; (ii) subject to the Authority's final determination of feasibility of transportation of the treated water from the Project; (iii) conditioned upon the ability of the Authority to finance the cost of the Project through the sale of the Bonds; and (iv) subject to all present and future valid laws, orders, rules, and regulations of the United States of America, the State of Texas, the Commission, and any regulatory body having jurisdiction.

Section 7.04 Title to Water; Indemnification.

Title to all water supplied to each Participating Member shall be in the Authority up to the Point of Delivery for such Participating Member, at which point title shall pass to the receiving Participating Member. Title to treated water transmitted through the lines of a Participating Member pursuant to Section 4.08 for the use of another Participating Member shall remain in the Authority until it reaches the Point(s) of Delivery of the receiving Participating Member. The Authority and each of the Participating Members shall, to the extent permitted by law, save and hold each other harmless from all claims, demands, and causes of action which may be asserted by anyone on account of the transportation and delivery of said water while title remains in such party.

Section 7.05 Payments Solely From Revenues.

The Authority shall never have the right to demand payment by any Participating Member of any obligations assumed by it or imposed on it under and by virtue of this Contract from funds raised or to be raised by taxes, and the obligations under this Contract shall never be construed to be a debt of such kind as to require any of the Participating Members to levy and collect a tax to discharge such obligation. Nonetheless, any Participating Member may make payments from its utility system revenues, or from any other lawful source, including ad valorem taxes, if lawfully available to such Participating Member.

Section 7.06 Operating Expenses.

Each of the Participating Members represents and covenants that, to the extent payments under this Contract are made with utility system revenues, such payments shall constitute reasonable and necessary "operating expenses" of its utility system, as defined in Chapter 1502, as amended, Texas Government Code, and that all such payments will be made from the revenues of its utility system or any other lawful source. Each Participating Member represents and has determined that the treated water supply to be obtained from the Project is absolutely necessary and essential to the present and future operation of its utility system and that the Project represents a long-term source of supply of treated water to meet current and projected water needs of the Participating Member's utility system and facilities, and, accordingly, all payments required by this Contract to be made by each Participating Member shall constitute reasonable and necessary operating expenses of its utility system as described above, with the effect that such payments from revenues of such systems shall be deducted from gross revenues of the system in the same manner as other system operating and maintenance expenses for purposes of determining net revenues available to pay bonds or other similar obligations heretofore or hereafter issued by such Participating Member, which obligations are payable from and secured by a pledge of the revenues of the system or facilities after deduction of maintenance and operating expenses.

Section 7.07 Rates for Water.

Each of the Participating Members agrees throughout the term of this Contract to continuously operate and maintain its utility system and to fix and collect such rates and charges for utility services to be supplied by its system as aforesaid as will produce revenues in an amount equal to at least (i) all of the expenses of operation and maintenance expenses of such system, including specifically, its Annual Payment under this Contract, and (ii) all other amounts as required by law and the provisions of the ordinance or resolutions authorizing its revenue bonds or other obligations now or hereafter outstanding, including the amounts required to pay all principal of and interest on such bonds and other obligations.

Section 7.08 Use of Funds and System.

The Authority covenants and agrees that neither the proceeds from the sale of the Bonds, nor the money paid it pursuant to this Contract, nor any earnings from the investment of any of the foregoing, will be used for any purposes, except those directly relating to the Project and the Bonds as provided in this Contract.

Section 7.09 Rights-of-Way.

A. Each Participating Member hereby grants to the Authority without additional cost to the Authority, the use of the streets, easements, rights-of-way, and pipelines under its control for the construction, emergency repairs, operation, and maintenance of the Project and the provision and transmission of treated water hereunder; provided, however, such grant of the use of streets, easements, rights-of-way, and pipelines to the Authority is subject to and conditioned on the Authority (i) complying with all applicable policies, practices, and regulations of the Participating Members governing and regulating such use of the streets, easements, rights-of-way, and pipelines and (ii) paying all costs, if any, of restoring such streets, easements, rights-of-way, and pipelines to substantially the same state of condition that existed prior to the Authority's use.

B. To the extent they have such ownership authority, each Participating Member agrees that, without prior written approval, the Authority may use streets, alleys, and public rights-of-way within the Participating Member's boundaries for pipeline purposes.

Section 7.10 Insurance.

The Authority agrees to carry and arrange for fire, casualty, public liability, and/or other insurance, including self-insurance, on the Project for purposes and in amounts which, as determined by the Authority, ordinarily would be carried by a privately owned utility company owning and operating such facilities, except that the Authority shall not be required to provide liability insurance except to insure itself against risk of loss due to claims for which it can, in the opinion of the Authority's legal counsel, be liable under the Texas Tort Claims Act or any similar law or judicial decision. Such insurance will provide, to the extent feasible and practicable, for the restoration of damaged or destroyed properties and equipment, to minimize the interruption of the services of such facilities. Premiums for such insurance that relate directly to the Project or, under generally accepted cost accounting practices, is allocable to the Project, shall constitute an Operation and Maintenance Expense.

Section 7.11 Additional Special Provisions.

The parties hereto acknowledge and agree to the Special Provisions, if any, which are set forth in Exhibit C hereto. The Special Provisions for this Contract reflect circumstances or issues for specific Participating Members which may be different from those of other Participating Members and therefore constitute a modification of or requirement in addition to the standard provisions otherwise contained in this Contract. To the extent of any conflict between any Special Provision and any other provision of this Contract, the Special Provision shall control.

ARTICLE VIII Continuing Disclosure

Section 8.01 Annual Reports.

The Authority (and each Participating Member if required by the Rule in its Approval Certificate for any series of Bonds) shall file annually with the MSRB, (1) within six months after the end of each Fiscal Year of the Authority ending in or after 2015, financial information and operating data with respect to the Authority of the general type included in the Sale and Offering Documents authorized by Section 33 of the Bond Resolution, being the information described in Exhibit D to the Bond Resolution, and (2) if not provided as part of such financial information and operating data, audited financial statements of the Authority, when and if available. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles described in Exhibit D to the Bond Resolution, or such other accounting principles as the Authority may be required to employ from time to time pursuant to state law or regulation, and (ii) audited, if the Authority commissions an audit of such financial statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the Authority shall file unaudited financial statements within such period and audited financial statements for the applicable Fiscal Year to the MSRB, when and if the audit report on such financial statements becomes available. The Authority must have its records and accounts audited annually and shall have an annual financial statement prepared based on the audit. The annual financial statement, including the auditor's opinion on the statement, shall be filed in the office of the Secretary, Board of Trustees, within 180 days after the last day of the Authority's Fiscal Year. Additionally, upon the filing of this financial statement and the annual audit, these documents are subject to the Texas Open Records Act, as amended, Texas Government Code, Chapter 552.

If the Authority changes its Fiscal Year, it will file notice of such change (and of the date of the new Fiscal Year end) with the MSRB prior to the next date by which the Authority otherwise would be required to provide financial information and operating data pursuant to this Section.

Section 8.02 Material Event Notices.

The Authority shall file notice of any of the following events with respect to the Bonds to the MSRB in a timely manner and not more than 10 business days after occurrence of the event:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

- (7) Modifications to rights of holders of the Bonds, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership, or similar event of the Authority, which shall occur as described below;
- (13) The consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) Appointment of a successor or additional paying agent/registrars or the change of name of a paying agent/registrars, if material.

For these purposes, any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Authority in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority.

The Authority shall file notice with the MSRB, in a timely manner, of any failure by the Authority to provide financial information or operating data in accordance with this Section by the time required by this Section.

Section 8.03 Limitations, Disclaimers, and Amendments.

The Authority shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the Authority remains an "obligated person" with respect to the Bonds within the meaning of the Rule, except that the Authority in any event will give notice of any deposit that causes the Bonds to be no longer Outstanding.

The provisions of this Section are for the sole benefit of the holders and beneficial owners of the Bonds, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Authority undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Authority's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Section or

otherwise, except as expressly provided herein. The Authority does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE AUTHORITY BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE AUTHORITY, WHETHER NEGLIGENT OR WITH OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR *MANDAMUS* OR SPECIFIC PERFORMANCE.

No default by the Authority in observing or performing its obligations under this Section shall constitute a breach of or default under this Contract for purposes of any other provision of this Contract.

Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of the Authority under federal and state securities laws.

The provisions of this Section may be amended by the Authority from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Authority, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Contract that authorizes such an amendment) of the Outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the Authority (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The Authority may also repeal or amend the provisions of this Section if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the Authority also may amend the provisions of this Section in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds, giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the Authority so amends the provisions of this Section, the Authority shall include with any amended financial information or operating data next provided in accordance with this Section an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

Section 8.04 Information Format – Incorporation by Reference.

The Authority information required under this Section shall be filed with the MSRB through EMMA in such format and accompanied by such identifying information as may be specified from time to time thereby. Under the current rules of the MSRB, continuing disclosure documents submitted to EMMA must be in word-searchable portable document format (PDF) files that permit the document to be saved, viewed, printed, and retransmitted by electronic means and the series of obligations to which such continuing disclosure documents relate must be identified by CUSIP number or numbers.

Financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document) available to the public through EMMA or filed with the SEC.

Section 8.05 Allocation of Water During Drought.

During drought conditions or in any other condition when water cannot be supplied to meet the demands of all customers, the water to be distributed shall be divided among all customers of stored water pro rata, according to the amount each may be entitled to, subject to reasonable conservation and drought management plans and requirements based on particular purposes of use of the water, so that preference is given to no one and everyone suffers alike.

Section 8.06 Conservation.

The Authority and Participating Member each agree to provide to the maximum extent practicable for the conservation of water, and each agrees that it will operate and maintain its facilities in a manner that will prevent waste of water. Participating Members further agree to implement water conservation and drought management plans applicable to the use of treated water from the Project that are consistent in purpose, provisions and application with those implemented by other Participating Members to the extent practicable considering any differences in the legal authority of Participating Members and other Participating Members to institute those plans.

Section 8.07 Term of Contract.

This Contract shall be effective on and from the Contract Date, and shall continue in force and effect for forty (40) years; provided, however, the term of this Contract and the expiration date may be extended for succeeding five (5) year periods at the option of one or more of the Participating Members for as long as an agreement providing an adequate source of raw water remains in effect. It is understood and agreed by the Authority and each Participating Member that the right to receive treated water hereunder shall continue throughout any renewals or extension of this Contract. The Authority's obligation to provide treated water services hereunder shall commence from the date the Project becomes operational and functional as certified by the consulting engineers for the Project or on such other date that one or more of the Participating Members receives treated water by virtue of or in exchange for treated water from the Project. This Contract constitutes the sole agreement between the parties hereto with respect to the Project.

Section 8.08 Approval and Consent.

Unless otherwise provided herein, any approval or consent required by the provisions of this Contract by a Participating Member or the Authority shall be evidenced by a written resolution adopted by the governing body of the party giving such approval or consent (or by the General Manager on behalf of the Authority when permitted). Upon receipt of such written resolution duly certified by the appropriate party, the Authority or the Participating Member can conclusively act on the matter requiring such approval.

Section 8.09 Modification and Amendment.

A. No change, amendment, or modification of this Contract shall be made or be effective which will affect adversely the prompt payment when due of all money required to be paid by any

Participating Member under this Contract or any similar contract, and no such change, amendment, or modification shall be made or be effective which would cause a violation of any provisions of any Bond Resolution.

B. This Contract may be amended upon the written consent of the Authority and all then Participating Members; provided, however, no amendment to this Contract shall impair the rights of any holder of any of the Authority's Bonds.

Section 8.10 Addresses and Notice.

Unless otherwise provided herein, any notice, communication, request, reply, or advice (herein severally and collectively, for convenience, called "Notice") herein provided or permitted to be given, made or accepted by any party to any other party must be in writing and may be given or be served by depositing the same in the United States mail postpaid and registered or certified and addressed to the party to be notified, with return receipt requested, or by delivering the same to an officer of such party, or by prepaid telegram when appropriate, addressed to the party to be notified. Notice deposited in the mail in the manner hereinabove described shall be conclusively deemed to be effective, unless otherwise stated herein, from and after the expiration of three days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the party to be notified. For the purposes of notice, the addresses of the parties hereto shall, until changed as hereinafter provided, be as follows:

A. If to the Authority, to:

Canyon Regional Water Authority
850 Lakeside Pass
New Braunfels, Texas 78130

B. If to the Crystal Clear Special Utility District to:

Crystal Clear Special Utility District
2370 FM 1979
San Marcos, Texas 78666

C. If to the East Central Special Utility District to:

East Central Special Utility District
5520 F.M. 1628
Adkins, Texas 78101

D. If to Green Valley Special Utility District, to:

Green Valley Special Utility District
Post Office Box 99
Marion, Texas 78124

E. If to the City of Cibolo, Texas to:

City of Cibolo, Texas
200 South Main Street
Post Office Box 826
Cibolo, Texas 78108

F. If to the City of Converse, Texas to:

City of Converse, Texas
403 South Seguin Road
Converse, Texas 78109

G. If to the City of Marion, Texas to:

City of Marion, Texas
Post Office Box 158
Marion, Texas 78124-0158

The parties hereto shall have the right from time to time and at any time to change their respective addresses and each shall have the right to specify as its address any other address by at least fifteen (15) days' written notice to the other parties hereto.

Section 8.11 State or Federal Laws, Rules, Orders, or Regulations.

This Contract is subject to all applicable federal and state laws and any applicable permits, ordinances, rules, orders, and regulations of any local, state, or federal governmental authority having or asserting jurisdiction, but nothing contained herein shall be construed as a waiver of any right to question or contest any such law, ordinance, order, rule, or regulation in any forum having jurisdiction.

Section 8.12 Remedies Upon Default.

It is not intended hereby to specify (and this Contract shall not be considered as specifying) an exclusive remedy for any default, but all such other remedies (other than termination) existing at law or in equity may be availed of by any party hereto and shall be cumulative. Recognizing, however, that the Authority's undertaking to provide and maintain the Project is an obligation, failure in the performance of which cannot be adequately compensated in money damages alone, the Authority agrees, in the event of any default on its part, that each Participating Member shall have available to it the equitable remedy of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available. Recognizing that failure in the performance of any Participating Member's obligations hereunder could not be adequately compensated in money damages alone, each Participating Member agrees in the event of any default on its part that the Authority shall have available to it the equitable remedy of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available to the Authority. Notwithstanding anything to the contrary contained in this Contract, any right or remedy or any default hereunder, except the right of the Authority to receive the Annual Payment which shall never be determined to be waived, shall be deemed to be conclusively waived unless asserted by a proper proceeding at law or in equity within two (2) years plus one (1) day after the occurrence of such default. No waiver or waivers of any breach or default (or any breaches or defaults) by any party hereto or of

performance by any other party of any duty or obligation hereunder shall be deemed a waiver thereof in the future, nor shall any such waiver or waivers be deemed or construed to be a waiver of subsequent breaches or defaults of any kind, character, or description, under any circumstance.

Section 8.13 Severability.

The parties hereto specifically agree that in case any one or more of the sections, subsections, provisions, clauses, or words of this Contract or the application of such sections, subsections, provisions, clauses, or words to any situation or circumstance should be, or should be held to be, for any reason, invalid or unconstitutional, under the laws of the State or the United States of America, or in contravention of any such laws, such invalidity, unconstitutionality, or contravention shall not affect any other sections, subsections, provisions, clauses, or words of this Contract or the application of such sections, subsections, provisions, clauses, or words to any other situation or circumstance, and it is intended that this Contract shall be severable and shall be construed and applied as if any such invalid or unconstitutional section, subsection, provision, clause or word had not been included herein, and the rights and obligations of the parties hereto shall be construed and remain in force accordingly.

Section 8.14 Venue.

All amounts due under this Contract, including, but not limited to, payments due under this Contract or damages for the breach of this Contract, shall be paid and be due in Guadalupe County, Texas, which is the County in which the principal administrative offices of the Authority are located. It is specifically agreed among the parties to this Contract that Guadalupe County, Texas, is the place of performance of this Contract; and in the event that any legal proceeding is brought to enforce this Contract or any provision hereof, the same shall be brought in Guadalupe County, Texas.

Section 8.15 Assignment.

Neither the Authority nor any Participating Member may assign any interest it may have under this Contract without the prior written consent of the other parties hereto; provided, however, the foregoing restriction shall not prevent the Authority from taking any action in connection with the issuance of the Bonds to secure the payment of the Bonds with amounts to be received by the Authority under this Contract.

Section 8.16 Entire Agreement.

This Contract constitutes the entire agreement among the parties with respect to the sale of treated water by the Authority to the Participating Members.

Section 8.17 Applicable Law.

This Contract shall be governed by and construed in accordance with the laws of the State, and the obligations, rights, and remedies of the parties hereunder shall be determined in accordance with such laws without reference to the laws of any other state or jurisdiction, except for applicable federal laws, rules, and regulations.

Section 8.18 No Sale, Lease, or Other Transfer of Participating Members' Utility System.

Pursuant to the terms of this Contract, a Participating Member, to the extent permitted by law, shall not sell, lease, or otherwise transfer any interest in such Participating Member's utility system without the written consent of the Authority.

Section 8.19 Counterparts.

This Contract may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 8.20 Goods and Services; Waiver of Sovereign Immunity; Limitation on Damages.

The Participating Members under the Contract agree that the mutual commitment stated in the Contract to provide water, emergency water service, water treatment services, and funding for utility system improvements constitute an agreement by each party for providing goods and services to the other parties, and that the Contract, as amended, is subject to Chapter 271, Subchapter I, of the Texas Local Government Code.

[The remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto acting under authority of their respective governing bodies have caused this Contract to be duly executed as of the day and year first above written.

CANYON REGIONAL WATER
AUTHORITY

By: 
Chairman, Board of Trustees

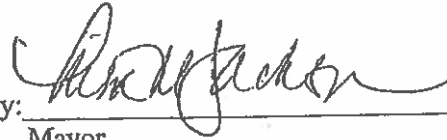
ATTEST:


Secretary, Board of Trustees

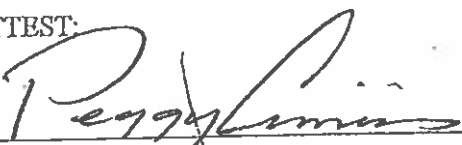
(AUTHORITY SEAL)



CITY OF CIBOLO, TEXAS

By: 
Mayor

ATTEST:


City Secretary

(CITY SEAL)

CITY OF CONVERSE, TEXAS

By: Al Sunny
Mayor

ATTEST:
[Signature]
City Secretary
(CITY SEAL)



CITY OF MARION, TEXAS


By: 
Mayor

ATTEST:


City Secretary

(CITY SEAL)

CRYSTAL CLEAR SPECIAL UTILITY
DISTRICT

By: 
Mike Taylor, General Manager

(SEAL)

EAST CENTRAL SPECIAL UTILITY
DISTRICT

By: Melvin E. Shroy
President, Board of Directors

ATTEST:

Larry H. Olson
Secretary, Board of Directors

(SEAL)

GREEN VALLEY SPECIAL UTILITY
DISTRICT

By: 
President, Board of Directors

ATTEST:


Secretary, Board of Directors

(SEAL)

Exhibit A

Allocations and Maximum Rate of Flow

Entity	Plant Capacity in A/F	Percent of Ownership (%)
Crystal Clear Special Utility District	492.39	6.29
East Central Special Utility District	500.00	6.39
Green Valley Special Utility District	4,955.68	63.30
City of Cibolo	1,280.93	16.36
City of Converse	500.00	6.39
City of Marion	<u>100.00</u>	<u>1.27</u>
Totals	7,829.00	100.00%

Exhibit B

Points of Delivery

Crystal Clear Special Utility District
East Central Special Utility District
Green Valley Special Utility District

City of Cibolo

City of Marion
City of Converse

Crystal Clear Meter/Windmill/FM 758
IH-10/East Central Meter Station
1518 Elevated Tank
Haeckerville Road Meter Station
Wagner Booster Station
Hardy Road Meter Station
Leissner Road Meter Station
Dunlap Plant Meter Station
Cibolo Meter Station Haeckerville Road
Wagner Booster Station
Marion Meter Station
Lower Seguin Road

Exhibit C

Special Provisions

None

*
*
*
500 LEMSE
OUT OF 933 wells
RANCH

**WATER LEASE CONTRACT
BETWEEN
CRYSTAL CLEAR WATER SUPPLY CORPORATION AND CITY OF CIBOLO**

**APPROVED BY
CANYON REGIONAL WATER AUTHORITY**

This Water Lease Contract ("the Contract") is entered into as of the date reflected on the signature page. Crystal Clear Water Supply Corporation ("Crystal Clear") and the City of Cibolo ("City") are collectively identified as the "Parties." Canyon Regional Water Authority approved this water lease contract on the 11th day of November, 2013.

ARTICLE I. RECITALS

Crystal Clear is a water supply corporation, which was created and operates pursuant to the applicable general laws of the State of Texas. The City of Cibolo, is a duly incorporated home rule city created and validly existing under applicable general laws of the State of Texas with all inherent powers and authority to enter into this Contract. Both Parties are authorized and empowered by applicable law to enter into this Contract as a mutually beneficial and binding legal obligation of the Parties. Crystal Clear and City enter into this Contract to further the public purposes for which the Parties were created and operate.

Both Crystal Clear and City are among the "Participating Members" in a Regional Water Supply Contract between Canyon Regional Water Authority ("CRWA") dated December 10, 1992, for the purchase by each Participating Member of an allocation of treated water from CRWA. Crystal Clear and City recognize that the intent of this Contract is for Crystal Clear to supply to City a certain amount of treated potable water, which supply of treated potable water, by and through CRWA, will be delivered by Crystal Clear to City for ultimate distribution to City retail customers. Pursuant to the 1992 Regional Water Supply Contract, Crystal Clear has obtained prior approval from the Board of CRWA to provide for the temporary lease of Crystal Clear's allocation of water to the City, up to 741 acre-feet per year.

The treated water provided pursuant to this Contract is not required for the retail use of the Lessor, Crystal Clear for the Term of this Contract, and, in order to accomplish the above delivery of treated potable water, Crystal Clear is willing to lease to the City 741 acre-feet per year of treated potable water from CRWA, for the term of this Contract on a firm basis, supplied to City at a point of delivery as reflected on **Exhibit A**, attached hereto.

The Parties further recognize and agree that the source for the supply of water hereunder is CRWA-treated groundwater permitted to CRWA by the Gonzales County Underground Water Conservation District and Guadalupe County Groundwater Conservation District. It is referred to as the Wells Ranch Project. The Parties further acknowledge that any water rights involving the lease of groundwater are subject to all applicable sections of the Texas Water Code, particularly Chapter 11, Subchapter B, Section 11.036(b).

NOW, THEREFORE, for and in consideration of the mutual promises, obligations, and benefits set forth, the receipt and legal sufficiency of which are acknowledged, the Parties agree as set forth below.

ARTICLE II. TERMS AND CONDITIONS

Term. This contract shall be for a ten-year term, commencing on the effective date, unless terminated earlier pursuant to provisions in this Contract hereto. The City shall have one option to renew this Contract for an additional five-year term upon completion of the ten-year term, provided both Parties approve the renewal terms. If the City exercises said option, it shall have a second option to renew for an additional five-year term provided both Parties approve the renewal terms. Notice of intent to exercise an option to renew under this Contract must be provided in writing at least 6 months prior to the expiration of this Contract or any applicable renewal term.

Annual Commitment. On Crystal Clear's behalf, CRWA shall furnish and deliver a firm supply of treated potable water in the amount of 741 acre-feet annually to the City at the point of delivery (as defined in attached **Exhibit A**), during the term of this Contract.

Payment Terms. Generally, the City shall pay on a CRWA-computed annual basis whether the water is actually taken or not, the same amount Crystal Clear pays CRWA for water delivered annually pursuant to this Contract, except as may otherwise be provided for in this paragraph. The City acknowledges that the costs will consist of two categories: (1) the Base Fee; and (2) Operation and Maintenance ("O&M"). The City further acknowledges that CRWA prepares an annual budget, and the Base Fee and O&M costs that the City will have to pay will be set out in said budget. The City shall pay one-twelfth of the Base Fee and monthly O&M expenses incurred as part of delivering water to the City within 30 days after CRWA invoices the City. CRWA shall invoice the City directly, with a copy to Crystal Clear for the Base Fee and O&M costs, on a monthly basis.

Points of Delivery. All water supplied by Crystal Clear under this Contract shall be delivered to the City at the point of delivery set out specifically in **Exhibit A**.

Title to and Responsibility for Water. Title to and responsibility for all water delivered to the City under this Contract shall be in Crystal Clear or CRWA to the point of delivery, at which point title to and responsibility for said water shall pass to the City. The City shall be responsible for all wastewater disposal and shall be entitled to rights for re-use or for continued use. The Parties hereby agree to save and hold harmless from all claims, demands, and causes of action which may be asserted by anyone on account of the transportation, delivery, processing, and handling of said water while title to and responsibility for the water remains in that respective Party.

Purpose of Use. Water supplied under this Contract may be used for any lawful purpose.

Meter and Reporting. CRWA will inspect and maintain the water meters, and will record and provide Crystal Clear a copy of the invoice sent to the City for metered water delivery. All measuring devices shall be subject, at all reasonable times, to inspection, examination and testing by either Crystal Clear or the City, and shall be within 5% or less variation upon testing. Routine testing shall be accomplished annually unless either Party desires a more frequent interval. Any

measuring device which fails to function within 5% +/- tolerance, or which otherwise functions incorrectly, shall promptly be adjusted, repaired, or replaced by CRWA with a device performing with the required accuracy. Each Party must maintain cumulative records of all water delivered. Crystal Clear, through CRWA or separately, shall furnish the City on the first day of each month a monthly cumulative tabulation indicating the total amount of water delivered during the previous month.

Conservation. The Parties intend to provide, to the maximum extent practicable, for water efficiency and conservation. The Parties agree they will operate and maintain their respective system facilities in a manner intended to minimize unaccounted-for water, ensure conservation, prevent waste, and ensure beneficial use. Further, the City agrees to implement a water conservation and drought management program, applicable to the use of delivered water as required by applicable law or regulation, or by any requirements imposed on Crystal Clear, as Lessor, by law.

Approvals, Modification, and Assignment of Contract. The provisions of this Contract may be modified or altered only by written instrument, by either party, with like process used for adoption of this Contract. Each Party warrants to the other that it has secured approval of its board, lenders, and any other party entitled to notice prior to approval of this contract. This Contract shall not be assignable by either party without the prior written consent of the other Party, which shall not be unreasonably withheld or delayed. However, in the event Crystal Clear converts from a Water Supply Corporation to a Special Utility District, the City agrees that it shall promptly agree in writing to a proposed assignment of this Contract from Crystal Clear WSC to Crystal Clear SUD.

Termination and Remedies. If the City fails to pay Crystal Clear any amounts payable to CRWA under this Contract when due and payable, Crystal Clear may provide written notice of such delinquency to the City. If amounts due and unpaid, including interest thereon, from the date payment was due at maximum legal rates, are not paid within 30 days after electronic or mail delivery of such notice, then Crystal Clear may, at its option, cause counsel to institute suit for collection thereof and utilize such other remedies as may exist at law to collect any amounts due and unpaid, together with interest thereon, at the maximum legal rate. In addition to all other remedies, Crystal Clear may, at its option, if such amount are not paid within said thirty day period, and to the extent permitted by law, suspend delivery of water to the City, and shall not resume delivery of water while the City remains delinquent. The parties hereto shall have available all contract and all remedies at law or in equity, existing at the time of claim of institution of suit.

Captions. All titles of the sections of this Contract have been inserted for reference only and shall in no way affect the interpretation of any provisions herein.

Notice. Any notice provided for herein to either Crystal Clear or CITY shall be by Certified/Return Receipt Requested, United States mail and/or fax or E-mail, addressed to that party at the address set out below:

Crystal Clear
Crystal Clear Water Supply Corporation
Attention: General Manager
2370 FM 1979
San Marcos, Texas 78666
Fax: (830) 372-0067

City of Cibolo
City of Cibolo
Attention: City Manager
P.O. Box 826
Cibolo, Texas 78108
Fax: (210) 658-1687

Each Party shall have the duty to timely notify the others of any change of street address or electronic address.

Severability. The provisions of this Contract are severable, and if any provision or part of this Contract or subsequent memoranda 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 Contract, or memoranda, and the application of such provision shall not be affected. The parties hereby contractually stipulate that each requests that in the event of dispute, in a court of competent jurisdiction, pursuant to the Texas Declaratory Judgment Act, shall declare the rights and obligations of the Parties and give effect to the public utility and governmental purposes of this Contract, and any provisions not declared invalid. In the event that a portion of this Contract is declared invalid, the court is requested to declare whether remaining portions of this Contract, or modification, are capable of implementation, and so decree. In the event that a portion declared invalid shall frustrate the purpose of this Contract, the Court shall declare the entire Contract invalid.

Indemnification. To the extent allowed by law, Crystal Clear and City, each agree to defend, indemnify and hold harmless the other Party and their respective directors, officers, employees, agents and consultants against and from, any and all claims, demands, cause of action, indemnifications, suits, or litigation (including all costs, expenses, and attorney's fees incurred with respect to any such matters) of every kind and character, brought or asserted for injuries or death of any persons, or for damaged property, or for any other damage, fine or penalty whatsoever, arising out of, resulting from, or in connection with the actions of the respective Party in the fulfillment of their duties and obligations contained in this Contract. The covenant to defend, indemnify and hold harmless contained in this Section, includes, without limitation, any injury, death, damage, fine or penalty which in any part arises out of, results from, or occurs in connection with the negligence or fault of the respective Party or their respective directors, officers, employees, agents or consultants. The Parties may perform their respective duties under this Section by insurance contracts, contracts for indemnity, or other legal means of providing risk allocation or self insurance.

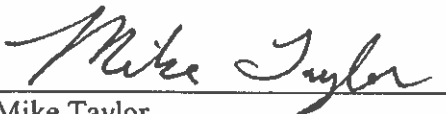
Force Majeure. In case by reason of Force Majeure, either party hereto shall be rendered unable wholly or in part to carry out its obligations under this Agreement, then if such party shall give notice and full particulars of each Force Majeure in writing to the other party within a reasonable time after occurrence of the event or cause relied on, the obligation of the party giving such notice, so far as it is affected by such Force Majeure shall be suspended during the continuance of the inability then claimed, but for no longer period, and any such party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "Force Majeure" as employed herein, shall mean acts of God, strikes, lockouts, or other industrial disturbances, acts of public enemy, war, orders, changes in existing or future laws or regulations of any kind of the courts of Government of the United States of Texas or any civil or military authority, imposition of present or future limitations

in laws or regulations of any kind of the courts of Government of the United States of the State of Texas or any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquake, fires, hurricanes, storms, floods washouts, chemical spills, introduction of hazardous substances, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipelines, wells or canals, partial or entire failure of water supplies and inability on part of Crystal Clear to deliver water hereunder, or of City receive water hereunder, on account of any other causes not reasonably within the control of the party claiming such inability. 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 above requirement that only Force Majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes and lockouts as according to the demands of the opposing party or parties when such course is unfavorable in the judgment of the party having the difficulty. In the event of an extended shortage of water, or the supply of water available to Crystal Clear is otherwise diminished over a period time, the supply of water to the City shall be reduced or diminished in the sum ration or proportions as the supply to Crystal Clear non-potable consumers is reduced or diminished. Payment under this contract shall be reduced in the same proportion.


Miscellaneous. In the event that any legal proceeding is brought to enforce this Contract, or any provisions hereof, the same may be brought in the county of the headquarters of either party. This Contract, consisting of seven pages, constitutes the entire understanding between the Parties at the date of its approval. This Contract shall be governed by and construed in accordance with the laws of Texas, except for any applicable federal laws, rules and regulations. This Contract shall be executed in counterparts, each of which shall be deemed an original. Crystal Clear, City, and CRWA will respectively receive an original, with the fourth to be filed with the Texas Commission on Environmental Quality. **Exhibit A** referenced below is integral to this Contract, and defines the point of delivery for the ten year term of this contract. A copy of this Water Lease Agreement may be filed with the Texas Commission on Environmental Quality.

IN WITNESS WHEREFORE, the Parties hereto, action upon lawful public agenda notice and meeting of the respective Boards duly constituted, under the authority of the respective governing bodies, have caused this Contract to be duly executed in multiple counterparts, each of which shall constitute an original. This Contract is effective on the 31st day of December, 2013 and delivery shall commence on or after January 1, 2014 and shall terminate on the 31st day of December, 2023.


For Crystal Clear WSC:

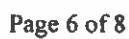

Mike Taylor
General Manager

For City of Cibolo:


Robert T. Herrera
City Manager

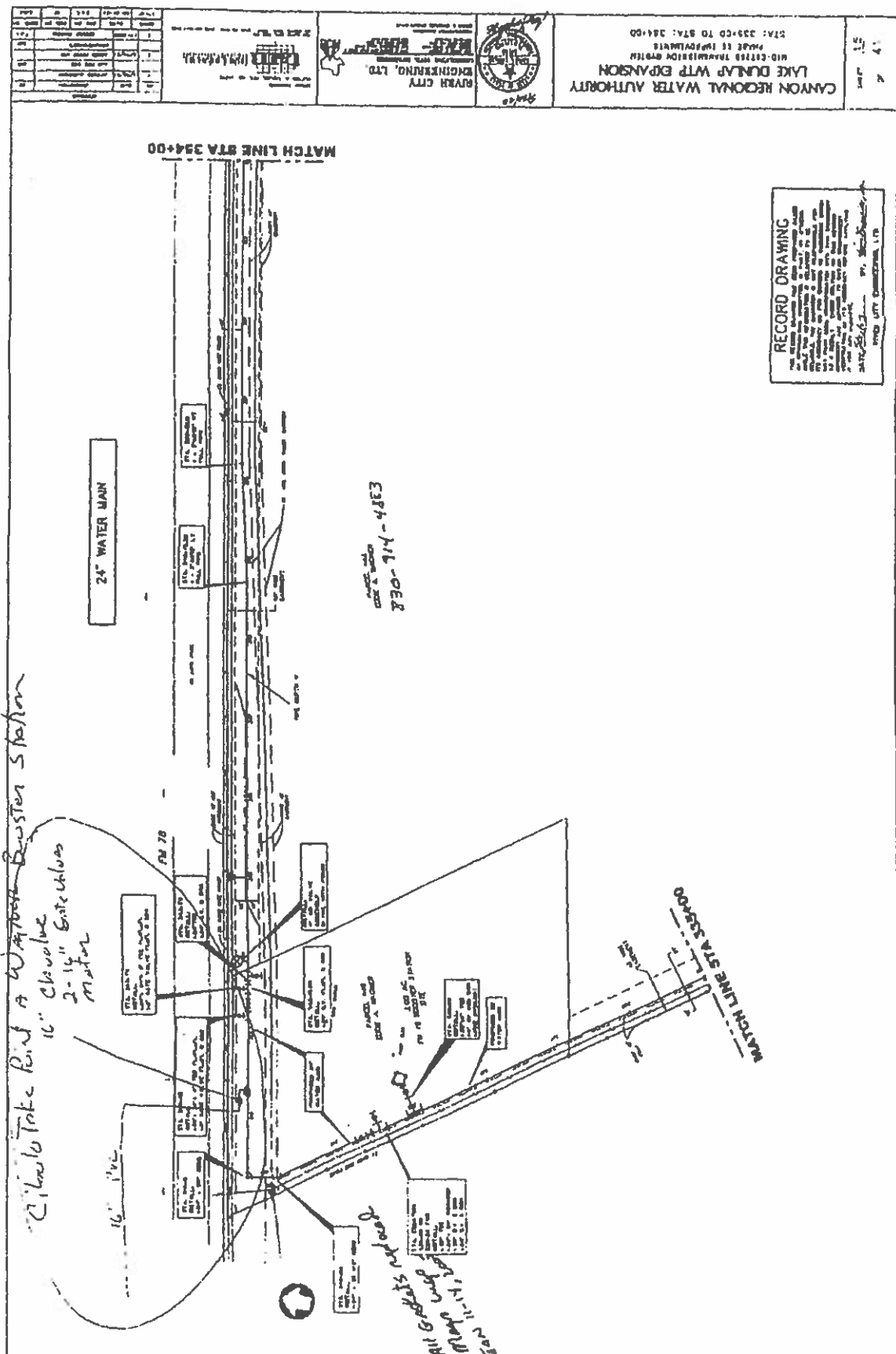
For Canyon Regional Water Authority:


General Manager





Circle 16 Take P. of a Water Booster Station



FINAL

REGIONAL WATER SUPPLY CONTRACT

June 14, 2016

between

CANYON REGIONAL WATER AUTHORITY

and

CITY OF CIBOLO, TEXAS,

CITY OF MARION, TEXAS,

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT,

EAST CENTRAL SPECIAL UTILITY DISTRICT,

GREEN VALLEY SPECIAL UTILITY DISTRICT,

SPRINGS HILL WATER SUPPLY CORPORATION, and

**CITY OF SAN ANTONIO, TEXAS, ACTING BY AND THROUGH
THE SAN ANTONIO WATER SYSTEM**

LAKE DUNLAP/MID-CITIES PROJECT

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REGIONAL WATER SUPPLY CONTRACT (2016)

THIS REGIONAL WATER SUPPLY CONTRACT (this "Contract") dated as of June 14, 2016 (the "Contract Date") is between the CANYON REGIONAL WATER AUTHORITY, a regional water authority created under and essential to accomplish the purposes of Article XVI, Section 59 of the Constitution of the State of Texas (the "Authority"), and CITY OF SAN ANTONIO, TEXAS, ACTING BY AND THROUGH THE SAN ANTONIO WATER SYSTEM (AS SUCCESSOR IN INTEREST TO THE BEXAR METROPOLITAN WATER DISTRICT) and the CRYSTAL CLEAR SPECIAL UTILITY DISTRICT, a special utility district created by a special act of the Texas Legislature, the EAST CENTRAL SPECIAL UTILITY DISTRICT and the GREEN VALLEY SPECIAL UTILITY DISTRICT, each a special utility district created under Chapter 65, as amended, Texas Water Code, the SPRINGS HILL WATER SUPPLY CORPORATION, a non-profit water supply corporation duly organized and operating under the laws of the State of Texas, including Section 67.001 of the Texas Water Code, et seq., as amended, and the Texas Non-Profit Corporation Act, the CITIES OF CIBOLO, TEXAS, a home rule municipality, and the CITY OF MARION, TEXAS, a Type A general law municipality (as the "Original Participating Parties", which, together with any Additional Participating Parties as hereinafter defined, are collectively or individually referred to herein as "Participating Parties").

PREAMBLE AND WITNESSETH:

WHEREAS, the Authority was created to purchase, own, hold, lease, and otherwise acquire sources of a potable water supply; to build, operate, and maintain facilities for the treatment and transportation of water; to sell potable water to local governments, water supply corporations, and other persons in the State of Texas; and to protect, preserve, and restore the purity and sanitary condition to water in the Authority; and

WHEREAS, the Authority's boundaries currently include all of the territory located in the service area of its members as provided in their respective certificates of convenience and necessity issued by the Texas Commission on Environmental Quality (the "Commission"); and

WHEREAS, each of the Authority's members currently provides potable water utility service to its customers; and

WHEREAS, in the pursuit of its purposes, the Authority and the Participating Parties have previously entered into a certain "Water Purchase Contract among Guadalupe-Blanco River Authority and Canyon Regional Water Authority and City of Cibolo, City of Marion, East Central Water Supply Corporation, Green Valley Special Utility District, Springs Hill Water Supply Corporation, and Bexar Metropolitan Water District", dated October 13, 1998, as amended and to include any future amendments thereto (the "GBRA Contract") with the Guadalupe Blanco River Authority ("GBRA"), providing in part for the purchase of raw water from GBRA in Lake Dunlap and the Authority has and anticipates entering into additional contracts to acquire surface water rights permitted by the State of Texas to purchase raw water for treatment and resale to the Participating Parties; and

WHEREAS, in the pursuit of its purposes, the Authority, Crystal Clear Water Supply Corporation, East Central Water Supply Corporation, and Springs Hill Water Supply Corporation have previously entered into a certain "Regional Taxable Water Supply Contract," dated August 1, 1998, as amended (the "Lake Dunlap Taxable Contract"), providing in part that the Authority will treat raw water purchased by the Authority under the GBRA Contract, or raw water from other sources, at the Lake Dunlap water treatment plant and resell such treated water to the other parties to the Lake Dunlap Taxable Contract; and

WHEREAS, in the pursuit of its purposes, the Authority, Green Valley Special Utility District, Bexar Metropolitan Water District, the City of Cibolo, Texas, and the City of Marion, Texas have previously entered into a certain "Regional Tax-Exempt Water Supply Contract," dated August 1, 1998, as amended (the "Lake Dunlap Tax-Exempt Contract"), providing in part that the Authority will treat raw water purchased by the Authority under the GBRA Contract, or from other sources, at the Lake Dunlap water treatment plant and resell such treated water to the other parties to the Lake Dunlap Tax-Exempt Contract (the Lake Dunlap Taxable Contract and Lake Dunlap Tax-Exempt Contract are collectively referred to as the "Lake Dunlap Contract"); and

WHEREAS, in the pursuit of its purposes, the Authority previously entered into certain Amendment No. 1 (dated November 1, 2003) and Amendment No. 2 (dated May 8, 2006) to the Lake Dunlap Contract (the "Mid-Cities Contract"), providing in part that the Authority will design and construct a water transmission line and related facilities to transport water purchased by some of the parties to the Lake Dunlap Contract or from other sources, treated at the Lake Dunlap water treatment plant, to such other parties; and

WHEREAS, the Authority previously issued three series of contract revenue refunding bonds to finance and refinance the original project and these contract revenue refunding bonds are supported by a separate take-or-pay contract by the contracting entities to those contracts, as amended, and this new Regional Water Supply Contract (2016) will refinance those contract revenue refunding bonds and this new take-or-pay contract will secure the issuance of a new series of tax-exempt contract revenue and refunding bonds to be issued in 2016; and

WHEREAS, in accordance with the Lake Dunlap Contract, the Authority has built, operates, and maintains an expanded water treatment facility located at Lake Dunlap and certain related facilities (the "Lake Dunlap Project") for the purposes of receiving, treating, storing, and transmitting certain of the water purchased pursuant to the GBRA Contract or purchased or leased pursuant to certain other contracts now in force or to be entered into in the future; and

WHEREAS, the parties to the Lake Dunlap Contract and the Mid-Cities Contract desire that the Authority design, construct, and install improvements at the Lake Dunlap water treatment plant enabling the Authority to add additional water disinfecting improvements including ozone to the Raw Water purchased under the GBRA Contract, as more specifically described in Exhibit D, attached hereto for all purposes (the "Ozone Project"); and

WHEREAS, in accordance with the Mid-Cities Contract, the Authority has also built, operates, and maintains transmission lines, including the use of certain Participating Parties' existing transmission lines and related facilities (the "Mid-Cities Project") for the purpose of transmitting certain of the water purchased pursuant to the GBRA Contract or purchased under the Lake Dunlap Contract and other contracts now in force or to be entered into in the future (the Lake Dunlap Project, Ozone Project, and Mid-Cities Project are collectively, the "Project"); and

WHEREAS, some of the Participating Parties hold and may acquire additional rights to Raw Water for treatment pursuant to the provisions of this Contract and thereafter to supply, redeliver, or sell this treated water in accordance with the provisions of this Contract; and

WHEREAS, to refinance the costs of the acquisition, construction, and equipping of the Project, and to prepay, redeemed, and defease the Refunded Obligations (hereinafter defined), the Authority intends to issue one or more series of its contract revenue refunding bonds or other debt obligations (the

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“Bonds”) pursuant to a negotiated public sale of those Bonds, to be secured by and payable from revenues received by the Authority pursuant to this Contract; and

WHEREAS, for and in consideration of the Authority acquiring the right to purchase Raw Water for treatment and resale as provided herein, the Participating Parties are willing and have agreed to contract with the Authority as hereinafter provided to acquire treated water from the Project and to pay the costs of the Project by assisting in the amortization of the principal of and interest on the Bonds and paying the Authority’s Operation and Maintenance Expenses (hereinafter defined); and

WHEREAS, the Authority and the Participating Parties are authorized to enter into this Contract pursuant to the Authority’s enabling statute, Chapter 670, Acts of the 71st Legislature, Regular Session, 1989, as amended (the “Act”), and Chapter 791, Texas Government Code, as amended (the “Interlocal Cooperation Act”), Chapter 1207 and 1371, as amended, Texas Government Code, and other applicable laws; and

WHEREAS, the Authority agrees that the Participating Parties shall continue to own their respective Certificates of Convenience and Necessity issued by the Commission, shall continue to own and operate their respective water pumping, storage, and distribution facilities, and any respective water treatment facilities currently or in the future owned by each of the Participating Parties; and

WHEREAS, the Authority’s Board of Trustees has directed that a portion of the Raw Water be made available (following treatment by the Authority) on a firm basis to parties who contract with the Authority pursuant to this Contract; and

WHEREAS, each of the Participating Parties under this Contract proposes to pay its share of the Operations and Maintenance Expenses for the treated water secured under this Contract; provided, however, that (i) only the parties to the Lake Dunlap Contract pay for Operations and Maintenance Expenses arising from the Lake Dunlap Project and Ozone Project; (ii) only the parties to the Mid-Cities Contract pay for Operations and Maintenance Expenses arising from the Mid-Cities Project; and (iii) any other Operations and Maintenance Expenses arising from other water be allocated to the parties who purchase such water, if any, as provided in this Contract; and

WHEREAS, the Parties agree to amend and restate the Lake Dunlap Contract and Mid-Cities Contract by the adoption of this Contract; provided, however, that this Contract supersedes the Lake Dunlap Contract and Mid-Cities Contract;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and subject to the terms and conditions hereinafter set forth, the Authority and each of the Participating Parties agree and contract as follows:

ARTICLE I Definitions

Section 1.01 Definitions.

The following terms and expressions as used in this Contract, unless the context clearly shows otherwise, shall have the following meanings:

- (1) “Act” means Chapter 670, Acts of the 71st Legislature, Regular Session, 1989, as amended.

(2) "Additional Participating Party(ies)" means any entity or entities hereafter agreeing pursuant to Section 6.01 of this Contract to be bound by the terms of this Contract, as it may be amended from time to time.

(3) "Adjusted Annual Payment" means the Annual Payment as adjusted by the Board during or after an Annual Payment Period, as provided by this Contract.

(4) "Annual Payment" means the amount of money to be paid to the Authority by each Participating Party during each Annual Payment Period as its share of the Annual Requirement.

(5) "Annual Payment Period" means the Authority's Fiscal Year, which currently begins on October 1 of each calendar year and ends on September 30 of the next following calendar year, but which may be any twelve consecutive month period fixed by the Authority; the first Annual Payment Period under this Contract is anticipated to be the period of October 1, 2015 through September 30, 2016.

(6) "Annual Requirement" means, during an Annual Payment Period, the total amount required to pay all Operation and Maintenance Expenses of the Authority and the Project and all costs and payments due and payable for the amortization of the Bonds.

(7) "Authority" means the Canyon Regional Water Authority, a regional water authority created under and essential to accomplish the purposes of Article XVI, Section 59 of the Constitution of the State of Texas created in accordance with the Act. Except as otherwise noted herein, actions required or permitted to be taken by the Authority under this Contract may be taken by the General Manager on behalf of the Board.

(8) "Board" means the governing body of the Authority.

(9) "Boardmembers" means a member or members of the Board.

(10) "Bond Resolution" means any resolution or other financing documents of the Authority which authorizes any Bonds.

(11) "Bonds" means all bonds, notes, or other debt obligations payable from and secured, in whole or in part, from the payments to the Authority under this Contract, and the interest thereon, hereafter issued by the Authority to finance the costs to acquire, construct, expand, renovate, improve, and equip the Project, and/or all bonds, notes, or other obligations issued subsequently to finance costs to improve and extend the Project, and any bonds or other obligations issued to refund any other bonds, notes, or other obligations to refund any other refunding bonds or other obligations.

(12) "Code" means the Internal Revenue Code of 1986, and any amendments thereto, as in force and effect on the date of delivery of any series of Bonds.

(13) "Commission" means the Texas Commission on Environmental Quality or any successor entity thereto.

(14) "Contract" means this new Regional Water Supply Contract, as initially executed and as it may be amended from time to time.

(15) "Credit Agreement" means any credit agreement, as defined in and authorized by the provisions of Chapter 1371, as amended, Texas Government Code which the Authority enters into relating to its obligations with respect to the Bonds.

(16) "EMMA" means the MSRB's Electronic Municipal Market Access system, accessible by the general public, without charge, on the internet through the uniform resource locator (URL) <http://www.emma.msrb.org>.

(17) "Fiscal Year" means the Authority's fiscal year, which currently begins on October 1 of each year and ends on September 30 of the following year, as it may be changed from time to time by the Authority with notice to the Participating Parties.

(18) "Force Majeure" means such term as it is defined in Section 5.04 of this Contract.

(19) "General Manager" means the general manager of the Authority's operations, including any party or entity that the Authority enters into a management contract to provide these services.

(20) "Lake Dunlap Contract" means such term as it is defined in the preamble of this Contract.

(21) "Lake Dunlap Project" means such term as it is defined in the preamble of this Contract.

(22) "Lake Dunlap Tax-Exempt Contract" means such term as it is defined in the preamble of this Contract.

(23) "Lake Dunlap Taxable Contract" means such term as it is defined in the preamble of this Contract.

(24) "Land Interests" means the easements, right-of-way, and other interests in real property necessary for the acquisition, construction, and operation of the Project.

(25) "Mid-Cities Contract" means such term as it is defined in the preamble of this Contract.

(26) "Mid-Cities Project" means such term as it is defined in the preamble of this Contract.

(27) "MSRB" means the Municipal Securities Rulemaking Board and any successor to its duties.

(28) "Operation and Maintenance Expenses" means, during an Annual Payment Period, all direct costs and expenses incurred and paid by the Authority for the operation and maintenance of the Project, including (for greater certainty but without limiting the generality of the foregoing) amounts payable under the GBRA Contract and/or any contract with any federal, state, or local agency for the construction, operation, and/or water storage rights or other interests in water from any source of Raw Water acquired by the Authority, any contribution or payment in lieu of taxes or any fee or charge by any government authority relating to the Authority's sale of treated water hereunder, the costs of utilities, supervision, engineering, accounting, auditing, legal services, insurance premiums, supplies, services, and administration of the Project, Overhead Expenses, and costs of operating, repairing, maintaining, and replacing equipment for proper operation and maintenance of the Project. The term "Operation and Maintenance Expenses" does not include depreciation charges or such portion of the above-described costs to the extent such costs are paid pursuant to an agreement other than this Contract.

(29) "Original Participating Parties" means City of San Antonio, Texas, acting by and through the San Antonio Water System, Crystal Clear Special Utility District, East Central Special Utility District, Green Valley Special Utility District, Springs Hill Water Supply Corporation, and the Cities of Cibolo and Marion, Texas, each contracting with the Authority pursuant to the terms of this Contract.

(30) "Overhead Expenses" means the reasonable and necessary costs and expenses incurred and paid by the Authority which are directly related to the issuance and servicing of the Bonds; the acquisition of Land Interests required for the Project, if any; the design, permitting, financing, acquisition, construction, and ownership of the Project; and any other activities required of or involving the Authority directly in connection with or attributable to the Project or the Bonds, including, but not limited to:

(a) per diem and reimbursable expenses incurred by the Board for special meetings of the Board related solely to the Project, or a portion of such expenses if a special meeting relates to other Board matters in addition to the Project;

(b) services of the professional, technical skilled and unskilled persons and firms engaged by or associated with the Authority, other than Authority staff personnel, together with the reimbursable expenses of such persons and firms paid by the Authority;

(c) salaries of the Authority's staff attributable to the Project or the Bonds based on time expended, as documented or reasonably estimated by the General Manager of the Authority, times an overhead factor of two (2), which factor shall be subject to adjustment by the Authority from time to time in response to actual or reasonably projected overhead expenses of the Authority;

(d) the costs of preparing applications for and obtaining all approvals and authorizations required for the Project or the Bonds from the regulatory authorities having jurisdiction;

(e) the cost of property casualty and public liability insurance; including any insurance deductible charged to or required to be paid by the Authority;

(f) all costs incurred in litigation involving or relating to the Project; and

(g) any and all other costs and expenses, including out-of-pocket expenses, incurred by the Authority attributable to the Project or the Bonds, whether enumerated above or not and whether or not included in the definition or as a part of Project Costs.

(31) "Ozone Project" means such term as it is defined in the preamble of this Contract.

(32) "Participating Party(ies)" means certain of the Original Participating Parties and all Additional Participating Parties from time to time subject to this Contract.

(33) "Permitted Liens" means:

(a) Minor irregularities, charges, liens, encumbrances, defects, easements, licenses, rights-of-way, servitudes, restrictions, mineral rights, and clouds on title which, in the opinion of counsel to the Authority, do not materially impair the use of the Project for the purposes for which it is designed.

(b) Easements for roads (as used in this Contract, the term "roads" shall include, without limitation, streets, curbs, gutters, drains, ditches, sewers, conduits, canals, mains, aqueducts, aerators, connections, ramps, docks, viaducts, alleys, driveways, parking areas, walkways, and trackage), utilities (which for purposes of this Contract shall include, without limitation, water, sewer, electricity, gas, telephone, pipeline, railroad, and other collection, transportation, light, heat, power, and communication systems) and similar easements and other easements, rights-of-way, rights of flowage, flooding, diversion or outfall, licenses, restrictions, and obligations relating to the operation of the Project which, in the opinion of counsel to the Authority, do not materially impair the use of the Project for the purposes for which it is designed.

(c) Rights of the United States or any state or political subdivision thereof, or other public or governmental authority or agency or any other entity vested with the power of eminent domain to take or control property or to terminate any right, power, franchise, grant, license, or permit previously in force.

(34) "Point(s) of Delivery" means the point or points designated in Exhibit B to this Contract or by subsequent agreement where water will be delivered by the Authority to Participating Parties from the Project.

(35) "Project" means the "Project" as defined in the preamble of this Contract and reflects the expansion of the original projects commonly known as the Lake Dunlap Project and the Mid-Cities Project and the construction of the new Ozone Project.

(36) "Project Costs" means and includes, without limitation, the following costs incurred for the Project by or on behalf of the Authority:

- (a) the cost of acquisition of the Land Interests, including appraisals, closing costs and title insurance policies;
- (b) the cost of acquisition, construction, repair, replacement, or improvement of any structure, item of equipment, or other item, used for, or in connection with, the Project;
- (c) the cost of site preparation of the Land Interests, including demolition or removal of structures and improvements as necessary or incident to accomplishing the Project;
- (d) the cost of engineering, legal, architectural or other related services;
- (e) the preparation cost of plans, specifications, studies, surveys, cost estimates, and other expenses necessary or incident to planning, providing, or financing the Project;
- (f) the cost of machinery, equipment, furnishings, and facilities necessary or incident to placing the Project in operation;
- (g) finance charges and interest before, during, and after construction;
- (h) costs incurred in connection with financing the Project, including, without limitation:
 - a. financing, legal, accounting, financial advisory, rating agency, and auditing fees, expenses and disbursements;
 - b. the costs of a Credit Agreement;
 - c. the cost of printing, engraving, and reproduction services; and
 - d. the cost of a trustee's or paying agent's initial or acceptance fee and subsequent fees.
- (i) all costs, fees and expenses of litigation of all kinds;
- (j) the cost of property casualty and public liability insurance;
- (k) the Authority's Overhead Expenses; and
- (l) other costs generally recognized as a part of project construction costs.

(37) "Raw Water" means untreated water delivered by GBRA pursuant to the GBRA Contract or surface water rights acquired by the Authority permitted by the State of Texas.

(38) "Refunded Obligations" means (1) Canyon Regional Water Authority Tax-Exempt Contract Revenue Refunding Bonds, Series 2006 (Lake Dunlap Project), dated May 1, 2006, in the original principal amount of \$21,130,000; (2) Canyon Regional Water Authority Taxable Contract Revenue Refunding Bonds, Series 2006 (Lake Dunlap Project), dated May 1, 2006, in the original principal amount of \$5,245,000; and (3) Canyon Regional Water Authority Tax-Exempt Contract Revenue Refunding Bonds, Series 2006 (Mid-Cities Project), dated May 1, 2006, in the original principal amount of \$27,910,000.

(39) "Rule" means SEC Rule 15c2-12, as amended from time to time.

(40) "SEC" means the United States Securities and Exchange Commission and any successor to its duties.

(41) "Sale and Offering Documents" means any official notice of sale, official bid form, preliminary official statement, official statement, application to the Texas Water Development Board, or other offering document for the Bonds.

(42) "State" means the State of Texas.

(43) "System" means all properties, facilities and plants (including the Project) currently owned, operated, and maintained by the Authority for the supply, treatment, and transmission of treated potable water, together with all future extensions, improvements, replacements and additions thereto, whether situated within or without the limits of the Authority; provided, however, that notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term System shall not mean to include facilities of any kind which are declared not to be a part of the System and which are acquired or constructed by or on behalf of the Authority with the proceeds from the issuance of Special Facilities Bonds, which are hereby defined as being special revenue obligations of the Authority which are not payable from revenues of the System but which are payable from and equally and ratably secured by other liens on and pledges of any revenues, sources or payments, not pledged to the payment of the Bonds including, but not limited to, special contract revenues or payments received from any other legal entity in connection with such facilities.

Section 1.02 Construction.

Unless the context requires otherwise, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa. This Contract and all the terms and provisions hereof shall be constructed to effectuate the purposes set forth herein and to sustain the validity of this Contract.

ARTICLE II Representations and Warranties

Section 2.01 Representations and Warranties of Authority.

The Authority hereby represents and warrants that the GBRA Contract, the Lake Dunlap Contract, and the Mid-Cities Contract have been duly executed by each of the parties thereto and that the GBRA Contract, the Lake Dunlap Contract, and the Mid-Cities Contract are in full force and effect; the Authority has full power and authority to sell or otherwise convey treated water to the Participating Parties in accordance with the terms of the GBRA Contract and this Contract and the execution and delivery of this Contract by the Authority and the performance by the Authority of the provisions hereof do not and will not conflict with or constitute on the part of the Authority a breach or a default of any provision of the GBRA Contract or any other contract or agreement of the Authority.

Section 2.02 Representations and Warranties of Participating Parties.

Each of the Participating Parties hereby represents and warrants that it has full power and authority to purchase treated water from the Authority in accordance with the terms of this Contract; and the execution and delivery of this Contract by each Participating Party and the performance of the provisions hereof by each Participating Party do not and will not conflict with or constitute on the part of such Participating Party a breach or a default of any provision of any other contract or agreement of such Participating Party.

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ARTICLE III
Construction of Project and Issuance of Bonds

Section 3.01 Construction of Project.

The Authority agrees that the acquisition, construction, and improvement of the Project by the Authority has been and will be accomplished in accordance with generally accepted engineering practices and, subject to the issuance of the Bonds pursuant to Section 3.02 to provide part or all of the source of funds, with all practical dispatch, and that the Ozone Project, that has had a successful full scale pilot operations since the Fall of 2015, will be completed and operational no later than August 1, 2017.

Section 3.02 Issuance of Bonds.

A. Subject to approval by each Participating Party, the Authority may issue its Bonds, payable from and secured by a pledge of the Annual Payments from this Contract to finance the costs of acquiring, constructing, extending, enlarging, repairing, renovating, equipping, and otherwise improving the Project.

B. Each Bond Resolution of the Authority shall specify the exact principal amount of the Bonds to be issued thereunder, which Bonds shall mature within the maximum allowable period or such shorter period as determined by the Authority and shall bear interest not exceeding the maximum allowable rates, all as permitted by law, and each Bond Resolution shall contain such other terms and provisions pertaining to the security and payment of Bonds and the operation and maintenance of the Project as may be necessary for the marketing and sale of the Bonds. Subject to approval by each Participating Party, the Authority may from time to time issue its Bonds in such amounts as are within its judgment and discretion sufficient to achieve full implementation of the Project.

C. Prior to the final adoption of a Bond Resolution or any amendment of a Bond Resolution by the Authority's Board of Trustees, a draft of the proposed Bond Resolution, and the Sale and Offering Documents shall be presented to the Participating Party for review and approval. Within sixty days of receipt of the drafts, each Participating Party shall either approve or disapprove the proposed documents by written notice to the Authority. If approved, the approval shall be evidenced by a resolution of the Participating Party's governing body approving the issuance of Bonds and delegating to an authorized representative the approval of the final terms and provisions of the Bonds, including the principal amount, as reflected in the final Bond Resolution.

D. Upon the Participating Party approval of (i) each form of Bond Resolution hereafter adopted by the Authority, (ii) any amendments to any Bond Resolution, and (iii) the Sale and Offering Documents and the delivery to the Authority of a certification signed by the authorized representative of the Participating Party to the effect that the Bond Resolution and the Sale and Offering Documents comply with this Contract, then upon the adoption and approval of the Bond Resolution in such final form by the Authority's Board of Trustees, the execution of an approval certificate by the authorized representatives of each of the Participating Parties approving the final terms and provisions of the Bonds and the Bond Resolution, and the issuance and delivery of the Bonds to the purchaser thereof, the Bond Resolution shall for all purposes be considered approved by the Authority and deemed to be in compliance with this Contract in all respects, and the Bonds issued thereunder will constitute Bonds as defined in this Contract for all purposes. Any owner of Bonds is entitled to rely fully and unconditionally on any such approval.

E. All covenants and provisions in the Bond Resolution affecting, or purporting to bind, the Participating Party, shall, upon the delivery of the Bonds, become absolute, unconditional, valid, and

binding covenants and obligations of the Participating Party so long as said Bonds and interest thereon are outstanding and unpaid, and may be enforced as provided in this Contract and the Bond Resolution. Particularly, the obligation of the Participating Party to make, promptly when due, all Annual Payments specified in this Contract and all payments described in Section 5.03 hereof shall be absolute and unconditional, and said obligation may be enforced as provided in this Contract. In addition, subject to the approval of the Participating Party, the Authority may enter into Credit Agreements, to the extent permitted by law, for the purpose of achieving the lowest financing costs for the Project.

Section 3.03 Liens. Neither the Participating Parties nor the Authority will create or permit or suffer to exist any lien, encumbrance, or charge upon the Project or any interest therein at any time, except Permitted Liens.

Section 3.04 Tax-Exempt Bonds. The parties hereto understand and agree that the Authority will use its best efforts to provide for, but will not be liable for a failure to produce, the lowest overall debt service cost for the Bonds to be issued for the Project. In connection therewith, the parties intend that the Authority will issue Bonds the interest on which is excludable from the gross income of the owners thereof for federal income tax purposes. The parties hereto acknowledge their understanding that the federal income tax laws impose certain restrictions on the use and investment of proceeds of such tax-exempt bonds and on the use of the property financed therewith and the output produced therefrom. Accordingly, the parties agree and covenant that if the Bonds are offered to investors with the understanding that the interest will be exempt from federal income taxation, then the parties, their assigns and agents, will take such action to assure, and refrain from such action which will adversely affect the treatment of such Bonds as obligations described in section 103 of the Code. Should either party fail to comply with such covenant, the effect of which being that the Bonds no longer qualify as obligations described in the Code, such defaulting party shall be liable for all costs resulting from the loss of the tax-exempt status of the Bonds. The parties hereby agree and covenant to comply with all of the representations and covenants relating to such exemption which are set out in any Bond Resolution. The parties further agree and covenant that in the event the Bonds issued are to be tax-exempt, they will modify such agreements, make such filings, restrict the yield on investments, and take such other action necessary to fulfill the applicable provisions of the Code. For these purposes, the parties may rely on the respective opinion of any firm of nationally-recognized bond attorneys selected by them. In the event that a conflict arises in the opinions of the respective firms of each of the parties, the parties will identify a different firm, that is mutually acceptable to both parties, in order to resolve the conflict of opinion.

Section 3.05 Payment to Rebate Fund. In the event that tax-exempt Bonds are issued as provided in Section 3.04, the Authority hereby covenants and agrees to make the determinations and to pay any deficiency into a rebate fund, at the times and as described in the Bond Resolution to comply with the provisions of section 148(0)(2) of the Code. In any event, if the amount of cash held in the rebate fund shall be insufficient to permit the trustee or paying agent to make payment to the United States of America of any amount due on any date under section 148(f)(2) of the Code, the Authority forthwith shall pay the amount of such insufficiency on such date to the trustee or paying agent in immediately available funds for such purpose.

Section 3.06 Sale and Offering Documents. At the request of the Authority, the Participating Parties shall provide to the Authority current and historical information concerning their respective utility systems, general fund information, the financial conditions results, and prospects of the Participating Parties, and such other information concerning the Participating Parties as the Authority shall deem advisable for inclusion in the Sale and Offering Documents for the Bonds of each series and shall certify to the Authority and the underwriters of any offering of Bonds to be made by means of such Sale and Offering Documents when and if the Participating Parties deem such Sale and Offering Documents to be

complete and final for purposes of the Rule. The Participating Parties represent and warrant that all statements concerning the Participating Parties (including, without limitation, their financial condition, results, and prospects, their utility system, and any demographic and economic information concerning the area served by their utility system) that are contained in any Sale and Offering Document shall be true in all material respects and shall not omit to state any material fact necessary to make the statements made in such Sale and Offering Document, in the light of the circumstances in which they are made, not misleading.

Section 3.07 Authority's Rights Assigned to Trustee. The Participating Parties are advised and recognize that as security for the payment of the Bonds, the Authority may assign to a trustee, pursuant to one or more trust indentures to be authorized by the Bond Resolution, the Authority's rights under this Contract, including the right to receive the Annual Payments hereunder and the amounts described in Section 5.03 hereof. The Participating Parties herewith assent to such assignment and will make the Annual Payments and the payments described in Section 5.03 hereof directly to the trustee without defense or set-off by reason of any dispute between the Participating Parties and the Authority or the trustee. All rights against the Participating Parties arising under this Contract or the Bond Resolution and assigned to the trustee may be enforced by the trustee, or the owners of the Bonds, to the extent provided in the Bond Resolution, and the trustee, or the owners of the Bonds, shall be entitled to bring any suit, action, or proceeding against the Participating Parties, to the extent provided in the Bond Resolution, for the enforcement of this Contract, and it shall not be necessary in any such suit, action, or proceeding to make the Authority a party thereto.

ARTICLE IV

Sale and Purchase of Treated Water; Operating Requirements

Section 4.01 Water Conveyance; Option to Purchase.

A. The Participating Parties hereby agree to pay for the right to receive from the Authority and the Authority hereby agrees to sell to the Participating Parties all of the treated Raw Water produced by the Authority through the Project not to exceed the quantities described in Exhibit A subject to the terms and provisions of this Contract or other contracts which generate System revenues, including a general rate tariff approved by the Board; provided, however, that upon no less than two years' written notice from the Authority to the Participating Parties, the Authority shall have the right to purchase, and the Participating Parties hereby each agree to relinquish their right to purchase, treated water produced by the Project upon reduction, on a proportionate basis, of the Participating Parties' share of their Annual Payments under this Contract as provided in Section 5.04 hereof. It is expressly recognized that the treated water delivered to each Participating Party as disclosed in Exhibit A shall be owned by such Participating Party and may be sold or otherwise conveyed by such Participating Party in accordance with applicable law; provided, however, before any Participating Party enters into a contract or other agreement to transfer, sell, or convey any treated water received from the Authority pursuant to the terms of this Contract, such Participating Party shall afford the Authority the right of first refusal for a period of 90 days to obtain such treated water for redistribution to other Participating Parties. The Authority in the development of its rate methodology pursuant to this Contract may provide for a "surcharge" against a Participating Party or Parties that receives more treated water than their allocation as set forth in Exhibit A. Any such "surcharge" shall not apply to water acquired by the Authority. In addition, the Authority shall at least semiannually account for this "surcharge" by making any necessary changes to the Authority's budget to reflect these additional revenues received from a Participating Party from this "surcharge" and will "true up" these additional surcharge revenues or any other budget amendments to be reflected in the next year's annual budget for the Participating Parties as set forth in Section 5.02 hereof.

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B. Each of the Participating Parties shall be entitled to receive from the Authority the quantities of treated water identified in Exhibit A attached hereto and in accordance with this Contract. To the extent the Authority has acquired additional water under the GBRA Contract or from some other source, or to the extent any Participating Party does not request all of its allotted treated water as set forth on Exhibit A, or to the extent the Authority acquires a percentage share of the treated water produced by the Project pursuant to Paragraph A of this Section, the Authority may sell or otherwise use the allotted treated water not requested or the share of treated water produced by the Project and acquired by the Authority to supply treated water or spot water sales to other Participating Parties, to retail customers, if any, of the Authority, or on a spot basis. The Authority agrees to utilize the revenues from this potential sale of water pursuant to this Paragraph B to benefit all Participating Parties as these revenues will be accounted for at least semiannually and disclosed in connection with the Authority's next succeeding budget.

Section 4.02 Points of Delivery.

Each Participating Party agrees to take treated water at the Point(s) of Delivery for such Participating Party set forth in Exhibit B hereto. Modification of such Points of Delivery may be mutually agreed to in writing between each Participating Party, respectively, and the Authority. The Authority will maintain ownership of the connection (being any device, including welded pipe connections, water installations, valves, meter vaults, or similar devices) between the Authority's System and the utility system of the Participating Parties.

Section 4.03 Resale.

Participating Parties hereby agree not to sell treated water purchased from the Authority under this Contract to any person or entity outside such Participating Party's boundaries or prescribed service area (as the boundaries or prescribed service area may be adjusted by the Participating Party in its sole discretion and as approved by any regulatory authority with jurisdiction from time to time) unless the Participating Party has received prior written approval from the Board and are subject to compliance with Section 4.01A above, which shall not be unreasonably withheld or delayed. Approval to make retail sales of treated water to individual customers outside such boundaries or prescribed service area may be granted by the General Manager of the Authority, which shall not be unreasonably withheld or delayed. Approval to make wholesale sales of treated water, other than spot water sales, pursuant to this Contract outside the Participating Party's boundaries or prescribed service area shall require the specific prior approval of the Board and are subject to compliance with Section 4.01A above, which shall not be unreasonably withheld or delayed. Notwithstanding any provision in this Section to the contrary, each Participating Party shall have the right and authority to continue to sell treated water on a retail or wholesale basis to all existing customers situated outside its corporate boundaries or prescribed service area and without the approval or consent of the Board or General Manager. Additionally, the Participating Parties shall have the right and authority to sell treated water received from other sources other than the Authority on a wholesale basis or otherwise without any limitation imposed by this Contract or approval by the Board or General Manager.

Section 4.04 Other Contracts.

A. If the Authority exercises its right to water under this Contract pursuant to Section 4.01, the Authority reserves the right to supply treated water from the Project or some other source to others on wholesale or retail basis. Each such contract with other entities shall be limited to the Authority's share of treated water covered by this Contract or some other source and shall not contain any provision which would adversely affect the Participating Parties' percentage share of treated water covered by this

Contract, except as permitted by Section 4.01. In addition, the Authority shall not sell treated water (or such sales will be suspended) pursuant to this Section 4.04 to any entity other than a Participating Party when a condition of drought or other water conservation measure exists which resulted in all Participating Parties having their allocation of treated water reduced on a pro rata basis.

B. The parties hereto recognize and acknowledge that the Authority shall have the right and authority to contract or make other arrangements with respect to its percentage share of water from the Project without limitation or approval of any Participating Party subject to Section 4.04 A.

Section 4.05 Quality.

A. The water to be delivered by the Authority and received by each Participating Party shall be treated water from the Project of a quality and chemical characteristics acceptable to the Participating Parties as described in Exhibit E and sufficient quality to meet the requirements for potable water established by the Commission and the United States Environmental Protection Agency, to be analyzed at the Point of Delivery. Each Participating Party has satisfied itself that such water if delivered in compliance with this section will be suitable for its needs.

The Authority shall not be responsible for maintaining any particular amount of chlorine residuals at any point in any Participating Party's utility system.

B. The Authority shall periodically and at a minimum, no less than as may be required by any regulatory authority having jurisdiction, collect samples at the Point of Delivery of treated water delivered to Participating Parties and other customers and cause same to be analyzed consistent with guidelines established by the Commission using the then-current edition of Standard Methods for Examination of Water and Wastewater as published by the American Water Works Association ("AWWA") and others.

C. The Authority shall cooperate with any Participating Party in responding to any regulatory or legal inquiry related to the quality of water delivered under this Contract.

Section 4.06 Metering Equipment.

A. The Authority will furnish, install, operate, and maintain at its expense the necessary equipment and devices (including a meter house or pit) of standard type required for measuring the quantity of water delivered under this Contract from the Project to each Participating Party's Point or Points of Delivery. Such meters and other equipment so installed shall be the property of the Authority. The Authority shall inspect, calibrate, and adjust its meters at least annually as necessary to maintain accurate measurements of the quantity of water being delivered. Each Participating Party shall have access to the metering equipment at all reasonable times for inspection and examination, but the reading, calibration, and adjustment thereof shall be done only by employees or agents of the Authority. The Authority will notify each Participating Party of any scheduled reading, inspection, calibration, or adjustment at least three (3) business days in advance of the scheduled date. If a Participating Party so requests, the Participating Party may observe such reading, inspection, calibration, and adjustment of meters. Any measuring device which fails to function or which functions incorrectly shall promptly be adjusted, repaired, or replaced by the Authority. Replacement shall be by a like device having the required accuracy. A meter registering not more than five percent (5%) above or below the test results shall be deemed to be accurate. The previous readings of any meter disclosed by tests to be inaccurate shall be corrected for a period equal to one-half (1/2) the time elapsed since the date of the immediately preceding meter test at which no inaccuracy was discovered, but in no event will a period of correction exceed six

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(6) months, in accordance with the percentage of inaccuracy found by such tests. If any meter fails to register for any period, the amount of water furnished during such period shall be deemed to be the amount of water delivered in the corresponding period immediately prior to the failure, unless the Authority and the Participating Party shall agree upon a different amount. All readings of meters will be entered upon proper books of record maintained by the Authority. Any Participating Party may have access to said record books during the Authority's normal business hours.

B. Under the GBRA Contract, the Authority is required to install metering devices to measure the amount of water taken from Canyon Lake and purchased from GBRA. Such metering devices shall be considered to be a part of the Project.

C. Notwithstanding the requirements for other notices provided in this Contract, any notice, communication, request, reply, or advice from the Authority to a Participating Party, or vice versa, relating to the activities described in Subsection A above, or any other communication relating to the devices for metering of water, may be by electronic or telephone communication, provided receipt of the notice is confirmed by the intended recipient.

Section 4.07 Pressure, Backflow, Maximum Rate of Flow.

A. The Authority shall deliver treated water to the Point(s) of Delivery for each Participating Party (subject to the provisions of Section 4.08) at a pressure of not less than 35 psi or at such other pressure agreed upon by the Authority and the Participating Party. If a Participating Party requires a greater or lesser pressure, such Participating Party shall bear all of the costs of providing such greater or lesser pressure. Pressure failure due to supply line breaks, power failures, flood, fire, earthquakes, other catastrophes, or use of water to fight fires, or any other cause beyond the reasonable control of the Authority shall relieve the Authority from compliance with this provision for such reasonable period of time as may be necessary to restore pressure.

B. The Authority shall install and maintain at its sole expense at each Point of Delivery a backflow preventor of AWWA-approved quality. Each Participating Party shall have the right to inspect the backflow preventor at each of its Points of Delivery at such reasonable times at such Participating Party in its discretion may determine are required.

C. The maximum rate of flow per day that may be provided to each Participating Party by the Authority is established in Exhibit A hereto and incorporated by reference for all purposes to this Contract.

Section 4.08 Cross-Utilization of Lines.

A. Each Participating Party acknowledges that it may be efficient for certain of its transmission lines to be utilized in order for the Authority to transmit treated water to another Participating Party. In such case, the Authority may make a written request for use of the transmission line to the Participating Party that is the owner. The Participating Party that is the owner may approve or disapprove the request in its sole discretion, but shall provide a written response to the Authority within sixty (60) days of the Authority's request. In the event such use is approved, the Participating Parties involved agree to inform the Authority of any special requirements with respect to pressure or other matters relating to the transmitting Participating Party's lines.

B. The Authority will furnish, install, operate, and maintain at its expense meters at the point of exit from a Participating Party's lines to maintain accurate measurements of the quantity of water being

delivered by the Authority to a Participating Party through the lines of another Participating Party. Such meters shall be subject to inspection and examination by both Participating Parties in accordance with the provisions of Section 4.06.

C. In the event that repairs are required to be made to any lines of a Participating Party which are utilized for the transmission of treated water to another Participating Party, the receiving Participating Party shall participate in the cost of such repairs as may be agreed from time to time.

ARTICLE V Fiscal Provisions

Section 5.01 Annual Requirement.

Subject to the terms and provisions of this Contract, the Authority will provide and pay for the cost of the Project through the issuance of the Bonds. It is acknowledged and agreed that payments by the Participating Parties to the Authority under this Contract will be the sole or primary source of funds available to the Authority to provide the Annual Requirement. Each Participating Party shall be obligated to pay the full amount of its Annual Requirement notwithstanding that it may elect not to receive the full amount of treated water available to it under this Contract. In compliance with the Authority's duty to fix and from time to time to revise the rates and charges for services rendered under this Contract, the Annual Requirement may change from time to time. Each such Annual Requirement shall be allocated among the Participating Parties and the Authority based upon a rate methodology to be developed by the Authority according to their respective percentage shares of treated water covered by this Contract, including, but not limited to, Exhibit A, and the Annual Requirement for each Annual Payment Period shall be identified in each annual budget and shall at all times be not less than an amount sufficient to pay or provide for the payment of the following:

- A. all Operation and Maintenance Expenses; provided, however, that such methodology shall provide and ensure that (i) only the parties to the Lake Dunlap Contract shall pay for Operations and Maintenance Expenses arising from the Lake Dunlap Project and Ozone Project; (ii) only the parties to the Mid-Cities Contract pay for Operations and Maintenance Expenses arising from the Mid-Cities Project; and (iii) any other Operations and Maintenance Expenses arising from water to be allocated to the Parties who purchase such water, if any; and
- B. an amount to fund a special reserve for the Operation and Maintenance Expenses or for additional capital improvements to the Project; the total amount to be accumulated annually (subject to replenishment) for such operating and additional capital improvements reserve shall not exceed 25% of the annual Operation and Maintenance Expenses (estimated to be approximately three (3) months' expenses); provided, however, that such methodology shall provide and ensure that the parties' pro-rata obligations to fund this special reserve are consistent with their obligations to pay for Operations and Maintenance Expenses; and
- C. when the Authority and the Participating Parties agree to issue Bonds to finance the costs of the Project, a capital component, including principal, interest, premium, reserve funds, and other funds established or required by any Bond Resolution and to pay the principal of and interest on the Bonds; provided, however, that such methodology shall provide and ensure that (i) only the Participating Parties to the Lake Dunlap Contract shall pay for the Bonds arising from the Lake Dunlap Project and Ozone Project; (ii) only the

Participating Parties to the Mid-Cities Contract pay for the Bonds arising from the Mid-Cities Project; ~~and/or~~ (iii) any other Bonds arising from water to be allocated to the Participating Parties who purchase such water, if any.

Section 5.02 Annual Budget.

Each annual budget for the acquisition and/or operation and maintenance of the Project shall always provide for amounts sufficient to pay the Annual Requirement. Each Participating Party will be furnished a copy of such annual budget, and each Participating Party hereby acknowledges its ability to pay its share of the Annual Requirement from available funds budgeted therefor. On or before July 15 of each year thereafter commencing June 14, 2016, the Authority shall furnish to each Participating Party a preliminary estimate of the Annual Payment required from each Participating Party for the next following Annual Payment Period.

Not less than 60 days before the commencement of each Annual Payment Period beginning in Fiscal Year [2016-2017], the Authority (i) shall cause to be prepared a preliminary budget for the Project for the next ensuing Annual Payment Period and (ii) shall provide a copy of such preliminary budget to each Participating Party. A Participating Party who disputes any information in the preliminary budget shall submit written comments, questions, or requests for clarification about the preliminary budget directly to the Authority, with copy to each member of the Board, not less than thirty (30) days before the commencement of the Annual Payment Period. The Board may adopt the preliminary budget or make such amendments thereof as to it may seem proper; provided, however, no change or amendment to the preliminary budget will be made by the Board after such preliminary budget has been submitted to the Participating Parties which change or amendment would in effect increase the Annual Requirement without resubmitting such amended preliminary budget to the Participating Parties not less than 10 days prior to the date of the Board meeting scheduled for approval of the annual budget. The Board shall thereupon approve the annual budget. With respect to budgetary matters, the Participating Parties shall have the right only to comment on the preliminary budget; their approval of the preliminary or final annual budget shall not be required. The annual budget thus approved by the Board shall be the annual budget for the next ensuing Annual Payment Period. The annual budget, including the first annual budget, may be amended by the Authority at any time to transfer funds from one account or fund to another account or fund, provided such transfer will not increase the total budget and the transfer of funds is attributable to the costs of the Project or to the Project's maintenance and operation. Subject to notification to the Participating Parties, the amount for any account or fund, or the amount for any purpose, in the annual budget may be increased through formal action by the Board even though such action might cause the total amount of the annual budget for the Project to be exceeded; provided, however, such action shall be taken only in the event of an emergency or special circumstances which shall be clearly stated in the notice to the Participating Parties and in the resolution at the time such action is taken by the Board.

Notwithstanding anything herein to the contrary, no failure of the Authority to estimate, and no mistake by the Authority in any estimate of, the amount of or schedule for Annual Payments due from the Participating Parties in any Fiscal Year shall relieve the Participating Parties from (or allow them to defer) their absolute and unconditional obligation to make all Annual Payments in full when due.

Section 5.03 Payments by Participating Parties.

A. Subject to Sections 4.06 and 4.07B, each Participating Party agrees to pay a connection fee for each Point of Delivery equal to the total cost of material, labor, and equipment required to implement such connection.

B. For the treated water available to the Participating Parties under this Contract (whether or not the Participating Parties elect to receive such water), each of the Participating Parties agrees to pay, at the time and in the manner hereinafter provided, its share of the Annual Requirement. Each of the Participating Parties shall pay its part of the Annual Requirement for each Annual Payment Period directly to the Authority (or its assigns), in monthly installments in accordance with the schedule of payments furnished by the Authority, as hereinafter provided.

C. Each Participating Party shall pay a proportionate share of the Annual Requirement according to the rate methodology established in Section 5.01 of this Contract. The Authority shall charge each Participating Party its share of pumping costs according to the volume of water actually delivered.

D. Each Participating Party's allocated share of the Annual Requirement for each Annual Payment Period shall be made in accordance with a written schedule of payments for the appropriate Annual Payment Period which will be supplied to each of the Participating Parties by the Authority.

E. Notwithstanding the foregoing, the Annual Requirement, and each Participating Party's share thereof, shall be redetermined, after consultation with each of the Participating Parties, at any time during any Annual Payment Period, to the extent deemed necessary or advisable by the Authority, if:

- (1) the Authority exercises its option to acquire treated water pursuant to Section 4.01;
- (2) unusual, extraordinary, or unexpected Operation and Maintenance Expenses are required which are not provided for in the Authority's annual budget or reserves for the Project;
- (3) Operation and Maintenance Expenses of the Project are substantially less than estimated;
- (4) a Participating Party's interest under this Contract is terminated as provided herein or Additional Participating Parties become subject to this Contract;
- (5) the Authority issues Bonds for the Project; or
- (6) the Authority receives either substantially more or substantially less revenues or other amounts than those anticipated by the Authority at the time a Participating Party elects to execute this Contract or at the time any annual Preliminary Budget is distributed by the Authority. "Substantially" in this subsection (6) means by an amount of 15% or greater, determined in accordance with generally accepted accounting practices.

F. Each Participating Party hereby agrees that it will make payments to the Authority required by this Contract at the Authority's offices within thirty (30) days of the date a bill for service is deposited in the United States mail. If any Participating Party at any time disputes the amount to be paid by it to the Authority, such complaining party shall nevertheless promptly make such payment or payments; but if it is subsequently determined by agreement or by appropriate administrative, board, agency, or court decision that such disputed payments should have been less, or more, the Authority shall promptly revise and reallocate the charges in such manner that the Participating Party will recover its overpayment or the Authority will recover the amount due it. All amounts due and owing to the Authority by each Participating Party or due and owing to any Participating Party by the Authority shall, if not paid when due, bear interest at the maximum lawful nonusurious rate of interest per annum from the date when due until paid.

G. The Authority shall, to the extent permitted by law, suspend the delivery of services or water from the Project to any Participating Party which remains delinquent in any payments due under the preceding paragraph for a period of forty-five (45) days, and shall not resume delivery of services or water while such Participating Party is so delinquent. The Authority also retains the right to charge a

reconnection fee or other appropriate charges prior to commencing utility service to the delinquent Participating Party. It is further provided and agreed that if any Participating Party should remain delinquent in any payments due hereunder for a period of one hundred twenty days, and if such delinquency continues during any period thereafter, such Participating Party's minimum amount specified in Exhibit A, shall be deemed to have been zero gallons during all periods of such delinquency, for the purpose of calculating and redetermining the percentage of each Annual Payment to be paid by the non-delinquent Participating Parties and the Authority, and the Authority shall redetermine such percentage on that basis in such event so that the non-delinquent Participating Parties and the Authority collectively shall be required to pay all of the Annual Requirement; provided, however, that the delinquent Annual Payment amount shall be recalculated and redetermined as follows: (i) only the Participating Parties to the Lake Dunlap Contract shall pay for the portion of the delinquent Annual Payment that is related to the payment obligations arising from the Lake Dunlap Project and Ozone Project, based upon each Participating Party's pro-rata share specified in Exhibit A, as redefined in this Section; (ii) only the Participating Parties to the Mid-Cities Contract shall pay for the portion of the delinquent Annual Payment that is related to the payment obligations arising from the Mid-Cities Project, based upon each Participating Party's pro-rata share specified in Exhibit A, as redefined in this Section, and (iii) only the Participating Parties receiving other water shall pay for the portion of the delinquent Annual Payment that is related to the payment obligations arising from such other water. However, the Authority shall pursue all legal remedies against any such delinquent Participating Party to enforce and protect the rights of the Authority, the other Participating Parties, and the holders of the Bonds, if Bonds have been issued or incurred. The delinquent Participating Party shall not be relieved of the liability to the Authority for the payment of all amounts which would have been due hereunder had no default occurred or the percentage had not been redetermined as provided in this Section. It is understood that the foregoing provisions are for the benefit of the Authority and holders of the Authority's Bonds, if Bonds have been issued or incurred, so as to insure that all of the Annual Requirement will be paid by the non-delinquent Participating Parties and the Authority during each Annual Payment Period regardless of the delinquency of a particular Participating Party. If any amount due and owing the Authority by any Participating Party is placed with an attorney for collection, such Participating Party shall pay to the Authority all attorneys' fees, in addition to all other payments provided for herein, including interest.

H. If, during any Annual Payment Period, any Participating Party's Annual Payment is redetermined in any manner as provided or required in this Section, the Authority will promptly furnish such Participating Party with an updated schedule of monthly payments reflecting such redetermination.

Section 5.04 Unconditional Payments.

A. Notwithstanding any provision of this Contract to the contrary, while this Contract remains in effect each of the Participating Parties agrees to pay its share of the total cost of the Project and the Bonds. If the Authority elects to exercise its option to acquire a percentage share of the treated water covered by this Contract as provided in Section 4.01, the Annual Payment of each Participating Party shall be reduced to the proportion that each Participating Party's amount of water identified in Exhibit A bears to the total amount of water available from the Project. Initially, the Participating Parties agree to pay 100% of the Annual Requirement, but, if the Authority exercises its option to acquire treated water from the Project pursuant to Section 4.01, the Participating Parties and the Authority shall share the cost of the Project and the Bonds in proportion to quantities of treated water each is entitled to take from the Project pursuant to this Contract.

B. Recognizing that the Participating Parties urgently require the facilities and services of the Project, and that such facilities and services are essential and necessary for actual use and for standby purposes, and further recognizing the fact that the Authority will use payments received from the

Participating Parties to pay and secure the Bonds, it is hereby agreed that each of the Participating Parties shall be unconditionally obligated to pay, without offset or counterclaim, its share of the Annual Requirement, as provided and determined in this Contract, regardless of whether or not the Authority actually acquires, constructs, or completes the Project or is actually delivering water from the Project to any Participating Party hereunder, or whether or not any Participating Party actually receives or uses water from the Project whether due to Force Majeure or any other reason whatsoever, regardless of any other provisions of this or any other contract or agreement between any of the parties hereto. This covenant by the Participating Parties shall be for the benefit of and enforceable by the holders of the Bonds as well as the Authority.

C. If by reason of Force Majeure a Participating Party or the Authority shall be rendered unable wholly or in part to carry out its obligations under this Contract, other than the obligation of each Participating Party to make the payments required under Section 5.03 of this Contract, then if such party shall give notice and full particulars of such Force Majeure in writing to the other Participating Parties and/or the Authority, as appropriate, within a reasonable time after occurrence of the event or cause relied on, the obligation of the Participating Party or the Authority giving such notice, so far as it is affected by such Force Majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period, and such Participating Party or the Authority shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "Force Majeure" as employed herein shall mean acts of God, strikes, lockouts or other industrial disturbances, acts of public enemy, orders of any kind of the Government of the United States or the State of Texas, or any civil or military authority, insurrection, riots, epidemics, landslides, lightning, earthquake, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipelines or canals, partial or entire failure of water supply, or on account of any other causes not reasonable within the control of the party claiming such inability.

Section 5.05 Continuing Right to Treated Water.

For and in consideration of agreeing to the unconditional payments to be made under this Contract, each Participating Party is entitled to a firm right to treated water from the Project in the amounts indicated in Exhibit A, as such amount may be modified from time to time by the terms of this Contract. That right shall continue for the term of this Contract and any renewals thereof, subject to the terms of the GBRA Contract.

ARTICLE VI Additional Participating Parties

Section 6.01 Additional Participating Parties.

If water is available, the Authority and the Original Participating Parties agree that additional entities may become subject to the provisions of this Contract as Additional Participating Parties by providing the following to the Authority and the then Participating Parties:

- A. an executed signature page to this Contract in form satisfactory to the Authority;
- B. to the extent any representation contained in this Contract relating to Participating Parties does not correctly describe such entity, a revision of such representations satisfactory in form and content to the Authority in the Authority's sole discretion to be included on Exhibit C to this Contract;

C. a revised Exhibit A to this Contract satisfactory to the Authority and all then Participating Parties;

D. a revised Exhibit B to this Contract setting forth the Point(s) of Delivery for such entity which shall be satisfactory to the Authority;

E. a completed Exhibit C to this Contract to the extent applicable to such entity and in form satisfactory to the Authority; and

F. such other certifications and information as may be reasonably requested by the Authority and the then Participating Parties.

ARTICLE VII Special Conditions

Section 7.01 Operation and Maintenance of the Project.

The Authority will continuously operate and maintain the Project in an efficient manner and in accordance with good business and engineering practices, and at reasonable cost and expense. The Authority recognizes its right and duty to operate the Project in the most prudent and economical manner for the benefit of all Participating Parties.

Section 7.02 Project Schedule.

It is the intent of the parties that the Project be placed in operation as soon as practicable, and the Authority agrees to proceed diligently with the evaluation of feasibility, the securing of regulatory permits, and the design and construction of the Project to meet such schedule, subject to the other terms and conditions in this Contract.

Section 7.03 Permits, Financing, and Applicable Laws.

Any obligations on the part of the Authority to acquire, construct, and complete the Project and related facilities and to provide treated water from the Project to the Participating Parties shall be (i) conditioned upon the Authority's ability to obtain all necessary permits, material, labor, and equipment; (ii) subject to the Authority's final determination of feasibility of transportation of the treated water from the Project; (iii) conditioned upon the ability of the Authority to finance the cost of the Project through the sale of the Bonds; and (iv) subject to all present and future valid laws, orders, rules, and regulations of the United States of America, the State of Texas, the Commission, and any regulatory body having jurisdiction.

Section 7.04 Title to Water; Indemnification.

Title to all water supplied to each Participating Party shall be in the Authority up to the Point of Delivery for such Participating Party, at which point title shall pass to the receiving Participating Party. Title to treated water transmitted through the lines of a Participating Party pursuant to Section 4.08 for the use of another Participating Party shall remain in the Authority until it reaches the Point(s) of Delivery of the receiving Participating Party. The Authority and each of the Participating Parties shall, to the extent permitted by law, save and hold each other harmless from all claims, demands, and causes of action which may be asserted by anyone on account of the transportation and delivery of said water while title remains in such party.

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Section 7.05 Payments Solely From Revenues.

The Authority shall never have the right to demand payment by any Participating Party of any obligations assumed by it or imposed on it under and by virtue of this Contract from funds raised or to be raised by taxes, and the obligations under this Contract shall never be construed to be a debt of such kind as to require any of the Participating Parties to levy and collect a tax to discharge such obligation. Nonetheless, any Participating Party may make payments from its utility system revenues, or from any other lawful source, including ad valorem taxes, if lawfully available to such Participating Party.

Section 7.06 Operating Expenses.

Each of the Participating Parties represents and covenants that, to the extent payments under this Contract are made with utility system revenues, such payments shall constitute reasonable and necessary "operating expenses" of its utility system, as defined in Chapter 1502, as amended, Texas Government Code, and that all such payments will be made from the revenues of its utility system or any other lawful source. Each Participating Party represents and has determined that the treated water supply to be obtained from the Project is absolutely necessary and essential to the present and future operation of its utility system and that the Project represents a long-term source of supply of treated water to meet current and projected water needs of the Participating Party's utility system and facilities, and, accordingly, all payments required by this Contract to be made by each Participating Party shall constitute reasonable and necessary operating expenses of its utility system as described above, with the effect that such payments from revenues of such systems shall be deducted from gross revenues of the system in the same manner as other system operating and maintenance expenses for purposes of determining net revenues available to pay bonds or other similar obligations heretofore or hereafter issued by such Participating Party, which obligations are payable from and secured by a pledge of the revenues of the system or facilities after deduction of maintenance and operating expenses.

Section 7.07 Rates for Water.

Each of the Participating Parties agrees throughout the term of this Contract to continuously operate and maintain its utility system and to fix and collect such rates and charges for utility services to be supplied by its system as aforesaid as will produce revenues in an amount equal to at least (i) all of the expenses of operation and maintenance expenses of such system, including specifically, its Annual Payment under this Contract, and (ii) all other amounts as required by law and the provisions of the ordinance or resolutions authorizing its revenue bonds or other obligations now or hereafter outstanding, including the amounts required to pay all principal of and interest on such bonds and other obligations.

Section 7.08 Use of Funds and System.

The Authority covenants and agrees that neither the proceeds from the sale of the Bonds, nor the money paid it pursuant to this Contract, nor any earnings from the investment of any of the foregoing, will be used for any purposes, except those directly relating to the Project and the Bonds as provided in this Contract.

Section 7.09 Rights-of-Way.

A. Except as limited by the Special Provisions set forth in Exhibit C, each Participating Party hereby grants to the Authority without additional cost to the Authority, the use of the streets, easements, rights-of-way, and pipelines under its control for the construction, emergency repairs, operation, and maintenance of the Project and the provision and transmission of treated water hereunder; provided,

however, such grant of the use of streets, easements, rights-of-way, and pipelines to the Authority is subject to and conditioned on the Authority (i) complying with all applicable policies, practices, and regulations of the Participating Parties governing and regulating such use of the streets, easements, rights-of-way, and pipelines and (ii) paying all costs, if any, of restoring such streets, easements, rights-of-way, and pipelines to substantially the same state of condition that existed prior to the Authority's use.

B. Except as limited by the Special Provisions set forth in Exhibit C and to the extent they have such ownership authority, each Participating Party agrees that, without prior written approval, the Authority may use streets, alleys, and public rights-of-way within the Participating Party's boundaries for pipeline purposes.

Section 7.10 Insurance.

The Authority agrees to carry and arrange for fire, casualty, public liability, and/or other insurance, including self-insurance, on the Project for purposes and in amounts which, as determined by the Authority, ordinarily would be carried by a privately owned utility company owning and operating such facilities, except that the Authority shall not be required to provide liability insurance except to insure itself against risk of loss due to claims for which it can, in the opinion of the Authority's legal counsel, be liable under the Texas Tort Claims Act or any similar law or judicial decision. Such insurance will provide, to the extent feasible and practicable, for the restoration of damaged or destroyed properties and equipment, to minimize the interruption of the services of such facilities. Premiums for such insurance that relate directly to the Project or, under generally accepted cost accounting practices, is allocable to the Project, shall constitute an Operation and Maintenance Expense.

Section 7.11 Additional Special Provisions.

The parties hereto acknowledge and agree to the Special Provisions, if any, which are set forth in Exhibit C hereto. The Special Provisions for this Contract reflect circumstances or issues for specific Participating Parties which may be different from those of other Participating Parties and therefore constitute a modification of or requirement in addition to the standard provisions otherwise contained in this Contract. To the extent of any conflict between any Special Provision and any other provision of this Contract, the Special Provision shall control.

ARTICLE VIII Continuing Disclosure

Section 8.01 Annual Reports.

The Authority (and each Participating Party if required by the Rule in its Approval Certificate for any series of Bonds) shall file annually with the MSRB, (1) within six months after the end of each Fiscal Year of the Authority ending in or after 2016, financial information and operating data with respect to the Authority of the general type included in the Sale and Offering Documents authorized by Section 33 of the Bond Resolution, being the information described in Exhibit E to the Bond Resolution, and (2) if not provided as part of such financial information and operating data, audited financial statements of the Authority, when and if available. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles described in Exhibit E to the Bond Resolution, or such other accounting principles as the Authority may be required to employ from time to time pursuant to state law or regulation, and (ii) audited, if the Authority commissions an audit of such financial statements and the audit is completed within the period during which they must be provided. If the audit of such financial

statements is not complete within such period, then the Authority shall file unaudited financial statements within such period and audited financial statements for the applicable Fiscal Year to the MSRB, when and if the audit report on such financial statements becomes available. The Authority must have its records and accounts audited annually and shall have an annual financial statement prepared based on the audit. The annual financial statement, including the auditor's opinion on the statement, shall be filed in the office of the Secretary, Board of Trustees, within 180 days after the last day of the Authority's Fiscal Year. Additionally, upon the filing of this financial statement and the annual audit, these documents are subject to the Texas Open Records Act, as amended, Texas Government Code, Chapter 552.

If the Authority changes its Fiscal Year, it will file notice of such change (and of the date of the new Fiscal Year end) with the MSRB prior to the next date by which the Authority otherwise would be required to provide financial information and operating data pursuant to this Section.

Section 8.02 Material Event Notices.

The Authority shall file notice of any of the following events with respect to the Bonds to the MSRB in a timely manner and not more than 10 business days after occurrence of the event:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of holders of the Bonds, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership, or similar event of the Authority, which shall occur as described below;
- (13) The consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of

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a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

- (14) Appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material.

For these purposes, any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Authority in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority.

The Authority shall file notice with the MSRB, in a timely manner, of any failure by the Authority to provide financial information or operating data in accordance with this Section by the time required by this Section.

Section 8.03 Limitations, Disclaimers, and Amendments.

The Authority shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the Authority remains an "obligated person" with respect to the Bonds within the meaning of the Rule, except that the Authority in any event will give notice of any deposit that causes the Bonds to be no longer Outstanding.

The provisions of this Section are for the sole benefit of the holders and beneficial owners of the Bonds, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Authority undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Authority's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The Authority does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE AUTHORITY BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE AUTHORITY, WHETHER NEGLIGENT OR WITH OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR *MANDAMUS* OR SPECIFIC PERFORMANCE.

No default by the Authority in observing or performing its obligations under this Section shall constitute a breach of or default under this Contract for purposes of any other provision of this Contract.

Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of the Authority under federal and state securities laws.

The provisions of this Section may be amended by the Authority from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Authority, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Contract that authorizes such an amendment) of the Outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the Authority (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The Authority may also repeal or amend the provisions of this Section if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the Authority also may amend the provisions of this Section in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds, giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the Authority so amends the provisions of this Section, the Authority shall include with any amended financial information or operating data next provided in accordance with this Section an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

Section 8.04 Information Format – Incorporation by Reference.

The Authority information required under this Section shall be filed with the MSRB through EMMA in such format and accompanied by such identifying information as may be specified from time to time thereby. Under the current rules of the MSRB, continuing disclosure documents submitted to EMMA must be in word-searchable portable document format (PDF) files that permit the document to be saved, viewed, printed, and retransmitted by electronic means and the series of obligations to which such continuing disclosure documents relate must be identified by CUSIP number or numbers.

Financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document) available to the public through EMMA or filed with the SEC.

Section 8.05 Allocation of Water During Drought.

During drought conditions or in any other condition when water cannot be supplied to meet the demands of all customers, the water to be distributed shall be divided among all customers of stored water pro rata, according to the amount each may be entitled to, subject to reasonable conservation and drought management plans and requirements based on particular purposes of use of the water, so that preference is given to no one and everyone suffers alike.

Section 8.06 Conservation.

The Authority and Participating Party each agree that it will operate and maintain the facilities associated with this Contract in a manner that will minimize the waste of water and to comply with the

GBRA Contract provisions for conservation. Participating Parties further agree to implement water conservation and drought management plans applicable to the use of treated water from the Project that are consistent in purpose, provisions and application with those implemented by other Participating Parties to the extent practicable considering any differences in the legal authority of Participating Parties and other Participating Parties to institute those plans.

Section 8.07 Term of Contract.

A. This Contract shall be effective on and from the Contract Date, and shall terminate on December 31, 2038, unless extended by mutual agreement of the Authority and all Participating Parties, or unless terminated sooner by any Participating Party in accordance with subsection B. It is understood and agreed by the Authority and each Participating Party that the right to receive treated water hereunder shall continue throughout any renewals or extension of this Contract. The Authority's obligation to provide treated water services hereunder shall commence from the date the Project becomes operational and functional as certified by the consulting engineers for the Project or on such other date that one or more of the Participating Parties receives treated water by virtue of or in exchange for treated water from the Project.

B. This Contract may be terminated by any Participating Party effective December 31, 2029, by providing written notice of termination to the Authority and all other Participating Parties no later than December 31, 2028.

C. This Contract constitutes the sole agreement between the parties hereto with respect to the Project.

Section 8.08 Approval and Consent.

Unless otherwise provided herein, any approval or consent required by the provisions of this Contract by a Participating Party or the Authority shall be evidenced by a written resolution adopted by the governing body of the party giving such approval or consent (or by the General Manager on behalf of the Authority when permitted). Upon receipt of such written resolution duly certified by the appropriate party, the Authority or the Participating Party can conclusively act on the matter requiring such approval.

Section 8.09 Modification and Amendment.

A. No change, amendment, or modification of this Contract shall be made or be effective which will affect adversely the prompt payment when due of all money required to be paid by any Participating Party under this Contract or any similar contract, and no such change, amendment, or modification shall be made or be effective which would cause a violation of any provisions of any Bond Resolution.

B. This Contract may be amended upon the written consent of the Authority and all then Participating Parties; provided, however, no amendment to this Contract shall impair the rights of any holder of any of the Authority's Bonds.

Section 8.10 Addresses and Notice.

Unless otherwise provided herein, any notice, communication, request, reply, or advice (herein severally and collectively, for convenience, called "Notice") herein provided or permitted to be given, made or accepted by any party to any other party must be in writing and may be given or be served by

depositing the same in the United States mail postpaid and registered or certified and addressed to the party to be notified, with return receipt requested, or by delivering the same to an officer of such party, or by prepaid telegram when appropriate, addressed to the party to be notified. Notice deposited in the mail in the manner hereinabove described shall be conclusively deemed to be effective, unless otherwise stated herein, from and after the expiration of three days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the party to be notified. For the purposes of notice, the addresses of the parties hereto shall, until changed as hereinafter provided, be as follows:

A. If to the Authority, to:

Canyon Regional Water Authority
850 Lakeside Pass
New Braunfels, Texas 78130
Attention: General Manager

B. If to the City of San Antonio, Texas, acting by and through the San Antonio Water System
to:

San Antonio Water System
2800 U.S. Highway 281 North
San Antonio, Texas 78212
Attention: President/Chief Executive Officer

C. If to the Crystal Clear Special Utility District to:

Crystal Clear Special Utility District
2370 FM 1979
San Marcos, Texas 78666
Attention: General Manager

D. If to the East Central Special Utility District to:

East Central Special Utility District
5520 F.M. 1628
Adkins, Texas 78101
Attention: General Manager

E. If to Green Valley Special Utility District, to:

Green Valley Special Utility District
Post Office Box 99
Marion, Texas 78124
Attention: General Manager

F. If to Springs Hill Water Supply Corporation to:

Springs Hill Water Supply Corporation
5510 South Highway 123 Bypass
Seguin, Texas 78156
Attention: General Manager

G. If to the City of Cibolo, Texas to:

City of Cibolo, Texas
200 South Main Street
Post Office Box 826
Cibolo, Texas 78108

H. If to the City of Marion, Texas to:

City of Marion, Texas
Post Office Box 158
Marion, Texas 78124-0158

The parties hereto shall have the right from time to time and at any time to change their respective addresses and each shall have the right to specify as its address any other address by at least fifteen (15) days' written notice to the other parties hereto.

Section 8.11 State or Federal Laws, Rules, Orders, or Regulations.

This Contract is subject to all applicable federal and state laws and any applicable permits, ordinances, rules, orders, and regulations of any local, state, or federal governmental authority having or asserting jurisdiction, but nothing contained herein shall be construed as a waiver of any right to question or contest any such law, ordinance, order, rule, or regulation in any forum having jurisdiction.

Section 8.12 Remedies Upon Default.

It is not intended hereby to specify (and this Contract shall not be considered as specifying) an exclusive remedy for any default, but all such other remedies (other than termination) existing at law or in equity may be availed of by any party hereto and shall be cumulative. Recognizing, however, that the Authority's undertaking to provide and maintain the Project is an obligation, failure in the performance of which cannot be adequately compensated in money damages alone, the Authority agrees, in the event of any default on its part, that each Participating Party shall have available to it the equitable remedy of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available. Recognizing that failure in the performance of any Participating Party's obligations hereunder could not be adequately compensated in money damages alone, each Participating Party agrees in the event of any default on its part that the Authority shall have available to it the equitable remedy of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available to the Authority. Notwithstanding anything to the contrary contained in this Contract, any right or remedy or any default hereunder, except the right of the Authority to receive the Annual Payment which shall never be determined to be waived, shall be deemed to be conclusively waived unless asserted by a proper proceeding at law or in equity within two (2) years plus one (1) day after the occurrence of such default. No waiver or waivers of any breach or default (or any breaches or defaults) by any party hereto or of performance by any other party of any duty or obligation hereunder shall be deemed a waiver thereof in the future, nor shall any such waiver or waivers be deemed or construed to be a waiver of subsequent breaches or defaults of any kind, character, or description, under any circumstance.

Section 8.13 Severability.

The parties hereto specifically agree that in case any one or more of the sections, subsections, provisions, clauses, or words of this Contract or the application of such sections, subsections, provisions, clauses, or words to any situation or circumstance should be, or should be held to be, for any reason, invalid or unconstitutional, under the laws of the State or the United States of America, or in contravention of any such laws, such invalidity, unconstitutionality, or contravention shall not affect any other sections, subsections, provisions, clauses, or words of this Contract or the application of such sections, subsections, provisions, clauses, or words to any other situation or circumstance, and it is intended that this Contract shall be severable and shall be construed and applied as if any such invalid or unconstitutional section, subsection, provision, clause or word had not been included herein, and the rights and obligations of the parties hereto shall be construed and remain in force accordingly.

Section 8.14 Venue.

All amounts due under this Contract, including, but not limited to, payments due under this Contract or damages for the breach of this Contract, shall be paid and be due in Guadalupe County, Texas, which is the County in which the principal administrative offices of the Authority are located. It is specifically agreed among the parties to this Contract that Guadalupe County, Texas, is the place of performance of this Contract; and in the event that any legal proceeding is brought to enforce this Contract or any provision hereof, the same shall be brought in Guadalupe County, Texas.

Section 8.15 Assignment.

Neither the Authority nor any Participating Party may assign any interest it may have under this Contract without the prior written consent of the other parties hereto; provided, however, the foregoing restriction shall not prevent the Authority from taking any action in connection with the issuance of the Bonds to secure the payment of the Bonds with amounts to be received by the Authority under this Contract.

Section 8.16 Entire Agreement.

This Contract constitutes the entire agreement among the parties with respect to the sale of treated water by the Authority to the Participating Parties.

Section 8.17 Applicable Law.

This Contract shall be governed by and construed in accordance with the laws of the State, including Chapter 186, Subchapter A, as amended, Texas Utilities Code, and the obligations, rights, and remedies of the parties hereunder shall be determined in accordance with such laws without reference to the laws of any other state or jurisdiction, except for applicable federal laws, rules, and regulations.

Section 8.18 No Sale, Lease, or Other Transfer of Participating Parties' Utility System.

Pursuant to the terms of this Contract, a Participating Party, to the extent permitted by law, shall not sell, lease, or otherwise transfer any significant interest (constituting at least 50% of the fair market value of its utility system) in such Participating Party's utility system without the written consent of the Authority.

Section 8.19 Counterparts.

This Contract may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 8.20 Goods and Services; Waiver of Sovereign Immunity; Limitation on Damages.

The Participating Parties under the Contract agree that the mutual commitment stated in the Contract to provide water, emergency water service, water treatment services, and funding for utility system improvements constitute an agreement by each party for providing goods and services to the other parties, and that the Contract, as amended, is subject to Chapter 271, Subchapter I, of the Texas Local Government Code. In addition, each Participating Party agrees that the services provided by this Contract are governmental acts and not proprietary acts.


Section 8.21 Termination of Lake Dunlap Contract and Mid-Cities Contract.

Upon the execution of this Contract by each Participating Party and the issuance of the Bonds on or about July 1, 2016, the existing Lake Dunlap Contract and Mid-Cities Contract shall be terminated and be of no future force or effect as those contracts are now replaced by this Contract.

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IN WITNESS WHEREOF, the parties hereto acting under authority of their respective governing bodies have caused this Contract to be duly executed as of the day and year first above written.

CANYON REGIONAL WATER
AUTHORITY

By: 
Chairman, Board of Trustees

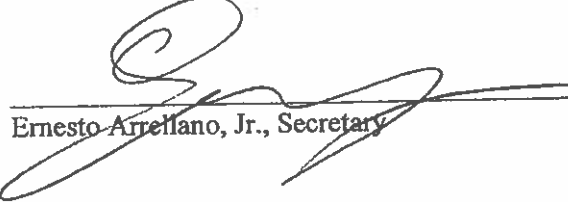
ATTEST:


Secretary, Board of Trustees

(AUTHORITY SEAL)



CITY OF SAN ANTONIO, TEXAS, acting by
and through the SAN ANTONIO WATER
SYSTEM


Ernesto Arrellano, Jr., Secretary
Berto Guerra, Jr., Chairman

CRYSTAL CLEAR SPECIAL UTILITY
DISTRICT

By: 
President, Board of Directors

ATTEST:


Secretary, Board of Directors

(SEAL)

EAST CENTRAL SPECIAL UTILITY
DISTRICT

By: Melvin E. Stray
President, Board of Directors

ATTEST:

Larry W. Sellers
Secretary-Treasurer, Board of Directors

(SEAL)

GREEN VALLEY SPECIAL UTILITY
DISTRICT

By: 
President, Board of Directors

ATTEST:


Secretary, Board of Directors

(SEAL)



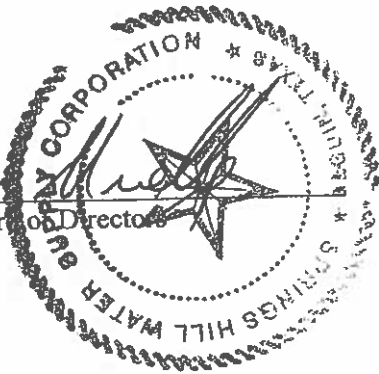
SPRINGS HILL WATER SUPPLY
CORPORATION

By: *Jan 7/14*
President, Board of Directors


ATTEST:

Blene
Secretary, Board of Directors


(SEAL)



CITY OF CIBOLO, TEXAS

By: 
Mayor

ATTEST:


City Secretary

(CITY SEAL)

CITY OF MARION, TEXAS

By:

Mayor

ATTEST:

Laurie J. H. Bign
City Secretary

(CITY SEAL)

Exhibit A

Allocations and Maximum Rate of Flow

Participating Parties	Percentage of Debt Service	Lake Dunlap Project and Ozone Project		Mid Cities Project	
		Water Production (Acre Feet)	Ownership (%)	Water Production (Acre Feet)	Ownership (%)
SAWS	46.36%	4,000	36.43%	4,000	57.35%
City of Cibolo	11.84%	1,230	11.20%	875	12.54%
City of Marion	1.84%	100	0.91%	200	2.87%
East Central SUD	16.22%	1,400	12.75%	1,400	20.07%
Green Valley SUD	12.02%	1,800	16.39%	500	7.17%
Springs Hill WSC ⁽¹⁾	9.33%	1,950	17.76%	0	0.00%
Crystal Clear SUD ⁽¹⁾	2.39%	500	4.55%	0	0.00%
Totals	100.00%	10,980	100.00%	6,975	100.00%

(1) Because neither Springs Hill Water Supply Corporation nor Crystal Clear Special Utility District have an ownership interest in the Mid-Cities Project, neither entity shall be obligated to pay any Operation and Maintenance Expenses, Overhead Expenses, and/or Project Costs relating to the Mid-Cities Project without the express written consent from the governing body of the Springs Hill Water Supply Corporation or the Crystal Clear Special Utility District, as appropriate.

Schedule A
Part 1
Lake Dunlap Plant Contracts

The attached table for Plant Contracts lists the amount of production of finished water from the Lake Dunlap Plant (the "Plant"); expressed in acre-feet (AF) and gallons-per-day (GPD), that have been contracted with the Participating Parties.

In addition to the Plant contract figures, Canyon Regional Water Authority recognizes a peaking factor of 1.3 (30%) as a logical and necessary requirement and the peaking GPD figures are also listed.

Canyon Regional Water Authority agrees to use its best efforts to supply to each individual entity, on any given day, the amount of water specified in the peaking figures.

The total capability of the Plant is listed in the Ownership column in the table cited above. The Participating Parties can be provided with this amount of water from the Plant on any given day, at the discretion of the Lake Dunlap Plant Manager. Additional water, over the peaking GPD and up to the Ownership GPD, will be provided to the Participating Party without penalty; however, any water processed over and above the amounts listed in the Ownership column will incur a System Capacity Fee as determined by the Participating Parties.

The total amount of water processed through the Plant for each Participating Party must be supported by a sufficient amount of Raw Water that is under contract to each individual entity and that water must be available to Canyon Regional Water Authority for processing at the Plant.

Participating Party/Customer	Lake Dunlap Project				
	Water Production (Acre Feet)	Ownership (%)	Contract Capacity in GPD	1.3 Peak Capacity in GPD	Ownership of 15,200,000 GPD
SAWS	4000	36.43%	3,570,970	4,642,261	5,537,341
City of Cibolo	1230	11.20%	1,098,073	1,427,495	1,702,732
City of Marion	100	0.91%	89,274	116,057	138,434
East Central SUD	1400	12.75%	1,249,839	1,624,791	1,938,069
Green Valley SUD	1800	16.39%	1,606,936	2,089,017	2,491,803
Springs Hill WSC	1950	17.76%	1,740,848	2,263,102	2,699,454
Crystal Clear SUD	500	4.55%	446,371	580,283	692,168
Totals	10980	100.00%	9,802,311	12,743,006	15,200,001

Exhibit A for Mid-Cities Pipeline Capacities

Ownership		Table 1	Table 2	Table 3
	Percent Capacity	Dunlap/Wag	Wag/1604	1604/1518
SAWS	57.35%	5,780,880	8,671,320	5,780,880
City of Cibolo	12.54%	1,264,032	1,896,048	1,264,032
City of Marion	2.87%	289,296	433,944	289,296
East Central SUD	20.07%	2,023,056	3,034,584	2,023,056
Green Valley SUD	7.17%	722,736	1,084,104	722,736
Springs Hill WSC	0.00%	-	-	-
Crystal Clear SUD	0.00%	-	-	-
	100.00%	10,080,000	15,120,000	10,080,000

Contract		Table 1	Table 2	Table 3
	Percent Capacity	Dunlap/Wag	Wag/1604	1604/1518
SAWS	57.35%	3,571,115	3,571,115	3,571,115
City of Cibolo	12.54%	780,851	780,851	780,851
City of Marion	2.87%	178,711	178,711	178,711
East Central SUD	20.07%	1,249,735	1,249,735	1,249,735
Green Valley SUD	7.17%	446,467	446,467	446,467
Springs Hill WSC	0.00%	-	-	-
Crystal Clear SUD	0.00%	-	-	-
	100.00%	6,226,879	6,226,879	6,226,879

Peak		Table 1	Table 2	Table 3
	Percent Capacity	Dunlap/Wag	Wag/1604	1604/1518
SAWS	57.35%	4,642,449	4,642,449	4,642,449
City of Cibolo	12.54%	1,015,106	1,015,106	1,015,106
City of Marion	2.87%	232,325	232,325	232,325
East Central SUD	20.07%	1,624,655	1,624,655	1,624,655
Green Valley SUD	7.17%	580,407	580,407	580,407
Springs Hill WSC	0.00%	-	-	-
Crystal Clear SUD	0.00%	-	-	-
	100.00%	8,094,942	8,094,942	8,094,942

**Schedule A
Part 2
Mid Cities Pipeline Contracts**

The attached tables lists' the amount of finished water (Pipeline Capacity and Percent of Ownership) through the Mid Cities Pipeline that each Party entity has contracted for with Canyon Regional Water Authority. This contract is expressed in acre-feet (AF) and gallons-per-day (GPD.)

In addition to the Pipeline Capacity contract figures, Canyon Regional Water Authority recognizes a peaking factor of 1.3 (30%) as a logical and necessary requirement and the peaking GPD figures are also listed.

Additionally, the total capability of the Mid Cities Pipeline is also listed under the Ownership column.

The individual Participating Party contract amounts expressed as Pipeline Capacity and Percent of Ownership and Contract Capacity; 1.3 Peak Capacity; and Ownership, are listed on the attached tables as follows:

Table 1: Lake Dunlap Plant to the Wagner Booster Station.

Table 2: Wagner Booster Station to Loop 1604.

Table 3: Loop 1604 to FM 1518.

At this time, the amounts of water in the above listed tables are not cumulative from table to table.

The volume and rate of water that can be transmitted through the Mid Cities Pipeline is dependent upon several factors, such as the amount of water produced at a plant, pumps, storage facilities, etc.

Due to these variables, the current amount of water available to the individual Parties, is the amount listed in Table 1. As additional sources of treated water and pumping stations become available the increased amounts listed in Tables 2 and 3 may become available simultaneously with the amount listed in Table 1.

Canyon Regional Water Authority agrees to use its best efforts to supply to each individual Participating Party, on any given day, the amount of water specified in the peaking figures listed in Table 1, through the Mid Cities Pipeline, dependent upon the Participating Party's diversion point along the Mid Cities Pipeline.

Additionally, the total capability (Ownership) of the Mid Cities Pipeline, depending upon the diversion point, is available to each Participating Party, on any given day, at the discretion of the Lake Dunlap Plant Manager. Additional water transmission over the peaking GPD and up to the Ownership GPD will be provided to the Participating Party without penalty; however, any water delivered over and above the amounts listed in the Ownership column will incur a Pipeline Capacity Fee as determined by the Participating Parties.

Exhibit B

Points of Delivery

Crystal Clear Water SUD

Intersection of State Highway 123 and Farm to Market 758

East Central SUD

Wiechold Road, Linnie Road, Graytown Road, Pfiel Road and Tex Mix 1518 location

Springs Hill Water Supply Corp.

Hwy 46 at the CRWA standpipe

Green Valley SUD

Lake Dunlap Plant at the Fire School

Hardy Road Meter Station

Wagner Booster Station

Haeckerville Rd Meter Station

1518 Elevated Tank

Liessner Booster Station

City of San Antonio, Texas, acting by and through the San Antonio Water System

1604 Booster Station

City of Cibolo

Haeckerville Meter Station

Wagner Booster Station

City of Marion

Marion Meter Station -- Youngsford Road

Exhibit C

Special Provisions

(1) Section 7.09. The provisions of Section 7.09 shall not apply to the City of San Antonio, Texas, acting by and through the San Antonio Water System, which shall have no obligation to grant hereunder, and does not grant, to the Authority the use of any streets, easements, rights-of-way, or pipelines under its control for any purpose under this Contract. However, the City of San Antonio, Texas, acting by and through the San Antonio Water System, agrees to consider any written request for such use from the Authority and provide a written response to the Authority within sixty (60) days of receipt of the written request.

(2) Section 8.18. The provisions of Section 8.18 shall not apply to the City of San Antonio, Texas, acting by and through the San Antonio Water System, which shall have an unencumbered and unrestricted right to sell, lease, or transfer any or all interest in its utility system without the written consent of the Authority.

Exhibit D

Ozone Project Description

Proposed improvements at the Lake Dunlap Water Treatment Plant include the addition of ozone disinfection equipment and a 1.25 million gallon storage tank for ozone contact. The proposed improvements estimated at \$2,950,000.00 are detailed in a preliminary engineering report prepared by River City Engineering, and dated 3-17-16.

Exhibit E

Water Quality Characteristics

Analyte	TCEQ Parameters	At Delivery Point CRWA Grab Sample*
TTHMs ppb	80 ppb	≤ 45 ppb
pH	> 7.0	7 – 8.5 Range
Alkalinity as Calcium Carbonate (mg/L) CA2+	-	90 – 350 Range
Hardness as Calcium Carbonate in (mg/L) HCO3-	-	50 – 150 Range
TDS (mg/L)	< 1000	≤ 500
Corrosivity	Non-Corrosive	LSI > 0.2

*** Reported Monthly**

CRWA delivered water shall comply with TCEQ primary and secondary maximum contaminant levels (MCL's) for public water systems. CRWA shall deliver Positive LSI water which is slightly scaling using the indices below to determine the Stability of the water. It is understood that it is important to meet the regulatory compliance at the Participating Party's points of delivery to meet or exceed TCEQ Drinking Water parameters.

Entity's Point of Delivery (Exhibit B)

CRWA water quality parameters at delivery point shall only be applicable to Participating Parties who are taking water at ≥50% of contracted quantities over previous twenty-four hour period.

Minimum Requirements for Corrosion Indices

Corrosion Indices	Required Standard
Langelier Saturation Index (LSI)	>0.2
Ryznar Index (RI)	<8
Calcium Carbonate Precipitation Potential (CCPP)	4-10mg/L
Aggressive Index (AI)	>12
Chloride To Sulfate Mass Ratio (CSMR)	<0.58
Larson's Ratio (LR)	<0.8

Definitions

LANGELIER SATURATION INDEX (LSI)

LSI is defined as the difference between the actual pH and the pH at which calcium carbonate (CaCO_3) precipitation can occur based on equilibrium. LSI does not indicate that CaCO_3 precipitation will occur rather only that it is possible.

Precipitation of calcium carbonate can help protect pipes from corrosion by providing a protective layer between water and the pipe material. A positive LSI is typically specified as a water quality goal. LSI is calculated as follows, where pH_s is the pH at CaCO_3 saturation and pH_a is the actual pH:

$$\text{LSI} = \text{pH}_a - \text{pH}_s$$

RYNZAR INDEX (RI)

The Rynzar Index (RI) is similar to LSI in that it uses calcium carbonate saturation to predict the scale formation or scale dissolution potential of water. RI is an empirical index developed through observations of the thickness of scale layers in municipal systems. RI is calculated as follows, where pH_s is the pH at CaCO_3 saturation and pH_a is the actual pH:

- $\text{RI} = 2\text{pH}_s - \text{pH}_a$

The potential to form a protective CaCO_3 film increases as RI decreases. The correlations suggested with this index are as follows:

- $\text{RI} < 7$ protective scale is expected to form.
- $\text{RI} > 8$ corrosion can become a problem.

CALCIUM CARBONATE PRECIPITATION POTENTIAL (CCPP)

While LSI only indicates whether calcium carbonate precipitation is possible, CCPP is calculated to estimate how much calcium carbonate precipitation is expected. CCPP is calculated iteratively with equilibrium expressions. When CCPP is negative, the water will tend to dissolve the protective CaCO_3 coating on the pipe wall. If CCPP is positive but too low, the protective coating may not be formed adequately. When CCPP is too high, excessive CaCO_3 precipitation can occur forming a scale layer that reduces pipe capacity. The recommended range for CCPP is generally between 4 mg/L and 10 mg/L. CCPP is calculated as follows where TALK_i is the initial alkalinity, TALK_e is the total alkalinity at equilibrium and alkalinity is in units of mg/L as CaCO_3 .

- $\text{CCPP} = [\text{TALK}_i - \text{TALK}_e]$ with all of the parameters in the equation in mg/L as CaCO_3

AGGRESSIVE INDEX (AI)

The aggressive index is used to evaluate the corrosion potential of the water with respect to asbestos/cement pipes. Aggressive Index is calculated as follows where Alkalinity and Hardness are in units of mg/L as CaCO_3 .

- $\text{AI} = \text{pH} + \log(\text{Alkalinity} \times \text{Hardness})$

AI values are correlated to aggressiveness to asbestos/cement pipe as follows:

- < 10 = extremely aggressive.
- $10 \text{ to } < 12$ = moderately aggressive
- ≥ 12 = nonaggressive

BUFFER INTENSITY (BI)

Buffer intensity is defined as the moles per liter of a strong base (or OH-) which when added to water causes a one unit change in pH. Consequently, BI is a measure of the buffering capacity of water to resist changes in pH due to chemical addition or corrosion reactions. BI is greatest at pH 6.3 and is lowest between pH 8.3 and pH 8.7. Bicarbonate (HCO₃-) and carbonate (CO₃2-) are the most important pH buffering species in drinking water, and therefore buffer intensity increases as alkalinity increases.

CHLORIDE TO SULFATE MASS RATIO (CSMR)

Studies have shown that lead release increases as the mass ratio of chloride to sulfate increases.

Researchers have suggested ≤ 0.58 as a safe mass ratio of chloride to sulfate.

LARSON'S RATIO (LR)

Larson's ratio is a measure of chloride (Cl-) and sulfate (SO₄2-) concentrations relative to alkalinity. LR is calculated as follows where the concentrations of each of the species involved in the formula should be expressed in milliequivalents per liter (meq/L). When the Larson ratio is less than 0.8 there is little risk of chloride and sulfate interfering with calcium carbonate film formation.

$$LR = \frac{[Cl^-] + [SO_4^{2-}]}{[Alkalinity]}$$

REGIONAL (HAYS/CALDWELL COUNTIES AREA)
TAXABLE WATER SUPPLY CONTRACT

August 1, 1998

between

CANYON REGIONAL WATER AUTHORITY

and

COUNTY LINE WATER SUPPLY CORPORATION,
CRYSTAL CLEAR WATER SUPPLY CORPORATION,
MARTINDALE WATER SUPPLY CORPORATION, AND
MAXWELL WATER SUPPLY CORPORATION.

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REGIONAL (HAYS/CALDWELL COUNTIES AREA)
TAXABLE WATER SUPPLY CONTRACT

THIS REGIONAL (HAYS/CALDWELL COUNTIES AREA) TAXABLE WATER SUPPLY CONTRACT (this "Taxable Contract") dated as of the 1st day of August, 1998 (the "Contract Date") is between the CANYON REGIONAL WATER AUTHORITY, a regional water authority created under and essential to accomplish the purposes of Article XVI, Section 59 of the Constitution of the State of Texas (the "Authority"), and COUNTY LINE WATER SUPPLY CORPORATION, CRYSTAL CLEAR WATER SUPPLY CORPORATION, MARTINDALE WATER SUPPLY CORPORATION, and MAXWELL WATER SUPPLY CORPORATION, each a Texas water supply corporation organized originally pursuant to Texas Revised Civil Statutes Annotated Article 1434a, as amended (certain of the "Original Participating Members", which, together with any Additional Participating Members as hereinafter defined, are collectively or individually referred to herein as "Participating Members").

P R E A M B L E A N D W I T N E S S E T H :

WHEREAS, the Authority was created to purchase, own, hold, lease, and otherwise acquire sources of a potable water supply; to build, operate, and maintain facilities for the treatment and transportation of water; to sell potable water to local governments, water supply corporations, and other persons in the State of Texas; and to protect, preserve, and restore the purity and sanitary condition to water in the Authority; and

WHEREAS, the Authority's boundaries currently include all of the territory located in the service area of the Original Participating Members as provided in their respective certificates of convenience and necessity issued by the Texas Natural Resource Conservation Commission; and

WHEREAS, each of the Original Participating Members currently provides potable water utility service to its customers; and

WHEREAS, in the pursuit of its purposes, the Authority has entered or will enter into a contract (the "GBRA Contract") with the Guadalupe-Blanco River Authority ("GBRA") and has and anticipates entering into additional contracts to acquire rights to purchase raw water in Canyon Lake in Comal County, Texas and other sources of raw water for treatment and resale to the Participating Members; and

WHEREAS, the Authority may acquire additional rights to purchase raw water from other sources for treatment and resale to the Participating Members; and

WHEREAS, the Participating Members hold and may acquire additional rights to raw water from other sources for treatment pursuant to the provisions of this

Taxable Contract and thereafter to supply, redeliver, or sell this treated water in accordance with the provisions of this Taxable Contract; and

WHEREAS, the Authority intends to build, operate, and maintain (i) a new water treatment facility to serve the Hays/Caldwell Counties Area, and (ii) certain related transmission lines and storage facilities (the "Project") for the purpose of receiving, treating, storing, and transmitting certain of the water purchased pursuant to the GBRA Contract or purchased or leased pursuant to certain other contracts now in force or to be entered into in the future; and

WHEREAS, to finance the costs of the acquisition, construction, and equipping of the Project, the Authority intends to issue one or more series of its contract revenue bonds or other debt obligations (the "New Bonds") to the Texas Water Development Board, or other entity (including a public or negotiated sale), to be secured by and payable from revenues received by the Authority pursuant to this Taxable Contract; and

WHEREAS, for and in consideration of the Authority acquiring the right to purchase raw water for treatment and resale as provided herein, the Participating Members are willing and have agreed to contract with the Authority as hereinafter provided to acquire treated water from the Project and to pay the cost of the Project by assisting in the amortization of the principal of and interest on the New Bonds and paying the Authority's Operation and Maintenance Expenses (hereinafter defined); and

WHEREAS, the New Bonds constitute "Special Facilities Bonds" as defined herein in the definition of "System" as that term is also utilized in connection with the execution of a taxable and a tax-exempt contract with respect to the Lake Dunlap Expansion and Refunding Project; and

WHEREAS, the Authority and the Participating Members are authorized to enter into this Taxable Contract pursuant to the Authority's enabling statute, Chapter 670, Acts of the 71st Legislature, Regular Session, 1989 (the "Act"), and Chapter 791, Texas Government Code, as amended (the "Interlocal Cooperation Act"), and other applicable laws; and

WHEREAS, the Authority agrees that the Participating Members shall continue to own their respective Certificates of Convenience and Necessity issued by the Commission, shall continue to own and operate their respective water pumping, storage, and distribution facilities, and any respective water treatment facilities currently owned by each of the Participating Members; and

WHEREAS, the Board of Trustees has directed that a portion of the raw water under this Taxable Contract be made available (following treatment by the Authority) on a firm basis to parties who contract with the Authority pursuant to this Taxable Contract; and

WHEREAS, each of the Participating Members under this Taxable Contract proposes to pay its share of costs of the Project and the Bonds based upon a rate methodology to be developed by the Authority or in proportion to the respective amounts of treated water each has agreed to purchase under this Taxable Contract; and

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and subject to the terms and conditions hereinafter set forth, the Authority and each of the Participating Members agree and contract as follows:

ARTICLE I

Definitions

Section 1.01. Definitions.

The following terms and expressions as used in this Taxable Contract, unless the context clearly shows otherwise, shall have the following meanings:

"Act" means Chapter 670, Acts of the 71st Legislature, Regular Session, 1989.

"Additional Participating Member(s)" means any entity or entities hereafter agreeing pursuant to Section 6.01 of this Taxable Contract to be bound by the terms of this Taxable Contract, as it may be amended from time to time.

"Adjusted Annual Payment" means the Annual Payment as adjusted by the Board during or after an Annual Payment Period, as provided by this Taxable Contract.

"Annual Payment" means the amount of money to be paid to the Authority by each Participating Member during each Annual Payment Period as its share of the Annual Requirement.

"Annual Payment Period" means the Authority's fiscal year, which currently begins on October 1 of each calendar year and ends on September 30 of the next following calendar year, but which may be any twelve consecutive month period fixed by the Authority; the first Annual Payment Period under this Taxable Contract is anticipated to be the period of October 1, 1998, through September 30, 1999.

"Annual Requirement" means, during an Annual Payment Period, the total amount required to pay all Operation and Maintenance Expenses of the Authority and the Project and all costs and payments due and payable for the amortization of the New Bonds.

"Authority" means the Canyon Regional Water Authority, a regional water authority created under and essential to accomplish the purposes of Article XVI,

Section 59 of the Constitution of the State of Texas created in accordance with the Act. Except as otherwise noted herein, actions required or permitted to be taken by the Authority under this Taxable Contract may be taken by the General Manager on behalf of the Authority.

"Board" means the governing body of the Authority.

"Boardmembers" means a member or members of the Board.

"Bond Resolution" means any resolution or other financing documents of the Authority which authorizes any Bonds.

"Bonds" means the New Bonds and all bonds, notes, or other debt obligations payable from and secured, in whole or in part, from the payments to the Authority under this Taxable Contract and the interest thereon, hereafter issued by the Authority to finance the costs to acquire, construct, and equip the Project, and/or all bonds, notes, or other obligations issued subsequently to finance costs to improve and extend the Project, and any bonds or other obligations issued to refund the New Bonds and any other bonds, notes, or other obligations to refund any other refunding bonds or other obligations.

"Code" means the Internal Revenue Code of 1986, and any amendments thereto, as in force and effect on the date of delivery of any series of Bonds.

"Commission" means the Texas Natural Resource Conservation Commission or any successor entity thereto.

"Credit Agreement" means any credit agreement, as defined in and authorized by the provisions of Texas Revised Civil Statutes Annotated Article 717q, as amended, which the Authority enters into relating to its obligations with respect to the Bonds.

"Force Majeure" means such term as it is defined in Section 9.01 of this Taxable Contract.

"General Manager" means the general manager of the Authority's operations, including any party or entity that the Authority enters into a management contract to provide these services.

"Land Interests" means the easements, right-of-way, and other interests in real property necessary for the acquisition, construction, and operation of the Project.

"MSRB" means the Municipal Securities Rulemaking Board and any successor to its duties.

"New Bonds" means one or more series of obligations that the Authority currently anticipates selling to the Texas Water Development Board, or other entity

(including a public or negotiated sale), in the total principal amount of \$7,000,000 to fund the costs associated with constructing the Project or other water treatment facilities and related transmission lines.

"NRMSIR" means each person whom the SEC or its staff has determined to be a nationally recognized municipal securities information repository within the meaning of the Rule from time to time.

"Operation and Maintenance Expenses" means, during an Annual Payment Period, all direct costs and expenses incurred by the Authority for its operation and maintenance, including but not limited to, the operation and maintenance of the Project, including (for greater certainty but without limiting the generality of the foregoing) amounts payable under the GBRA Contract and/or any contract with any federal, state, or local agency for the construction, operation, and/or water storage rights or other interests in water in Canyon Lake or other source of raw water, any contribution or payment in lieu of taxes or any fee or charge by any government authority relating to the Authority's sale of treated water hereunder, the costs of utilities, supervision, engineering, accounting, auditing, legal services, insurance premiums, supplies, services, and administration of the Project, Overhead Expenses, and costs of operating, repairing, maintaining, and replacing equipment for proper operation and maintenance of the Project. The term "Operation and Maintenance Expenses" does not include depreciation charges or such portion of the above-described costs to the extent such costs are paid pursuant to an agreement other than this Taxable Contract.

"Original Participating Members" means County Line Water Supply Corporation, Crystal Clear Water Supply Corporation, Martindale Water Supply Corporation, and Maxwell Water Supply Corporation.

"Overhead Expenses" means the Authority's reasonable and necessary costs and expenses incurred and directly related to the issuance and servicing of the Bonds, the acquisition of Land Interests required for the Project, the design, permitting, financing, acquisition, construction, and ownership of the Project and any other activities required of or involving the Authority in connection with or attributable to the Project or the Bonds, including, but not limited to:

(a) per diem and reimbursable expenses incurred by the Board for special meetings of the Board related to the Project,

(b) services of the professional, technical skilled and unskilled persons and firms engaged by or associated with the Authority, other than Authority staff personnel, together with their reimbursable expenses paid or required to be paid by the Authority;

(c) salaries of the Authority's staff attributable to the Project or the Bonds based on time expended, as documented or reasonably estimated by the General

Manager of the Authority, times an overhead factor of two (2), which factor shall be subject to adjustment by the Authority from time to time in response to actual or reasonably projected overhead expenses of the Authority;

(d) the costs of preparing applications for and obtaining all approvals and authorizations required for the Project or the Bonds from the regulatory authorities having jurisdiction;

(e) the cost of property casualty and public liability insurance; including any insurance deductible charged to or required to be paid by the Authority;

(f) all costs incurred in litigation involving or relating to the Project; and

(g) any and all other costs and expenses, including out-of-pocket expenses, incurred by the Authority attributable to the Project or the Bonds, whether enumerated above or not and whether or not included in the definition or as a part of Project Costs.

"Participating Member(s)" means certain of the Original Participating Members and all Additional Participating Members from time to time subject to this Taxable Contract.

"Permitted Liens" means:

(a) Minor irregularities, charges, liens, encumbrances, defects, easements, licenses, rights-of-way, servitudes, restrictions, mineral rights, and clouds on title which, in the opinion of counsel to the Authority, do not materially impair the use of the Project for the purposes for which it is designed.

(b) Easements for roads (as used in this Taxable Contract, the term "roads" shall include, without limitation, streets, curbs, gutters, drains, ditches, sewers, conduits, canals, mains, aqueducts, aerators, connections, ramps, docks, viaducts, alleys, driveways, parking areas, walkways, and trackage), utilities (which for purposes of this Contract shall include, without limitation, water, sewer, electricity, gas, telephone, pipeline, railroad, and other collection, transportation, light, heat, power, and communication systems) and similar easements and other easements, rights-of-way, rights of flowage, flooding, diversion or outfall, licenses, restrictions, and obligations relating to the operation of the Project which, in the opinion of counsel to the Authority, do not materially impair the use of the Project for the purposes for which it is designed.

(c) Rights of the United States or any state or political subdivision thereof, or other public or governmental authority or agency or any other entity vested with the power of eminent domain to take or control property or to terminate any right, power, franchise, grant, license, or permit previously in force.

"Point(s) of Delivery" means the point or points designated in Exhibit B to this Taxable Contract or by subsequent agreement where water will be delivered by the Authority to Participating Members from the Project.

"Project" means the "Project" as defined in the preamble of this Taxable Contract.

"Project Costs" means and includes, without limitation, the following costs incurred for the Project by or on behalf of the Authority:

- (a) the cost of acquisition of the Land Interests, including appraisals, closing costs and title insurance policies;
- (b) the cost of acquisition, construction, repair, replacement, or improvement of any structure, item of equipment, or other item, used for, or in connection with, the Project;
- (c) the cost of site preparation of the Land Interests, including demolition or removal of structures and improvements as necessary or incident to accomplishing the Project;
- (d) the cost of engineering, legal, architectural or other related services;
- (e) the preparation cost of plans, specifications, studies, surveys, cost estimates, and other expenses necessary or incident to planning, providing, or financing the Project;
- (f) the cost of machinery, equipment, furnishings, and facilities necessary or incident to placing the Project in operation;
- (g) finance charges and interest before, during, and after construction;
- (h) costs incurred in connection with financing the Project, including, without limitation:
 - (1) financing, legal, accounting, financial advisory, rating agency, and auditing fees, expenses and disbursements;
 - (2) the costs of a Credit Agreement;
 - (3) the cost of printing, engraving, and reproduction services; and
 - (4) the cost of a trustee's or paying agent's initial or acceptance fee and subsequent fees.

- (i) all costs, fees and expenses of litigation of all kinds;
- (j) the cost of property casualty and public liability insurance;
- (k) the Authority's Overhead Expenses; and
- (l) other costs generally recognized as a part of project construction costs.

"Rule" means SEC Rule 15c2-12, as amended from time to time.

"SEC" means the United States Securities and Exchange Commission and any successor to its duties.

"SID" means any entity designated by the State or an authorized department, officer, or agency thereof as, and determined by the SEC or its staff to be, a state information depository within the meaning of the Rule from time to time.

"Sale and Offering Documents" means any official notice of sale, official bid form, preliminary official statement, official statement, application to the Texas Water Development Board, or other offering document for the Bonds.

"State" means the State of Texas.

"System" means all properties, facilities and plants (including the projects relating to the Lake Dunlap treatment facilities) currently owned, operated, and maintained by the Authority for the supply, treatment, and transmission of treated potable water, together with all future extensions, improvements, replacements and additions thereto, whether situated within or without the limits of the Authority; provided, however, that notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term System shall not mean to include facilities of any kind which are declared not to be a part of the System and which are acquired or constructed by or on behalf of the Authority with the proceeds from the issuance of *Special Facilities Bonds*, including, but not limited to, the New Bonds, which are hereby defined as being special revenue obligations of the Authority which are not payable from revenues of the System but which are payable from and equally and ratably secured by other liens on and pledges of any revenues, sources or payments, not pledged to the payment of the System bonds including, but not limited to, special contract revenues or payments received from any other legal entity in connection with such facilities.

"Taxable Contract" means this Regional (Hays/Caldwell Counties Area) Taxable Water Supply Contract, as initially executed and as it may be amended from time to time.

Section 1.02.

Construction.

Unless the context requires otherwise, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa. This Taxable Contract and all the terms and provisions hereof shall be constructed to effectuate the purposes set forth herein and to sustain the validity of this Taxable Contract.

ARTICLE II

Representations and Warranties

Section 2.01.

Representations and Warranties of Authority.

The Authority hereby represents and warrants that the GBRA Contract has been or will be duly executed by each of the parties thereto and that thereafter the GBRA Contract will be in full force and effect; the Authority has full power and authority to sell or otherwise convey treated water to the Participating Members in accordance with the terms of the GBRA Contract and this Taxable Contract; and the execution and delivery of this Taxable Contract by the Authority and the performance by the Authority of the provisions hereof do not and will not conflict with or constitute on the part of the Authority a breach or a default of any provision of the GBRA Contract or any other contract or agreement of the Authority.

Section 2.02.

Representations and Warranties of Participating Members.

Each of the Participating Members hereby represents and warrants that it has full power and authority to purchase treated water from the Authority in accordance with the terms of this Taxable Contract; and the execution and delivery of this Taxable Contract by each Participating Member and the performance of the provisions hereof by each Participating Member do not and will not conflict with or constitute on the part of such Participating Member a breach or a default of any provision of any other contract or agreement of such Participating Member.

ARTICLE III

Construction of Project and Issuance of Bonds

Section 3.01.

Construction of Project.

The Authority agrees that the acquisition, construction, and improvement of the Project by the Authority will be accomplished in accordance with generally accepted engineering practices and, subject to the issuance of the Bonds pursuant to Section 3.02 to provide a source of funds, with all practical dispatch.

Section 3.02.

Issuance of Bonds.

A. The Authority may issue its Bonds, payable from and secured by a pledge of the Annual Payments from this Taxable Contract to finance the costs of acquiring, constructing, extending, enlarging, repairing, renovating, equipping, and otherwise improving the Project.

B. (1) Each Bond Resolution of the Authority shall specify the exact principal amount of the Bonds to be issued thereunder, which Bonds shall mature within the maximum allowable period or such shorter period as determined by the Authority and shall bear interest not exceeding the maximum allowable rates, all as permitted by law, and each Bond Resolution shall contain such other terms and provisions pertaining to the security and payment of Bonds and the operation and maintenance of the Project as may be necessary for the marketing and sale of the Bonds. The Authority may from time to time issue its Bonds in such amounts as are within its judgment and discretion sufficient to achieve full implementation of the Project.

(2) Prior to the final adoption of a Bond Resolution or any amendment of a Bond Resolution by the Authority's Board of Directors a copy of the proposed Bond Resolution, and the Sale and Offering Documents shall be presented to the Participating Member for review and approval.

(3) Upon the Participating Member approval of (i) each Bond Resolution hereafter adopted by the Authority, (ii) any amendments to any Bond Resolution, and (iii) the Sale and Offering Documents and the delivery to the Authority of a certification signed by the authorized representative of the Participating Member to the effect that the Bond Resolution and the Sale and Offering Documents comply with this Taxable Contract, then upon the adoption and approval of the Bond Resolution in such final form by the Authority's Board of Directors and the issuance and delivery of the Bonds to the purchaser thereof, the Bond Resolution shall for all purposes be considered approved by the Authority and deemed to be in compliance with this Taxable Contract in all respects, and the Bonds issued thereunder will constitute Bonds as defined in this Taxable Contract for all purposes. Any owner of Bonds is entitled to rely fully and unconditionally on any such approval.

(4) All covenants and provisions in the Bond Resolution affecting, or purporting to bind, the Participating Member, shall, upon the delivery of the Bonds, become absolute, unconditional, valid, and binding covenants and obligations of the Participating Member so long as said Bonds and interest thereon are outstanding and unpaid, and may be enforced as provided in this Taxable Contract and the Bond Resolution. Particularly, the obligation of the Participating Member to make,

promptly when due, all Annual Payments specified in this Taxable Contract shall be absolute and unconditional, and said obligation may be enforced as provided in this Taxable Contract. In addition, subject to the approval of the Participating Member, the Authority may enter into Credit Agreements for the purpose of achieving the lowest financing costs for the Project.

Section 3.03. Liens. Neither the Participating Members nor the Authority will create or permit or suffer to exist any lien, encumbrance, or charge upon the Project or any interest therein at any time, except Permitted Liens.

Section 3.04. Sale and Offering Documents. At the request of the Authority, the Participating Members shall provide to the Authority current and historical information concerning their respective utility systems, general fund information, the financial conditions results, and prospects of the Participating Members, and such other information concerning the Participating Members as the Authority shall deem advisable for inclusion in the Sale and Offering Documents for the Bonds of each series and shall certify to the Authority and the underwriters of any offering of Bonds to be made by means of such Sale and Offering Documents when and if the Participating Members deem such Sale and Offering Documents to be complete and final for purposes of the Rule. The Participating Members represent and warrant that all statements concerning the Participating Members (including, without limitation, their financial condition, results, and prospects, their utility system, and any demographic and economic information concerning the area served by their utility system) that are contained in any Sale and Offering Document shall be true in all material respects and shall not omit to state any material fact necessary to make the statements made in such Sale and Offering Document, in the light of the circumstances in which they are made, not misleading.

Section 3.05. Authority's Rights Assigned to Trustee. The Participating Members are advised and recognize that as security for the payment of the Bonds, the Authority may assign to a trustee, pursuant to one or more trust indentures to be authorized by the Bond Resolution, the Authority's rights under this Taxable Contract, including the right to receive the Annual Payments hereunder. The Participating Members herewith assent to such assignment and will make the Annual Payments directly to the trustee without defense or set-off by reason of any dispute between the Participating Members and the Authority or the trustee. All rights against the Participating Members arising under this Taxable Contract or the Bond Resolution and assigned to the trustee may be enforced by the trustee, or the owners of the Bonds, to the extent provided in the Bond Resolution, and the trustee, or the owners of the Bonds, shall be entitled to bring any suit, action, or proceeding against the Participating Members, to the extent provided in the Bond Resolution, for the enforcement of this Taxable Contract, and it shall not be necessary in any such suit, action, or proceeding to make the Authority a party thereto.

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ARTICLE IV

Sale and Purchase of Treated Water; Operating Requirements

Section 4.01. Water Conveyance; Option to Purchase.

A. The Participating Members hereby agree to pay for the right to receive from the Authority and the Authority hereby agrees to sell to the Participating Members all of the treated water produced by the Authority through the Project subject to the terms and provisions of this Taxable Contract, or other contracts which generate System revenues; provided, however, the Authority shall have the right to purchase, and the Participating Members hereby each agree to relinquish their right to purchase, treated water produced by the Project upon reduction, on a proportionate basis, of the Participating Members' share of their Annual Payments under this Taxable Contract. It is expressly recognized that the treated water delivered to each Participating Member as disclosed in Exhibit A shall be owned by such Participating Member and may be sold or otherwise conveyed by such Participating Member in accordance with applicable law; provided, however, before any Participating Member enters into a contract or other agreement to transfer, sale, or convey any treated water received from the Authority pursuant to the terms of this Taxable Contract, such Participating Member shall afford the Authority the right of first refusal for a period of 90 days to obtain such treated water for redistribution to other Participating Members.

B. Each of the Participating Members shall be entitled to receive from the Authority the quantities of treated water identified in Exhibit A attached hereto and in accordance with this Taxable Contract. To the extent the Authority has acquired additional water under the GBRA Contract or from some other source, or to the extent the Participating Members do not request all of their allotted treated water as set forth on Exhibit A, or to the extent the Authority acquires a percentage share of the treated water produced by the Project pursuant to Paragraph A of this Section, the Authority may sell or otherwise use such water to supply treated water to other Participating Members, to retail customers, if any, of the Authority, or on a spot basis.

Section 4.02. Points of Delivery.

Each Participating Member agrees to take treated water at the Point(s) of Delivery for such Participating Member set forth in Exhibit B hereto. Modification of such Points of Delivery may be mutually agreed to in writing between each Participating Member, respectively, and the Authority. The Authority will maintain ownership of the connection (being any device, including welded pipe connections, water installations, valves, meter vaults, or similar devices) between the Authority's System and the utility system of the Participating Members.

Section 4.03.

Resale.

Participating Members hereby agree not to sell treated water purchased from Authority under this Taxable Contract to any person or entity outside such Participating Member's boundaries or prescribed service area (as they may be adjusted from time to time) unless the Participating Member has received prior written approval from the Authority. Approval to make retail sales of treated water to individual customers outside such boundaries or prescribed service area may be granted by the General Manager of the Authority. Approval to make wholesale sales of treated water pursuant to this Taxable Contract outside the Participating Member's boundaries or prescribed service area shall require the specific prior approval of the Board. Notwithstanding any provision in this Section to the contrary, each Participating Member shall have the right and authority to continue to sell treated water on a retail or wholesale basis to all existing customers situated outside its corporate boundaries or prescribed service area and without the approval or consent of the Authority or General Manager. Additionally, the Participating Members shall have the right and authority to sell treated water received from other sources other than the Authority on a wholesale basis or otherwise without any limitation imposed by this Taxable Contract or approval by the Authority or General Manager.

Section 4.04.

Other Contracts.

A. If the Authority exercises its right to water under this Taxable Contract pursuant to Section 4.01, the Authority reserves the right to supply treated water from the Project to others on wholesale or retail basis. Each such contract with other entities shall be limited to the Authority's share of treated water covered by this Taxable Contract and shall not contain any provision which would adversely affect the Participating Members' percentage share of treated water covered by this Taxable Contract, except as permitted by Section 4.01.

B. The parties hereto recognize and acknowledge that the Authority shall have the right and authority to contract or make other arrangements with respect to its percentage share of water from the Project without limitation or approval of any Participating Member.

Section 4.05.

Quality.

A. The water to be delivered by the Authority and received by each Participating Member shall be treated water from the Project of a quality sufficient to meet the requirements for potable water established by the Commission and the United States Environmental Protection Agency. Each Participating Member has satisfied itself that such water will be suitable for its needs.

The Authority shall not be responsible for maintaining any particular amount of chlorine residuals at any point in any Participating Member's utility system.

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B. The Authority shall periodically collect samples of treated water delivered to Participating Members and other customers and cause same to be analyzed consistent with guidelines established by the Commission using the then-current edition of Standard Methods for Examination of Water and Wastewater as published by the American Water Works Association ("AWWA") and others.

Section 4.06. Metering Equipment.

A. The Authority will furnish, install, operate, and maintain at its expense the necessary equipment and devices (including a meter house or pit) of standard type required for measuring the quantity of water delivered under this Taxable Contract from the Project to each Participating Member's Point or Points of Delivery. Such meters and other equipment so installed shall be the property of the Authority. The Authority shall inspect, calibrate, and adjust its meters at least annually as necessary to maintain accurate measurements of the quantity of water being delivered. Each Participating Member shall have access to the metering equipment at all reasonable times for inspection and examination, but the reading, calibration, and adjustment thereof shall be done only by employees or agents of the Authority. If requested, a Participating Member may witness such reading, calibration, and adjustment of meters. Any measuring device which fails to function or which functions incorrectly shall promptly be adjusted, repaired or replaced by a like device having the required accuracy. A meter registering not more than five percent (5%) above or below the test results shall be deemed to be accurate. The previous readings of any meter disclosed by tests to be inaccurate shall be corrected for one-half (1/2) the period elapsed since the next preceding meter test but in no event to exceed six (6) months in accordance with the percentage of inaccuracy found by such tests. If any meter fails to register for any period, the amount of water furnished during such period shall be deemed to be the amount of water delivered in the corresponding period immediately prior to the failure, unless the Authority and the Participating Member shall agree upon a different amount. All readings of meters will be entered upon proper books of record maintained by the Authority. Any Participating Member may have access to said record books during normal business hours.

B. Under the GBRA Contract, the Authority is required to install metering devices to measure the amount of water taken from Canyon Lake and purchased from GBRA. Such metering devices shall be considered to be a part of the Project.

Section 4.07. Pressure, Backflow, Maximum Rate of Flow.

A. The Authority shall deliver treated water to the Point(s) of Delivery for each Participating Member (subject to the provisions of Section 4.08) at a pressure of not less than 35 psi or at such other pressure agreed upon by the Authority and the Participating Member. If a Participating Member requires a greater or lesser pressure, such Participating Member shall bear all of the costs of providing such greater or lesser pressure. Pressure failure due to supply line breaks, power failures, flood, fire, earthquakes, other catastrophes, or use of water to fight fires, or any other

must be in writing and may be given or be served by depositing the same in the United States mail postpaid and registered or certified and addressed to the party to be notified, with return receipt requested, or by delivering the same to an officer of such party, or by prepaid telegram when appropriate, addressed to the party to be notified. Notice deposited in the mail in the manner hereinabove described shall be conclusively deemed to be effective, unless otherwise stated herein, from and after the expiration of three days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the party to be notified. For the purposes of notice, the addresses of the parties hereto shall, until changed as hereinafter provided, be as follows:

A. If to the Authority, to:

Canyon Regional Water Authority
850 Lakeside Pass
New Braunfels, Texas 78130

B. If to County Line Water Supply Corporation, to:

County Line Water Supply Corporation
140 Grist Mill Road
Uhland, Texas 78640

C. If to Crystal Clear Water Supply Corporation, to:

Crystal Clear Water Supply Corporation
2370 FM 1979
San Marcos, Texas 78666

D. If to Martindale Water Supply Corporation, to:

Martindale Water Supply Corporation
Post Office Box 175
Martindale, Texas 78655

E. If to Maxwell Water Supply Corporation, to:

Maxwell Water Supply Corporation
Post Office Box 158
Maxwell, Texas 78156

The parties hereto shall have the right from time to time and at any time to change their respective addresses and each shall have the right to specify as its address any other address by at least fifteen (15) days' written notice to the other parties hereto.

Section 9.08.

State or Federal Laws, Rules, Orders, or Regulations.

This Taxable Contract is subject to all applicable federal and state laws and any applicable permits, ordinances, rules, orders, and regulations of any local, state, or federal governmental authority having or asserting jurisdiction, but nothing contained herein shall be construed as a waiver of any right to question or contest any such law, ordinance, order, rule, or regulation in any forum having jurisdiction.

Section 9.09.

Remedies Upon Default.

It is not intended hereby to specify (and this Taxable Contract shall not be considered as specifying) an exclusive remedy for any default, but all such other remedies (other than termination) existing at law or in equity may be availed of by any party hereto and shall be cumulative. Recognizing, however, that the Authority's undertaking to provide and maintain the Project is an obligation, failure in the performance of which cannot be adequately compensated in money damages alone, the Authority agrees, in the event of any default on its part, that each Participating Member shall have available to it the equitable remedy of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available. Recognizing that failure in the performance of any Participating Member's obligations hereunder could not be adequately compensated in money damages alone, each Participating Member agrees in the event of any default on its part that the Authority shall have available to it the equitable remedy of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available to the Authority. Notwithstanding anything to the contrary contained in this Taxable Contract, any right or remedy or any default hereunder, except the right of the Authority to receive the Annual Payment which shall never be determined to be waived, shall be deemed to be conclusively waived unless asserted by a proper proceeding at law or in equity within two (2) years plus one (1) day after the occurrence of such default. No waiver or waivers of any breach or default (or any breaches or defaults) by any party hereto or of performance by any other party of any duty or obligation hereunder shall be deemed a waiver thereof in the future, nor shall any such waiver or waivers be deemed or construed to be a waiver of subsequent breaches or defaults of any kind, character, or description, under any circumstance.

Section 9.10.

Severability.

The parties hereto specifically agree that in case any one or more of the sections, subsections, provisions, clauses, or words of this Taxable Contract or the application of such sections, subsections, provisions, clauses, or words to any situation or circumstance should be, or should be held to be, for any reason, invalid or unconstitutional, under the laws of the State or the United States of America, or in contravention of any such laws, such invalidity, unconstitutionality, or contravention shall not affect any other sections, subsections, provisions, clauses, or words of this Taxable Contract or the application of such sections, subsections, provisions, clauses,

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or words to any other situation or circumstance, and it is intended that this Taxable Contract shall be severable and shall be construed and applied as if any such invalid or unconstitutional section, subsection, provision, clause or word had not been included herein, and the rights and obligations of the parties hereto shall be construed and remain in force accordingly.

Section 9.11. Venue.

All amounts due under this Taxable Contract, including, but not limited to, payments due under this Taxable Contract or damages for the breach of this Taxable Contract, shall be paid and be due in Guadalupe County, Texas, which is the County in which the principal administrative offices of the Authority are located. It is specifically agreed among the parties to this Taxable Contract that Guadalupe County, Texas, is the place of performance of this Taxable Contract; and in the event that any legal proceeding is brought to enforce this Taxable Contract or any provision hereof, the same shall be brought in Guadalupe County, Texas.

Section 9.12. Assignment.

Neither the Authority nor any Participating Member may assign any interest it may have under this Taxable Contract without the prior written consent of the other parties hereto; provided, however, the foregoing restriction shall not prevent the Authority from taking any action in connection with the issuance of the Bonds to secure the payment of the Bonds with amounts to be received by the Authority under this Taxable Contract.

Section 9.13. Entire Agreement.

This Taxable Contract constitutes the entire agreement among the parties with respect to the sale of treated water by the Authority to the Participating Members.

Section 9.14. Applicable Law.

This Taxable Contract shall be governed by and construed in accordance with the laws of the State, and the obligations, rights, and remedies of the parties hereunder shall be determined in accordance with such laws without reference to the laws of any other state or jurisdiction, except for applicable federal laws, rules, and regulations.

Section 9.15. No Sale, Lease, or Other Transfer of Participating Members' Utility System.

Pursuant to the terms of this Taxable Contract, a Participating Member, to the extent permitted by law, shall not sale, lease, or otherwise transfer any interest in such Participating Member's utility system without the written consent of the Authority.


Section 9.16. Counterparts.

This Taxable Contract may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

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IN WITNESS WHEREOF, the parties hereto acting under authority of their respective governing bodies have caused this Taxable Contract to be duly executed as of the day and year first above written.

CANYON REGIONAL WATER AUTHORITY

By: 
Chairman, Board of Trustees

ATTEST:


Secretary, Board of Trustees

(AUTHORITY SEAL)

COUNTY LINE WATER SUPPLY
CORPORATION

By: Kelly B. Turner
President

ATTEST:

Bruce Lockhart
Secretary

(SEAL)

CRYSTAL CLEAR WATER
SUPPLY CORPORATION

By: Richard A. Hanz
President

ATTEST:

W.L. Blenewinkel
Secretary

(SEAL)

MARTINDALE WATER SUPPLY
CORPORATION

By: Th. M. D. J.
President
(ACTING)

ATTEST:

Rae Jones
Secretary

(SEAL)

MAXWELL WATER SUPPLY
CORPORATION

By: Bruce Bryant
President

ATTEST:

Frank J. Will
Secretary

(SEAL)

Exhibit A

Allocations and Maximum Rate of Flow

<u>Participating Members</u>	<u>Amount of Water*</u>	<u>Maximum Rate of Flow per Day</u>
County Line Water Supply Corporation	218 acre feet	182 gpm
Crystal Clear Water Supply Corporation	500 acre feet	418 gpm
Martindale Water Supply Corporation	100 acre feet	84 gpm
Maxwell Water Supply Corporation	438 acre feet	366 gpm

550'''

*Changed based on report from
Maxwell WSC.*

* Annually per Fiscal Year

Exhibit B

Points of Delivery

Crystal Clear Water Supply Corporation

Elevated tank at Guadalupe County Road 1978 from the Hays/Caldwell
County Project

Maxwell Water Supply Corporation

Intersection of Highway 80 and FM 1984

County Line Water Supply Corporation

Intersection of FM 1966 and Highway 21

Martindale Water Supply Corporation

Intersection of FM Highway 80 at Martindale City limits

Exhibit C

Special Provisions

Under the terms of this Taxable Contract the Martindale Water Supply Corporation ("MWSC") has contracted for the treatment and redelivery of 100 acre-feet of water per year at a maximum rate of flow per day of 84 gallons per minute. Canyon Regional Water Authority ("CRWA") understands and agrees that the source of MWSC's "allocated water" described herein is a long term lease between MWSC and Green Valley Farms to take water from the San Marcos River and that the "methodology" to be used in calculating the MWSC part of the Annual Requirement under Article V of this Taxable Contract will be adjusted accordingly.

REGIONAL TAX-EXEMPT WATER SUPPLY CONTRACT

August 1, 1998

between

CANYON REGIONAL WATER AUTHORITY

and

GREEN VALLEY SPECIAL UTILITY DISTRICT,

BEXAR METROPOLITAN WATER DISTRICT,

CITY OF CIBOLO, TEXAS; AND

CITY OF MARION, TEXAS

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REGIONAL TAX-EXEMPT WATER SUPPLY CONTRACT

THIS REGIONAL TAX-EXEMPT WATER SUPPLY CONTRACT (this "Tax-Exempt Contract") dated as of the 1st day of August, 1998 (the "Contract Date") is between the CANYON REGIONAL WATER AUTHORITY, a regional water authority created under and essential to accomplish the purposes of Article XVI, Section 59 of the Constitution of the State of Texas (the "Authority"), and the GREEN VALLEY SPECIAL UTILITY DISTRICT, a special utility district created under Chapter 65, as amended, Texas Water Code, the BEXAR METROPOLITAN WATER DISTRICT, a reclamation and conservation district created under a special act of the Texas legislature and pursuant to Article XVI, Section 59 of the Texas Constitution, the CITIES OF CIBOLO, AND MARION, TEXAS, each a Type A general law municipality (certain of the "Original Participating Members", which, together with any Additional Participating Members as hereinafter defined, are collectively or individually referred to herein as "Participating Members").

P R E A M B L E A N D W I T N E S S E T H:

WHEREAS, the Authority was created to purchase, own, hold, lease, and otherwise acquire sources of a potable water supply; to build, operate, and maintain facilities for the treatment and transportation of water; to sell potable water to local governments, water supply corporations, and other persons in the State of Texas; and to protect, preserve, and restore the purity and sanitary condition to water in the Authority; and

WHEREAS, the Authority's boundaries currently include all of the territory located in the service area of the Original Participating Members as provided in their respective certificates of convenience and necessity issued by the Texas Natural Resource Conservation Commission; and

WHEREAS, each of the Original Participating Members currently provides potable water utility service to its customers; and

WHEREAS, in the pursuit of its purposes, the Authority has entered into a contract (the "GBRA Contract") with the Guadalupe-Blanco River Authority ("GBRA") and has and anticipates entering into additional contracts to acquire rights to purchase raw water in Canyon Lake in Comal County, Texas and other sources of raw water for treatment and resale to the Participating Members; and

WHEREAS, the Authority may acquire additional rights to purchase raw water from other sources for treatment and resale to the Participating Members; and

WHEREAS, the Authority has built, operates, and maintains a water treatment facility located at Lake Dunlap and certain related transmission lines (the "Original Project") for the purpose of receiving, treating, and transmitting certain of the water

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purchased pursuant to the GBRA Contract and certain other contracts now in force or to be entered into in the future; and

WHEREAS, the Participating Members hold and may acquire additional rights to raw water from other sources for treatment pursuant to the provisions of this Tax-Exempt Contract and thereafter to supply, redeliver, or sell this treated water in accordance with the provisions of this Tax-Exempt Contract; and

WHEREAS, the Authority intends to build, operate, and maintain (i) a new water treatment facility, (ii) an expansion of the Original Project, and (iii) certain related transmission lines and storage facilities (the "Project") for the purpose of receiving, treating, storing, and transmitting certain of the water purchased pursuant to the GBRA Contract or purchased or leased pursuant to certain other contracts now in force or to be entered into in the future; and

WHEREAS, to finance the costs of the acquisition, construction, and equipping of the Original Project, the Authority issued its notes or other debt obligations (the "Original Bonds") to the United States Department of Agriculture - Rural Utilities Service (as the successor to the United States Department of Agriculture, Farmers Home Administration) that are secured by and payable from revenues received by the Authority and pursuant to a mortgage on the Original Project; and

WHEREAS, to finance the costs of the acquisition, construction, and equipping of the Project, and to prepay, redeem, and defease the Original Bonds, the Authority intends to issue one or more series of its contract revenue bonds or other debt obligations (the "New Bonds") to the Texas Water Development Board, or other entity (including a public or negotiated sale), to be secured by and payable from revenues received by the Authority pursuant to this Tax-Exempt Contract and the Taxable Contract (hereinafter defined); and

WHEREAS, for and in consideration of the Authority acquiring the right to purchase raw water for treatment and resale as provided herein, the Participating Members are willing and have agreed to contract with the Authority as hereinafter provided to acquire treated water from the Original Project and the Project and to pay the cost of the Original Project and the Project by assisting in the amortization of the principal of and interest on the Original Bonds and the New Bonds and paying the Authority's Operation and Maintenance Expenses (hereinafter defined); and

WHEREAS, the Authority and the Participating Members are authorized to enter into this Tax-Exempt Contract and the Taxable Contract pursuant to the Authority's enabling statute, Chapter 670, Acts of the 71st Legislature, Regular Session, 1989 (the "Act"), and Chapter 791, Texas Government Code, as amended (the "Interlocal Cooperation Act"), and other applicable laws; and

WHEREAS, the Authority agrees that the Participating Members shall continue to own their respective Certificates of Convenience and Necessity issued by the

Commission, shall continue to own and operate their respective water pumping, storage, and distribution facilities, and any respective water treatment facilities currently owned by each of the Participating Members; and

WHEREAS, the Board of Trustees has directed that a portion of the raw water under this Tax-Exempt Contract and the Taxable Contract be made available (following treatment by the Authority) on a firm basis to parties who contract with the Authority pursuant to this Tax-Exempt Contract and the Taxable Contract; and

WHEREAS, each of the Participating Members under this Tax-Exempt Contract and the Taxable Contract proposes to pay its share of costs of the Original Project and the Project and the Original Bonds and the New Bonds based upon a rate methodology to be developed by the Authority or in proportion to the respective amounts of treated water each has agreed to purchase under this Tax-Exempt Contract and the Taxable Contract; and

WHEREAS, the Authority has entered into a substantial similar contract with Crystal Clear Water Supply Corporation, East Central Water Supply corporation, and Springs Hill Water Supply Corporation dated as of August 1, 1998 (the "Taxable Contract") because these entities are not "political subdivisions" under the Code (hereinafter defined) and therefore any debt issued by the Authority for their benefit must be issued on a taxable basis; however, each of these entities is an Original Participating Member.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and subject to the terms and conditions hereinafter set forth, the Authority and each of the Participating Members agree and contract as follows:

ARTICLE I

Definitions

Section 1.01. Definitions.

The following terms and expressions as used in this Tax-Exempt Contract, unless the context clearly shows otherwise, shall have the following meanings:

"Act" means Chapter 670, Acts of the 71st Legislature, Regular Session, 1989.

"Additional Participating Member(s)" means any entity or entities hereafter agreeing pursuant to Section 6.01 of this Tax-Exempt Contract to be bound by the terms of this Tax-Exempt Contract, as it may be amended from time to time.

"Adjusted Annual Payment" means the Annual Payment as adjusted by the Board during or after an Annual Payment Period, as provided by this Tax-Exempt Contract and the Taxable Contract.

"Annual Payment" means the amount of money to be paid to the Authority by each Participating Member during each Annual Payment Period as its share of the Annual Requirement.

"Annual Payment Period" means the Authority's fiscal year, which currently begins on October 1 of each calendar year and ends on September 30 of the next following calendar year, but which may be any twelve consecutive month period fixed by the Authority; the first Annual Payment Period under this Tax-Exempt Contract and the Taxable Contract is anticipated to be the period of October 1, 1998, through September 30, 1999.

"Annual Requirement" means, during an Annual Payment Period, the total amount required to pay all Operation and Maintenance Expenses of the Authority and the Original Project and the Project and all costs and payments due and payable for the amortization of the Original Bonds and the New Bonds.

"Authority" means the Canyon Regional Water Authority, a regional water authority created under and essential to accomplish the purposes of Article XVI, Section 59 of the Constitution of the State of Texas created in accordance with the Act. Except as otherwise noted herein, actions required or permitted to be taken by the Authority under this Tax-Exempt Contract and the Taxable Contract may be taken by the General Manager on behalf of the Authority.

"Board" means the governing body of the Authority.

"Boardmembers" means a member or members of the Board.

"Bond Resolution" means any resolution or other financing documents of the Authority which authorizes any Bonds.

"Bonds" means the Original Bonds and New Bonds and all bonds, notes, or other debt obligations payable from and secured, in whole or in part, from the payments to the Authority under this Tax-Exempt Contract and the Taxable Contract, and the interest thereon, hereafter issued by the Authority to finance the costs to acquire, construct, and equip the Original Project or the Project, and/or all bonds, notes, or other obligations issued subsequently to finance costs to improve and extend the Original Project or the Project, and any bonds or other obligations issued to refund the Original Bonds and any other bonds, notes, or other obligations to refund any other refunding bonds or other obligations.

"Code" means the Internal Revenue Code of 1986, and any amendments thereto, as in force and effect on the date of delivery of any series of Bonds.

"Commission" means the Texas Natural Resource Conservation Commission or any successor entity thereto.

"Credit Agreement" means any credit agreement, as defined in and authorized by the provisions of Texas Revised Civil Statutes Annotated Article 717q, as amended, which the Authority enters into relating to its obligations with respect to the Bonds.

"Force Majeure" means such term as it is defined in Section 9.01 of this Tax-Exempt Contract.

"General Manager" means the general manager of the Authority's operations, including any party or entity that the Authority enters into a management contract to provide these services.

"Land Interests" means the easements, right-of-way, and other interests in real property necessary for the acquisition, construction, and operation of the Project.

"MSRB" means the Municipal Securities Rulemaking Board and any successor to its duties.

"New Bonds" means one or more series of obligations that the Authority currently anticipates selling to the Texas Water Development Board, or other entity (including a public or negotiated sale), in the total principal amount of \$38,000,000 to fund the costs associated with constructing the Project or other water treatment facilities and related transmission lines, and prepaying, redeeming, and defeasing the Original Bonds.

"NRMSIR" means each person whom the SEC or its staff has determined to be a nationally recognized municipal securities information repository within the meaning of the Rule from time to time.

"Operation and Maintenance Expenses" means, during an Annual Payment Period, all direct costs and expenses incurred by the Authority for its operation and maintenance, including but not limited to, the operation and maintenance of the Original Project and the Project, including (for greater certainty but without limiting the generality of the foregoing) amounts payable under the GBRA Contract and/or any contract with any federal, state, or local agency for the construction, operation, and/or water storage rights or other interests in water in Canyon Lake or other source of raw water, any contribution or payment in lieu of taxes or any fee or charge by any government authority relating to the Authority's sale of treated water hereunder, the costs of utilities, supervision, engineering, accounting, auditing, legal services, insurance premiums, supplies, services, and administration of the Original Project or the Project, Overhead Expenses, and costs of operating, repairing, maintaining, and replacing equipment for proper operation and maintenance of the Original Project and the Project. The term "Operation and Maintenance Expenses" does not include depreciation charges or such portion of the above-described costs to the extent such costs are paid pursuant to an agreement other than this Tax-Exempt Contract or the Taxable Contract.

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"Original Bonds" means the notes issued by the Authority to the United States Department of Agriculture - Rural Utilities Service (as the successor to the United States Department of Agriculture, Farmers Home Administration) in the principal amount of \$5,090,000.

"Original Participating Members" means County Line Water Supply Corporation, Crystal Clear Water Supply Corporation, East Central Water Supply Corporation, Martindale Water Supply Corporation, Maxwell Water Supply Corporation, Springs Hill Water Supply Corporation, Green Valley Special Utility District, Bexar Metropolitan Water District, and the Cities of Cibolo, and Marion, Texas.

"Original Project" means the water treatment facility and transmission lines that were financed with the proceeds of the Original Bonds.

"Overhead Expenses" means the Authority's reasonable and necessary costs and expenses incurred and directly related to the issuance and servicing of the Bonds, the acquisition of Land Interests required for the Project, the design, permitting, financing, acquisition, construction, and ownership of the Original Project and the Project and any other activities required of or involving the Authority in connection with or attributable to the Original Project and the Project or the Bonds, including, but not limited to:

(a) per diem and reimbursable expenses incurred by the Board for special meetings of the Board related to the Project,

(b) services of the professional, technical skilled and unskilled persons and firms engaged by or associated with the Authority, other than Authority staff personnel, together with their reimbursable expenses paid or required to be paid by the Authority;

(c) salaries of the Authority's staff attributable to the Original Project and the Project or the Bonds based on time expended, as documented or reasonably estimated by the General Manager of the Authority, times an overhead factor of two (2), which factor shall be subject to adjustment by the Authority from time to time in response to actual or reasonably projected overhead expenses of the Authority;

(d) the costs of preparing applications for and obtaining all approvals and authorizations required for the Project or the Bonds from the regulatory authorities having jurisdiction;

(e) the cost of property casualty and public liability insurance; including any insurance deductible charged to or required to be paid by the Authority;

(f) all costs incurred in litigation involving or relating to the Project; and

(g) any and all other costs and expenses, including out-of-pocket expenses, incurred by the Authority attributable to the Project or the Bonds, whether enumerated above or not and whether or not included in the definition or as a part of Project Costs.

"Participating Member(s)" means certain of the Original Participating Members and all Additional Participating Members from time to time subject to this Tax-Exempt Contract.

"Permitted Liens" means:

(a) Minor irregularities, charges, liens, encumbrances, defects, easements, licenses, rights-of-way, servitudes, restrictions, mineral rights, and clouds on title which, in the opinion of counsel to the Authority, do not materially impair the use of the Project for the purposes for which it is designed.

(b) Easements for roads (as used in this Tax-Exempt Contract, the term "roads" shall include, without limitation, streets, curbs, gutters, drains, ditches, sewers, conduits, canals, mains, aqueducts, aerators, connections, ramps, docks, viaducts, alleys, driveways, parking areas, walkways, and trackage), utilities (which for purposes of this Contract shall include, without limitation, water, sewer, electricity, gas, telephone, pipeline, railroad, and other collection, transportation, light, heat, power, and communication systems) and similar easements and other easements, rights-of-way, rights of flowage, flooding, diversion or outfall, licenses, restrictions, and obligations relating to the operation of the Project which, in the opinion of counsel to the Authority, do not materially impair the use of the Project for the purposes for which it is designed.

(c) Rights of the United States or any state or political subdivision thereof, or other public or governmental authority or agency or any other entity vested with the power of eminent domain to take or control property or to terminate any right, power, franchise, grant, license, or permit previously in force.

"Point(s) of Delivery" means the point or points designated in Exhibit B to this Tax-Exempt Contract and the Taxable Contract or by subsequent agreement where water will be delivered by the Authority to Participating Members from the Original Project or the Project.

"Project" means the "Project" as defined in the preamble of this Tax-Exempt Contract.

"Project Costs" means and includes, without limitation, the following costs incurred for the Project by or on behalf of the Authority:

(a) the cost of acquisition of the Land Interests, including appraisals, closing costs and title insurance policies;

(b) the cost of acquisition, construction, repair, replacement, or improvement of any structure, item of equipment, or other item, used for, or in connection with, the Project;

(c) the cost of site preparation of the Land Interests, including demolition or removal of structures and improvements as necessary or incident to accomplishing the Project;

(d) the cost of engineering, legal, architectural or other related services;

(e) the preparation cost of plans, specifications, studies, surveys, cost estimates, and other expenses necessary or incident to planning, providing, or financing the Project;

(f) the cost of machinery, equipment, furnishings, and facilities necessary or incident to placing the Project in operation;

(g) finance charges and interest before, during, and after construction;

(h) costs incurred in connection with financing the Project, including, without limitation:

(1) financing, legal, accounting, financial advisory, rating agency, and auditing fees, expenses and disbursements;

(2) the costs of a Credit Agreement;

(3) the cost of printing, engraving, and reproduction services; and

(4) the cost of a trustee's or paying agent's initial or acceptance fee and subsequent fees.

(i) all costs, fees and expenses of litigation of all kinds;

(j) the cost of property casualty and public liability insurance;

(k) the Authority's Overhead Expenses; and

(l) other costs generally recognized as a part of project construction costs.

"Rule" means SEC Rule 15c2-12, as amended from time to time.

"SEC" means the United States Securities and Exchange Commission and any successor to its duties.

"SID" means any entity designated by the State or an authorized department, officer, or agency thereof as, and determined by the SEC or its staff to be, a state information depository within the meaning of the Rule from time to time.

"Sale and Offering Documents" means any official notice of sale, official bid form, preliminary official statement, official statement, application to the Texas Water Development Board, or other offering document for the Bonds.

"State" means the State of Texas.

"System" means all properties, facilities and plants (including the Original Project and the Project) currently owned, operated, and maintained by the Authority for the supply, treatment, and transmission of treated potable water, together with all future extensions, improvements, replacements and additions thereto, whether situated within or without the limits of the Authority; provided, however, that notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term System shall not mean to include facilities of any kind which are declared not to be a part of the System and which are acquired or constructed by or on behalf of the Authority with the proceeds from the issuance of *Special Facilities Bonds*, which are hereby defined as being special revenue obligations of the Authority which are not payable from revenues of the System but which are payable from and equally and ratably secured by other liens on and pledges of any revenues, sources or payments, not pledged to the payment of the Old Bonds or the New Bonds including, but not limited to, special contract revenues or payments received from any other legal entity in connection with such facilities.

"Taxable Contract" has the meaning set forth in the preamble to this Tax-Exempt Contract.

"Tax-Exempt Contract" means this Regional Tax-Exempt Water Supply Contract, as initially executed and as it may be amended from time to time.

Section 1.02. Construction.

Unless the context requires otherwise, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa. This Tax-Exempt Contract and all the terms and provisions hereof shall be constructed to effectuate the purposes set forth herein and to sustain the validity of this Tax-Exempt Contract.

ARTICLE II

Representations and Warranties

Section 2.01. Representations and Warranties of Authority.

The Authority hereby represents and warrants that the GBRA Contract has been duly executed by each of the parties thereto and that the GBRA Contract is in full force and effect; the Authority has full power and authority to sell or otherwise convey treated water to the Participating Members in accordance with the terms of the GBRA Contract and this Tax-Exempt Contract; and the execution and delivery of this Tax-Exempt Contract by the Authority and the performance by the Authority of the provisions hereof do not and will not conflict with or constitute on the part of the Authority a breach or a default of any provision of the GBRA Contract or any other contract or agreement of the Authority.

Section 2.02. Representations and Warranties of Participating Members.

Each of the Participating Members hereby represents and warrants that it has full power and authority to purchase treated water from the Authority in accordance with the terms of this Tax-Exempt Contract; and the execution and delivery of this Tax-Exempt Contract by each Participating Member and the performance of the provisions hereof by each Participating Member do not and will not conflict with or constitute on the part of such Participating Member a breach or a default of any provision of any other contract or agreement of such Participating Member.

ARTICLE III

Construction of Project and Issuance of Bonds

Section 3.01. Construction of Project.

The Authority agrees that the acquisition, construction, and improvement of the Project by the Authority will be accomplished in accordance with generally accepted engineering practices and, subject to the issuance of the Bonds pursuant to Section 3.02 to provide a source of funds, with all practical dispatch.

Section 3.02. Issuance of Bonds.

A. The Authority may issue its Bonds, payable from and secured by a pledge of the Annual Payments from this Tax-Exempt Contract and the Taxable Contract to finance the costs of acquiring, constructing, extending, enlarging, repairing, renovating, equipping, and otherwise improving the Project.

B. (1) Each Bond Resolution of the Authority shall specify the exact principal amount of the Bonds to be issued thereunder, which Bonds

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shall mature within the maximum allowable period or such shorter period as determined by the Authority and shall bear interest not exceeding the maximum allowable rates, all as permitted by law, and each Bond Resolution shall contain such other terms and provisions pertaining to the security and payment of Bonds and the operation and maintenance of the Project as may be necessary for the marketing and sale of the Bonds. The Authority may from time to time issue its Bonds in such amounts as are within its judgment and discretion sufficient to achieve full implementation of the Project.

(2) Prior to the final adoption of a Bond Resolution or any amendment of a Bond Resolution by the Authority's Board of Directors a copy of the proposed Bond Resolution, and the Sale and Offering Documents shall be presented to the Participating Member for review and approval.

(3) Upon the Participating Member approval of (i) each Bond Resolution hereafter adopted by the Authority, (ii) any amendments to any Bond Resolution, and (iii) the Sale and Offering Documents and the delivery to the Authority of a certification signed by the authorized representative of the Participating Member to the effect that the Bond Resolution and the Sale and Offering Documents comply with this Tax-Exempt Contract, then upon the adoption and approval of the Bond Resolution in such final form by the Authority's Board of Directors and the issuance and delivery of the Bonds to the purchaser thereof, the Bond Resolution shall for all purposes be considered approved by the Authority and deemed to be in compliance with this Tax-Exempt Contract in all respects, and the Bonds issued thereunder will constitute Bonds as defined in this Tax-Exempt Contract for all purposes. Any owner of Bonds is entitled to rely fully and unconditionally on any such approval.

(4) All covenants and provisions in the Bond Resolution affecting, or purporting to bind, the Participating Member, shall, upon the delivery of the Bonds, become absolute, unconditional, valid, and binding covenants and obligations of the Participating Member so long as said Bonds and interest thereon are outstanding and unpaid, and may be enforced as provided in this Tax-Exempt Contract, the Taxable Contract, and the Bond Resolution. Particularly, the obligation of the Participating Member to make, promptly when due, all Annual Payments specified in this Tax-Exempt Contract and all payments described in Section 3.05 hereof shall be absolute and unconditional, and said obligation may be enforced as provided in this Tax-Exempt Contract. In addition, subject to the approval of the Participating Member, the Authority may enter into Credit Agreements for the purpose of achieving the lowest financing costs for the Project.

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Section 3.03. Liens. Neither the Participating Members nor the Authority will create or permit or suffer to exist any lien, encumbrance, or charge upon the Project or any interest therein at any time, except Permitted Liens.

Section 3.04. Tax-Exempt Bonds. The parties hereto understand and agree that the Authority will use its best efforts to provide for, but will not be liable for a failure to produce, the lowest overall debt service cost for the Bonds to be issued for the Project. In connection therewith, the parties intend that the Authority will issue Bonds the interest on which is excludable from the gross income of the owners thereof for federal income tax purposes. The parties hereto acknowledge their understanding that the federal income tax laws impose certain restrictions on the use and investment of proceeds of such tax-exempt bonds and on the use of the property financed therewith and the output produced therefrom. Accordingly, the parties agree and covenant that if the Bonds are offered to investors with the understanding that the interest will be exempt from federal income taxation, then the parties, their assigns and agents, will take such action to assure, and refrain from such action which will adversely affect the treatment of such Bonds as obligations described in section 103 of the Code. Should either party fail to comply with such covenant, the effect of which being that the Bonds no longer qualify as obligations described in the Code, such defaulting party shall be liable for all costs resulting from the loss of the tax-exempt status of the Bonds. The parties hereby agree and covenant to comply with all of the representations and covenants relating to such exemption which are set out in any Bond Resolution. The parties further agree and covenant that in the event the Bonds issued are to be tax-exempt, they will modify such agreements, make such filings, restrict the yield on investments, and take such other action necessary to fulfill the applicable provisions of the Code. For these purposes, the parties may rely on the respective opinion of any firm of nationally-recognized bond attorneys selected by them. In the event that a conflict arises in the opinions of the respective firms of each of the parties, the parties will identify a different firm, that is mutually acceptable to both parties, in order to resolve the conflict of opinion.

Section 3.05. Payment to Rebate Fund. In the event that tax-exempt Bonds are issued as provided in Section 3.04, the Authority hereby covenants and agrees to make the determinations and to pay any deficiency into a rebate fund, at the times and as described in the Bond Resolution to comply with the provisions of Section 148(f)(2) of the Code. In any event, if the amount of cash held in the rebate fund shall be insufficient to permit the trustee or paying agent to make payment to the United States of America of any amount due on any date under Section 148(f)(2) of the Code, the Authority forthwith shall pay the amount of such insufficiency on such date to the trustee or paying agent in immediately available funds for such purpose.

Section 3.06. Sale and Offering Documents. At the request of the Authority, the Participating Members shall provide to the Authority current and historical information concerning their respective utility systems, general fund information, the financial conditions results, and prospects of the Participating

Members, and such other information concerning the Participating Members as the Authority shall deem advisable for inclusion in the Sale and Offering Documents for the Bonds of each series and shall certify to the Authority and the underwriters of any offering of Bonds to be made by means of such Sale and Offering Documents when and if the Participating Members deem such Sale and Offering Documents to be complete and final for purposes of the Rule. The Participating Members represent and warrant that all statements concerning the Participating Members (including, without limitation, their financial condition, results, and prospects, their utility system, and any demographic and economic information concerning the area served by their utility system) that are contained in any Sale and Offering Document shall be true in all material respects and shall not omit to state any material fact necessary to make the statements made in such Sale and Offering Document, in the light of the circumstances in which they are made, not misleading.

Section 3.07. Authority's Rights Assigned to Trustee. The Participating Members are advised and recognize that as security for the payment of the Bonds, the Authority may assign to a trustee, pursuant to one or more trust indentures to be authorized by the Bond Resolution, the Authority's rights under this Tax-Exempt Contract, including the right to receive the Annual Payments hereunder and the amounts described in Section 3.05 hereof. The Participating Members herewith assent to such assignment and will make the Annual Payments and the payments described in Section 3.05 hereof directly to the trustee without defense or set-off by reason of any dispute between the Participating Members and the Authority or the trustee. All rights against the Participating Members arising under this Tax-Exempt Contract or the Bond Resolution and assigned to the trustee may be enforced by the trustee, or the owners of the Bonds, to the extent provided in the Bond Resolution, and the trustee, or the owners of the Bonds, shall be entitled to bring any suit, action, or proceeding against the Participating Members, to the extent provided in the Bond Resolution, for the enforcement of this Tax-Exempt Contract, and it shall not be necessary in any such suit, action, or proceeding to make the Authority a party thereto.

ARTICLE IV

Sale and Purchase of Treated Water; Operating Requirements

Section 4.01. Water Conveyance; Option to Purchase.

A. The Participating Members hereby agree to pay for the right to receive from the Authority and the Authority hereby agrees to sell to the Participating Members all of the treated water produced by the Authority through the Original Project or the Project subject to the terms and provisions of this Tax-Exempt Contract, the Taxable Contract, or other contracts which generate System revenues; provided, however, the Authority shall have the right to purchase, and the Participating Members hereby each agree to relinquish their right to purchase, treated

water produced by the Original Project or the Project upon reduction, on a proportionate basis, of the Participating Members' share of their Annual Payments under this Tax-Exempt Contract. It is expressly recognized that the treated water delivered to each Participating Member as disclosed in Exhibit A shall be owned by such Participating Member and may be sold or otherwise conveyed by such Participating Member in accordance with applicable law; provided, however, before any Participating Member enters into a contract or other agreement to transfer, sale, or convey any treated water received from the Authority pursuant to the terms of this Tax-Exempt Contract, such Participating Member shall afford the Authority the right of first refusal for a period of 90 days to obtain such treated water for redistribution to other Participating Members.

B. Each of the Participating Members shall be entitled to receive from the Authority the quantities of treated water identified in Exhibit A attached hereto and in accordance with this Tax-Exempt Contract. To the extent the Authority has acquired additional water under the GBRA Contract or from some other source, or to the extent the Participating Members do not request all of their allotted treated water as set forth on Exhibit A, or to the extent the Authority acquires a percentage share of the treated water produced by the Original Project or the Project pursuant to Paragraph A of this Section, the Authority may sell or otherwise use such water to supply treated water to other Participating Members, to retail customers, if any, of the Authority, or on a spot basis.

Section 4.02. Points of Delivery.

Each Participating Member agrees to take treated water at the Point(s) of Delivery for such Participating Member set forth in Exhibit B hereto. Modification of such Points of Delivery may be mutually agreed to in writing between each Participating Member, respectively, and the Authority. The Authority will maintain ownership of the connection (being any device, including welded pipe connections, water installations, valves, meter vaults, or similar devices) between the Authority's System and the utility system of the Participating Members.

Section 4.03. Resale.

Participating Members hereby agree not to sell treated water purchased from Authority under this Tax-Exempt Contract to any person or entity outside such Participating Member's boundaries or prescribed service area (as they may be adjusted from time to time) unless the Participating Member has received prior written approval from the Authority. Approval to make retail sales of treated water to individual customers outside such boundaries or prescribed service area may be granted by the General Manager of the Authority. Approval to make wholesale sales of treated water pursuant to this Tax-Exempt Contract outside the Participating Member's boundaries or prescribed service area shall require the specific prior approval of the Board. Notwithstanding any provision in this Section to the contrary, each Participating Member shall have the right and authority to continue to sell

Section 4.04. Other Contracts.

A. If the Authority exercises its right to water under this Tax-Exempt Contract pursuant to Section 4.01, the Authority reserves the right to supply treated water from the Original Project or the Project to others on wholesale or retail basis. Each such contract with other entities shall be limited to the Authority's share of treated water covered by this Tax-Exempt Contract and shall not contain any provision which would adversely affect the Participating Members' percentage share of treated water covered by this Tax-Exempt Contract, except as permitted by Section 4.01.

B. The parties hereto recognize and acknowledge that the Authority shall have the right and authority to contract or make other arrangements with respect to its percentage share of water from the Original Project or the Project without limitation or approval of any Participating Member.

Section 4.05. Quality.

A. The water to be delivered by the Authority and received by each Participating Member shall be treated water from the Original Project or the Project of a quality sufficient to meet the requirements for potable water established by the Commission and the United States Environmental Protection Agency. Each Participating Member has satisfied itself that such water will be suitable for its needs.

The Authority shall not be responsible for maintaining any particular amount of chlorine residuals at any point in any Participating Member's utility system.

B. The Authority shall periodically collect samples of treated water delivered to Participating Members and other customers and cause same to be analyzed consistent with guidelines established by the Commission using the then-current edition of Standard Methods for Examination of Water and Wastewater as published by the American Water Works Association ("AWWA") and others.

Section 4.06. Metering Equipment.

A. The Authority will furnish, install, operate, and maintain at its expense the necessary equipment and devices (including a meter house or pit) of standard type required for measuring the quantity of water delivered under this Tax-Exempt

Contract from the Original Project and the Project to each Participating Member's Point or Points of Delivery. Such meters and other equipment so installed shall be the property of the Authority. The Authority shall inspect, calibrate, and adjust its meters at least annually as necessary to maintain accurate measurements of the quantity of water being delivered. Each Participating Member shall have access to the metering equipment at all reasonable times for inspection and examination, but the reading, calibration, and adjustment thereof shall be done only by employees or agents of the Authority. If requested, a Participating Member may witness such reading, calibration, and adjustment of meters. Any measuring device which fails to function or which functions incorrectly shall promptly be adjusted, repaired or replaced by a like device having the required accuracy. A meter registering not more than five percent (5%) above or below the test results shall be deemed to be accurate. The previous readings of any meter disclosed by tests to be inaccurate shall be corrected for one-half (1/2) the period elapsed since the next preceding meter test but in no event to exceed six (6) months in accordance with the percentage of inaccuracy found by such tests. If any meter fails to register for any period, the amount of water furnished during such period shall be deemed to be the amount of water delivered in the corresponding period immediately prior to the failure, unless the Authority and the Participating Member shall agree upon a different amount. All readings of meters will be entered upon proper books of record maintained by the Authority. Any Participating Member may have access to said record books during normal business hours.

B. Under the GBRA Contract, the Authority is required to install metering devices to measure the amount of water taken from Canyon Lake and purchased from GBRA. Such metering devices shall be considered to be a part of the Original Project.

Section 4.07. Pressure, Backflow, Maximum Rate of Flow.

A. The Authority shall deliver treated water to the Point(s) of Delivery for each Participating Member (subject to the provisions of Section 4.08) at a pressure of not less than 35 psi or at such other pressure agreed upon by the Authority and the Participating Member. If a Participating Member requires a greater or lesser pressure, such Participating Member shall bear all of the costs of providing such greater or lesser pressure. Pressure failure due to supply line breaks, power failures, flood, fire, earthquakes, other catastrophes, or use of water to fight fires, or any other cause beyond the reasonable control of the Authority shall relieve the Authority from compliance with this provision for such reasonable period of time as may be necessary to restore pressure.

B. The Authority shall install and maintain at its sole expense at each Point of Delivery a backflow preventor of AWWA-approved quality. Each Participating Member shall have the right to inspect the backflow preventor at each of its Points of Delivery at such reasonable times at such Participating Member in its discretion may determine are required.

C. The maximum rate of flow per day that may be provided to each Participating Member by the Authority is established in Exhibit A hereto and incorporated by reference for all purposes to this Tax-Exempt Contract.

Section 4.08. Cross-Utilization of Lines.

A. Each Participating Member acknowledges that it may be necessary for certain of its transmission lines to be utilized in order for the Authority to transmit treated water to another Participating Member and such Participating Member hereby agrees to permit the Authority to so utilize its transmission lines in accordance with Section 7.09. In such case, the Participating Members involved agree to inform the Authority of any special requirements with respect to pressure or other matters relating to the transmitting Participating Member's lines.

B. The Authority will furnish, install, operate, and maintain at its expense meters at the point of exit from a Participating Member's lines to maintain accurate measurements of the quantity of water being delivered by the Authority to a Participating Member through the lines of another Participating Member. Such meters shall be subject to inspection and examination by both Participating Members in accordance with the provisions of Section 4.06.

C. In the event that repairs are required to be made to any lines of a Participating Member which are utilized for the transmission of treated water to another Participating Member, the receiving Participating Member shall participate in the cost of such repairs as may be agreed from time to time.

ARTICLE V

Fiscal Provisions

Section 5.01. Annual Requirement.

Subject to the terms and provisions of this Tax-Exempt Contract, the Authority will provide and pay for the cost of the Original Project and the Project through the issuance of the Bonds. It is acknowledged and agreed that payments by the Participating Members to the Authority under this Tax-Exempt Contract and the Taxable Contract will be the sole or primary source of funds available to the Authority to provide the Annual Requirement. Each Participating Member shall be obligated to pay the full amount of its Annual Requirement notwithstanding that it may elect not to receive the full amount of treated water available to it under this Tax-Exempt Contract. In compliance with the Authority's duty to fix and from time to time to revise the rates and charges for services rendered under this Tax-Exempt Contract, the Annual Requirement may change from time to time. Each such Annual Requirement shall be allocated among the Participating Members and the Authority based upon a rate methodology to be developed by the Authority or according to their respective percentage shares of treated water covered by this Tax-Exempt Contract

and the Taxable Contract, and the Annual Requirement for each Annual Payment Period shall be identified in each annual budget and shall at all times be not less than an amount sufficient to pay or provide for the payment of the following:

- A. all Operation and Maintenance Expenses; and
- B. an amount to fund a special reserve for the Operation and Maintenance Expenses or for additional capital improvements to the Project; the total amount to be accumulated for such operating and additional capital improvements reserve shall not exceed 25% of the annual Operation and Maintenance Expenses (estimated to be approximately three (3) months' expenses); and
- C. when the Authority and the Participating Members agree to issue Bonds to finance the costs of the Project, a capital component, including principal, interest, premium, reserve funds, and other funds established or required by any Bond Resolution and to pay the principal of and interest on the Original Bonds.

Section 5.02. Annual Budget.

Each annual budget for the acquisition and/or operation and maintenance of the Original Project and the Project shall always provide for amounts sufficient to pay the Annual Requirement. The annual budget for the Original Project and the Project for the Annual Payment Period during Fiscal Year 1997-98 will be prepared and adopted by the Authority based on estimates made by the Authority. Each Participating Member will be furnished a copy of such annual budget, and each Participating Member hereby acknowledges its ability to pay its share of the Annual Requirement from available funds budgeted therefor. On or before July 15 of each year thereafter commencing July 15, 1998, the Authority shall furnish to each Participating Member a preliminary estimate of the Annual Payment required from each Participating Member for the next following Annual Payment Period.

Not less than 60 days before the commencement of each Annual Payment Period beginning in Fiscal Year 1998-99, the Authority shall cause to be prepared a preliminary budget for the Original Project and the Project for the next ensuing Annual Payment Period. A copy of such preliminary budget shall be filed with each Participating Member before action by the Board. Any Participating Member may submit comments about the preliminary budget directly to the Board. The Board may adopt the preliminary budget or make such amendments thereof as to it may seem proper; provided, however, no change or amendment to the preliminary budget will be made by the Board after such preliminary budget has been submitted to the Participating Members which change or amendment would in effect increase the Annual Requirement without resubmitting such amended preliminary budget to the Participating Members. The Board shall thereupon approve the annual budget. With respect to budgetary matters, the Participating Members shall have the right only to

comment on the preliminary budget; their approval of the preliminary or final annual budget shall not be required. The annual budget thus approved by the Board shall be the annual budget for the next ensuing Annual Payment Period. The annual budget, including the first annual budget, may be amended by the Authority at any time to transfer funds from one account or fund to another account or fund provided such transfer will not increase the total budget and the transfer of funds is attributable to the costs of the Original Project and the Project or to the Original Project and the Project's maintenance and operation. Subject to notification to the Participating Members, the amount for any account or fund, or the amount for any purpose, in the annual budget may be increased through formal action by the Board even though such action might cause the total amount of the annual budget for the Original Project and the Project to be exceeded; provided, however, such action shall be taken only in the event of an emergency or special circumstances which shall be clearly stated in the notice to the Participating Members and in the resolution at the time such action is taken by the Board.

Notwithstanding anything herein to the contrary, no failure of the Authority to estimate, and no mistake by the Authority in any estimate of, the amount of or schedule for Annual Payments due from the Participating Members in any fiscal year shall relieve the Participating Members from (or defer) their absolute and unconditional obligation to make all Annual Payments in full when due.

Section 5.03. Payments by Participating Members.

A. Subject to Sections 4.06A and 4.07B, each Participating Member agrees to pay a connection fee for each Point of Delivery equal to the total cost of material, labor, and equipment required to implement such connection.

B. For the treated water available to the Participating Members under this Tax-Exempt Contract (whether or not the Participating Members elect to receive such water), each of the Participating Members agrees to pay, at the time and in the manner hereinafter provided, its share of the Annual Requirement. Each of the Participating Members shall pay its part of the Annual Requirement for each Annual Payment Period directly to the Authority (or its assigns), in monthly installments in accordance with the schedule of payments furnished by the Authority, as hereinafter provided.

C. Each Participating Member shall pay a proportionate share of the Annual Requirement according to a rate methodology to be developed by the Authority or based upon the relative amount of water available to each Participating Member and set forth on Exhibit A, as amended from time to time. The Authority shall charge each Participating Member its share of pumping costs according to the volume of water actually delivered.

D. Each Participating Member's allocated share of the Annual Requirement for each Annual Payment Period shall be made in accordance with a written schedule

of payments for the appropriate Annual Payment Period which will be supplied to each of the Participating Members by the Authority.

E. Notwithstanding the foregoing, the Annual Requirement, and each Participating Member's share thereof, shall be redetermined, after consultation with each of the Participating Members, at any time during any Annual Payment Period, to the extent deemed necessary or advisable by the Authority, if:

1. the Authority exercises its option to acquire treated water pursuant to Section 4.01;
2. unusual, extraordinary, or unexpected Operation and Maintenance Expenses are required which are not provided for in the Authority's annual budget or reserves for the Original Project and the Project;
3. Operation and Maintenance Expenses of the Original Project and the Project are substantially less than estimated;
4. a Participating Member's interest under this Tax-Exempt Contract is terminated as provided herein or Additional Participating Members become subject to this Tax-Exempt Contract;
5. the Authority issues Bonds for the Project; or
6. the Authority receives either significantly more or significantly less revenues or other amounts than those anticipated.

F. Each Participating Member hereby agrees that it will make payments to the Authority required by this Tax-Exempt Contract at the Authority's offices within 15 days of the date a bill for service is deposited in the United States mail. If any Participating Member at any time disputes the amount to be paid by it to the Authority, such complaining party shall nevertheless promptly make such payment or payments; but if it is subsequently determined by agreement or by appropriate administrative, board, agency, or court decision that such disputed payments should have been less, or more, the Authority shall promptly revise and reallocate the charges in such manner that the Participating Member will recover its overpayment or the Authority will recover the amount due it. All amounts due and owing to the Authority by each Participating Member or due and owing to any Participating Member by the Authority shall, if not paid when due, bear interest at the maximum lawful nonusurious rate of interest per annum from the date when due until paid.

G. The Authority shall, to the extent permitted by law, suspend the delivery of services or water from the Original Project and the Project to any Participating Member which remains delinquent in any payments due under the preceding paragraph for a period of thirty (30) days, and shall not resume delivery of services or water while such Participating Member is so delinquent. The Authority also

retains the right to charge a reconnection fee or other appropriate charges prior to commencing utility service to the delinquent Participating Member. It is further provided and agreed that if any Participating Member should remain delinquent in any payments due hereunder for a period of one hundred twenty days, and if such delinquency continues during any period thereafter, such Participating Member's minimum amount specified in Exhibit A, shall be deemed to have been zero gallons during all periods of such delinquency, for the purpose of calculating and redetermining the percentage of each Annual Payment to be paid by the non-delinquent Participating Members and the Authority, and the Authority shall redetermine such percentage on that basis in such event so that the non-delinquent Participating Members and the Authority collectively shall be required to pay all of the Annual Requirement. However, the Authority shall pursue all legal remedies against any such delinquent Participating Member to enforce and protect the rights of the Authority, the other Participating Members, and the holders of the Bonds, if Bonds have been issued or incurred. The delinquent Participating Member shall not be relieved of the liability to the Authority for the payment of all amounts which would have been due hereunder had no default occurred or the percentage had not been redetermined as provided in this Section. It is understood that the foregoing provisions are for the benefit of the Authority and holders of the Authority's Bonds, if Bonds have been issued or incurred, so as to insure that all of the Annual Requirement will be paid by the non-delinquent Participating Members and the Authority during each Annual Payment Period regardless of the delinquency of a particular Participating Member. If any amount due and owing the Authority by any Participating Member is placed with an attorney for collection, such Participating Member shall pay to the Authority all attorneys' fees, in addition to all other payments provided for herein, including interest.

H. If, during any Annual Payment Period, any Participating Member's Annual Payment is redetermined in any manner as provided or required in this Section, the Authority will promptly furnish such Participating Member with an updated schedule of monthly payments reflecting such redetermination.

Section 5.04. Unconditional Payments.

A. Notwithstanding any provision of this Tax-Exempt Contract to the contrary, while this Tax-Exempt Contract remains in effect each of the Participating Members agrees to pay its share of the total cost of the Original Project and the Project and the Bonds. If the Authority elects to exercise its option to acquire a percentage share of the treated water covered by this Tax-Exempt Contract as provided in Section 4.01, the Annual Payment of each Participating Member shall be reduced to the proportion that each Participating Member's amount of water identified in Exhibit A bears to the total amount of water available from the Original Project and the Project. Initially, the Participating Members agree to pay 100% of the Annual Requirement, but, if the Authority exercises its option to acquire treated water from the Project pursuant to Section 4.01, the Participating Members and the Authority shall share the cost of the Original Project and the Project and the Bonds

in proportion to quantities of treated water each is entitled to take from the Original Project and the Project pursuant to this Tax-Exempt Contract.

B. Recognizing that the Participating Members urgently require the facilities and services of the Original Project and the Project, and that such facilities and services are essential and necessary for actual use and for standby purposes, and further recognizing the fact that the Authority will use payments received from the Participating Members to pay and secure the Bonds, it is hereby agreed that each of the Participating Members shall be unconditionally obligated to pay, without offset or counterclaim, its share of the Annual Requirement, as provided and determined in this Tax-Exempt Contract and the Taxable Contract, regardless of whether or not the Authority actually acquires, constructs, or completes the Project or is actually delivering water from the Original Project and the Project to any Participating Member hereunder, or whether or not any Participating Member actually receives or uses water from the Original Project and the Project whether due to Force Majeure or any other reason whatsoever, regardless of any other provisions of this or any other contract or agreement between any of the parties hereto. This covenant by the Participating Members shall be for the benefit of and enforceable by the holders of the Bonds as well as the Authority.

Section 5.05. Continuing Right to Treated Water.

For and in consideration of agreeing to the unconditional payments to be made under this Tax-Exempt Contract, each Participating Member is entitled to a firm right to treated water from the Original Project and the Project in the amounts indicated in Exhibit A, as such amount may be modified from time to time by the terms of this Tax-Exempt Contract and the Taxable Contract. That right shall continue for the term of this Tax-Exempt Contract and the Taxable Contract and any renewals thereof, subject to the terms of the GBRA Contract.

ARTICLE VI

Additional Participating Members

Section 6.01. Additional Participating Members.

If water is available, the Authority and the Original Participating Members agree that additional entities may become subject to the provisions of this Tax-Exempt Contract and the Taxable Contract as Additional Participating Members by providing the following to the Authority and the then Participating Members:

A. an executed signature page to this Tax-Exempt Contract in form satisfactory to the Authority;

B. to the extent any representation contained in this Tax-Exempt Contract relating to Participating Members does not correctly describe such entity, a revision

of such representations satisfactory in form and content to the Authority in the Authority's sole discretion to be included on Exhibit C to this Tax-Exempt Contract;

C. a revised Exhibit A to this Tax-Exempt Contract satisfactory to the Authority and all then Participating Members;

D. a revised Exhibit B to this Tax-Exempt Contract setting forth the Point(s) of Delivery for such entity which shall be satisfactory to the Authority;

E. a completed Exhibit C to this Tax-Exempt Contract to the extent applicable to such entity and in form satisfactory to the Authority; and

F. such other certifications and information as may be reasonably requested by the Authority and the then Participating Members.

ARTICLE VII

Special Conditions

Section 7.01. Operation and Maintenance of Original Project and the Project.

The Authority will continuously operate and maintain the Original Project and the Project in an efficient manner and in accordance with good business and engineering practices, and at reasonable cost and expense. The Authority recognizes its right and duty to operate the Original Project and the Project in the most prudent and economical manner for the benefit of all Participating Members.

Section 7.02. Project Schedule.

It is the intent of the parties that the Project be placed in operation as soon as practicable, and the Authority agrees to proceed diligently with the evaluation of feasibility, the securing of regulatory permits, and the design and construction of the Project to meet such schedule, subject to the other terms and conditions in this Tax-Exempt Contract and the Taxable Contract.

Section 7.03. Permits, Financing, and Applicable Laws.

Any obligations on the part of the Authority to acquire, construct, and complete the Project and related facilities and to provide treated water from the Project to the Participating Members shall be (i) conditioned upon the Authority's ability to obtain all necessary permits, material, labor, and equipment; (ii) subject to the Authority's final determination of feasibility of transportation of the treated water from the Project; (iii) conditioned upon the ability of the Authority to finance the cost of the Project through the sale of the Bonds; and (iv) subject to all present and future valid

laws, orders, rules, and regulations of the United States of America, the State of Texas, the Commission, and any regulatory body having jurisdiction.

Section 7.04. Title to Water; Indemnification.

Title to all water supplied to each Participating Member shall be in the Authority up to the Point of Delivery for such Participating Member, at which point title shall pass to the receiving Participating Member. Title to treated water transmitted through the lines of a Participating Member pursuant to Section 4.08 for the use of another Participating Member shall remain in the Authority until it reaches the Point(s) of Delivery of the receiving Participating Member. The Authority and each of the Participating Members shall, to the extent permitted by law, save and hold each other harmless from all claims, demands, and causes of action which may be asserted by anyone on account of the transportation and delivery of said water while title remains in such party.

Section 7.05. Payments Solely From Revenues.

The Authority shall never have the right to demand payment by any Participating Member of any obligations assumed by it or imposed on it under and by virtue of this Tax-Exempt Contract from funds raised or to be raised by taxes, and the obligations under this Tax-Exempt Contract shall never be construed to be a debt of such kind as to require any of the Participating Members to levy and collect a tax to discharge such obligation. Nonetheless, any Participating Member may make payments from its utility system revenues, or from any other lawful source, including ad valorem taxes, if lawfully available to such Participating Member.

Section 7.06. Operating Expenses.

Each of the Participating Members represents and covenants that, to the extent payments under this Tax-Exempt Contract are made with utility system revenues, such payments shall constitute reasonable and necessary "operating expenses" of its utility system, as defined in Texas Revised Civil Statutes Annotated Article 1113, as amended, and that all such payments will be made from the revenues of its utility system or any other lawful source. Each Participating Member represents and has determined that the treated water supply to be obtained from the Original Project and the Project is absolutely necessary and essential to the present and future operation of its utility system and that the Original Project and the Project represents a long-term source of supply of treated water to meet current and projected water needs of the Participating Member's utility system and facilities, and, accordingly, all payments required by this Tax-Exempt Contract to be made by each Participating Member shall constitute reasonable and necessary operating expenses of its utility system as described above, with the effect that such payments from revenues of such systems shall be deducted from gross revenues of the system in the same manner as other system operating and maintenance expenses for purposes of determining net revenues available to pay bonds or other similar obligations heretofore or hereafter

issued by such Participating Member, which obligations are payable from and secured by a pledge of the revenues of the system or facilities after deduction of maintenance and operating expenses.

Section 7.07. Rates for Water.

Each of the Participating Members agrees throughout the term of this Tax-Exempt Contract to continuously operate and maintain its utility system and to fix and collect such rates and charges for utility services to be supplied by its system as aforesaid as will produce revenues in an amount equal to at least (i) all of the expenses of operation and maintenance expenses of such system, including specifically, its Annual Payment under this Tax-Exempt Contract, and (ii) all other amounts as required by law and the provisions of the ordinance or resolutions authorizing its revenue bonds or other obligations now or hereafter outstanding, including the amounts required to pay all principal of and interest on such bonds and other obligations.

Section 7.08. Use of Funds and System.

The Authority covenants and agrees that neither the proceeds from the sale of the Bonds, nor the money paid it pursuant to this Tax-Exempt Contract, nor any earnings from the investment of any of the foregoing, will be used for any purposes, except those directly relating to the Original Project and the Project and the Bonds as provided in this Tax-Exempt Contract.

Section 7.09. Rights-of-Way.

A. Each Participating Member hereby grants to the Authority without additional cost to the Authority, the use of the streets, easements, rights-of-way, and pipelines under its control for the construction, emergency repairs, operation, and maintenance of the Original Project and the Project and the provision and transmission of treated water hereunder; provided, however, such grant of the use of streets, easements, rights-of-way, and pipelines to the Authority is subject to and conditioned on the Authority (i) complying with all applicable policies, practices, and regulations of the Participating Members governing and regulating such use of the streets, easements, rights-of-way, and pipelines and (ii) paying all costs, if any, of restoring such streets, easements, rights-of-way, and pipelines to substantially the same state of condition that existed prior to the Authority's use.

B. To the extent they have such ownership authority, each Participating Member agrees that, with prior written approval, the Authority may use streets, alleys, and public rights-of-way within the Participating Member's boundaries for pipeline purposes.

Section 7.10. Insurance.

The Authority agrees to carry and arrange for fire, casualty, public liability, and/or other insurance, including self-insurance, on the Original Project and the Project for purposes and in amounts which, as determined by the Authority, ordinarily would be carried by a privately owned utility company owning and operating such facilities, except that the Authority shall not be required to provide liability insurance except to insure itself against risk of loss due to claims for which it can, in the opinion of the Authority's legal counsel, be liable under the Texas Tort Claims Act or any similar law or judicial decision. Such insurance will provide, to the extent feasible and practicable, for the restoration of damaged or destroyed properties and equipment, to minimize the interruption of the services of such facilities. Premiums for such insurance that relate directly to the Original Project and the Project or, under generally accepted cost accounting practices, is allocable to the Original Project and the Project, shall constitute an Operation and Maintenance Expense.

Section 7.11. Additional Special Provisions.

The parties hereto acknowledge and agree to the Special Provisions, if any, which are set forth in Exhibit C hereto. The Special Provisions for this Tax-Exempt Contract reflect circumstances or issues for specific Participating Members which may be different from those of other Participating Members and therefore constitute a modification of or requirement in addition to the standard provisions otherwise contained in this Tax-Exempt Contract. To the extent of any conflict between any Special Provision and any other provision of this Tax-Exempt Contract, the Special Provision shall control.

ARTICLE VIII

Continuing Disclosure

Section 8.01. Annual Reports.

Following the issuance of Bonds of any series, the offer or sale of which is not exempt from the Rule and, until any Participating Member is no longer obligated, contingently or otherwise, to make Annual Payments in respect of the Bonds of such series, any Participating Member undertakes to and shall provide annually to each NRMSIR and any SID, within six months after the end of each fiscal year, (1) financial information and operating data of the general type included in the Sale and Offering Documents for the Bonds of such series, as specified in any Participating Member's approval of such Sale and Offering Documents pursuant to Section 3.02 hereof and (2) audited general purpose financial statements of any Participating Member, if then available. Any financial statements so to be provided shall be (1) prepared in accordance with generally accepted accounting principles for governmental agencies or such other accounting principles as any Participating Member may be required to employ from time to time pursuant to state law or regulation, and (2)

audited, if any Participating Member commissions an audit of such statements and the audit is completed within the period during which it must be provided. If the audit of such financial statements is not complete within such period, then any Participating Member shall provide unaudited financial statements within the required period, and shall provide audited financial statements for the applicable Fiscal Year to each NRMSIR and any SID, when and if the audit report on such statements become available.

If any Participating Member changes its fiscal year, it will notify the trustee or paying agent, each NRMSIR, and any SID in writing of the change (and of the date of the new fiscal year end) prior to the next date by which any Participating Member otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be incorporated by specific reference to any document or specific part thereby (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to each NRMSIR and any SID or filed with the SEC. Copies of such information and operating data shall be furnished to the Authority at the same time the information and data are furnished to any NRMSIR or SID.

Section 8.02. Material Event Notices.

(a) The following are the events with respect to the Bonds which the Authority must agree to disclose in a timely manner pursuant to the Rule, if "material" under applicable federal securities laws and regulations promulgated thereunder.

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (7) Modifications to rights of holders of the Bonds;
- (8) Bond calls;

- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds; and
- (11) Rating changes.

(b) The Participating Member shall, promptly after obtaining actual knowledge of the occurrence of any of the events enumerated in (a) above, notify the Authority of such event and provide all information in the format required to satisfy the requirements of the Rule. Further, the Participating Member shall provide, in a timely manner, notice of any failure by the Participating member to provide audited financial statements, financial information, and operating data in accordance with Section 8.01 hereof to each NRMSIR and each SID.

Section 8.03. Limitations, Disclaimers, and Amendments.

The Participating Member shall be obligated to observe and perform the covenants specified in this Article in respect of the Bonds of any series for so long as, but only for so long as, the Participating Member remains an "obligated person" with respect to the Bonds of such series within the meaning of the Rule, except that the Participating Member in any event will give notice of any deposit made in accordance with the Bond Resolution that causes Bonds of such series no longer to be Outstanding.

The provisions of this Article are for the sole benefit of (and may be enforced by) the owners and beneficial owners of the Bonds, and nothing in this Article, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Participating Members undertake to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Article and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Participating Members' financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Article or otherwise, except as expressly provided herein. The Participating Members make no representations or warranties concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE PARTICIPATING MEMBERS BE LIABLE TO THE OWNER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE PARTICIPATING MEMBERS WHETHER NEGLIGENT OR WITHOUT FAULT ON THEIR PART, OF ANY COVENANT SPECIFIED IN THIS ARTICLE, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF



Nothing in this Article is intended or shall act to disclaim, waive, or otherwise limit the duties of the Authority or the Participating Members under federal and state securities laws.



Section 9.02. Allocation of Water During Drought.

During drought conditions or in any other condition when water cannot be supplied to meet the demands of all customers, the water to be distributed shall be divided among all customers of stored water from Canyon Reservoir (or other sources)

pro rata, according to the amount each may be entitled to, subject to reasonable conservation and drought management plans and requirements based on particular purposes of use of the water, so that preference is given to no one and everyone suffers alike.

Section 9.03. Conservation.

The Authority and Participating Member each agree to provide to the maximum extent practicable for the conservation of water, and each agrees that it will operate and maintain its facilities in a manner that will prevent waste of water. Participating Members further agree to implement water conservation and drought management plans applicable to the use of treated water from the Original Project and the Project that are consistent in purpose, provisions and application with those implemented by other Participating Members to the extent practicable considering any differences in the legal authority of Participating Members and other Participating Members to institute those plans.

Section 9.04. Term of Tax-Exempt Contract.

This Tax-Exempt Contract shall be effective on and from the Contract Date, and shall continue in force and effect for forty (40) years; provided, however, the term of this Tax-Exempt Contract and the expiration date may be extended for succeeding five (5) year periods at the option of one or more of the Participating Members for as long as the GBRA Contract or other agreement providing an adequate source of raw water remains in effect. It is understood and agreed by the Authority and each Participating Member that the right to receive treated water hereunder shall continue throughout any renewals or extension of this Tax-Exempt Contract. The Authority's obligation to provide treated water services hereunder shall commence from the date the Project becomes operational and functional as certified by the consulting engineers for the Project or on such other date that one or more of the Participating Members receives treated water by virtue of or in exchange for treated water from the Project. This Tax-Exempt Contract constitutes the sole agreement between the parties hereto with respect to the Project.

Section 9.05. Approval and Consent.

Unless otherwise provided herein, any approval or consent required by the provisions of this Tax-Exempt Contract by a Participating Member or the Authority shall be evidenced by a written resolution adopted by the governing body of the party giving such approval or consent (or by the General Manager on behalf of the Authority when permitted). Upon receipt of such written resolution duly certified by the appropriate party, the Authority or the Participating Member can conclusively act on the matter requiring such approval.

Section 9.06. Modification and Amendment.

A. No change, amendment, or modification of this Tax-Exempt Contract shall be made or be effective which will affect adversely the prompt payment when due of all money required to be paid by any Participating Member under this Tax-Exempt Contract or any similar contract, and no such change, amendment, or modification shall be made or be effective which would cause a violation of any provisions of any Bond Resolution.

B. This Tax-Exempt Contract may be amended upon the written consent of the Authority and all then Participating Members; provided, however, no amendment to this Tax-Exempt Contract shall impair the rights of any holder of any of the Authority's Bonds.

Section 9.07. Addresses and Notice.

Unless otherwise provided herein, any notice, communication, request, reply, or advice (herein severally and collectively, for convenience, called "Notice") herein provided or permitted to be given, made or accepted by any party to any other party must be in writing and may be given or be served by depositing the same in the United States mail postpaid and registered or certified and addressed to the party to be notified, with return receipt requested, or by delivering the same to an officer of such party, or by prepaid telegram when appropriate, addressed to the party to be notified. Notice deposited in the mail in the manner hereinabove described shall be conclusively deemed to be effective, unless otherwise stated herein, from and after the expiration of three days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the party to be notified. For the purposes of notice, the addresses of the parties hereto shall, until changed as hereinafter provided, be as follows:

A. If to the Authority, to:

Canyon Regional Water Authority
850 Lakeside Pass
New Braunfels, Texas 78130

B. If to Green Valley Special Utility District, to:

Green Valley Special Utility District
Post Office Box 99
Marion, Texas 78124

C. If to Bexar Metropolitan Water District, to:

Bexar Metropolitan Water District
2706 West Southcross
Post Office Box 3577
San Antonio, Texas 78211-0577

D. If to the City of Cibolo, Texas to:

City of Cibolo, Texas
109 South Main Street
Post Office Box 88
Cibolo, Texas 78108

E. If to the City of Marion, Texas to:

City of Marion, Texas
303 South Center
Post Office Box 275
Marion, Texas 78124

The parties hereto shall have the right from time to time and at any time to change their respective addresses and each shall have the right to specify as its address any other address by at least fifteen (15) days' written notice to the other parties hereto.

Section 9.08. State or Federal Laws, Rules, Orders, or Regulations.

This Tax-Exempt Contract is subject to all applicable federal and state laws and any applicable permits, ordinances, rules, orders, and regulations of any local, state, or federal governmental authority having or asserting jurisdiction, but nothing contained herein shall be construed as a waiver of any right to question or contest any such law, ordinance, order, rule, or regulation in any forum having jurisdiction.

Section 9.09. Remedies Upon Default.

It is not intended hereby to specify (and this Tax-Exempt Contract shall not be considered as specifying) an exclusive remedy for any default, but all such other remedies (other than termination) existing at law or in equity may be availed of by any party hereto and shall be cumulative. Recognizing, however, that the Authority's undertaking to provide and maintain the Project is an obligation, failure in the performance of which cannot be adequately compensated in money damages alone, the Authority agrees, in the event of any default on its part, that each Participating Member shall have available to it the equitable remedy of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available. Recognizing that failure in the performance of any Participating Member's obligations hereunder could not be adequately compensated in money damages alone, each Participating Member agrees in the event of any default on its part that the Authority shall have available to it the equitable remedy of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available to the Authority. Notwithstanding anything to the contrary contained in this Tax-Exempt Contract, any right or remedy or any default hereunder, except the right of the Authority to receive the Annual Payment which shall never be determined to be waived, shall be deemed to be conclusively waived unless asserted by a proper proceeding at law or in equity within two (2) years plus one (1) day after the occurrence of such default. No waiver or waivers of any breach or default (or any breaches or defaults) by any party hereto or of performance by any other party of any duty or obligation hereunder shall be deemed a waiver thereof in the future, nor shall any such waiver or waivers be deemed or construed to be a waiver of subsequent breaches or defaults of any kind, character, or description, under any circumstance.

Section 9.10. Severability.

The parties hereto specifically agree that in case any one or more of the sections, subsections, provisions, clauses, or words of this Tax-Exempt Contract or the application of such sections, subsections, provisions, clauses, or words to any situation or circumstance should be, or should be held to be, for any reason, invalid or unconstitutional, under the laws of the State or the United States of America, or in contravention of any such laws, such invalidity, unconstitutionality, or contravention shall not affect any other sections, subsections, provisions, clauses, or words of this Tax-Exempt Contract or the application of such sections, subsections, provisions, clauses, or words to any other situation or circumstance, and it is intended that this Tax-Exempt Contract shall be severable and shall be construed and applied as if any such invalid or unconstitutional section, subsection, provision, clause or word had not been included herein, and the rights and obligations of the parties hereto shall be construed and remain in force accordingly.

Section 9.11. Venue.

All amounts due under this Tax-Exempt Contract, including, but not limited to, payments due under this Tax-Exempt Contract or damages for the breach of this Tax-Exempt Contract, shall be paid and be due in Guadalupe County, Texas, which is the County in which the principal administrative offices of the Authority are located. It is specifically agreed among the parties to this Tax-Exempt Contract that Guadalupe County, Texas, is the place of performance of this Tax-Exempt Contract; and in the event that any legal proceeding is brought to enforce this Tax-Exempt Contract or any provision hereof, the same shall be brought in Guadalupe County, Texas.

Section 9.12. Assignment.

Neither the Authority nor any Participating Member may assign any interest it may have under this Tax-Exempt Contract without the prior written consent of the other parties hereto; provided, however, the foregoing restriction shall not prevent the Authority from taking any action in connection with the issuance of the Bonds to secure the payment of the Bonds with amounts to be received by the Authority under this Tax-Exempt Contract.

Section 9.13. Entire Agreement.

This Tax-Exempt Contract and the Taxable Contract constitute the entire agreement among the parties with respect to the sale of treated water by the Authority to the Participating Members.

Section 9.14. Applicable Law.

This Tax-Exempt Contract shall be governed by and construed in accordance with the laws of the State, and the obligations, rights, and remedies of the parties hereunder shall be determined in accordance with such laws without reference to the laws of any other state or jurisdiction, except for applicable federal laws, rules, and regulations.

Section 9.15. No Sale, Lease, or Other Transfer of Participating Members' Utility System.

Pursuant to the terms of this Tax-Exempt Contract, a Participating Member, to the extent permitted by law, shall not sale, lease, or otherwise transfer any interest in such Participating Member's utility system without the written consent of the Authority.

Section 9.16. Counterparts.

This Tax-Exempt Contract may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[The remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto acting under authority of their respective governing bodies have caused this Tax-Exempt Contract to be duly executed as of the day and year first above written.

CANYON REGIONAL WATER AUTHORITY

By: 
Chairman, Board of Trustees

ATTEST:


Secretary, Board of Trustees

(AUTHORITY SEAL)

GREEN VALLEY SPECIAL UTILITY
DISTRICT

By: 
President

ATTEST:


Secretary

(SEAL)

BEXAR METROPOLITAN WATER
DISTRICT

By: Ronald L. Williamson
President, Board of Directors

ATTEST:

Marion W. Scattergood
Secretary, Board of Directors

(SEAL)

CITY OF CIBOLO, TEXAS

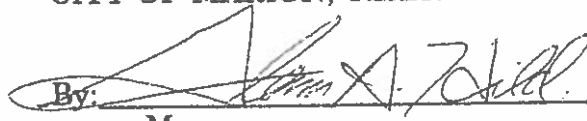
By Sam Bauder
Mayor

ATTEST:

Claudia Schneider
Secretary

(CITY SEAL)

CITY OF MARION, TEXAS

By: 
Mayor

ATTEST:

Marjorie A. Lizana
Secretary

(CITY SEAL)

Exhibit A

Allocations and Maximum Rate of Flow

<u>Participating Members</u>	<u>Amount of Water*</u>	<u>Maximum Rate of Flow per Day</u>
Crystal Clear Water Supply Corporation	500 acre feet	375 gpm
East Central Water Supply Corporation	1400 acre feet	1050 gpm
Springs Hill Water Supply Corporation	950 acre feet	712 gpm
Green Valley Special Utility District	1100 acre feet	825 gpm
Bexar Metropolitan Water District	4000 acre feet	2998 gpm
City of Cibolo, Texas	250 acre feet	187 gpm
City of Marion, Texas	75 acre feet	56 gpm

* Annually per Fiscal Year

Exhibit B

Points of Delivery

Crystal Clear Water Supply Corporation

Intersection of State Highway 123 and Farm-to-Market 758 from Lake Dunlap Plant

East Central Water Supply Corporation

Linnie Road and the East Central Water Supply Corporation and Green Valley Water Supply Corporation service area boundary line
FM 1518 Elevated Tank

Springs Hill Water Supply Corporation

State Highway 46 Elevated Tank

Green Valley Special Utility District

Canyon Regional Water Authority Treatment Facility, Lake Dunlap
Union Wine Elevated Tank
FM 1518 Elevated Tank

Bexar Metropolitan Water District

Intersection of FM 1604 at Lower Seguin Road

City of Cibolo, Texas

FM Highway 78 near Dietz Creek

City of Marion, Texas

Youngsford Road near Creek Road

Exhibit C

Special Provisions

NONE

WATER PURCHASE CONTRACT

This contract for the sale and purchase of water is entered into as of the 23 day April, 1990, between Guadalupe-Blanco River Authority, a conservation and reclamation district and political subdivision of the State of Texas (GBRA), and Crystal Clear Water Supply Corporation ("Crystal Clear").

WITNESSETH

RECITALS

GBRA holds Certificate of Adjudication Number 18-2074C, as amended, (CA-18-2074C) issued by the Texas Water Commission, based on GBRA's rights under Permit 1886, as amended. CA-18-2074C authorizes GBRA to impound water in Canyon Reservoir in Comal County, Texas, and to divert and use therefrom not to exceed an average of 50,000 acre-feet of water per annum for domestic, municipal, and industrial purposes and, temporarily, irrigation and recreation purposes.

Crystal Clear needs a firm surface water supply in order to provide water for municipal purposes to its retail customers within its service area, and desires to purchase from GBRA untreated water from storage in Canyon Reservoir for such purposes. The water will be treated at one or more water treatment plants currently being planned by New Braunfels Utilities and GBRA. The location will be determined by mutual agreement between GBRA and the Corporation.

At the present time, GBRA has available for sale from Canyon Reservoir under CA-18-2074C water for municipal use.

AGREEMENT

. Now, therefore, for and in consideration of the mutual promises, obligations, and benefits hereinafter set forth, GBRA and Crystal Clear agree as follows:

A. Quantity. GBRA shall furnish Crystal Clear, at the point or points of delivery hereinafter specified, during the term of this contract or any renewal or extension thereof, untreated water released from conservation storage in Canyon Reservoir under CA-18-2074C, or other reservoir storage available to GBRA in such quantity as may be required by Crystal Clear not to exceed the Annual Commitment. The "Annual Commitment" shall mean the minimum quantity of water to be taken from conservation storage or paid for, whether taken or not, on an annual calendar-year basis in any calendar year. The initial Annual Commitment shall be 500 acre-feet of water per year, but may be increased from storage in Canyon Reservoir, or other reservoir storage available to GBRA, if available, pursuant to the following provisions:

1. If the total amount of stored water diverted in any calendar year exceeds the Annual Commitment applicable during that year, then, effective as of the first day of January of the following year, the Annual Commitment shall be such greater amount, if such additional amount is available from storage on a firm yield basis, unless and until further increased pursuant to this paragraph A; or

2. The Annual Commitment may be increased upon request by Crystal Clear, if available from storage in Canyon Reservoir, or other reservoir storage available to GBRA on a firm annual yield basis.

B. Point of Diversion. The water will be delivered to one or both of the point(s) described in Exhibit "A". The estimated maximum delivery rate shall be 600 gallons per minute, but the maximum delivery rate may be amended depending upon the actual operation of the proposed water treatment plant(s).

C. Purpose of Use. The stored water supplied from conservation storage in Canyon Reservoir or other reservoir storage available to GBRA, under this Contract, shall be for municipal use.

D. Place of Use. Any use of the stored water outside the Guadalupe River Basin must be approved in advance in writing by GBRA and the Texas Water Commission.

E. Billing Procedure. GBRA will render bills to Crystal Clear on or before the tenth (10th) day of each month to the address provided by Crystal Clear for the payment amount determined pursuant to Paragraphs "F" and "G", below.

F. Monthly Payments. Beginning on the date that a certification of completion is delivered to Crystal Clear in writing by New Braunfels Utilities or GBRA stating that either of the water treatment plants to be constructed are capable of delivering treated water, or on January 1, 1991, whichever first occurs, Crystal Clear shall pay GBRA at its office in Guadalupe County, Texas, or such other place as GBRA may designate in

writing, not later than the twentieth (20th) day of each month, pursuant to the monthly bill rendered to Crystal Clear as provided in Paragraph E, above, a dollar amount equal to one-twelfth of the annual cost resulting from multiplying the Annual Commitment in acre-feet times the rate to be paid by Crystal Clear for stored water committed pursuant to this Contract (the "stored water rate"). The present stored water rate is \$44.76 per acre foot per year.

G. Annual Adjustment. Crystal Clear will pay GBRA at its office in Guadalupe County, Texas, or such other place as GBRA may designate in writing, not later than the twentieth (20th) day of January of each year, a dollar amount equal to the stored water rate times the number of acre-feet of water used in the previous calendar year which exceeded the Annual Commitment applicable during that year. Nothing in this section shall be construed as obligating GBRA to supply in any year more water than the Annual Commitment.

H. Adjustment of Rates. The provisions of this Contract pertaining to the rates to be paid by Crystal Clear for stored water reserved and supplied may be adjusted by GBRA at any time and from time to time in accordance with the basin-wide rate for water from reservoir storage. If GBRA desires to adjust the rates for the water reserved and supplied pursuant to this Contract, it shall, at least sixty (60) days prior to the first day on which such adjustment is proposed to become effective, give written notice of the proposed adjustment to Crystal Clear.

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In the event of a disagreement between GBRA and Crystal Clear over the stored water rate, GBRA and Crystal Clear may apply by appropriate means to the Texas Water Commission, or any agency succeeding to the rate-making jurisdiction of the Texas Water Commission, to establish a just and reasonable rate for such water.

I. Metering Equipment. At the onset of initial use of water under this Contract, Crystal Clear shall furnish, install, operate and maintain or cause to be furnished, installed, operated and maintained at the Point of Delivery the necessary metering equipment and required devices of standard type for properly measuring the quantity of water delivered to Crystal Clear and to calibrate such metering equipment not less frequently than once every twelve (12) months. A meter registering not more than five percent (5%) above or below the test results shall be deemed to be accurate. The previous readings of any meter disclosed by tests to be inaccurate shall be corrected for one-half (1/2) the period elapsed since the next preceding meter test but in no event to exceed six (6) months in accordance with the percentage of inaccuracy found by such tests. If any meter fails to register for any period, the amount of water furnished during such period shall be deemed to be the amount of water delivered in the corresponding period immediately prior to the failure, unless GBRA and Crystal Clear shall agree upon a different amount. The metering equipment shall be read weekly at or near the first day of each week.

All measuring devices shall be subject at all reasonable times to inspection, examination and testing by GBRA and Crystal Clear. Any measuring device which fails to function or which functions incorrectly shall promptly be adjusted, repaired or replaced by a like device having the required accuracy.

J. Term of Contract. This Contract shall extend for a term of thirty (30) years from the date hereof and thereafter may be renewed or extended for such term, or terms, as may be agreed upon by GBRA and Crystal Clear.

K. Quality of Water. The water to be supplied under this Contract shall be untreated water released from storage and delivered to a point or points of Diversion in the Guadalupe River.

L. Modification of Contract. The provisions of this Contract may be modified or altered only by written agreement of the parties.

M. Regulatory Agencies. This Contract is subject to CA-18-2074 and is dependent upon compliance with the applicable provisions, if any, of 31 TAC 295 and 297, Subchapter J of the Texas Water Commission. GBRA and Crystal Clear agree to cooperate with each other to obtain any permits, approvals or other authorizations as may be required to comply therewith.

N. Assignment. Crystal Clear may not assign this Contract to parties other than those holding mortgages on Crystal Clear's water supply system without the prior written consent of GBRA. Any successor or assign of GBRA shall succeed to the rights and obligations of GBRA hereunder.

O. Captions. All titles of the sections of this Contract have been inserted for convenience of reference only and are not considered a part of this Contract and in no way shall they affect the interpretation of any provisions of this Contract.

P. Termination. If Crystal Clear fails to pay any amounts payable under this contract when due and payable, GBRA may give written notice of such delinquency to Crystal Clear, and if all amounts due and unpaid, including interest thereon from the date payment was due at maximum legal rates, are not paid within thirty days after delivery of such notice, then GBRA may, at its option, institute suit for collection thereof and utilize such other remedies as may exist to collect any amounts due and unpaid, together with interest thereon at the maximum legal rate and attorney's fees. In addition to all other remedies, GBRA may, at its option, if such amounts are not paid within said thirty day period, terminate this Contract without recourse.

Q. Additional Water. In the event that GBRA should obtain any additional water in whatever manner from Canyon Reservoir or other reservoir storage, which water would be subject to sale by GBRA, then GBRA shall inform Crystal Clear and thereby provide Crystal Clear the opportunity to purchase additional water from reservoir storage for the purposes set out under this Contract.

R. Remedies. Unless a particular remedy procedure is set forth herein for any default under the Contract, the parties hereto shall have available to it all remedies at law or in equity.

S. Notices. All notices provided for herein shall be by certified United States mail, addressed to the following parties at the address set out for each:

Guadalupe-Blanco River Authority
Attention: General Manager
P. O. Box 271
Seguin, Texas 78156-0271

Crystal Clear Water Supply Corporation
Attention: Lindy Lyles
Rt. 1, Box 49 W
San Marcos, Texas 78666

In witness whereof, the parties hereto, acting under the authority of the respective governing bodies, have caused this Contract to be duly executed in five (5) counterparts, each of which shall constitute an original.

GUADALUPE-BLANCO RIVER AUTHORITY

By: 
General Manager

ATTEST:



CRYSTAL CLEAR WATER SUPPLY CORP.

By: 
Manager

ATTEST:

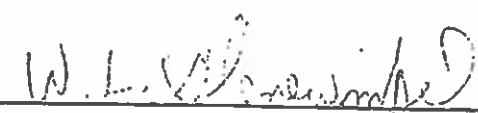
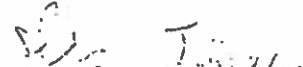



EXHIBIT "A"

The "Point of Diversion" for the GBRA Clear Springs Water Treatment Plant is specifically described as follows: On the North bank of the Guadalupe River in the Antonio Maria Esnaurrizar Grant (A-20), South $112^{\circ} 15'$ East, 31,079 feet from the Northwest corner of the M. Chirino Grant (A-10) in Guadalupe County, Texas. Said Corner is also located on the North bank of the Guadalupe River.

The "Point of Diversion" for the plant contemplated by New Braunfels Utilities is specifically described as follows: West longitude $98^{\circ} 96' 51''$, North latitude $29^{\circ} 43' 00''$ or more generally defined as 1700' upstream of the Common Street bridge on the West side of the Guadalupe River in New Braunfels, Comal County, Texas.

AMENDMENT NO. 1
TO THE
WATER PURCHASE CONTRACT
BETWEEN
GUADALUPE-BLANCO RIVER AUTHORITY
AND
CRYSTAL CLEAR WATER SUPPLY CORPORATION

THE STATE OF TEXAS)

COUNTY OF GUADALUPE)

THIS AMENDMENT NO. 1 made and entered into as of this 12th day of November, 1992, ("Amendment No. 1") to the Water Purchase Contract made and entered into as of the 23th day of April 1990 (the "Contract") by and between the GUADALUPE-BLANCO RIVER AUTHORITY, a governmental agency of the State of Texas, a conservation and reclamation district and a body politic and corporate, created and operating under the provisions of the Guadalupe-Blanco River Authority Act, as amended (formerly compiled as Article 8280-106, Vernon's Texas Civil Statutes), enacted pursuant to Article XVI, Section 59 of the Constitution of Texas ("GBRA"), and the CRYSTAL CLEAR WATER SUPPLY CORPORATION, a Texas corporation, organized and operating under the provisions of Article 143a, Vernon's Texas Civil Statutes ("Crystal Clear");

W I N E S S E T H :

Recitals

- A. Pursuant to the terms of the Contract, GBRA has agreed to supply to Crystal Clear in any calendar year not to exceed 500 acre-feet of untreated water from storage in Canyon

Reservoir under Certificate of Adjudication 18-2074C, to be used in the Guadalupe River Basin.

- B. Pursuant to the terms of the Contract, Crystal Clear has agreed to purchase untreated water from GBRA and to pay for such water at the then current rate, as established by the GBRA Board of Directors.

Agreement

NOW, THEREFORE, for and in consideration of the mutual promises, covenants, obligations and benefits, GBRA and Crystal Clear agree as follows:

- A. That Section J of the Contract be and hereby is amended in its entirety to read as follows:
- J. Term of Contract. This Contract shall extend for a term of forty (40) years from the date here of and thereafter may be renewed or extended for such term, or terms, as may be agreed upon by GBRA and Crystal Clear.
- B. That this Amendment No. 1 is subject to the terms of Certificate of Adjudication 18-2074C, as amended, and further subject to GBRA's rights thereunder and to such laws, rules and regulations as may be applicable to similar agreements in the State of Texas, and GBRA and Crystal Clear will cooperate with each other to obtain any permits, approvals or other authorizations as may be required to comply therewith.

IN WITNESS WHEREOF, the parties hereto, acting under the authority of their respective governing bodies, have caused this Amendment No.1 to be duly executed in five (5) counterparts, each of which shall constitute an original.

GUADALUPE-BLANCO RIVER AUTHORITY

ATTEST:

Christy L. Dietz

BY:

John H. Specht
John H. Specht, General Manager

CRYSTAL CLEAR WATER SUPPLY CORP.

ATTEST:

W.L. Glonevinko
Secretary/Treasurer

BY:

Lindy Lyles
Manager

§ THE STATE OF TEXAS

§ COUNTY OF GUADALUPE

BEFORE ME, the undersigned authority, on this day personally appeared JOHN H. SPECHT, known to me to be the person whose name is subscribed to the foregoing instrument as General Manager of the Guadalupe-Blanco River Authority, a conservation and reclamation district, a governmental agency and a body politic and corporate, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said Authority.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 12th day of November



Clara Sue Bruch

Notary Public in and for
Guadalupe County, Texas

My Commission Expires: _____

§ THE STATE OF TEXAS

§ COUNTY OF Guadalupe

BEFORE ME, the undersigned authority, on this day personally appeared Lindy Lyles, Manager of the CRYSTAL CLEAR WATER SUPPLY, known to me to be the person and officer whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said Authority.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 2nd day of November, 1992.



Suzanne M. Silva

Notary Public in and for
Guadalupe County, Texas

My Commission Expires: 9-27-94

SECOND AMENDMENT TO CONTRACT FOR RAW WATER SERVICE
BETWEEN
GUADALUPE-BLANCO RIVER AUTHORITY
AND CRYSTAL CLEAR WATER SUPPLY CORPORATION

THIS AMENDMENT NO. 2 made and entered into as of this 15th day of November, 1996, ("Amendment No. 2") to the Water Purchase Contract made and entered into as of the 23rd day of April, 1990 (the "Contract") and amended as of the 12th day of November, 1992 (Amendment No. 1) by and between the GUADALUPE-BLANCO RIVER AUTHORITY, a governmental agency of the State of Texas, a conservation and reclamation district and a body politic and corporate, created and operating under the provisions of the Guadalupe-Blanco River Authority Act, as amended (formerly compiled as Article 8280-106, Vernon's Texas Civil Statutes), enacted pursuant to Article XVI, Section 59 of the Constitution of Texas ("GBRA"), and the CRYSTAL CLEAR WATER SUPPLY CORPORATION, a Texas corporation, organized and operating under the provisions of Article 143a, Vernon's Texas Civil Statutes ("Crystal Clear");

WITNESSETH:

Recitals

- A. Pursuant to the terms of the Contract, GBRA has agreed to supply Crystal Clear in any calendar year not to exceed 500 acre-feet of untreated water from storage in Canyon Reservoir under Certificate of Adjudication 18-2074C, to be used in the Guadalupe River Basin.

B. Pursuant to the terms of the Contract, Crystal Clear has agreed to purchase untreated water from GBRA and to pay for such water at the then current rate, as established by the GBRA Board of Directors.

Agreement

NOW, THEREFORE, for and in consideration of the mutual promises, obligations, and benefits hereinafter set forth, GBRA and Purchaser agree to amend, modify and change certain sections of the Contract , as amended, as follow:

Section A, shall be amended in its entirety to read as follows:

A. QUANTITY. GBRA shall furnish Crystal Clear, at the point or points of delivery hereinafter specified, during the term of this Contract or any renewal or extension thereof, untreated water released from conservation storage in Canyon Reservoir under CA-18-2074C, or other reservoir storage available to GBRA in such quantity as may be required by Crystal Clear not to exceed the Annual Commitment. The "Annual Commitment" shall mean the minimum quantity of water to be taken from conservation storage or paid for, whether taken or not, on an annual calendar-year basis in any calendar year. The initial Annual Commitment shall be 800 acre-feet of water per year, but may be increased from storage in Canyon Reservoir, or other reservoir storage available to GBRA, if available, pursuant to the following provisions:

1. If the total amount of stored water diverted in any calendar year exceeds the Annual Commitment applicable during that year, then, effective as of the first day of January of the following year, the

- Annual Commitment shall be such greater amount, if such additional amount is available from storage on a firm yield basis, unless and until further increased pursuant to this paragraph A; or
2. The Annual Commitment may be increased upon request by Crystal Clear, if available from storage in Canyon Reservoir, or other reservoir storage available to GBRA on a firm annual yield basis.

Section 3, shall be amended in its entirety to read as follows:

3. Monthly Payments. Beginning on the date that this amendment is finalized Crystal Clear shall pay GBRA at its office in Guadalupe County, Texas, or such other place as GBRA may designate in writing, no later than the twentieth (20th) day of each month, pursuant to the monthly bill rendered to Crystal Clear as provided in Paragraph E, a dollar amount equal to one-twelfth of the annual cost resulting from multiplying the Annual Commitment in acre-feet times the rate to be paid by Crystal Clear for stored water committed pursuant to this Contract (the "stored water rate"). The present stored water rate is \$53.03 per acre foot per year.

IN WITNESS WHEREOF, the parties hereto, acting under the authority of their respective governing bodies, have caused the Second Amendment to be duly executed in three (3) counterparts, each of which shall constitute an original.

GUADALUPE-BLANCO RIVER AUTHORITY

By

[Signature]

General Manager

ATTEST:

Elizabeth Sedlacek

CRYSTAL CLEAR WATER SUPPLY CORPORATION

By

Lindy Lyles

Manager

ATTEST:

W. L. Blumenthal

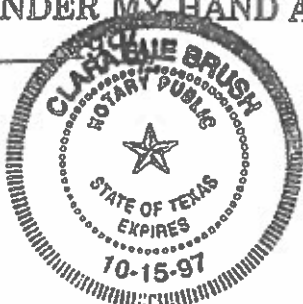
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§ THE STATE OF TEXAS

§ COUNTY OF GUADALUPE

BEFORE ME, the undersigned authority, on this day personally appeared William E. West, Jr., known to me to be the person whose name is subscribed to foregoing instrument as General Manager of the Guadalupe-Blanco River Authority, a conservation and reclamation district, a governmental agency and body politic and corporate, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said Authority.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 16th day of October



SEAL

Clara Sue Brush

Notary Public in and for
The State of Texas

My Commission Expires: 10-15-97

§ THE STATE OF TEXAS

§ COUNTY OF GUADALUPE

BEFORE ME, the undersigned authority, on this day personally appeared Lindy Lyles, Manager of CRYSTAL CLEAR WATER SUPPLY CORPORATION, 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, in the capacity therein stated, and as the act and deed of said Authority.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 7th day of October, 1996.

Suzanne M. Silva

Notary Public in and for
The State of Texas

My Commission Expires: 9-27-98

SEAL

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Taxable Contract and thereafter to supply, redeliver, or sell this treated water in accordance with the provisions of this Taxable Contract; and

WHEREAS, the Authority intends to build, operate, and maintain (i) a new water treatment facility to serve the Hays/Caldwell Counties Area, and (ii) certain related transmission lines and storage facilities (the "Project") for the purpose of receiving, treating, storing, and transmitting certain of the water purchased pursuant to the GBRA Contract or purchased or leased pursuant to certain other contracts now in force or to be entered into in the future; and

WHEREAS, to finance the costs of the acquisition, construction, and equipping of the Project, the Authority intends to issue one or more series of its contract revenue bonds or other debt obligations (the "New Bonds") to the Texas Water Development Board, or other entity (including a public or negotiated sale), to be secured by and payable from revenues received by the Authority pursuant to this Taxable Contract; and

WHEREAS, for and in consideration of the Authority acquiring the right to purchase raw water for treatment and resale as provided herein, the Participating Members are willing and have agreed to contract with the Authority as hereinafter provided to acquire treated water from the Project and to pay the cost of the Project by assisting in the amortization of the principal of and interest on the New Bonds and paying the Authority's Operation and Maintenance Expenses (hereinafter defined); and

WHEREAS, the New Bonds constitute "Special Facilities Bonds" as defined herein in the definition of "System" as that term is also utilized in connection with the execution of a taxable and a tax-exempt contract with respect to the Lake Dunlap Expansion and Refunding Project; and

WHEREAS, the Authority and the Participating Members are authorized to enter into this Taxable Contract pursuant to the Authority's enabling statute, Chapter 670, Acts of the 71st Legislature, Regular Session, 1989 (the "Act"), and Chapter 791, Texas Government Code, as amended (the "Interlocal Cooperation Act"), and other applicable laws; and

WHEREAS, the Authority agrees that the Participating Members shall continue to own their respective Certificates of Convenience and Necessity issued by the Commission, shall continue to own and operate their respective water pumping, storage, and distribution facilities, and any respective water treatment facilities currently owned by each of the Participating Members; and

WHEREAS, the Board of Trustees has directed that a portion of the raw water under this Taxable Contract be made available (following treatment by the Authority) on a firm basis to parties who contract with the Authority pursuant to this Taxable Contract; and

WHEREAS, each of the Participating Members under this Taxable Contract proposes to pay its share of costs of the Project and the Bonds based upon a rate methodology to be developed by the Authority or in proportion to the respective amounts of treated water each has agreed to purchase under this Taxable Contract; and

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and subject to the terms and conditions hereinafter set forth, the Authority and each of the Participating Members agree and contract as follows:

ARTICLE I

Definitions

Section 1.01. Definitions.

The following terms and expressions as used in this Taxable Contract, unless the context clearly shows otherwise, shall have the following meanings:

"Act" means Chapter 670, Acts of the 71st Legislature, Regular Session, 1989.

"Additional Participating Member(s)" means any entity or entities hereafter agreeing pursuant to Section 6.01 of this Taxable Contract to be bound by the terms of this Taxable Contract, as it may be amended from time to time.

"Adjusted Annual Payment" means the Annual Payment as adjusted by the Board during or after an Annual Payment Period, as provided by this Taxable Contract.

"Annual Payment" means the amount of money to be paid to the Authority by each Participating Member during each Annual Payment Period as its share of the Annual Requirement.

"Annual Payment Period" means the Authority's fiscal year, which currently begins on October 1 of each calendar year and ends on September 30 of the next following calendar year, but which may be any twelve consecutive month period fixed by the Authority; the first Annual Payment Period under this Taxable Contract is anticipated to be the period of October 1, 1998, through September 30, 1999.

"Annual Requirement" means, during an Annual Payment Period, the total amount required to pay all Operation and Maintenance Expenses of the Authority and the Project and all costs and payments due and payable for the amortization of the New Bonds.

"Authority" means the Canyon Regional Water Authority, a regional water authority created under and essential to accomplish the purposes of Article XVI,

Section 59 of the Constitution of the State of Texas created in accordance with the Act. Except as otherwise noted herein, actions required or permitted to be taken by the Authority under this Taxable Contract may be taken by the General Manager on behalf of the Authority.

"Board" means the governing body of the Authority.

"Boardmembers" means a member or members of the Board.

"Bond Resolution" means any resolution or other financing documents of the Authority which authorizes any Bonds.

"Bonds" means the New Bonds and all bonds, notes, or other debt obligations payable from and secured, in whole or in part, from the payments to the Authority under this Taxable Contract and the interest thereon, hereafter issued by the Authority to finance the costs to acquire, construct, and equip the Project, and/or all bonds, notes, or other obligations issued subsequently to finance costs to improve and extend the Project, and any bonds or other obligations issued to refund the New Bonds and any other bonds, notes, or other obligations to refund any other refunding bonds or other obligations.

"Code" means the Internal Revenue Code of 1986, and any amendments thereto, as in force and effect on the date of delivery of any series of Bonds.

"Commission" means the Texas Natural Resource Conservation Commission or any successor entity thereto.

"Credit Agreement" means any credit agreement, as defined in and authorized by the provisions of Texas Revised Civil Statutes Annotated Article 717q, as amended, which the Authority enters into relating to its obligations with respect to the Bonds.

"Force Majeure" means such term as it is defined in Section 9.01 of this Taxable Contract.

"General Manager" means the general manager of the Authority's operations, including any party or entity that the Authority enters into a management contract to provide these services.

"Land Interests" means the easements, right-of-way, and other interests in real property necessary for the acquisition, construction, and operation of the Project.

"MSRB" means the Municipal Securities Rulemaking Board and any successor to its duties.

"New Bonds" means one or more series of obligations that the Authority currently anticipates selling to the Texas Water Development Board, or other entity

(including a public or negotiated sale), in the total principal amount of \$7,000,000 to fund the costs associated with constructing the Project or other water treatment facilities and related transmission lines.

"NRMSIR" means each person whom the SEC or its staff has determined to be a nationally recognized municipal securities information repository within the meaning of the Rule from time to time.

"Operation and Maintenance Expenses" means, during an Annual Payment Period, all direct costs and expenses incurred by the Authority for its operation and maintenance, including but not limited to, the operation and maintenance of the Project, including (for greater certainty but without limiting the generality of the foregoing) amounts payable under the GBRA Contract and/or any contract with any federal, state, or local agency for the construction, operation, and/or water storage rights or other interests in water in Canyon Lake or other source of raw water, any contribution or payment in lieu of taxes or any fee or charge by any government authority relating to the Authority's sale of treated water hereunder, the costs of utilities, supervision, engineering, accounting, auditing, legal services, insurance premiums, supplies, services, and administration of the Project, Overhead Expenses, and costs of operating, repairing, maintaining, and replacing equipment for proper operation and maintenance of the Project. The term "Operation and Maintenance Expenses" does not include depreciation charges or such portion of the above-described costs to the extent such costs are paid pursuant to an agreement other than this Taxable Contract.

"Original Participating Members" means County Line Water Supply Corporation, Crystal Clear Water Supply Corporation, Martindale Water Supply Corporation, and Maxwell Water Supply Corporation.

"Overhead Expenses" means the Authority's reasonable and necessary costs and expenses incurred and directly related to the issuance and servicing of the Bonds, the acquisition of Land Interests required for the Project, the design, permitting, financing, acquisition, construction, and ownership of the Project and any other activities required of or involving the Authority in connection with or attributable to the Project or the Bonds, including, but not limited to:

(a) per diem and reimbursable expenses incurred by the Board for special meetings of the Board related to the Project,

(b) services of the professional, technical skilled and unskilled persons and firms engaged by or associated with the Authority, other than Authority staff personnel, together with their reimbursable expenses paid or required to be paid by the Authority;

(c) salaries of the Authority's staff attributable to the Project or the Bonds based on time expended, as documented or reasonably estimated by the General

Manager of the Authority, times an overhead factor of two (2), which factor shall be subject to adjustment by the Authority from time to time in response to actual or reasonably projected overhead expenses of the Authority;

(d) the costs of preparing applications for and obtaining all approvals and authorizations required for the Project or the Bonds from the regulatory authorities having jurisdiction;

(e) the cost of property casualty and public liability insurance; including any insurance deductible charged to or required to be paid by the Authority;

(f) all costs incurred in litigation involving or relating to the Project; and

(g) any and all other costs and expenses, including out-of-pocket expenses, incurred by the Authority attributable to the Project or the Bonds, whether enumerated above or not and whether or not included in the definition or as a part of Project Costs.

"Participating Member(s)" means certain of the Original Participating Members and all Additional Participating Members from time to time subject to this Taxable Contract.

"Permitted Liens" means:

(a) Minor irregularities, charges, liens, encumbrances, defects, easements, licenses, rights-of-way, servitudes, restrictions, mineral rights, and clouds on title which, in the opinion of counsel to the Authority, do not materially impair the use of the Project for the purposes for which it is designed.

(b) Easements for roads (as used in this Taxable Contract, the term "roads" shall include, without limitation, streets, curbs, gutters, drains, ditches, sewers, conduits, canals, mains, aqueducts, aerators, connections, ramps, docks, viaducts, alleys, driveways, parking areas, walkways, and trackage), utilities (which for purposes of this Contract shall include, without limitation, water, sewer, electricity, gas, telephone, pipeline, railroad, and other collection, transportation, light, heat, power, and communication systems) and similar easements and other easements, rights-of-way, rights of flowage, flooding, diversion or outfall, licenses, restrictions, and obligations relating to the operation of the Project which, in the opinion of counsel to the Authority, do not materially impair the use of the Project for the purposes for which it is designed.

(c) Rights of the United States or any state or political subdivision thereof, or other public or governmental authority or agency or any other entity vested with the power of eminent domain to take or control property or to terminate any right, power, franchise, grant, license, or permit previously in force.

"Point(s) of Delivery" means the point or points designated in Exhibit B to this Taxable Contract or by subsequent agreement where water will be delivered by the Authority to Participating Members from the Project.

"Project" means the "Project" as defined in the preamble of this Taxable Contract.

"Project Costs" means and includes, without limitation, the following costs incurred for the Project by or on behalf of the Authority:

- (a) the cost of acquisition of the Land Interests, including appraisals, closing costs and title insurance policies;
- (b) the cost of acquisition, construction, repair, replacement, or improvement of any structure, item of equipment, or other item, used for, or in connection with, the Project;
- (c) the cost of site preparation of the Land Interests, including demolition or removal of structures and improvements as necessary or incident to accomplishing the Project;
- (d) the cost of engineering, legal, architectural or other related services;
- (e) the preparation cost of plans, specifications, studies, surveys, cost estimates, and other expenses necessary or incident to planning, providing, or financing the Project;
- (f) the cost of machinery, equipment, furnishings, and facilities necessary or incident to placing the Project in operation;
- (g) finance charges and interest before, during, and after construction;
- (h) costs incurred in connection with financing the Project, including, without limitation:
 - (1) financing, legal, accounting, financial advisory, rating agency, and auditing fees, expenses and disbursements;
 - (2) the costs of a Credit Agreement;
 - (3) the cost of printing, engraving, and reproduction services; and
 - (4) the cost of a trustee's or paying agent's initial or acceptance fee and subsequent fees.

- (i) all costs, fees and expenses of litigation of all kinds;
- (j) the cost of property casualty and public liability insurance;
- (k) the Authority's Overhead Expenses; and
- (l) other costs generally recognized as a part of project construction costs.

"Rule" means SEC Rule 15c2-12, as amended from time to time.

"SEC" means the United States Securities and Exchange Commission and any successor to its duties.

"SID" means any entity designated by the State or an authorized department, officer, or agency thereof as, and determined by the SEC or its staff to be, a state information depository within the meaning of the Rule from time to time.

"Sale and Offering Documents" means any official notice of sale, official bid form, preliminary official statement, official statement, application to the Texas Water Development Board, or other offering document for the Bonds.

"State" means the State of Texas.

"System" means all properties, facilities and plants (including the projects relating to the Lake Dunlap treatment facilities) currently owned, operated, and maintained by the Authority for the supply, treatment, and transmission of treated potable water, together with all future extensions, improvements, replacements and additions thereto, whether situated within or without the limits of the Authority; provided, however, that notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term System shall not mean to include facilities of any kind which are declared not to be a part of the System and which are acquired or constructed by or on behalf of the Authority with the proceeds from the issuance of *Special Facilities Bonds*, including, but not limited to, the New Bonds, which are hereby defined as being special revenue obligations of the Authority which are not payable from revenues of the System but which are payable from and equally and ratably secured by other liens on and pledges of any revenues, sources or payments, not pledged to the payment of the System bonds including, but not limited to, special contract revenues or payments received from any other legal entity in connection with such facilities.

"Taxable Contract" means this Regional (Hays/Caldwell Counties Area) Taxable Water Supply Contract, as initially executed and as it may be amended from time to time.

Section 1.02.

Construction.

Unless the context requires otherwise, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa. This Taxable Contract and all the terms and provisions hereof shall be constructed to effectuate the purposes set forth herein and to sustain the validity of this Taxable Contract.

ARTICLE II

Representations and Warranties

Section 2.01.

Representations and Warranties of Authority.

The Authority hereby represents and warrants that the GBRA Contract has been or will be duly executed by each of the parties thereto and that thereafter the GBRA Contract will be in full force and effect; the Authority has full power and authority to sell or otherwise convey treated water to the Participating Members in accordance with the terms of the GBRA Contract and this Taxable Contract; and the execution and delivery of this Taxable Contract by the Authority and the performance by the Authority of the provisions hereof do not and will not conflict with or constitute on the part of the Authority a breach or a default of any provision of the GBRA Contract or any other contract or agreement of the Authority.

Section 2.02.

Representations and Warranties of Participating Members.

Each of the Participating Members hereby represents and warrants that it has full power and authority to purchase treated water from the Authority in accordance with the terms of this Taxable Contract; and the execution and delivery of this Taxable Contract by each Participating Member and the performance of the provisions hereof by each Participating Member do not and will not conflict with or constitute on the part of such Participating Member a breach or a default of any provision of any other contract or agreement of such Participating Member.

ARTICLE III

Construction of Project and Issuance of Bonds

Section 3.01.

Construction of Project.

The Authority agrees that the acquisition, construction, and improvement of the Project by the Authority will be accomplished in accordance with generally accepted engineering practices and, subject to the issuance of the Bonds pursuant to Section 3.02 to provide a source of funds, with all practical dispatch.

Section 3.02.

Issuance of Bonds.

A. The Authority may issue its Bonds, payable from and secured by a pledge of the Annual Payments from this Taxable Contract to finance the costs of acquiring, constructing, extending, enlarging, repairing, renovating, equipping, and otherwise improving the Project.

B. (1) Each Bond Resolution of the Authority shall specify the exact principal amount of the Bonds to be issued thereunder, which Bonds shall mature within the maximum allowable period or such shorter period as determined by the Authority and shall bear interest not exceeding the maximum allowable rates, all as permitted by law, and each Bond Resolution shall contain such other terms and provisions pertaining to the security and payment of Bonds and the operation and maintenance of the Project as may be necessary for the marketing and sale of the Bonds. The Authority may from time to time issue its Bonds in such amounts as are within its judgment and discretion sufficient to achieve full implementation of the Project.

(2) Prior to the final adoption of a Bond Resolution or any amendment of a Bond Resolution by the Authority's Board of Directors a copy of the proposed Bond Resolution, and the Sale and Offering Documents shall be presented to the Participating Member for review and approval.

(3) Upon the Participating Member approval of (i) each Bond Resolution hereafter adopted by the Authority, (ii) any amendments to any Bond Resolution, and (iii) the Sale and Offering Documents and the delivery to the Authority of a certification signed by the authorized representative of the Participating Member to the effect that the Bond Resolution and the Sale and Offering Documents comply with this Taxable Contract, then upon the adoption and approval of the Bond Resolution in such final form by the Authority's Board of Directors and the issuance and delivery of the Bonds to the purchaser thereof, the Bond Resolution shall for all purposes be considered approved by the Authority and deemed to be in compliance with this Taxable Contract in all respects, and the Bonds issued thereunder will constitute Bonds as defined in this Taxable Contract for all purposes. Any owner of Bonds is entitled to rely fully and unconditionally on any such approval.

(4) All covenants and provisions in the Bond Resolution affecting, or purporting to bind, the Participating Member, shall, upon the delivery of the Bonds, become absolute, unconditional, valid, and binding covenants and obligations of the Participating Member so long as said Bonds and interest thereon are outstanding and unpaid, and may be enforced as provided in this Taxable Contract and the Bond Resolution. Particularly, the obligation of the Participating Member to make,

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promptly when due, all Annual Payments specified in this Taxable Contract shall be absolute and unconditional, and said obligation may be enforced as provided in this Taxable Contract. In addition, subject to the approval of the Participating Member, the Authority may enter into Credit Agreements for the purpose of achieving the lowest financing costs for the Project.

Section 3.03. Liens. Neither the Participating Members nor the Authority will create or permit or suffer to exist any lien, encumbrance, or charge upon the Project or any interest therein at any time, except Permitted Liens.

Section 3.04. Sale and Offering Documents. At the request of the Authority, the Participating Members shall provide to the Authority current and historical information concerning their respective utility systems, general fund information, the financial conditions results, and prospects of the Participating Members, and such other information concerning the Participating Members as the Authority shall deem advisable for inclusion in the Sale and Offering Documents for the Bonds of each series and shall certify to the Authority and the underwriters of any offering of Bonds to be made by means of such Sale and Offering Documents when and if the Participating Members deem such Sale and Offering Documents to be complete and final for purposes of the Rule. The Participating Members represent and warrant that all statements concerning the Participating Members (including, without limitation, their financial condition, results, and prospects, their utility system, and any demographic and economic information concerning the area served by their utility system) that are contained in any Sale and Offering Document shall be true in all material respects and shall not omit to state any material fact necessary to make the statements made in such Sale and Offering Document, in the light of the circumstances in which they are made, not misleading.

Section 3.05. Authority's Rights Assigned to Trustee. The Participating Members are advised and recognize that as security for the payment of the Bonds, the Authority may assign to a trustee, pursuant to one or more trust indentures to be authorized by the Bond Resolution, the Authority's rights under this Taxable Contract, including the right to receive the Annual Payments hereunder. The Participating Members herewith assent to such assignment and will make the Annual Payments directly to the trustee without defense or set-off by reason of any dispute between the Participating Members and the Authority or the trustee. All rights against the Participating Members arising under this Taxable Contract or the Bond Resolution and assigned to the trustee may be enforced by the trustee, or the owners of the Bonds, to the extent provided in the Bond Resolution, and the trustee, or the owners of the Bonds, shall be entitled to bring any suit, action, or proceeding against the Participating Members, to the extent provided in the Bond Resolution, for the enforcement of this Taxable Contract, and it shall not be necessary in any such suit, action, or proceeding to make the Authority a party thereto.

ARTICLE IV

Sale and Purchase of Treated Water; Operating Requirements

Section 4.01. Water Conveyance; Option to Purchase.

A. The Participating Members hereby agree to pay for the right to receive from the Authority and the Authority hereby agrees to sell to the Participating Members all of the treated water produced by the Authority through the Project subject to the terms and provisions of this Taxable Contract, or other contracts which generate System revenues; provided, however, the Authority shall have the right to purchase, and the Participating Members hereby each agree to relinquish their right to purchase, treated water produced by the Project upon reduction, on a proportionate basis, of the Participating Members' share of their Annual Payments under this Taxable Contract. It is expressly recognized that the treated water delivered to each Participating Member as disclosed in Exhibit A shall be owned by such Participating Member and may be sold or otherwise conveyed by such Participating Member in accordance with applicable law; provided, however, before any Participating Member enters into a contract or other agreement to transfer, sale, or convey any treated water received from the Authority pursuant to the terms of this Taxable Contract, such Participating Member shall afford the Authority the right of first refusal for a period of 90 days to obtain such treated water for redistribution to other Participating Members.

B. Each of the Participating Members shall be entitled to receive from the Authority the quantities of treated water identified in Exhibit A attached hereto and in accordance with this Taxable Contract. To the extent the Authority has acquired additional water under the GBRA Contract or from some other source, or to the extent the Participating Members do not request all of their allotted treated water as set forth on Exhibit A, or to the extent the Authority acquires a percentage share of the treated water produced by the Project pursuant to Paragraph A of this Section, the Authority may sell or otherwise use such water to supply treated water to other Participating Members, to retail customers, if any, of the Authority, or on a spot basis.

Section 4.02. Points of Delivery.

Each Participating Member agrees to take treated water at the Point(s) of Delivery for such Participating Member set forth in Exhibit B hereto. Modification of such Points of Delivery may be mutually agreed to in writing between each Participating Member, respectively, and the Authority. The Authority will maintain ownership of the connection (being any device, including welded pipe connections, water installations, valves, meter vaults, or similar devices) between the Authority's System and the utility system of the Participating Members.

Section 4.03.

Resale.

Participating Members hereby agree not to sell treated water purchased from Authority under this Taxable Contract to any person or entity outside such Participating Member's boundaries or prescribed service area (as they may be adjusted from time to time) unless the Participating Member has received prior written approval from the Authority. Approval to make retail sales of treated water to individual customers outside such boundaries or prescribed service area may be granted by the General Manager of the Authority. Approval to make wholesale sales of treated water pursuant to this Taxable Contract outside the Participating Member's boundaries or prescribed service area shall require the specific prior approval of the Board. Notwithstanding any provision in this Section to the contrary, each Participating Member shall have the right and authority to continue to sell treated water on a retail or wholesale basis to all existing customers situated outside its corporate boundaries or prescribed service area and without the approval or consent of the Authority or General Manager. Additionally, the Participating Members shall have the right and authority to sell treated water received from other sources other than the Authority on a wholesale basis or otherwise without any limitation imposed by this Taxable Contract or approval by the Authority or General Manager.

Section 4.04.

Other Contracts.

A. If the Authority exercises its right to water under this Taxable Contract pursuant to Section 4.01, the Authority reserves the right to supply treated water from the Project to others on wholesale or retail basis. Each such contract with other entities shall be limited to the Authority's share of treated water covered by this Taxable Contract and shall not contain any provision which would adversely affect the Participating Members' percentage share of treated water covered by this Taxable Contract, except as permitted by Section 4.01.

B. The parties hereto recognize and acknowledge that the Authority shall have the right and authority to contract or make other arrangements with respect to its percentage share of water from the Project without limitation or approval of any Participating Member.

Section 4.05.

Quality.

A. The water to be delivered by the Authority and received by each Participating Member shall be treated water from the Project of a quality sufficient to meet the requirements for potable water established by the Commission and the United States Environmental Protection Agency. Each Participating Member has satisfied itself that such water will be suitable for its needs.

The Authority shall not be responsible for maintaining any particular amount of chlorine residuals at any point in any Participating Member's utility system.

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B. The Authority shall periodically collect samples of treated water delivered to Participating Members and other customers and cause same to be analyzed consistent with guidelines established by the Commission using the then-current edition of Standard Methods for Examination of Water and Wastewater as published by the American Water Works Association ("AWWA") and others.

Section 4.06. Metering Equipment.

A. The Authority will furnish, install, operate, and maintain at its expense the necessary equipment and devices (including a meter house or pit) of standard type required for measuring the quantity of water delivered under this Taxable Contract from the Project to each Participating Member's Point or Points of Delivery. Such meters and other equipment so installed shall be the property of the Authority. The Authority shall inspect, calibrate, and adjust its meters at least annually as necessary to maintain accurate measurements of the quantity of water being delivered. Each Participating Member shall have access to the metering equipment at all reasonable times for inspection and examination, but the reading, calibration, and adjustment thereof shall be done only by employees or agents of the Authority. If requested, a Participating Member may witness such reading, calibration, and adjustment of meters. Any measuring device which fails to function or which functions incorrectly shall promptly be adjusted, repaired or replaced by a like device having the required accuracy. A meter registering not more than five percent (5%) above or below the test results shall be deemed to be accurate. The previous readings of any meter disclosed by tests to be inaccurate shall be corrected for one-half (1/2) the period elapsed since the next preceding meter test but in no event to exceed six (6) months in accordance with the percentage of inaccuracy found by such tests. If any meter fails to register for any period, the amount of water furnished during such period shall be deemed to be the amount of water delivered in the corresponding period immediately prior to the failure, unless the Authority and the Participating Member shall agree upon a different amount. All readings of meters will be entered upon proper books of record maintained by the Authority. Any Participating Member may have access to said record books during normal business hours.

B. Under the GBRA Contract, the Authority is required to install metering devices to measure the amount of water taken from Canyon Lake and purchased from GBRA. Such metering devices shall be considered to be a part of the Project.

Section 4.07. Pressure, Backflow, Maximum Rate of Flow.

A. The Authority shall deliver treated water to the Point(s) of Delivery for each Participating Member (subject to the provisions of Section 4.08) at a pressure of not less than 35 psi or at such other pressure agreed upon by the Authority and the Participating Member. If a Participating Member requires a greater or lesser pressure, such Participating Member shall bear all of the costs of providing such greater or lesser pressure. Pressure failure due to supply line breaks, power failures, flood, fire, earthquakes, other catastrophes, or use of water to fight fires, or any other

must be in writing and may be given or be served by depositing the same in the United States mail postpaid and registered or certified and addressed to the party to be notified, with return receipt requested, or by delivering the same to an officer of such party, or by prepaid telegram when appropriate, addressed to the party to be notified. Notice deposited in the mail in the manner hereinabove described shall be conclusively deemed to be effective, unless otherwise stated herein, from and after the expiration of three days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the party to be notified. For the purposes of notice, the addresses of the parties hereto shall, until changed as hereinafter provided, be as follows:

A. If to the Authority, to:

Canyon Regional Water Authority
850 Lakeside Pass
New Braunfels, Texas 78130

B. If to County Line Water Supply Corporation, to:

County Line Water Supply Corporation
140 Grist Mill Road
Uhland, Texas 78640

C. If to Crystal Clear Water Supply Corporation, to:

Crystal Clear Water Supply Corporation
2370 FM 1979
San Marcos, Texas 78666

D. If to Martindale Water Supply Corporation, to:

Martindale Water Supply Corporation
Post Office Box 175
Martindale, Texas 78655

E. If to Maxwell Water Supply Corporation, to:

Maxwell Water Supply Corporation
Post Office Box 158
Maxwell, Texas 78156

The parties hereto shall have the right from time to time and at any time to change their respective addresses and each shall have the right to specify as its address any other address by at least fifteen (15) days' written notice to the other parties hereto.

Section 9.08.

State or Federal Laws, Rules, Orders, or Regulations.

This Taxable Contract is subject to all applicable federal and state laws and any applicable permits, ordinances, rules, orders, and regulations of any local, state, or federal governmental authority having or asserting jurisdiction, but nothing contained herein shall be construed as a waiver of any right to question or contest any such law, ordinance, order, rule, or regulation in any forum having jurisdiction.

Section 9.09.

Remedies Upon Default.

It is not intended hereby to specify (and this Taxable Contract shall not be considered as specifying) an exclusive remedy for any default, but all such other remedies (other than termination) existing at law or in equity may be availed of by any party hereto and shall be cumulative. Recognizing, however, that the Authority's undertaking to provide and maintain the Project is an obligation, failure in the performance of which cannot be adequately compensated in money damages alone, the Authority agrees, in the event of any default on its part, that each Participating Member shall have available to it the equitable remedy of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available. Recognizing that failure in the performance of any Participating Member's obligations hereunder could not be adequately compensated in money damages alone, each Participating Member agrees in the event of any default on its part that the Authority shall have available to it the equitable remedy of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available to the Authority. Notwithstanding anything to the contrary contained in this Taxable Contract, any right or remedy or any default hereunder, except the right of the Authority to receive the Annual Payment which shall never be determined to be waived, shall be deemed to be conclusively waived unless asserted by a proper proceeding at law or in equity within two (2) years plus one (1) day after the occurrence of such default. No waiver or waivers of any breach or default (or any breaches or defaults) by any party hereto or of performance by any other party of any duty or obligation hereunder shall be deemed a waiver thereof in the future, nor shall any such waiver or waivers be deemed or construed to be a waiver of subsequent breaches or defaults of any kind, character, or description, under any circumstance.

Section 9.10.

Severability.

The parties hereto specifically agree that in case any one or more of the sections, subsections, provisions, clauses, or words of this Taxable Contract or the application of such sections, subsections, provisions, clauses, or words to any situation or circumstance should be, or should be held to be, for any reason, invalid or unconstitutional, under the laws of the State or the United States of America, or in contravention of any such laws, such invalidity, unconstitutionality, or contravention shall not affect any other sections, subsections, provisions, clauses, or words of this Taxable Contract or the application of such sections, subsections, provisions, clauses,

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or words to any other situation or circumstance, and it is intended that this Taxable Contract shall be severable and shall be construed and applied as if any such invalid or unconstitutional section, subsection, provision, clause or word had not been included herein, and the rights and obligations of the parties hereto shall be construed and remain in force accordingly.

Section 9.11. Venue.

All amounts due under this Taxable Contract, including, but not limited to, payments due under this Taxable Contract or damages for the breach of this Taxable Contract, shall be paid and be due in Guadalupe County, Texas, which is the County in which the principal administrative offices of the Authority are located. It is specifically agreed among the parties to this Taxable Contract that Guadalupe County, Texas, is the place of performance of this Taxable Contract; and in the event that any legal proceeding is brought to enforce this Taxable Contract or any provision hereof, the same shall be brought in Guadalupe County, Texas.

Section 9.12. Assignment.

Neither the Authority nor any Participating Member may assign any interest it may have under this Taxable Contract without the prior written consent of the other parties hereto; provided, however, the foregoing restriction shall not prevent the Authority from taking any action in connection with the issuance of the Bonds to secure the payment of the Bonds with amounts to be received by the Authority under this Taxable Contract.

Section 9.13. Entire Agreement.

This Taxable Contract constitutes the entire agreement among the parties with respect to the sale of treated water by the Authority to the Participating Members.

Section 9.14. Applicable Law.

This Taxable Contract shall be governed by and construed in accordance with the laws of the State, and the obligations, rights, and remedies of the parties hereunder shall be determined in accordance with such laws without reference to the laws of any other state or jurisdiction, except for applicable federal laws, rules, and regulations.

Section 9.15. No Sale, Lease, or Other Transfer of Participating Members' Utility System.

Pursuant to the terms of this Taxable Contract, a Participating Member, to the extent permitted by law, shall not sale, lease, or otherwise transfer any interest in such Participating Member's utility system without the written consent of the Authority.


Section 9.16. Counterparts.

This Taxable Contract may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[The remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto acting under authority of their respective governing bodies have caused this Taxable Contract to be duly executed as of the day and year first above written.

CANYON REGIONAL WATER AUTHORITY

By: 
Chairman, Board of Trustees

ATTEST:


Secretary, Board of Trustees

(AUTHORITY SEAL)

COUNTY LINE WATER SUPPLY
CORPORATION

By: Kelly B. Turner
President

ATTEST:

Bruce Lockhart
Secretary

(SEAL)

CRYSTAL CLEAR WATER
SUPPLY CORPORATION

By: Richard A. Hanz
President

ATTEST:

W.L. Blenewinkel
Secretary

(SEAL)

MARTINDALE WATER SUPPLY
CORPORATION

By: Th. m. d. t.
President
(ACTING)

ATTEST:

Rae Jones
Secretary

(SEAL)

MAXWELL WATER SUPPLY
CORPORATION

By: Bruce Bryant
President

ATTEST:

Frank J. Will
Secretary

(SEAL)

Exhibit A

Allocations and Maximum Rate of Flow

<u>Participating Members</u>	<u>Amount of Water*</u>	<u>Maximum Rate of Flow per Day</u>
County Line Water Supply Corporation	218 acre feet	182 gpm
Crystal Clear Water Supply Corporation	500 acre feet	418 gpm
Martindale Water Supply Corporation	100 acre feet	84 gpm
Maxwell Water Supply Corporation	438 acre feet	366 gpm

550'''

*Changed level on report from
Maxwell WSC.*

* Annually per Fiscal Year

Exhibit B

Points of Delivery

Crystal Clear Water Supply Corporation

Elevated tank at Guadalupe County Road 1978 from the Hays/Caldwell
County Project

Maxwell Water Supply Corporation

Intersection of Highway 80 and FM 1984

County Line Water Supply Corporation

Intersection of FM 1966 and Highway 21

Martindale Water Supply Corporation

Intersection of FM Highway 80 at Martindale City limits

Exhibit C

Special Provisions

Under the terms of this Taxable Contract the Martindale Water Supply Corporation ("MWSC") has contracted for the treatment and redelivery of 100 acre-feet of water per year at a maximum rate of flow per day of 84 gallons per minute. Canyon Regional Water Authority ("CRWA") understands and agrees that the source of MWSC's "allocated water" described herein is a long term lease between MWSC and Green Valley Farms to take water from the San Marcos River and that the "methodology" to be used in calculating the MWSC part of the Annual Requirement under Article V of this Taxable Contract will be adjusted accordingly.

REGIONAL TAX-EXEMPT WATER SUPPLY CONTRACT

August 1, 1998

between

CANYON REGIONAL WATER AUTHORITY

and

GREEN VALLEY SPECIAL UTILITY DISTRICT,

BEXAR METROPOLITAN WATER DISTRICT,

CITY OF CIBOLO, TEXAS; AND

CITY OF MARION, TEXAS

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REGIONAL TAX-EXEMPT WATER SUPPLY CONTRACT

THIS REGIONAL TAX-EXEMPT WATER SUPPLY CONTRACT (this "Tax-Exempt Contract") dated as of the 1st day of August, 1998 (the "Contract Date") is between the CANYON REGIONAL WATER AUTHORITY, a regional water authority created under and essential to accomplish the purposes of Article XVI, Section 59 of the Constitution of the State of Texas (the "Authority"), and the GREEN VALLEY SPECIAL UTILITY DISTRICT, a special utility district created under Chapter 65, as amended, Texas Water Code, the BEXAR METROPOLITAN WATER DISTRICT, a reclamation and conservation district created under a special act of the Texas legislature and pursuant to Article XVI, Section 59 of the Texas Constitution, the CITIES OF CIBOLO, AND MARION, TEXAS, each a Type A general law municipality (certain of the "Original Participating Members", which, together with any Additional Participating Members as hereinafter defined, are collectively or individually referred to herein as "Participating Members").

P R E A M B L E A N D W I T N E S S E T H:

WHEREAS, the Authority was created to purchase, own, hold, lease, and otherwise acquire sources of a potable water supply; to build, operate, and maintain facilities for the treatment and transportation of water; to sell potable water to local governments, water supply corporations, and other persons in the State of Texas; and to protect, preserve, and restore the purity and sanitary condition to water in the Authority; and

WHEREAS, the Authority's boundaries currently include all of the territory located in the service area of the Original Participating Members as provided in their respective certificates of convenience and necessity issued by the Texas Natural Resource Conservation Commission; and

WHEREAS, each of the Original Participating Members currently provides potable water utility service to its customers; and

WHEREAS, in the pursuit of its purposes, the Authority has entered into a contract (the "GBRA Contract") with the Guadalupe-Blanco River Authority ("GBRA") and has and anticipates entering into additional contracts to acquire rights to purchase raw water in Canyon Lake in Comal County, Texas and other sources of raw water for treatment and resale to the Participating Members; and

WHEREAS, the Authority may acquire additional rights to purchase raw water from other sources for treatment and resale to the Participating Members; and

WHEREAS, the Authority has built, operates, and maintains a water treatment facility located at Lake Dunlap and certain related transmission lines (the "Original Project") for the purpose of receiving, treating, and transmitting certain of the water

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purchased pursuant to the GBRA Contract and certain other contracts now in force or to be entered into in the future; and

WHEREAS, the Participating Members hold and may acquire additional rights to raw water from other sources for treatment pursuant to the provisions of this Tax-Exempt Contract and thereafter to supply, redeliver, or sell this treated water in accordance with the provisions of this Tax-Exempt Contract; and

WHEREAS, the Authority intends to build, operate, and maintain (i) a new water treatment facility, (ii) an expansion of the Original Project, and (iii) certain related transmission lines and storage facilities (the "Project") for the purpose of receiving, treating, storing, and transmitting certain of the water purchased pursuant to the GBRA Contract or purchased or leased pursuant to certain other contracts now in force or to be entered into in the future; and

WHEREAS, to finance the costs of the acquisition, construction, and equipping of the Original Project, the Authority issued its notes or other debt obligations (the "Original Bonds") to the United States Department of Agriculture - Rural Utilities Service (as the successor to the United States Department of Agriculture, Farmers Home Administration) that are secured by and payable from revenues received by the Authority and pursuant to a mortgage on the Original Project; and

WHEREAS, to finance the costs of the acquisition, construction, and equipping of the Project, and to prepay, redeem, and defease the Original Bonds, the Authority intends to issue one or more series of its contract revenue bonds or other debt obligations (the "New Bonds") to the Texas Water Development Board, or other entity (including a public or negotiated sale), to be secured by and payable from revenues received by the Authority pursuant to this Tax-Exempt Contract and the Taxable Contract (hereinafter defined); and

WHEREAS, for and in consideration of the Authority acquiring the right to purchase raw water for treatment and resale as provided herein, the Participating Members are willing and have agreed to contract with the Authority as hereinafter provided to acquire treated water from the Original Project and the Project and to pay the cost of the Original Project and the Project by assisting in the amortization of the principal of and interest on the Original Bonds and the New Bonds and paying the Authority's Operation and Maintenance Expenses (hereinafter defined); and

WHEREAS, the Authority and the Participating Members are authorized to enter into this Tax-Exempt Contract and the Taxable Contract pursuant to the Authority's enabling statute, Chapter 670, Acts of the 71st Legislature, Regular Session, 1989 (the "Act"), and Chapter 791, Texas Government Code, as amended (the "Interlocal Cooperation Act"), and other applicable laws; and

WHEREAS, the Authority agrees that the Participating Members shall continue to own their respective Certificates of Convenience and Necessity issued by the

Commission, shall continue to own and operate their respective water pumping, storage, and distribution facilities, and any respective water treatment facilities currently owned by each of the Participating Members; and

WHEREAS, the Board of Trustees has directed that a portion of the raw water under this Tax-Exempt Contract and the Taxable Contract be made available (following treatment by the Authority) on a firm basis to parties who contract with the Authority pursuant to this Tax-Exempt Contract and the Taxable Contract; and

WHEREAS, each of the Participating Members under this Tax-Exempt Contract and the Taxable Contract proposes to pay its share of costs of the Original Project and the Project and the Original Bonds and the New Bonds based upon a rate methodology to be developed by the Authority or in proportion to the respective amounts of treated water each has agreed to purchase under this Tax-Exempt Contract and the Taxable Contract; and

WHEREAS, the Authority has entered into a substantial similar contract with Crystal Clear Water Supply Corporation, East Central Water Supply corporation, and Springs Hill Water Supply Corporation dated as of August 1, 1998 (the "Taxable Contract") because these entities are not "political subdivisions" under the Code (hereinafter defined) and therefore any debt issued by the Authority for their benefit must be issued on a taxable basis; however, each of these entities is an Original Participating Member.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and subject to the terms and conditions hereinafter set forth, the Authority and each of the Participating Members agree and contract as follows:

ARTICLE I

Definitions

Section 1.01. Definitions.

The following terms and expressions as used in this Tax-Exempt Contract, unless the context clearly shows otherwise, shall have the following meanings:

"Act" means Chapter 670, Acts of the 71st Legislature, Regular Session, 1989.

"Additional Participating Member(s)" means any entity or entities hereafter agreeing pursuant to Section 6.01 of this Tax-Exempt Contract to be bound by the terms of this Tax-Exempt Contract, as it may be amended from time to time.

"Adjusted Annual Payment" means the Annual Payment as adjusted by the Board during or after an Annual Payment Period, as provided by this Tax-Exempt Contract and the Taxable Contract.

"Annual Payment" means the amount of money to be paid to the Authority by each Participating Member during each Annual Payment Period as its share of the Annual Requirement.

"Annual Payment Period" means the Authority's fiscal year, which currently begins on October 1 of each calendar year and ends on September 30 of the next following calendar year, but which may be any twelve consecutive month period fixed by the Authority; the first Annual Payment Period under this Tax-Exempt Contract and the Taxable Contract is anticipated to be the period of October 1, 1998, through September 30, 1999.

"Annual Requirement" means, during an Annual Payment Period, the total amount required to pay all Operation and Maintenance Expenses of the Authority and the Original Project and the Project and all costs and payments due and payable for the amortization of the Original Bonds and the New Bonds.

"Authority" means the Canyon Regional Water Authority, a regional water authority created under and essential to accomplish the purposes of Article XVI, Section 59 of the Constitution of the State of Texas created in accordance with the Act. Except as otherwise noted herein, actions required or permitted to be taken by the Authority under this Tax-Exempt Contract and the Taxable Contract may be taken by the General Manager on behalf of the Authority.

"Board" means the governing body of the Authority.

"Boardmembers" means a member or members of the Board.

"Bond Resolution" means any resolution or other financing documents of the Authority which authorizes any Bonds.

"Bonds" means the Original Bonds and New Bonds and all bonds, notes, or other debt obligations payable from and secured, in whole or in part, from the payments to the Authority under this Tax-Exempt Contract and the Taxable Contract, and the interest thereon, hereafter issued by the Authority to finance the costs to acquire, construct, and equip the Original Project or the Project, and/or all bonds, notes, or other obligations issued subsequently to finance costs to improve and extend the Original Project or the Project, and any bonds or other obligations issued to refund the Original Bonds and any other bonds, notes, or other obligations to refund any other refunding bonds or other obligations.

"Code" means the Internal Revenue Code of 1986, and any amendments thereto, as in force and effect on the date of delivery of any series of Bonds.

"Commission" means the Texas Natural Resource Conservation Commission or any successor entity thereto.

"Credit Agreement" means any credit agreement, as defined in and authorized by the provisions of Texas Revised Civil Statutes Annotated Article 717q, as amended, which the Authority enters into relating to its obligations with respect to the Bonds.

"Force Majeure" means such term as it is defined in Section 9.01 of this Tax-Exempt Contract.

"General Manager" means the general manager of the Authority's operations, including any party or entity that the Authority enters into a management contract to provide these services.

"Land Interests" means the easements, right-of-way, and other interests in real property necessary for the acquisition, construction, and operation of the Project.

"MSRB" means the Municipal Securities Rulemaking Board and any successor to its duties.

"New Bonds" means one or more series of obligations that the Authority currently anticipates selling to the Texas Water Development Board, or other entity (including a public or negotiated sale), in the total principal amount of \$38,000,000 to fund the costs associated with constructing the Project or other water treatment facilities and related transmission lines, and prepaying, redeeming, and defeasing the Original Bonds.

"NRMSIR" means each person whom the SEC or its staff has determined to be a nationally recognized municipal securities information repository within the meaning of the Rule from time to time.

"Operation and Maintenance Expenses" means, during an Annual Payment Period, all direct costs and expenses incurred by the Authority for its operation and maintenance, including but not limited to, the operation and maintenance of the Original Project and the Project, including (for greater certainty but without limiting the generality of the foregoing) amounts payable under the GBRA Contract and/or any contract with any federal, state, or local agency for the construction, operation, and/or water storage rights or other interests in water in Canyon Lake or other source of raw water, any contribution or payment in lieu of taxes or any fee or charge by any government authority relating to the Authority's sale of treated water hereunder, the costs of utilities, supervision, engineering, accounting, auditing, legal services, insurance premiums, supplies, services, and administration of the Original Project or the Project, Overhead Expenses, and costs of operating, repairing, maintaining, and replacing equipment for proper operation and maintenance of the Original Project and the Project. The term "Operation and Maintenance Expenses" does not include depreciation charges or such portion of the above-described costs to the extent such costs are paid pursuant to an agreement other than this Tax-Exempt Contract or the Taxable Contract.

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"Original Bonds" means the notes issued by the Authority to the United States Department of Agriculture - Rural Utilities Service (as the successor to the United States Department of Agriculture, Farmers Home Administration) in the principal amount of \$5,090,000.

"Original Participating Members" means County Line Water Supply Corporation, Crystal Clear Water Supply Corporation, East Central Water Supply Corporation, Martindale Water Supply Corporation, Maxwell Water Supply Corporation, Springs Hill Water Supply Corporation, Green Valley Special Utility District, Bexar Metropolitan Water District, and the Cities of Cibolo, and Marion, Texas.

"Original Project" means the water treatment facility and transmission lines that were financed with the proceeds of the Original Bonds.

"Overhead Expenses" means the Authority's reasonable and necessary costs and expenses incurred and directly related to the issuance and servicing of the Bonds, the acquisition of Land Interests required for the Project, the design, permitting, financing, acquisition, construction, and ownership of the Original Project and the Project and any other activities required of or involving the Authority in connection with or attributable to the Original Project and the Project or the Bonds, including, but not limited to:

(a) per diem and reimbursable expenses incurred by the Board for special meetings of the Board related to the Project,

(b) services of the professional, technical skilled and unskilled persons and firms engaged by or associated with the Authority, other than Authority staff personnel, together with their reimbursable expenses paid or required to be paid by the Authority;

(c) salaries of the Authority's staff attributable to the Original Project and the Project or the Bonds based on time expended, as documented or reasonably estimated by the General Manager of the Authority, times an overhead factor of two (2), which factor shall be subject to adjustment by the Authority from time to time in response to actual or reasonably projected overhead expenses of the Authority;

(d) the costs of preparing applications for and obtaining all approvals and authorizations required for the Project or the Bonds from the regulatory authorities having jurisdiction;

(e) the cost of property casualty and public liability insurance; including any insurance deductible charged to or required to be paid by the Authority;

(f) all costs incurred in litigation involving or relating to the Project; and

(g) any and all other costs and expenses, including out-of-pocket expenses, incurred by the Authority attributable to the Project or the Bonds, whether enumerated above or not and whether or not included in the definition or as a part of Project Costs.

"Participating Member(s)" means certain of the Original Participating Members and all Additional Participating Members from time to time subject to this Tax-Exempt Contract.

"Permitted Liens" means:

(a) Minor irregularities, charges, liens, encumbrances, defects, easements, licenses, rights-of-way, servitudes, restrictions, mineral rights, and clouds on title which, in the opinion of counsel to the Authority, do not materially impair the use of the Project for the purposes for which it is designed.

(b) Easements for roads (as used in this Tax-Exempt Contract, the term "roads" shall include, without limitation, streets, curbs, gutters, drains, ditches, sewers, conduits, canals, mains, aqueducts, aerators, connections, ramps, docks, viaducts, alleys, driveways, parking areas, walkways, and trackage), utilities (which for purposes of this Contract shall include, without limitation, water, sewer, electricity, gas, telephone, pipeline, railroad, and other collection, transportation, light, heat, power, and communication systems) and similar easements and other easements, rights-of-way, rights of flowage, flooding, diversion or outfall, licenses, restrictions, and obligations relating to the operation of the Project which, in the opinion of counsel to the Authority, do not materially impair the use of the Project for the purposes for which it is designed.

(c) Rights of the United States or any state or political subdivision thereof, or other public or governmental authority or agency or any other entity vested with the power of eminent domain to take or control property or to terminate any right, power, franchise, grant, license, or permit previously in force.

"Point(s) of Delivery" means the point or points designated in Exhibit B to this Tax-Exempt Contract and the Taxable Contract or by subsequent agreement where water will be delivered by the Authority to Participating Members from the Original Project or the Project.

"Project" means the "Project" as defined in the preamble of this Tax-Exempt Contract.

"Project Costs" means and includes, without limitation, the following costs incurred for the Project by or on behalf of the Authority:

(a) the cost of acquisition of the Land Interests, including appraisals, closing costs and title insurance policies;

(b) the cost of acquisition, construction, repair, replacement, or improvement of any structure, item of equipment, or other item, used for, or in connection with, the Project;

(c) the cost of site preparation of the Land Interests, including demolition or removal of structures and improvements as necessary or incident to accomplishing the Project;

(d) the cost of engineering, legal, architectural or other related services;

(e) the preparation cost of plans, specifications, studies, surveys, cost estimates, and other expenses necessary or incident to planning, providing, or financing the Project;

(f) the cost of machinery, equipment, furnishings, and facilities necessary or incident to placing the Project in operation;

(g) finance charges and interest before, during, and after construction;

(h) costs incurred in connection with financing the Project, including, without limitation:

(1) financing, legal, accounting, financial advisory, rating agency, and auditing fees, expenses and disbursements;

(2) the costs of a Credit Agreement;

(3) the cost of printing, engraving, and reproduction services; and

(4) the cost of a trustee's or paying agent's initial or acceptance fee and subsequent fees.

(i) all costs, fees and expenses of litigation of all kinds;

(j) the cost of property casualty and public liability insurance;

(k) the Authority's Overhead Expenses; and

(l) other costs generally recognized as a part of project construction costs.

"Rule" means SEC Rule 15c2-12, as amended from time to time.

"SEC" means the United States Securities and Exchange Commission and any successor to its duties.

"SID" means any entity designated by the State or an authorized department, officer, or agency thereof as, and determined by the SEC or its staff to be, a state information depository within the meaning of the Rule from time to time.

"Sale and Offering Documents" means any official notice of sale, official bid form, preliminary official statement, official statement, application to the Texas Water Development Board, or other offering document for the Bonds.

"State" means the State of Texas.

"System" means all properties, facilities and plants (including the Original Project and the Project) currently owned, operated, and maintained by the Authority for the supply, treatment, and transmission of treated potable water, together with all future extensions, improvements, replacements and additions thereto, whether situated within or without the limits of the Authority; provided, however, that notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term System shall not mean to include facilities of any kind which are declared not to be a part of the System and which are acquired or constructed by or on behalf of the Authority with the proceeds from the issuance of *Special Facilities Bonds*, which are hereby defined as being special revenue obligations of the Authority which are not payable from revenues of the System but which are payable from and equally and ratably secured by other liens on and pledges of any revenues, sources or payments, not pledged to the payment of the Old Bonds or the New Bonds including, but not limited to, special contract revenues or payments received from any other legal entity in connection with such facilities.

"Taxable Contract" has the meaning set forth in the preamble to this Tax-Exempt Contract.

"Tax-Exempt Contract" means this Regional Tax-Exempt Water Supply Contract, as initially executed and as it may be amended from time to time.

Section 1.02. Construction.

Unless the context requires otherwise, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa. This Tax-Exempt Contract and all the terms and provisions hereof shall be constructed to effectuate the purposes set forth herein and to sustain the validity of this Tax-Exempt Contract.

ARTICLE II

Representations and Warranties

Section 2.01. Representations and Warranties of Authority.

The Authority hereby represents and warrants that the GBRA Contract has been duly executed by each of the parties thereto and that the GBRA Contract is in full force and effect; the Authority has full power and authority to sell or otherwise convey treated water to the Participating Members in accordance with the terms of the GBRA Contract and this Tax-Exempt Contract; and the execution and delivery of this Tax-Exempt Contract by the Authority and the performance by the Authority of the provisions hereof do not and will not conflict with or constitute on the part of the Authority a breach or a default of any provision of the GBRA Contract or any other contract or agreement of the Authority.

Section 2.02. Representations and Warranties of Participating Members.

Each of the Participating Members hereby represents and warrants that it has full power and authority to purchase treated water from the Authority in accordance with the terms of this Tax-Exempt Contract; and the execution and delivery of this Tax-Exempt Contract by each Participating Member and the performance of the provisions hereof by each Participating Member do not and will not conflict with or constitute on the part of such Participating Member a breach or a default of any provision of any other contract or agreement of such Participating Member.

ARTICLE III

Construction of Project and Issuance of Bonds

Section 3.01. Construction of Project.

The Authority agrees that the acquisition, construction, and improvement of the Project by the Authority will be accomplished in accordance with generally accepted engineering practices and, subject to the issuance of the Bonds pursuant to Section 3.02 to provide a source of funds, with all practical dispatch.

Section 3.02. Issuance of Bonds.

A. The Authority may issue its Bonds, payable from and secured by a pledge of the Annual Payments from this Tax-Exempt Contract and the Taxable Contract to finance the costs of acquiring, constructing, extending, enlarging, repairing, renovating, equipping, and otherwise improving the Project.

B. (1) Each Bond Resolution of the Authority shall specify the exact principal amount of the Bonds to be issued thereunder, which Bonds

shall mature within the maximum allowable period or such shorter period as determined by the Authority and shall bear interest not exceeding the maximum allowable rates, all as permitted by law, and each Bond Resolution shall contain such other terms and provisions pertaining to the security and payment of Bonds and the operation and maintenance of the Project as may be necessary for the marketing and sale of the Bonds. The Authority may from time to time issue its Bonds in such amounts as are within its judgment and discretion sufficient to achieve full implementation of the Project.

(2) Prior to the final adoption of a Bond Resolution or any amendment of a Bond Resolution by the Authority's Board of Directors a copy of the proposed Bond Resolution, and the Sale and Offering Documents shall be presented to the Participating Member for review and approval.

(3) Upon the Participating Member approval of (i) each Bond Resolution hereafter adopted by the Authority, (ii) any amendments to any Bond Resolution, and (iii) the Sale and Offering Documents and the delivery to the Authority of a certification signed by the authorized representative of the Participating Member to the effect that the Bond Resolution and the Sale and Offering Documents comply with this Tax-Exempt Contract, then upon the adoption and approval of the Bond Resolution in such final form by the Authority's Board of Directors and the issuance and delivery of the Bonds to the purchaser thereof, the Bond Resolution shall for all purposes be considered approved by the Authority and deemed to be in compliance with this Tax-Exempt Contract in all respects, and the Bonds issued thereunder will constitute Bonds as defined in this Tax-Exempt Contract for all purposes. Any owner of Bonds is entitled to rely fully and unconditionally on any such approval.

(4) All covenants and provisions in the Bond Resolution affecting, or purporting to bind, the Participating Member, shall, upon the delivery of the Bonds, become absolute, unconditional, valid, and binding covenants and obligations of the Participating Member so long as said Bonds and interest thereon are outstanding and unpaid, and may be enforced as provided in this Tax-Exempt Contract, the Taxable Contract, and the Bond Resolution. Particularly, the obligation of the Participating Member to make, promptly when due, all Annual Payments specified in this Tax-Exempt Contract and all payments described in Section 3.05 hereof shall be absolute and unconditional, and said obligation may be enforced as provided in this Tax-Exempt Contract. In addition, subject to the approval of the Participating Member, the Authority may enter into Credit Agreements for the purpose of achieving the lowest financing costs for the Project.

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Section 3.03. Liens. Neither the Participating Members nor the Authority will create or permit or suffer to exist any lien, encumbrance, or charge upon the Project or any interest therein at any time, except Permitted Liens.

Section 3.04. Tax-Exempt Bonds. The parties hereto understand and agree that the Authority will use its best efforts to provide for, but will not be liable for a failure to produce, the lowest overall debt service cost for the Bonds to be issued for the Project. In connection therewith, the parties intend that the Authority will issue Bonds the interest on which is excludable from the gross income of the owners thereof for federal income tax purposes. The parties hereto acknowledge their understanding that the federal income tax laws impose certain restrictions on the use and investment of proceeds of such tax-exempt bonds and on the use of the property financed therewith and the output produced therefrom. Accordingly, the parties agree and covenant that if the Bonds are offered to investors with the understanding that the interest will be exempt from federal income taxation, then the parties, their assigns and agents, will take such action to assure, and refrain from such action which will adversely affect the treatment of such Bonds as obligations described in section 103 of the Code. Should either party fail to comply with such covenant, the effect of which being that the Bonds no longer qualify as obligations described in the Code, such defaulting party shall be liable for all costs resulting from the loss of the tax-exempt status of the Bonds. The parties hereby agree and covenant to comply with all of the representations and covenants relating to such exemption which are set out in any Bond Resolution. The parties further agree and covenant that in the event the Bonds issued are to be tax-exempt, they will modify such agreements, make such filings, restrict the yield on investments, and take such other action necessary to fulfill the applicable provisions of the Code. For these purposes, the parties may rely on the respective opinion of any firm of nationally-recognized bond attorneys selected by them. In the event that a conflict arises in the opinions of the respective firms of each of the parties, the parties will identify a different firm, that is mutually acceptable to both parties, in order to resolve the conflict of opinion.

Section 3.05. Payment to Rebate Fund. In the event that tax-exempt Bonds are issued as provided in Section 3.04, the Authority hereby covenants and agrees to make the determinations and to pay any deficiency into a rebate fund, at the times and as described in the Bond Resolution to comply with the provisions of Section 148(f)(2) of the Code. In any event, if the amount of cash held in the rebate fund shall be insufficient to permit the trustee or paying agent to make payment to the United States of America of any amount due on any date under Section 148(f)(2) of the Code, the Authority forthwith shall pay the amount of such insufficiency on such date to the trustee or paying agent in immediately available funds for such purpose.

Section 3.06. Sale and Offering Documents. At the request of the Authority, the Participating Members shall provide to the Authority current and historical information concerning their respective utility systems, general fund information, the financial conditions results, and prospects of the Participating

Members, and such other information concerning the Participating Members as the Authority shall deem advisable for inclusion in the Sale and Offering Documents for the Bonds of each series and shall certify to the Authority and the underwriters of any offering of Bonds to be made by means of such Sale and Offering Documents when and if the Participating Members deem such Sale and Offering Documents to be complete and final for purposes of the Rule. The Participating Members represent and warrant that all statements concerning the Participating Members (including, without limitation, their financial condition, results, and prospects, their utility system, and any demographic and economic information concerning the area served by their utility system) that are contained in any Sale and Offering Document shall be true in all material respects and shall not omit to state any material fact necessary to make the statements made in such Sale and Offering Document, in the light of the circumstances in which they are made, not misleading.

Section 3.07. Authority's Rights Assigned to Trustee. The Participating Members are advised and recognize that as security for the payment of the Bonds, the Authority may assign to a trustee, pursuant to one or more trust indentures to be authorized by the Bond Resolution, the Authority's rights under this Tax-Exempt Contract, including the right to receive the Annual Payments hereunder and the amounts described in Section 3.05 hereof. The Participating Members herewith assent to such assignment and will make the Annual Payments and the payments described in Section 3.05 hereof directly to the trustee without defense or set-off by reason of any dispute between the Participating Members and the Authority or the trustee. All rights against the Participating Members arising under this Tax-Exempt Contract or the Bond Resolution and assigned to the trustee may be enforced by the trustee, or the owners of the Bonds, to the extent provided in the Bond Resolution, and the trustee, or the owners of the Bonds, shall be entitled to bring any suit, action, or proceeding against the Participating Members, to the extent provided in the Bond Resolution, for the enforcement of this Tax-Exempt Contract, and it shall not be necessary in any such suit, action, or proceeding to make the Authority a party thereto.

ARTICLE IV

Sale and Purchase of Treated Water; Operating Requirements

Section 4.01. Water Conveyance; Option to Purchase.

A. The Participating Members hereby agree to pay for the right to receive from the Authority and the Authority hereby agrees to sell to the Participating Members all of the treated water produced by the Authority through the Original Project or the Project subject to the terms and provisions of this Tax-Exempt Contract, the Taxable Contract, or other contracts which generate System revenues; provided, however, the Authority shall have the right to purchase, and the Participating Members hereby each agree to relinquish their right to purchase, treated

water produced by the Original Project or the Project upon reduction, on a proportionate basis, of the Participating Members' share of their Annual Payments under this Tax-Exempt Contract. It is expressly recognized that the treated water delivered to each Participating Member as disclosed in Exhibit A shall be owned by such Participating Member and may be sold or otherwise conveyed by such Participating Member in accordance with applicable law; provided, however, before any Participating Member enters into a contract or other agreement to transfer, sale, or convey any treated water received from the Authority pursuant to the terms of this Tax-Exempt Contract, such Participating Member shall afford the Authority the right of first refusal for a period of 90 days to obtain such treated water for redistribution to other Participating Members.

B. Each of the Participating Members shall be entitled to receive from the Authority the quantities of treated water identified in Exhibit A attached hereto and in accordance with this Tax-Exempt Contract. To the extent the Authority has acquired additional water under the GBRA Contract or from some other source, or to the extent the Participating Members do not request all of their allotted treated water as set forth on Exhibit A, or to the extent the Authority acquires a percentage share of the treated water produced by the Original Project or the Project pursuant to Paragraph A of this Section, the Authority may sell or otherwise use such water to supply treated water to other Participating Members, to retail customers, if any, of the Authority, or on a spot basis.

Section 4.02. Points of Delivery.

Each Participating Member agrees to take treated water at the Point(s) of Delivery for such Participating Member set forth in Exhibit B hereto. Modification of such Points of Delivery may be mutually agreed to in writing between each Participating Member, respectively, and the Authority. The Authority will maintain ownership of the connection (being any device, including welded pipe connections, water installations, valves, meter vaults, or similar devices) between the Authority's System and the utility system of the Participating Members.

Section 4.03. Resale.

Participating Members hereby agree not to sell treated water purchased from Authority under this Tax-Exempt Contract to any person or entity outside such Participating Member's boundaries or prescribed service area (as they may be adjusted from time to time) unless the Participating Member has received prior written approval from the Authority. Approval to make retail sales of treated water to individual customers outside such boundaries or prescribed service area may be granted by the General Manager of the Authority. Approval to make wholesale sales of treated water pursuant to this Tax-Exempt Contract outside the Participating Member's boundaries or prescribed service area shall require the specific prior approval of the Board. Notwithstanding any provision in this Section to the contrary, each Participating Member shall have the right and authority to continue to sell

Section 4.04. Other Contracts.

A. If the Authority exercises its right to water under this Tax-Exempt Contract pursuant to Section 4.01, the Authority reserves the right to supply treated water from the Original Project or the Project to others on wholesale or retail basis. Each such contract with other entities shall be limited to the Authority's share of treated water covered by this Tax-Exempt Contract and shall not contain any provision which would adversely affect the Participating Members' percentage share of treated water covered by this Tax-Exempt Contract, except as permitted by Section 4.01.

B. The parties hereto recognize and acknowledge that the Authority shall have the right and authority to contract or make other arrangements with respect to its percentage share of water from the Original Project or the Project without limitation or approval of any Participating Member.

Section 4.05. Quality.

A. The water to be delivered by the Authority and received by each Participating Member shall be treated water from the Original Project or the Project of a quality sufficient to meet the requirements for potable water established by the Commission and the United States Environmental Protection Agency. Each Participating Member has satisfied itself that such water will be suitable for its needs.

The Authority shall not be responsible for maintaining any particular amount of chlorine residuals at any point in any Participating Member's utility system.

B. The Authority shall periodically collect samples of treated water delivered to Participating Members and other customers and cause same to be analyzed consistent with guidelines established by the Commission using the then-current edition of Standard Methods for Examination of Water and Wastewater as published by the American Water Works Association ("AWWA") and others.

Section 4.06. Metering Equipment.

A. The Authority will furnish, install, operate, and maintain at its expense the necessary equipment and devices (including a meter house or pit) of standard type required for measuring the quantity of water delivered under this Tax-Exempt

Contract from the Original Project and the Project to each Participating Member's Point or Points of Delivery. Such meters and other equipment so installed shall be the property of the Authority. The Authority shall inspect, calibrate, and adjust its meters at least annually as necessary to maintain accurate measurements of the quantity of water being delivered. Each Participating Member shall have access to the metering equipment at all reasonable times for inspection and examination, but the reading, calibration, and adjustment thereof shall be done only by employees or agents of the Authority. If requested, a Participating Member may witness such reading, calibration, and adjustment of meters. Any measuring device which fails to function or which functions incorrectly shall promptly be adjusted, repaired or replaced by a like device having the required accuracy. A meter registering not more than five percent (5%) above or below the test results shall be deemed to be accurate. The previous readings of any meter disclosed by tests to be inaccurate shall be corrected for one-half (1/2) the period elapsed since the next preceding meter test but in no event to exceed six (6) months in accordance with the percentage of inaccuracy found by such tests. If any meter fails to register for any period, the amount of water furnished during such period shall be deemed to be the amount of water delivered in the corresponding period immediately prior to the failure, unless the Authority and the Participating Member shall agree upon a different amount. All readings of meters will be entered upon proper books of record maintained by the Authority. Any Participating Member may have access to said record books during normal business hours.

B. Under the GBRA Contract, the Authority is required to install metering devices to measure the amount of water taken from Canyon Lake and purchased from GBRA. Such metering devices shall be considered to be a part of the Original Project.

Section 4.07. Pressure, Backflow, Maximum Rate of Flow.

A. The Authority shall deliver treated water to the Point(s) of Delivery for each Participating Member (subject to the provisions of Section 4.08) at a pressure of not less than 35 psi or at such other pressure agreed upon by the Authority and the Participating Member. If a Participating Member requires a greater or lesser pressure, such Participating Member shall bear all of the costs of providing such greater or lesser pressure. Pressure failure due to supply line breaks, power failures, flood, fire, earthquakes, other catastrophes, or use of water to fight fires, or any other cause beyond the reasonable control of the Authority shall relieve the Authority from compliance with this provision for such reasonable period of time as may be necessary to restore pressure.

B. The Authority shall install and maintain at its sole expense at each Point of Delivery a backflow preventor of AWWA-approved quality. Each Participating Member shall have the right to inspect the backflow preventor at each of its Points of Delivery at such reasonable times at such Participating Member in its discretion may determine are required.

C. The maximum rate of flow per day that may be provided to each Participating Member by the Authority is established in Exhibit A hereto and incorporated by reference for all purposes to this Tax-Exempt Contract.

Section 4.08. Cross-Utilization of Lines.

A. Each Participating Member acknowledges that it may be necessary for certain of its transmission lines to be utilized in order for the Authority to transmit treated water to another Participating Member and such Participating Member hereby agrees to permit the Authority to so utilize its transmission lines in accordance with Section 7.09. In such case, the Participating Members involved agree to inform the Authority of any special requirements with respect to pressure or other matters relating to the transmitting Participating Member's lines.

B. The Authority will furnish, install, operate, and maintain at its expense meters at the point of exit from a Participating Member's lines to maintain accurate measurements of the quantity of water being delivered by the Authority to a Participating Member through the lines of another Participating Member. Such meters shall be subject to inspection and examination by both Participating Members in accordance with the provisions of Section 4.06.

C. In the event that repairs are required to be made to any lines of a Participating Member which are utilized for the transmission of treated water to another Participating Member, the receiving Participating Member shall participate in the cost of such repairs as may be agreed from time to time.

ARTICLE V

Fiscal Provisions

Section 5.01. Annual Requirement.

Subject to the terms and provisions of this Tax-Exempt Contract, the Authority will provide and pay for the cost of the Original Project and the Project through the issuance of the Bonds. It is acknowledged and agreed that payments by the Participating Members to the Authority under this Tax-Exempt Contract and the Taxable Contract will be the sole or primary source of funds available to the Authority to provide the Annual Requirement. Each Participating Member shall be obligated to pay the full amount of its Annual Requirement notwithstanding that it may elect not to receive the full amount of treated water available to it under this Tax-Exempt Contract. In compliance with the Authority's duty to fix and from time to time to revise the rates and charges for services rendered under this Tax-Exempt Contract, the Annual Requirement may change from time to time. Each such Annual Requirement shall be allocated among the Participating Members and the Authority based upon a rate methodology to be developed by the Authority or according to their respective percentage shares of treated water covered by this Tax-Exempt Contract

and the Taxable Contract, and the Annual Requirement for each Annual Payment Period shall be identified in each annual budget and shall at all times be not less than an amount sufficient to pay or provide for the payment of the following:

- A. all Operation and Maintenance Expenses; and
- B. an amount to fund a special reserve for the Operation and Maintenance Expenses or for additional capital improvements to the Project; the total amount to be accumulated for such operating and additional capital improvements reserve shall not exceed 25% of the annual Operation and Maintenance Expenses (estimated to be approximately three (3) months' expenses); and
- C. when the Authority and the Participating Members agree to issue Bonds to finance the costs of the Project, a capital component, including principal, interest, premium, reserve funds, and other funds established or required by any Bond Resolution and to pay the principal of and interest on the Original Bonds.

Section 5.02. Annual Budget.

Each annual budget for the acquisition and/or operation and maintenance of the Original Project and the Project shall always provide for amounts sufficient to pay the Annual Requirement. The annual budget for the Original Project and the Project for the Annual Payment Period during Fiscal Year 1997-98 will be prepared and adopted by the Authority based on estimates made by the Authority. Each Participating Member will be furnished a copy of such annual budget, and each Participating Member hereby acknowledges its ability to pay its share of the Annual Requirement from available funds budgeted therefor. On or before July 15 of each year thereafter commencing July 15, 1998, the Authority shall furnish to each Participating Member a preliminary estimate of the Annual Payment required from each Participating Member for the next following Annual Payment Period.

Not less than 60 days before the commencement of each Annual Payment Period beginning in Fiscal Year 1998-99, the Authority shall cause to be prepared a preliminary budget for the Original Project and the Project for the next ensuing Annual Payment Period. A copy of such preliminary budget shall be filed with each Participating Member before action by the Board. Any Participating Member may submit comments about the preliminary budget directly to the Board. The Board may adopt the preliminary budget or make such amendments thereof as to it may seem proper; provided, however, no change or amendment to the preliminary budget will be made by the Board after such preliminary budget has been submitted to the Participating Members which change or amendment would in effect increase the Annual Requirement without resubmitting such amended preliminary budget to the Participating Members. The Board shall thereupon approve the annual budget. With respect to budgetary matters, the Participating Members shall have the right only to

comment on the preliminary budget; their approval of the preliminary or final annual budget shall not be required. The annual budget thus approved by the Board shall be the annual budget for the next ensuing Annual Payment Period. The annual budget, including the first annual budget, may be amended by the Authority at any time to transfer funds from one account or fund to another account or fund provided such transfer will not increase the total budget and the transfer of funds is attributable to the costs of the Original Project and the Project or to the Original Project and the Project's maintenance and operation. Subject to notification to the Participating Members, the amount for any account or fund, or the amount for any purpose, in the annual budget may be increased through formal action by the Board even though such action might cause the total amount of the annual budget for the Original Project and the Project to be exceeded; provided, however, such action shall be taken only in the event of an emergency or special circumstances which shall be clearly stated in the notice to the Participating Members and in the resolution at the time such action is taken by the Board.

Notwithstanding anything herein to the contrary, no failure of the Authority to estimate, and no mistake by the Authority in any estimate of, the amount of or schedule for Annual Payments due from the Participating Members in any fiscal year shall relieve the Participating Members from (or defer) their absolute and unconditional obligation to make all Annual Payments in full when due.

Section 5.03. Payments by Participating Members.

A. Subject to Sections 4.06A and 4.07B, each Participating Member agrees to pay a connection fee for each Point of Delivery equal to the total cost of material, labor, and equipment required to implement such connection.

B. For the treated water available to the Participating Members under this Tax-Exempt Contract (whether or not the Participating Members elect to receive such water), each of the Participating Members agrees to pay, at the time and in the manner hereinafter provided, its share of the Annual Requirement. Each of the Participating Members shall pay its part of the Annual Requirement for each Annual Payment Period directly to the Authority (or its assigns), in monthly installments in accordance with the schedule of payments furnished by the Authority, as hereinafter provided.

C. Each Participating Member shall pay a proportionate share of the Annual Requirement according to a rate methodology to be developed by the Authority or based upon the relative amount of water available to each Participating Member and set forth on Exhibit A, as amended from time to time. The Authority shall charge each Participating Member its share of pumping costs according to the volume of water actually delivered.

D. Each Participating Member's allocated share of the Annual Requirement for each Annual Payment Period shall be made in accordance with a written schedule

of payments for the appropriate Annual Payment Period which will be supplied to each of the Participating Members by the Authority.

E. Notwithstanding the foregoing, the Annual Requirement, and each Participating Member's share thereof, shall be redetermined, after consultation with each of the Participating Members, at any time during any Annual Payment Period, to the extent deemed necessary or advisable by the Authority, if:

1. the Authority exercises its option to acquire treated water pursuant to Section 4.01;
2. unusual, extraordinary, or unexpected Operation and Maintenance Expenses are required which are not provided for in the Authority's annual budget or reserves for the Original Project and the Project;
3. Operation and Maintenance Expenses of the Original Project and the Project are substantially less than estimated;
4. a Participating Member's interest under this Tax-Exempt Contract is terminated as provided herein or Additional Participating Members become subject to this Tax-Exempt Contract;
5. the Authority issues Bonds for the Project; or
6. the Authority receives either significantly more or significantly less revenues or other amounts than those anticipated.

F. Each Participating Member hereby agrees that it will make payments to the Authority required by this Tax-Exempt Contract at the Authority's offices within 15 days of the date a bill for service is deposited in the United States mail. If any Participating Member at any time disputes the amount to be paid by it to the Authority, such complaining party shall nevertheless promptly make such payment or payments; but if it is subsequently determined by agreement or by appropriate administrative, board, agency, or court decision that such disputed payments should have been less, or more, the Authority shall promptly revise and reallocate the charges in such manner that the Participating Member will recover its overpayment or the Authority will recover the amount due it. All amounts due and owing to the Authority by each Participating Member or due and owing to any Participating Member by the Authority shall, if not paid when due, bear interest at the maximum lawful nonusurious rate of interest per annum from the date when due until paid.

G. The Authority shall, to the extent permitted by law, suspend the delivery of services or water from the Original Project and the Project to any Participating Member which remains delinquent in any payments due under the preceding paragraph for a period of thirty (30) days, and shall not resume delivery of services or water while such Participating Member is so delinquent. The Authority also

retains the right to charge a reconnection fee or other appropriate charges prior to commencing utility service to the delinquent Participating Member. It is further provided and agreed that if any Participating Member should remain delinquent in any payments due hereunder for a period of one hundred twenty days, and if such delinquency continues during any period thereafter, such Participating Member's minimum amount specified in Exhibit A, shall be deemed to have been zero gallons during all periods of such delinquency, for the purpose of calculating and redetermining the percentage of each Annual Payment to be paid by the non-delinquent Participating Members and the Authority, and the Authority shall redetermine such percentage on that basis in such event so that the non-delinquent Participating Members and the Authority collectively shall be required to pay all of the Annual Requirement. However, the Authority shall pursue all legal remedies against any such delinquent Participating Member to enforce and protect the rights of the Authority, the other Participating Members, and the holders of the Bonds, if Bonds have been issued or incurred. The delinquent Participating Member shall not be relieved of the liability to the Authority for the payment of all amounts which would have been due hereunder had no default occurred or the percentage had not been redetermined as provided in this Section. It is understood that the foregoing provisions are for the benefit of the Authority and holders of the Authority's Bonds, if Bonds have been issued or incurred, so as to insure that all of the Annual Requirement will be paid by the non-delinquent Participating Members and the Authority during each Annual Payment Period regardless of the delinquency of a particular Participating Member. If any amount due and owing the Authority by any Participating Member is placed with an attorney for collection, such Participating Member shall pay to the Authority all attorneys' fees, in addition to all other payments provided for herein, including interest.

H. If, during any Annual Payment Period, any Participating Member's Annual Payment is redetermined in any manner as provided or required in this Section, the Authority will promptly furnish such Participating Member with an updated schedule of monthly payments reflecting such redetermination.

Section 5.04. Unconditional Payments.

A. Notwithstanding any provision of this Tax-Exempt Contract to the contrary, while this Tax-Exempt Contract remains in effect each of the Participating Members agrees to pay its share of the total cost of the Original Project and the Project and the Bonds. If the Authority elects to exercise its option to acquire a percentage share of the treated water covered by this Tax-Exempt Contract as provided in Section 4.01, the Annual Payment of each Participating Member shall be reduced to the proportion that each Participating Member's amount of water identified in Exhibit A bears to the total amount of water available from the Original Project and the Project. Initially, the Participating Members agree to pay 100% of the Annual Requirement, but, if the Authority exercises its option to acquire treated water from the Project pursuant to Section 4.01, the Participating Members and the Authority shall share the cost of the Original Project and the Project and the Bonds

in proportion to quantities of treated water each is entitled to take from the Original Project and the Project pursuant to this Tax-Exempt Contract.

B. Recognizing that the Participating Members urgently require the facilities and services of the Original Project and the Project, and that such facilities and services are essential and necessary for actual use and for standby purposes, and further recognizing the fact that the Authority will use payments received from the Participating Members to pay and secure the Bonds, it is hereby agreed that each of the Participating Members shall be unconditionally obligated to pay, without offset or counterclaim, its share of the Annual Requirement, as provided and determined in this Tax-Exempt Contract and the Taxable Contract, regardless of whether or not the Authority actually acquires, constructs, or completes the Project or is actually delivering water from the Original Project and the Project to any Participating Member hereunder, or whether or not any Participating Member actually receives or uses water from the Original Project and the Project whether due to Force Majeure or any other reason whatsoever, regardless of any other provisions of this or any other contract or agreement between any of the parties hereto. This covenant by the Participating Members shall be for the benefit of and enforceable by the holders of the Bonds as well as the Authority.

Section 5.05. Continuing Right to Treated Water.

For and in consideration of agreeing to the unconditional payments to be made under this Tax-Exempt Contract, each Participating Member is entitled to a firm right to treated water from the Original Project and the Project in the amounts indicated in Exhibit A, as such amount may be modified from time to time by the terms of this Tax-Exempt Contract and the Taxable Contract. That right shall continue for the term of this Tax-Exempt Contract and the Taxable Contract and any renewals thereof, subject to the terms of the GBRA Contract.

ARTICLE VI

Additional Participating Members

Section 6.01. Additional Participating Members.

If water is available, the Authority and the Original Participating Members agree that additional entities may become subject to the provisions of this Tax-Exempt Contract and the Taxable Contract as Additional Participating Members by providing the following to the Authority and the then Participating Members:

A. an executed signature page to this Tax-Exempt Contract in form satisfactory to the Authority;

B. to the extent any representation contained in this Tax-Exempt Contract relating to Participating Members does not correctly describe such entity, a revision

of such representations satisfactory in form and content to the Authority in the Authority's sole discretion to be included on Exhibit C to this Tax-Exempt Contract;

C. a revised Exhibit A to this Tax-Exempt Contract satisfactory to the Authority and all then Participating Members;

D. a revised Exhibit B to this Tax-Exempt Contract setting forth the Point(s) of Delivery for such entity which shall be satisfactory to the Authority;

E. a completed Exhibit C to this Tax-Exempt Contract to the extent applicable to such entity and in form satisfactory to the Authority; and

F. such other certifications and information as may be reasonably requested by the Authority and the then Participating Members.

ARTICLE VII

Special Conditions

Section 7.01. Operation and Maintenance of Original Project and the Project.

The Authority will continuously operate and maintain the Original Project and the Project in an efficient manner and in accordance with good business and engineering practices, and at reasonable cost and expense. The Authority recognizes its right and duty to operate the Original Project and the Project in the most prudent and economical manner for the benefit of all Participating Members.

Section 7.02. Project Schedule.

It is the intent of the parties that the Project be placed in operation as soon as practicable, and the Authority agrees to proceed diligently with the evaluation of feasibility, the securing of regulatory permits, and the design and construction of the Project to meet such schedule, subject to the other terms and conditions in this Tax-Exempt Contract and the Taxable Contract.

Section 7.03. Permits, Financing, and Applicable Laws.

Any obligations on the part of the Authority to acquire, construct, and complete the Project and related facilities and to provide treated water from the Project to the Participating Members shall be (i) conditioned upon the Authority's ability to obtain all necessary permits, material, labor, and equipment; (ii) subject to the Authority's final determination of feasibility of transportation of the treated water from the Project; (iii) conditioned upon the ability of the Authority to finance the cost of the Project through the sale of the Bonds; and (iv) subject to all present and future valid

laws, orders, rules, and regulations of the United States of America, the State of Texas, the Commission, and any regulatory body having jurisdiction.

Section 7.04. Title to Water; Indemnification.

Title to all water supplied to each Participating Member shall be in the Authority up to the Point of Delivery for such Participating Member, at which point title shall pass to the receiving Participating Member. Title to treated water transmitted through the lines of a Participating Member pursuant to Section 4.08 for the use of another Participating Member shall remain in the Authority until it reaches the Point(s) of Delivery of the receiving Participating Member. The Authority and each of the Participating Members shall, to the extent permitted by law, save and hold each other harmless from all claims, demands, and causes of action which may be asserted by anyone on account of the transportation and delivery of said water while title remains in such party.

Section 7.05. Payments Solely From Revenues.

The Authority shall never have the right to demand payment by any Participating Member of any obligations assumed by it or imposed on it under and by virtue of this Tax-Exempt Contract from funds raised or to be raised by taxes, and the obligations under this Tax-Exempt Contract shall never be construed to be a debt of such kind as to require any of the Participating Members to levy and collect a tax to discharge such obligation. Nonetheless, any Participating Member may make payments from its utility system revenues, or from any other lawful source, including ad valorem taxes, if lawfully available to such Participating Member.

Section 7.06. Operating Expenses.

Each of the Participating Members represents and covenants that, to the extent payments under this Tax-Exempt Contract are made with utility system revenues, such payments shall constitute reasonable and necessary "operating expenses" of its utility system, as defined in Texas Revised Civil Statutes Annotated Article 1113, as amended, and that all such payments will be made from the revenues of its utility system or any other lawful source. Each Participating Member represents and has determined that the treated water supply to be obtained from the Original Project and the Project is absolutely necessary and essential to the present and future operation of its utility system and that the Original Project and the Project represents a long-term source of supply of treated water to meet current and projected water needs of the Participating Member's utility system and facilities, and, accordingly, all payments required by this Tax-Exempt Contract to be made by each Participating Member shall constitute reasonable and necessary operating expenses of its utility system as described above, with the effect that such payments from revenues of such systems shall be deducted from gross revenues of the system in the same manner as other system operating and maintenance expenses for purposes of determining net revenues available to pay bonds or other similar obligations heretofore or hereafter

issued by such Participating Member, which obligations are payable from and secured by a pledge of the revenues of the system or facilities after deduction of maintenance and operating expenses.

Section 7.07. Rates for Water.

Each of the Participating Members agrees throughout the term of this Tax-Exempt Contract to continuously operate and maintain its utility system and to fix and collect such rates and charges for utility services to be supplied by its system as aforesaid as will produce revenues in an amount equal to at least (i) all of the expenses of operation and maintenance expenses of such system, including specifically, its Annual Payment under this Tax-Exempt Contract, and (ii) all other amounts as required by law and the provisions of the ordinance or resolutions authorizing its revenue bonds or other obligations now or hereafter outstanding, including the amounts required to pay all principal of and interest on such bonds and other obligations.

Section 7.08. Use of Funds and System.

The Authority covenants and agrees that neither the proceeds from the sale of the Bonds, nor the money paid it pursuant to this Tax-Exempt Contract, nor any earnings from the investment of any of the foregoing, will be used for any purposes, except those directly relating to the Original Project and the Project and the Bonds as provided in this Tax-Exempt Contract.

Section 7.09. Rights-of-Way.

A. Each Participating Member hereby grants to the Authority without additional cost to the Authority, the use of the streets, easements, rights-of-way, and pipelines under its control for the construction, emergency repairs, operation, and maintenance of the Original Project and the Project and the provision and transmission of treated water hereunder; provided, however, such grant of the use of streets, easements, rights-of-way, and pipelines to the Authority is subject to and conditioned on the Authority (i) complying with all applicable policies, practices, and regulations of the Participating Members governing and regulating such use of the streets, easements, rights-of-way, and pipelines and (ii) paying all costs, if any, of restoring such streets, easements, rights-of-way, and pipelines to substantially the same state of condition that existed prior to the Authority's use.

B. To the extent they have such ownership authority, each Participating Member agrees that, with prior written approval, the Authority may use streets, alleys, and public rights-of-way within the Participating Member's boundaries for pipeline purposes.

Section 7.10. Insurance.

The Authority agrees to carry and arrange for fire, casualty, public liability, and/or other insurance, including self-insurance, on the Original Project and the Project for purposes and in amounts which, as determined by the Authority, ordinarily would be carried by a privately owned utility company owning and operating such facilities, except that the Authority shall not be required to provide liability insurance except to insure itself against risk of loss due to claims for which it can, in the opinion of the Authority's legal counsel, be liable under the Texas Tort Claims Act or any similar law or judicial decision. Such insurance will provide, to the extent feasible and practicable, for the restoration of damaged or destroyed properties and equipment, to minimize the interruption of the services of such facilities. Premiums for such insurance that relate directly to the Original Project and the Project or, under generally accepted cost accounting practices, is allocable to the Original Project and the Project, shall constitute an Operation and Maintenance Expense.

Section 7.11. Additional Special Provisions.

The parties hereto acknowledge and agree to the Special Provisions, if any, which are set forth in Exhibit C hereto. The Special Provisions for this Tax-Exempt Contract reflect circumstances or issues for specific Participating Members which may be different from those of other Participating Members and therefore constitute a modification of or requirement in addition to the standard provisions otherwise contained in this Tax-Exempt Contract. To the extent of any conflict between any Special Provision and any other provision of this Tax-Exempt Contract, the Special Provision shall control.

ARTICLE VIII

Continuing Disclosure

Section 8.01. Annual Reports.

Following the issuance of Bonds of any series, the offer or sale of which is not exempt from the Rule and, until any Participating Member is no longer obligated, contingently or otherwise, to make Annual Payments in respect of the Bonds of such series, any Participating Member undertakes to and shall provide annually to each NRMSIR and any SID, within six months after the end of each fiscal year, (1) financial information and operating data of the general type included in the Sale and Offering Documents for the Bonds of such series, as specified in any Participating Member's approval of such Sale and Offering Documents pursuant to Section 3.02 hereof and (2) audited general purpose financial statements of any Participating Member, if then available. Any financial statements so to be provided shall be (1) prepared in accordance with generally accepted accounting principles for governmental agencies or such other accounting principles as any Participating Member may be required to employ from time to time pursuant to state law or regulation, and (2)

audited, if any Participating Member commissions an audit of such statements and the audit is completed within the period during which it must be provided. If the audit of such financial statements is not complete within such period, then any Participating Member shall provide unaudited financial statements within the required period, and shall provide audited financial statements for the applicable Fiscal Year to each NRMSIR and any SID, when and if the audit report on such statements become available.

If any Participating Member changes its fiscal year, it will notify the trustee or paying agent, each NRMSIR, and any SID in writing of the change (and of the date of the new fiscal year end) prior to the next date by which any Participating Member otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be incorporated by specific reference to any document or specific part thereby (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to each NRMSIR and any SID or filed with the SEC. Copies of such information and operating data shall be furnished to the Authority at the same time the information and data are furnished to any NRMSIR or SID.

Section 8.02. Material Event Notices.

(a) The following are the events with respect to the Bonds which the Authority must agree to disclose in a timely manner pursuant to the Rule, if "material" under applicable federal securities laws and regulations promulgated thereunder.

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (7) Modifications to rights of holders of the Bonds;
- (8) Bond calls;

- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds; and
- (11) Rating changes.

(b) The Participating Member shall, promptly after obtaining actual knowledge of the occurrence of any of the events enumerated in (a) above, notify the Authority of such event and provide all information in the format required to satisfy the requirements of the Rule. Further, the Participating Member shall provide, in a timely manner, notice of any failure by the Participating member to provide audited financial statements, financial information, and operating data in accordance with Section 8.01 hereof to each NRMSIR and each SID.

Section 8.03. Limitations, Disclaimers, and Amendments.

The Participating Member shall be obligated to observe and perform the covenants specified in this Article in respect of the Bonds of any series for so long as, but only for so long as, the Participating Member remains an "obligated person" with respect to the Bonds of such series within the meaning of the Rule, except that the Participating Member in any event will give notice of any deposit made in accordance with the Bond Resolution that causes Bonds of such series no longer to be Outstanding.

The provisions of this Article are for the sole benefit of (and may be enforced by) the owners and beneficial owners of the Bonds, and nothing in this Article, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Participating Members undertake to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Article and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Participating Members' financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Article or otherwise, except as expressly provided herein. The Participating Members make no representations or warranties concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE PARTICIPATING MEMBERS BE LIABLE TO THE OWNER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE PARTICIPATING MEMBERS WHETHER NEGLIGENT OR WITHOUT FAULT ON THEIR PART, OF ANY COVENANT SPECIFIED IN THIS ARTICLE, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF



Nothing in this Article is intended or shall act to disclaim, waive, or otherwise limit the duties of the Authority or the Participating Members under federal and state securities laws.



Section 9.02. Allocation of Water During Drought.

During drought conditions or in any other condition when water cannot be supplied to meet the demands of all customers, the water to be distributed shall be divided among all customers of stored water from Canyon Reservoir (or other sources)

pro rata, according to the amount each may be entitled to, subject to reasonable conservation and drought management plans and requirements based on particular purposes of use of the water, so that preference is given to no one and everyone suffers alike.

Section 9.03. Conservation.

The Authority and Participating Member each agree to provide to the maximum extent practicable for the conservation of water, and each agrees that it will operate and maintain its facilities in a manner that will prevent waste of water. Participating Members further agree to implement water conservation and drought management plans applicable to the use of treated water from the Original Project and the Project that are consistent in purpose, provisions and application with those implemented by other Participating Members to the extent practicable considering any differences in the legal authority of Participating Members and other Participating Members to institute those plans.

Section 9.04. Term of Tax-Exempt Contract.

This Tax-Exempt Contract shall be effective on and from the Contract Date, and shall continue in force and effect for forty (40) years; provided, however, the term of this Tax-Exempt Contract and the expiration date may be extended for succeeding five (5) year periods at the option of one or more of the Participating Members for as long as the GBRA Contract or other agreement providing an adequate source of raw water remains in effect. It is understood and agreed by the Authority and each Participating Member that the right to receive treated water hereunder shall continue throughout any renewals or extension of this Tax-Exempt Contract. The Authority's obligation to provide treated water services hereunder shall commence from the date the Project becomes operational and functional as certified by the consulting engineers for the Project or on such other date that one or more of the Participating Members receives treated water by virtue of or in exchange for treated water from the Project. This Tax-Exempt Contract constitutes the sole agreement between the parties hereto with respect to the Project.

Section 9.05. Approval and Consent.

Unless otherwise provided herein, any approval or consent required by the provisions of this Tax-Exempt Contract by a Participating Member or the Authority shall be evidenced by a written resolution adopted by the governing body of the party giving such approval or consent (or by the General Manager on behalf of the Authority when permitted). Upon receipt of such written resolution duly certified by the appropriate party, the Authority or the Participating Member can conclusively act on the matter requiring such approval.

Section 9.06. Modification and Amendment.

A. No change, amendment, or modification of this Tax-Exempt Contract shall be made or be effective which will affect adversely the prompt payment when due of all money required to be paid by any Participating Member under this Tax-Exempt Contract or any similar contract, and no such change, amendment, or modification shall be made or be effective which would cause a violation of any provisions of any Bond Resolution.

B. This Tax-Exempt Contract may be amended upon the written consent of the Authority and all then Participating Members; provided, however, no amendment to this Tax-Exempt Contract shall impair the rights of any holder of any of the Authority's Bonds.

Section 9.07. Addresses and Notice.

Unless otherwise provided herein, any notice, communication, request, reply, or advice (herein severally and collectively, for convenience, called "Notice") herein provided or permitted to be given, made or accepted by any party to any other party must be in writing and may be given or be served by depositing the same in the United States mail postpaid and registered or certified and addressed to the party to be notified, with return receipt requested, or by delivering the same to an officer of such party, or by prepaid telegram when appropriate, addressed to the party to be notified. Notice deposited in the mail in the manner hereinabove described shall be conclusively deemed to be effective, unless otherwise stated herein, from and after the expiration of three days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the party to be notified. For the purposes of notice, the addresses of the parties hereto shall, until changed as hereinafter provided, be as follows:

A. If to the Authority, to:

Canyon Regional Water Authority
850 Lakeside Pass
New Braunfels, Texas 78130

B. If to Green Valley Special Utility District, to:

Green Valley Special Utility District
Post Office Box 99
Marion, Texas 78124

C. If to Bexar Metropolitan Water District, to:

Bexar Metropolitan Water District
2706 West Southcross
Post Office Box 3577
San Antonio, Texas 78211-0577

D. If to the City of Cibolo, Texas to:

City of Cibolo, Texas
109 South Main Street
Post Office Box 88
Cibolo, Texas 78108

E. If to the City of Marion, Texas to:

City of Marion, Texas
303 South Center
Post Office Box 275
Marion, Texas 78124

The parties hereto shall have the right from time to time and at any time to change their respective addresses and each shall have the right to specify as its address any other address by at least fifteen (15) days' written notice to the other parties hereto.

Section 9.08. State or Federal Laws, Rules, Orders, or Regulations.

This Tax-Exempt Contract is subject to all applicable federal and state laws and any applicable permits, ordinances, rules, orders, and regulations of any local, state, or federal governmental authority having or asserting jurisdiction, but nothing contained herein shall be construed as a waiver of any right to question or contest any such law, ordinance, order, rule, or regulation in any forum having jurisdiction.

Section 9.09. Remedies Upon Default.

It is not intended hereby to specify (and this Tax-Exempt Contract shall not be considered as specifying) an exclusive remedy for any default, but all such other remedies (other than termination) existing at law or in equity may be availed of by any party hereto and shall be cumulative. Recognizing, however, that the Authority's undertaking to provide and maintain the Project is an obligation, failure in the performance of which cannot be adequately compensated in money damages alone, the Authority agrees, in the event of any default on its part, that each Participating Member shall have available to it the equitable remedy of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available. Recognizing that failure in the performance of any Participating Member's obligations hereunder could not be adequately compensated in money damages alone, each Participating Member agrees in the event of any default on its part that the Authority shall have available to it the equitable remedy of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available to the Authority. Notwithstanding anything to the contrary contained in this Tax-Exempt Contract, any right or remedy or any default hereunder, except the right of the Authority to receive the Annual Payment which shall never be determined to be waived, shall be deemed to be conclusively waived unless asserted by a proper proceeding at law or in equity within two (2) years plus one (1) day after the occurrence of such default. No waiver or waivers of any breach or default (or any breaches or defaults) by any party hereto or of performance by any other party of any duty or obligation hereunder shall be deemed a waiver thereof in the future, nor shall any such waiver or waivers be deemed or construed to be a waiver of subsequent breaches or defaults of any kind, character, or description, under any circumstance.

Section 9.10. Severability.

The parties hereto specifically agree that in case any one or more of the sections, subsections, provisions, clauses, or words of this Tax-Exempt Contract or the application of such sections, subsections, provisions, clauses, or words to any situation or circumstance should be, or should be held to be, for any reason, invalid or unconstitutional, under the laws of the State or the United States of America, or in contravention of any such laws, such invalidity, unconstitutionality, or contravention shall not affect any other sections, subsections, provisions, clauses, or words of this Tax-Exempt Contract or the application of such sections, subsections, provisions, clauses, or words to any other situation or circumstance, and it is intended that this Tax-Exempt Contract shall be severable and shall be construed and applied as if any such invalid or unconstitutional section, subsection, provision, clause or word had not been included herein, and the rights and obligations of the parties hereto shall be construed and remain in force accordingly.

Section 9.11. Venue.

All amounts due under this Tax-Exempt Contract, including, but not limited to, payments due under this Tax-Exempt Contract or damages for the breach of this Tax-Exempt Contract, shall be paid and be due in Guadalupe County, Texas, which is the County in which the principal administrative offices of the Authority are located. It is specifically agreed among the parties to this Tax-Exempt Contract that Guadalupe County, Texas, is the place of performance of this Tax-Exempt Contract; and in the event that any legal proceeding is brought to enforce this Tax-Exempt Contract or any provision hereof, the same shall be brought in Guadalupe County, Texas.

Section 9.12. Assignment.

Neither the Authority nor any Participating Member may assign any interest it may have under this Tax-Exempt Contract without the prior written consent of the other parties hereto; provided, however, the foregoing restriction shall not prevent the Authority from taking any action in connection with the issuance of the Bonds to secure the payment of the Bonds with amounts to be received by the Authority under this Tax-Exempt Contract.

Section 9.13. Entire Agreement.

This Tax-Exempt Contract and the Taxable Contract constitute the entire agreement among the parties with respect to the sale of treated water by the Authority to the Participating Members.

Section 9.14. Applicable Law.

This Tax-Exempt Contract shall be governed by and construed in accordance with the laws of the State, and the obligations, rights, and remedies of the parties hereunder shall be determined in accordance with such laws without reference to the laws of any other state or jurisdiction, except for applicable federal laws, rules, and regulations.

Section 9.15. No Sale, Lease, or Other Transfer of Participating Members' Utility System.

Pursuant to the terms of this Tax-Exempt Contract, a Participating Member, to the extent permitted by law, shall not sale, lease, or otherwise transfer any interest in such Participating Member's utility system without the written consent of the Authority.

Section 9.16. Counterparts.

This Tax-Exempt Contract may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[The remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto acting under authority of their respective governing bodies have caused this Tax-Exempt Contract to be duly executed as of the day and year first above written.

CANYON REGIONAL WATER AUTHORITY

By: 
Chairman, Board of Trustees

ATTEST:


Secretary, Board of Trustees

(AUTHORITY SEAL)

GREEN VALLEY SPECIAL UTILITY
DISTRICT

By: 
President

ATTEST:


Secretary

(SEAL)

BEXAR METROPOLITAN WATER
DISTRICT

By: Ronald L. Williamson
President, Board of Directors

ATTEST:

Marion W. Scattergood
Secretary, Board of Directors

(SEAL)

CITY OF CIBOLO, TEXAS

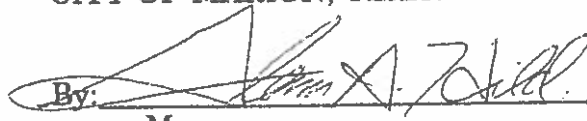
By Sam Bauder
Mayor

ATTEST:

Claudia Schneider
Secretary

(CITY SEAL)

CITY OF MARION, TEXAS

By: 
Mayor

ATTEST:

Marjorie A. Lizana
Secretary

(CITY SEAL)

Exhibit A

Allocations and Maximum Rate of Flow

<u>Participating Members</u>	<u>Amount of Water*</u>	<u>Maximum Rate of Flow per Day</u>
Crystal Clear Water Supply Corporation	500 acre feet	375 gpm
East Central Water Supply Corporation	1400 acre feet	1050 gpm
Springs Hill Water Supply Corporation	950 acre feet	712 gpm
Green Valley Special Utility District	1100 acre feet	825 gpm
Bexar Metropolitan Water District	4000 acre feet	2998 gpm
City of Cibolo, Texas	250 acre feet	187 gpm
City of Marion, Texas	75 acre feet	56 gpm

* Annually per Fiscal Year

Exhibit B

Points of Delivery

Crystal Clear Water Supply Corporation

Intersection of State Highway 123 and Farm-to-Market 758 from Lake Dunlap Plant

East Central Water Supply Corporation

Linnie Road and the East Central Water Supply Corporation and Green Valley Water Supply Corporation service area boundary line
FM 1518 Elevated Tank

Springs Hill Water Supply Corporation

State Highway 46 Elevated Tank

Green Valley Special Utility District

Canyon Regional Water Authority Treatment Facility, Lake Dunlap
Union Wine Elevated Tank
FM 1518 Elevated Tank

Bexar Metropolitan Water District

Intersection of FM 1604 at Lower Seguin Road

City of Cibolo, Texas

FM Highway 78 near Dietz Creek

City of Marion, Texas

Youngsford Road near Creek Road

Exhibit C

Special Provisions

NONE

WATER PURCHASE CONTRACT

This contract for the sale and purchase of water is entered into as of the 23 day April, 1990, between Guadalupe-Blanco River Authority, a conservation and reclamation district and political subdivision of the State of Texas (GBRA), and Crystal Clear Water Supply Corporation ("Crystal Clear").

WITNESSETH

RECITALS

GBRA holds Certificate of Adjudication Number 18-2074C, as amended, (CA-18-2074C) issued by the Texas Water Commission, based on GBRA's rights under Permit 1886, as amended. CA-18-2074C authorizes GBRA to impound water in Canyon Reservoir in Comal County, Texas, and to divert and use therefrom not to exceed an average of 50,000 acre-feet of water per annum for domestic, municipal, and industrial purposes and, temporarily, irrigation and recreation purposes.

Crystal Clear needs a firm surface water supply in order to provide water for municipal purposes to its retail customers within its service area, and desires to purchase from GBRA untreated water from storage in Canyon Reservoir for such purposes. The water will be treated at one or more water treatment plants currently being planned by New Braunfels Utilities and GBRA. The location will be determined by mutual agreement between GBRA and the Corporation.

At the present time, GBRA has available for sale from Canyon Reservoir under CA-18-2074C water for municipal use.

AGREEMENT

. Now, therefore, for and in consideration of the mutual promises, obligations, and benefits hereinafter set forth, GBRA and Crystal Clear agree as follows:

A. Quantity. GBRA shall furnish Crystal Clear, at the point or points of delivery hereinafter specified, during the term of this contract or any renewal or extension thereof, untreated water released from conservation storage in Canyon Reservoir under CA-18-2074C, or other reservoir storage available to GBRA in such quantity as may be required by Crystal Clear not to exceed the Annual Commitment. The "Annual Commitment" shall mean the minimum quantity of water to be taken from conservation storage or paid for, whether taken or not, on an annual calendar-year basis in any calendar year. The initial Annual Commitment shall be 500 acre-feet of water per year, but may be increased from storage in Canyon Reservoir, or other reservoir storage available to GBRA, if available, pursuant to the following provisions:

1. If the total amount of stored water diverted in any calendar year exceeds the Annual Commitment applicable during that year, then, effective as of the first day of January of the following year, the Annual Commitment shall be such greater amount, if such additional amount is available from storage on a firm yield basis, unless and until further increased pursuant to this paragraph A; or

2. The Annual Commitment may be increased upon request by Crystal Clear, if available from storage in Canyon Reservoir, or other reservoir storage available to GBRA on a firm annual yield basis.

B. Point of Diversion. The water will be delivered to one or both of the point(s) described in Exhibit "A". The estimated maximum delivery rate shall be 600 gallons per minute, but the maximum delivery rate may be amended depending upon the actual operation of the proposed water treatment plant(s).

C. Purpose of Use. The stored water supplied from conservation storage in Canyon Reservoir or other reservoir storage available to GBRA, under this Contract, shall be for municipal use.

D. Place of Use. Any use of the stored water outside the Guadalupe River Basin must be approved in advance in writing by GBRA and the Texas Water Commission.

E. Billing Procedure. GBRA will render bills to Crystal Clear on or before the tenth (10th) day of each month to the address provided by Crystal Clear for the payment amount determined pursuant to Paragraphs "F" and "G", below.

F. Monthly Payments. Beginning on the date that a certification of completion is delivered to Crystal Clear in writing by New Braunfels Utilities or GBRA stating that either of the water treatment plants to be constructed are capable of delivering treated water, or on January 1, 1991, whichever first occurs, Crystal Clear shall pay GBRA at its office in Guadalupe County, Texas, or such other place as GBRA may designate in

writing, not later than the twentieth (20th) day of each month, pursuant to the monthly bill rendered to Crystal Clear as provided in Paragraph E, above, a dollar amount equal to one-twelfth of the annual cost resulting from multiplying the Annual Commitment in acre-feet times the rate to be paid by Crystal Clear for stored water committed pursuant to this Contract (the "stored water rate"). The present stored water rate is \$44.76 per acre foot per year.

G. Annual Adjustment. Crystal Clear will pay GBRA at its office in Guadalupe County, Texas, or such other place as GBRA may designate in writing, not later than the twentieth (20th) day of January of each year, a dollar amount equal to the stored water rate times the number of acre-feet of water used in the previous calendar year which exceeded the Annual Commitment applicable during that year. Nothing in this section shall be construed as obligating GBRA to supply in any year more water than the Annual Commitment.

H. Adjustment of Rates. The provisions of this Contract pertaining to the rates to be paid by Crystal Clear for stored water reserved and supplied may be adjusted by GBRA at any time and from time to time in accordance with the basin-wide rate for water from reservoir storage. If GBRA desires to adjust the rates for the water reserved and supplied pursuant to this Contract, it shall, at least sixty (60) days prior to the first day on which such adjustment is proposed to become effective, give written notice of the proposed adjustment to Crystal Clear.

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In the event of a disagreement between GBRA and Crystal Clear over the stored water rate, GBRA and Crystal Clear may apply by appropriate means to the Texas Water Commission, or any agency succeeding to the rate-making jurisdiction of the Texas Water Commission, to establish a just and reasonable rate for such water.

I. Metering Equipment. At the onset of initial use of water under this Contract, Crystal Clear shall furnish, install, operate and maintain or cause to be furnished, installed, operated and maintained at the Point of Delivery the necessary metering equipment and required devices of standard type for properly measuring the quantity of water delivered to Crystal Clear and to calibrate such metering equipment not less frequently than once every twelve (12) months. A meter registering not more than five percent (5%) above or below the test results shall be deemed to be accurate. The previous readings of any meter disclosed by tests to be inaccurate shall be corrected for one-half (1/2) the period elapsed since the next preceding meter test but in no event to exceed six (6) months in accordance with the percentage of inaccuracy found by such tests. If any meter fails to register for any period, the amount of water furnished during such period shall be deemed to be the amount of water delivered in the corresponding period immediately prior to the failure, unless GBRA and Crystal Clear shall agree upon a different amount. The metering equipment shall be read weekly at or near the first day of each week.

All measuring devices shall be subject at all reasonable times to inspection, examination and testing by GBRA and Crystal Clear. Any measuring device which fails to function or which functions incorrectly shall promptly be adjusted, repaired or replaced by a like device having the required accuracy.

J. Term of Contract. This Contract shall extend for a term of thirty (30) years from the date hereof and thereafter may be renewed or extended for such term, or terms, as may be agreed upon by GBRA and Crystal Clear.

K. Quality of Water. The water to be supplied under this Contract shall be untreated water released from storage and delivered to a point or points of Diversion in the Guadalupe River.

L. Modification of Contract. The provisions of this Contract may be modified or altered only by written agreement of the parties.

M. Regulatory Agencies. This Contract is subject to CA-18-2074 and is dependent upon compliance with the applicable provisions, if any, of 31 TAC 295 and 297, Subchapter J of the Texas Water Commission. GBRA and Crystal Clear agree to cooperate with each other to obtain any permits, approvals or other authorizations as may be required to comply therewith.

N. Assignment. Crystal Clear may not assign this Contract to parties other than those holding mortgages on Crystal Clear's water supply system without the prior written consent of GBRA. Any successor or assign of GBRA shall succeed to the rights and obligations of GBRA hereunder.

O. Captions. All titles of the sections of this Contract have been inserted for convenience of reference only and are not considered a part of this Contract and in no way shall they affect the interpretation of any provisions of this Contract.

P. Termination. If Crystal Clear fails to pay any amounts payable under this contract when due and payable, GBRA may give written notice of such delinquency to Crystal Clear, and if all amounts due and unpaid, including interest thereon from the date payment was due at maximum legal rates, are not paid within thirty days after delivery of such notice, then GBRA may, at its option, institute suit for collection thereof and utilize such other remedies as may exist to collect any amounts due and unpaid, together with interest thereon at the maximum legal rate and attorney's fees. In addition to all other remedies, GBRA may, at its option, if such amounts are not paid within said thirty day period, terminate this Contract without recourse.

Q. Additional Water. In the event that GBRA should obtain any additional water in whatever manner from Canyon Reservoir or other reservoir storage, which water would be subject to sale by GBRA, then GBRA shall inform Crystal Clear and thereby provide Crystal Clear the opportunity to purchase additional water from reservoir storage for the purposes set out under this Contract.

R. Remedies. Unless a particular remedy procedure is set forth herein for any default under the Contract, the parties hereto shall have available to it all remedies at law or in equity.

S. Notices. All notices provided for herein shall be by certified United States mail, addressed to the following parties at the address set out for each:

Guadalupe-Blanco River Authority
Attention: General Manager
P. O. Box 271
Seguin, Texas 78156-0271

Crystal Clear Water Supply Corporation
Attention: Lindy Lyles
Rt. 1, Box 49 W
San Marcos, Texas 78666

In witness whereof, the parties hereto, acting under the authority of the respective governing bodies, have caused this Contract to be duly executed in five (5) counterparts, each of which shall constitute an original.

GUADALUPE-BLANCO RIVER AUTHORITY

By: 
General Manager

ATTEST:



CRYSTAL CLEAR WATER SUPPLY CORP.

By: 
Manager

ATTEST:

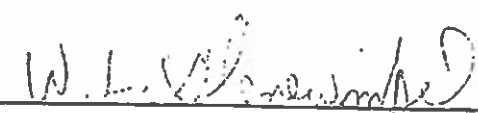




EXHIBIT "A"

The "Point of Diversion" for the GBRA Clear Springs Water Treatment Plant is specifically described as follows: On the North bank of the Guadalupe River in the Antonio Maria Esnaurrizar Grant (A-20), South $112^{\circ} 15'$ East, 31,079 feet from the Northwest corner of the M. Chirino Grant (A-10) in Guadalupe County, Texas. Said Corner is also located on the North bank of the Guadalupe River.

The "Point of Diversion" for the plant contemplated by New Braunfels Utilities is specifically described as follows: West longitude $98^{\circ} 96' 51''$, North latitude $29^{\circ} 43' 00''$ or more generally defined as 1700' upstream of the Common Street bridge on the West side of the Guadalupe River in New Braunfels, Comal County, Texas.

AMENDMENT NO. 1
TO THE
WATER PURCHASE CONTRACT
BETWEEN
GUADALUPE-BLANCO RIVER AUTHORITY
AND
CRYSTAL CLEAR WATER SUPPLY CORPORATION

THE STATE OF TEXAS)

COUNTY OF GUADALUPE)

THIS AMENDMENT NO. 1 made and entered into as of this 12th day of November, 1992, ("Amendment No. 1") to the Water Purchase Contract made and entered into as of the 23th day of April 1990 (the "Contract") by and between the GUADALUPE-BLANCO RIVER AUTHORITY, a governmental agency of the State of Texas, a conservation and reclamation district and a body politic and corporate, created and operating under the provisions of the Guadalupe-Blanco River Authority Act, as amended (formerly compiled as Article 8280-106, Vernon's Texas Civil Statutes), enacted pursuant to Article XVI, Section 59 of the Constitution of Texas ("GBRA"), and the CRYSTAL CLEAR WATER SUPPLY CORPORATION, a Texas corporation, organized and operating under the provisions of Article 143a, Vernon's Texas Civil Statutes ("Crystal Clear");

W I N E S S E T H :

Recitals

- A. Pursuant to the terms of the Contract, GBRA has agreed to supply to Crystal Clear in any calendar year not to exceed 500 acre-feet of untreated water from storage in Canyon

Reservoir under Certificate of Adjudication 18-2074C, to be used in the Guadalupe River Basin.

- B. Pursuant to the terms of the Contract, Crystal Clear has agreed to purchase untreated water from GBRA and to pay for such water at the then current rate, as established by the GBRA Board of Directors.

Agreement

NOW, THEREFORE, for and in consideration of the mutual promises, covenants, obligations and benefits, GBRA and Crystal Clear agree as follows:

- A. That Section J of the Contract be and hereby is amended in its entirety to read as follows:
- J. Term of Contract. This Contract shall extend for a term of forty (40) years from the date here of and thereafter may be renewed or extended for such term, or terms, as may be agreed upon by GBRA and Crystal Clear.
- B. That this Amendment No. 1 is subject to the terms of Certificate of Adjudication 18-2074C, as amended, and further subject to GBRA's rights thereunder and to such laws, rules and regulations as may be applicable to similar agreements in the State of Texas, and GBRA and Crystal Clear will cooperate with each other to obtain any permits, approvals or other authorizations as may be required to comply therewith.

IN WITNESS WHEREOF, the parties hereto, acting under the authority of their respective governing bodies, have caused this Amendment No.1 to be duly executed in five (5) counterparts, each of which shall constitute an original.

GUADALUPE-BLANCO RIVER AUTHORITY

ATTEST:

Christy L. Dietz

BY:

John H. Specht
John H. Specht, General Manager

CRYSTAL CLEAR WATER SUPPLY CORP.

ATTEST:

W.L. Glonevinko
Secretary/Treasurer

BY:

Lindy Lyles
Manager

§ THE STATE OF TEXAS

§ COUNTY OF GUADALUPE

BEFORE ME, the undersigned authority, on this day personally appeared JOHN H. SPECHT, known to me to be the person whose name is subscribed to the foregoing instrument as General Manager of the Guadalupe-Blanco River Authority, a conservation and reclamation district, a governmental agency and a body politic and corporate, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said Authority.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 12th day of November



Clara Sue Bruch

Notary Public in and for
Guadalupe County, Texas

My Commission Expires: _____

§ THE STATE OF TEXAS

§ COUNTY OF Guadalupe

BEFORE ME, the undersigned authority, on this day personally appeared Lindy Lyles, Manager of the CRYSTAL CLEAR WATER SUPPLY, known to me to be the person and officer whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said Authority.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 2nd day of November, 1992.



Suzanne M. Silva

Notary Public in and for
Guadalupe County, Texas

My Commission Expires: 9-27-94

SECOND AMENDMENT TO CONTRACT FOR RAW WATER SERVICE
BETWEEN
GUADALUPE-BLANCO RIVER AUTHORITY
AND CRYSTAL CLEAR WATER SUPPLY CORPORATION

THIS AMENDMENT NO. 2 made and entered into as of this 15th day of November, 1996, ("Amendment No. 2") to the Water Purchase Contract made and entered into as of the 23rd day of April, 1990 (the "Contract") and amended as of the 12th day of November, 1992 (Amendment No. 1) by and between the GUADALUPE-BLANCO RIVER AUTHORITY, a governmental agency of the State of Texas, a conservation and reclamation district and a body politic and corporate, created and operating under the provisions of the Guadalupe-Blanco River Authority Act, as amended (formerly compiled as Article 8280-106, Vernon's Texas Civil Statutes), enacted pursuant to Article XVI, Section 59 of the Constitution of Texas ("GBRA"), and the CRYSTAL CLEAR WATER SUPPLY CORPORATION, a Texas corporation, organized and operating under the provisions of Article 143a, Vernon's Texas Civil Statutes ("Crystal Clear");

WITNESSETH:

Recitals

- A. Pursuant to the terms of the Contract, GBRA has agreed to supply Crystal Clear in any calendar year not to exceed 500 acre-feet of untreated water from storage in Canyon Reservoir under Certificate of Adjudication 18-2074C, to be used in the Guadalupe River Basin.

B. Pursuant to the terms of the Contract, Crystal Clear has agreed to purchase untreated water from GBRA and to pay for such water at the then current rate, as established by the GBRA Board of Directors.

Agreement

NOW, THEREFORE, for and in consideration of the mutual promises, obligations, and benefits hereinafter set forth, GBRA and Purchaser agree to amend, modify and change certain sections of the Contract , as amended, as follow:

Section A, shall be amended in its entirety to read as follows:

A. QUANTITY. GBRA shall furnish Crystal Clear, at the point or points of delivery hereinafter specified, during the term of this Contract or any renewal or extension thereof, untreated water released from conservation storage in Canyon Reservoir under CA-18-2074C, or other reservoir storage available to GBRA in such quantity as may be required by Crystal Clear not to exceed the Annual Commitment. The "Annual Commitment" shall mean the minimum quantity of water to be taken from conservation storage or paid for, whether taken or not, on an annual calendar-year basis in any calendar year. The initial Annual Commitment shall be 800 acre-feet of water per year, but may be increased from storage in Canyon Reservoir, or other reservoir storage available to GBRA, if available, pursuant to the following provisions:

1. If the total amount of stored water diverted in any calendar year exceeds the Annual Commitment applicable during that year, then, effective as of the first day of January of the following year, the

- Annual Commitment shall be such greater amount, if such additional amount is available from storage on a firm yield basis, unless and until further increased pursuant to this paragraph A; or
2. The Annual Commitment may be increased upon request by Crystal Clear, if available from storage in Canyon Reservoir, or other reservoir storage available to GBRA on a firm annual yield basis.

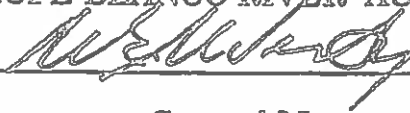
Section 3, shall be amended in its entirety to read as follows:

3. Monthly Payments. Beginning on the date that this amendment is finalized Crystal Clear shall pay GBRA at its office in Guadalupe County, Texas, or such other place as GBRA may designate in writing, no later than the twentieth (20th) day of each month, pursuant to the monthly bill rendered to Crystal Clear as provided in Paragraph E, a dollar amount equal to one-twelfth of the annual cost resulting from multiplying the Annual Commitment in acre-feet times the rate to be paid by Crystal Clear for stored water committed pursuant to this Contract (the "stored water rate"). The present stored water rate is \$53.03 per acre foot per year.

IN WITNESS WHEREOF, the parties hereto, acting under the authority of their respective governing bodies, have caused the Second Amendment to be duly executed in three (3) counterparts, each of which shall constitute an original.

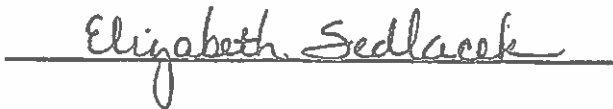
GUADALUPE-BLANCO RIVER AUTHORITY

By



General Manager

ATTEST:



CRYSTAL CLEAR WATER SUPPLY CORPORATION

By



Manager

ATTEST:



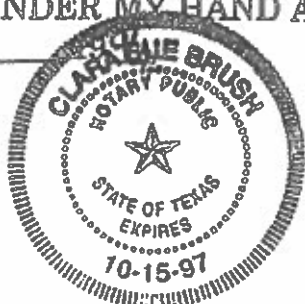
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§ THE STATE OF TEXAS

§ COUNTY OF GUADALUPE

BEFORE ME, the undersigned authority, on this day personally appeared William E. West, Jr., known to me to be the person whose name is subscribed to foregoing instrument as General Manager of the Guadalupe-Blanco River Authority, a conservation and reclamation district, a governmental agency and body politic and corporate, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said Authority.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 16th day of October



SEAL

Clara Sue Brush

Notary Public in and for
The State of Texas

My Commission Expires: 10-15-97

§ THE STATE OF TEXAS

§ COUNTY OF GUADALUPE

BEFORE ME, the undersigned authority, on this day personally appeared Lindy Lyles, Manager of CRYSTAL CLEAR WATER SUPPLY CORPORATION, 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, in the capacity therein stated, and as the act and deed of said Authority.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 7th day of October, 1996.

Suzanne M. Silva

Notary Public in and for
The State of Texas

My Commission Expires: 9-27-98

SEAL

Transpec, Inc.
**WATER SUPPLY AGREEMENT
BETWEEN
CANYON REGIONAL WATER AUTHORITY
AND
GUADALUPE-BLANCO RIVER AUTHORITY**

This Water Supply Agreement (this "Agreement") between Canyon Regional Water Authority ("CRWA") and Guadalupe-Blanco River Authority ("GBRA") is made and entered into as of the 16th day of June, 1999.

RECITALS

Pursuant to that certain Agreement made and entered into as of July 1, 1997 between GBRA and the City of San Marcos, Texas ("San Marcos"), GBRA and San Marcos are pursuing development of a regional water supply project (the "San Marcos Regional Water Supply Project" or the "Project"), to meet future water needs and reduce dependence on the Edwards Aquifer by providing an alternative source of water to San Marcos and surrounding areas in Hays, Caldwell, Guadalupe and Travis Counties, Texas. A copy of such Agreement (the "Regional Agreement") is attached hereto as Exhibit 1.

The Regional Agreement provides that the Project will consist of a raw water delivery system (the "Raw Water Delivery System") to be constructed and operated by GBRA, and a water treatment plant (the "Plant") to be constructed by San Marcos and operated by an operator selected by San Marcos. The Regional Agreement provides for eventual joint ownership by GBRA and San Marcos of both the Raw Water Delivery System and the Plant.

The Regional Agreement provides that the source of raw water for the Project will be stored water from Canyon Reservoir supplied by GBRA under Certificate of Adjudication No. 18-2074C held by GBRA. The stored water will be released from Canyon Reservoir and diverted from the Guadalupe River at a point of diversion (the "Point of Diversion") downstream of the Reservoir. The Regional Agreement further provides that GBRA and San Marcos agree to work together in an effort to evaluate the joint development and utilization of other sources of supply of raw water for the Plant for the mutual benefit of GBRA and San Marcos and in the best interests of the region.

The Regional Agreement anticipates that GBRA will contract with other entities to supply treated water from the Project to those entities. The Regional Agreement further anticipates that GBRA will contract with other entities to supply raw water from the Raw Water Delivery System to those entities.

GBRA and CRWA have entered into a raw water supply contract (the "Raw Water Contract"), dated as of June 16, 1999, pursuant to which GBRA agrees to supply to CRWA up to 430 acre-feet per year of stored water from Canyon Reservoir (the "Raw Water Commitment"), for use by CRWA Customers. A copy of the Raw Water Contract is attached hereto as Exhibit 2.

CRWA now desires to contract with GBRA for the conveyance of raw water supplied under the Raw Water Contract via the Raw Water Delivery System, the delivery of such water to the Plant or at another point of delivery agreed upon by GBRA and CRWA, the treatment of that water at the Plant and/or at CRWA's San Marcos System, and the supply of such treated water for use by CRWA Customers. CRWA further desires to secure a commitment from GBRA to convey and deliver such raw water to CRWA via the Raw Water Delivery System if and to the extent that CRWA makes satisfactory arrangements for treatment of the raw water.

This Agreement sets forth terms and conditions agreed upon by GBRA and CRWA relating to the supply of treated water from the Plant to CRWA for use by CRWA Customers and, in addition, the delivery to CRWA of raw water from the Raw Water Delivery System for treatment at other treatment facilities and use by CRWA Customers.

AGREEMENT

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

Section 1. Definitions.

The following terms and expressions as used in this Agreement, unless the context clearly shows otherwise, shall have the following meanings:

"Alternate Raw Water Delivery Point" has the meaning set forth in Section 8(a) hereof.

"Annual Payment Period" means the period beginning on October 1 of each calendar year and ending on the last day of September of the next calendar year.

"Cessation Date" has the meaning set forth in Section 6(b) hereof.

"CRWA's Raw Water Contract" means that certain contract dated June 16, 1999 by and between GBRA and CRWA, providing CRWA with a commitment of stored water from Canyon Reservoir of up to 430 acre-feet per year. A copy of such contract is attached hereto as Exhibit 2.

"CRWA Customer" means any individual or entity that receives water from CRWA's San Marcos System, including specifically, but not limited to, County Line Water Supply Corporation, Crystal Clear Water Supply Corporation, Martindale Water Supply Corporation and Maxwell Water Supply Corporation - each of which is a nonprofit water supply corporation organized and governed by the provisions of Chapter 67, Texas Water Code, as amended.

"CRWA's San Marcos System" means any and all facilities, and any and all lands or interests in land on which such facilities are located, which are owned by CRWA and used or intended to be used at any time or in any way by CRWA in connection with the treatment, storage, distribution or supply of any raw or treated water delivered by GBRA to CRWA under this Agreement, either separate from or commingled with any other water.

"GBRA Customer" means any individual or entity that contracts with GBRA for treated water service or raw water service from the Project whether on a wholesale or retail basis.

"GBRA Reservation" has the meaning defined in Section 7 of the Regional Agreement.

"Management Committee" means the committee established pursuant to Section 14 of the Regional Agreement.

"MGD" means million gallons per day.

"Minimum Plant Expansion" means a 3 MGD increment of Plant treatment capacity.

"Notice Deadline" means July 1, 2002, unless GBRA in its absolute discretion extends such date by giving CRWA written notice of such extension.

"Operation and Maintenance Expenses" means all costs and expenses of operation and maintenance of the Raw Water Delivery System or the Plant, as the case may be, including (for greater certainty but without limiting the generality of the foregoing) repairs and replacements which are not paid from a special fund created in the Bond Resolutions or other Project Debt Instruments, non-debt financed capital expenditures, operating personnel, the cost of utilities, the costs of supervision, engineering, accounting, auditing, legal services, supplies, services, governmental fees and assessments, administrative and general expenses of the Raw Water Delivery System or the Plant, and equipment necessary for proper operation and maintenance of the Raw Water Delivery System or the Plant. The term also includes the charges of the bank or banks where the Bonds are payable. The term does not include depreciation.

"Plant" means all facilities for treating water designed and constructed by San Marcos pursuant to the terms of the Regional Agreement, all facilities for pumping and transporting treated water to the Point of Delivery, and the Plant Site.

"Plant Annual Requirement" means, for the respective Annual Payment Period, the total amount of money required for San Marcos to pay all Operation and Maintenance Expenses of the Plant, to pay the debt service on any Plant Project Debt Instruments, and to maintain balances in any special or reserve funds required by the provisions of any Plant Project Debt Instruments.

"Plant Expansion Date" means the date that the expansion of the initial phase capacity of the Plant described in Section 6 hereof, if any, becomes operational.

"Plant Operator" means the individual or entity hired by San Marcos as provided in the Regional Agreement to operate and maintain the Plant.

"Plant Site" means that tract of land described on Exhibit 2 to the Regional Agreement on which all facilities comprising the Plant will be located.

"Point of Delivery" means the point or points on or near the Plant Site at which GBRA will deliver to CRWA treated water supplied under this Agreement, as generally described on Exhibit 3 attached hereto, or at such location as agreed to by GBRA and CRWA.

"Point of Diversion" means the point on the Guadalupe River at which GBRA will divert raw water to be supplied hereunder, as such point is described on Exhibit 3 to the Regional Agreement, or at such location as agreed to by GBRA and CRWA.

"Project Debt Instruments" means all notes, bonds, or other financial obligations made to construct, complete, improve, or repair the Raw Water Delivery System or the Plant. San Marcos or GBRA may be the obligor on these instruments.

"Project" or the **"San Marcos Regional Water Supply Project"** means the regional surface water supply project contemplated by the Regional Agreement, which consists of the Raw Water Delivery System and the Plant.

"Raw Water Commitment" has the meaning set forth in the fifth recital of this Agreement.

"Raw Water Contract" has the meaning set forth in the fifth recital of this Agreement.

"Raw Water Delivery System" means all facilities designed and constructed by GBRA for diverting water from Guadalupe River at the Point of Diversion to the Plant pursuant to the Regional Agreement, all other facilities that may be agreed upon by GBRA and San Marcos designed and constructed by GBRA for diverting water from other sources to the Plant or for storage of raw water prior to treatment, together with all lands and interests in land on which such facilities are located. The Raw Water Delivery System shall include any interconnection facilities allowing the delivery of raw water to CRWA at the Alternate Raw Water Delivery Point.

"Raw Water Delivery System Annual Requirement" means, for the respective Annual Payment Period, the total amount of money required for GBRA to pay all Operation and Maintenance Expenses of the Raw Water Delivery System, to pay the debt service on any Raw Water Delivery System Project Debt Instruments, to pay debt service coverage of not more than 10%, and to maintain balances in any special or reserve funds required by the provisions of any Raw Water Delivery System Project Debt Instruments.

“Raw Water Facilities Expansion Date” means the Cessation Date or 180 days after the date that CRWA gives GBRA timely written notice pursuant to Section 6(b) of this Agreement, whichever occurs later.

“Regional Agreement” means the *“Agreement Between City of San Marcos and Guadalupe-Blanco River Authority,”* dated July 1, 1997, between GBRA and San Marcos which is further described in the first recital hereof and is attached hereto as Exhibit 1.

“Termination Date” means the latter of (i) December 31, 2039, or (ii) the date on which all Project Debt Instruments related to the Raw Water Delivery System and all Project Debt Instruments, if any, related to the expansion of the initial phase capacity of the Plant in accordance with Section 6 hereof are no longer outstanding.

“TNRCC” means the Texas Natural Resource Conservation Commission or any successor agency.

Section 2. Term.

This Agreement shall be effective as of the date first written above, and shall terminate without notice at midnight on the Termination Date unless it is terminated earlier pursuant to the terms hereof.

Section 3. 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; provided, however, that termination shall not affect the rights or liabilities accrued prior to termination.

Section 4. Delivery of Raw Water to the Plant.

(a) GBRA agrees to convey via the Raw Water Delivery System, and deliver to the Plant or at a point of delivery agreed to by GBRA and CRWA pursuant to the terms of the Regional Agreement, raw water supplied under the Raw Water Contract in such amounts and at such rates requested by CRWA for use by CRWA Customers, subject to the terms, conditions and limitations set forth in this Agreement, the Regional Agreement, and the Raw Water Contract.

(b) Prior to the Plant Expansion Date, the maximum rate of delivery of raw water for CRWA to the Plant, or to another point of delivery agreed to pursuant to subsection (a) of this Section, shall not exceed 350 gpm.

(c) From and after the Plant Expansion Date, the maximum rate of delivery of raw water for CRWA to the Plant shall not exceed 350 gpm.

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Section 5. Treatment at the Plant and Delivery of Treated Water.

(a) GBRA agrees to cause, pursuant to the terms of the Regional Agreement, raw water delivered to the Plant under this Agreement to be treated at the Plant and delivered to CRWA, subject to the terms, conditions and limitations set forth in this Agreement, the Regional Agreement, and the Raw Water Contract.

(b) All treated water from the Plant delivered to CRWA pursuant to this Agreement shall be delivered at the Point of Delivery. By separate written agreement by and among CRWA, GBRA and San Marcos, treated water delivered to CRWA pursuant to this Agreement may also be delivered at one or more additional points of delivery on San Marcos' treated water distribution system.

(c) Prior to the Plant Expansion Date, the maximum rate of delivery to CRWA of treated water from the Plant shall not exceed 350 gpm or 0.5 MGD. The treatment capacity utilized to treat such water prior to the Plant Expansion Date shall be the GBRA Reservation.

(d) From and after the Plant Expansion Date, the maximum rate of delivery to CRWA of treated water from the Plant shall not exceed 350 gpm or 0.5 MGD.

Section 6. Expansion of Plant.

(a) Unless CRWA gives GBRA timely notice, pursuant to subsection (b) of this Section, to cease delivering to CRWA treated water from the Plant, GBRA shall cause to be constructed pursuant to the terms of the Regional Agreement an expansion of the initial phase capacity of the Plant for GBRA of not less than 3 MGD.

(b) If CRWA desires that GBRA cease delivering to CRWA treated water from the Plant, it must give GBRA, before the Notice Deadline, written notice to cease delivering such water. In any such notice, CRWA shall specify the date on which delivery of treated water from the Plant shall cease (the "Cessation Date"), which date may not, under any circumstances, extend beyond the expiration of the GBRA Reservation. If CRWA fails to specify a Cessation Date in the notice, or if it specifies a date which extends beyond the expiration of the GBRA Reservation, then the Cessation Date shall be the date of expiration of the GBRA Reservation. If CRWA fails to give GBRA, before the Notice Deadline, written notice to cease delivering to CRWA treated water from the Plant, then GBRA shall proceed with the expansion of the initial phase capacity of the Plant pursuant to subsection (a), above, and CRWA and all other GBRA Customers, if any, that commit to receive treated water from the Plant beyond the expiration of the GBRA Reservation, shall be fully responsible for all reasonable costs associated with such expansion.

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Section 7. Cessation of Deliveries of Treated Water from the Plant.

If CRWA gives GBRA timely written notice pursuant to Section 6(b), above, to cease delivering to CRWA treated water from the Plant, then, on the Cessation Date, GBRA shall cease delivering to the Plant any raw water under the Raw Water Contract and GBRA shall cause, pursuant to the terms of the Regional Agreement, cessation of delivery to CRWA of any treated water from the Plant. CRWA understands and agrees that delivery of treated water from the Plant will cease absolutely, permanently, and without qualification on the Cessation Date, regardless of whether CRWA by that date has constructed or caused to be constructed other treatment facilities to treat raw water available for delivery under this Agreement at the Alternate Raw Water Delivery Point, whether such facilities if completed and operational by that date meet the other requirements of Section 8(b), below, or whether CRWA by that date has available any other alternative supply of treated water.

Section 8. Delivery of Raw Water to Alternate Raw Water Delivery Point.

(a) If CRWA gives GBRA timely written notice that CRWA has constructed or caused to be constructed other facilities to treat raw water available for delivery under this Agreement, then GBRA shall deliver to CRWA raw water delivered at the Alternate Raw Water Delivery Point; provided, however, GBRA's obligation to deliver to CRWA any raw water shall be subject to the further provisions of this Section 8. The "Alternate Raw Water Delivery Point" is a point on the Raw Water Delivery System generally described on Exhibit 4 attached hereto; provided, however, if CRWA gives GBRA timely written notice, GBRA will design, construct, own and operate facilities to deliver raw water from a point on the Raw Water Delivery System from the Alternate Raw Water Delivery Point to any treatment facilities identified by CRWA which meet the requirements of Section 8(b), in which case the "Alternate Raw Water Delivery Point" shall be the point at such treatment facilities at which the raw water is delivered.

(b) GBRA shall not be required to deliver to CRWA any raw water at the Alternate Raw Water Delivery Point or at any other point of delivery unless and until: (1) all of the water is intended to be treated, and is capable of being treated, at treatment facilities with a capacity of not less than 1.0 MGD; (2) the facilities are capable of consistently and reliably producing treated water of a quality that meets or exceeds all State and Federal drinking water standards; (3) the design of such facilities has been approved by the TNRCC; and (4) such facilities are completed and operational.

(c) The interconnection facilities allowing the delivery of raw water at the Alternate Raw Water Delivery Point shall be constructed, owned, operated and maintained by GBRA. The interconnection facilities shall be constructed in accordance with the requirements of the Regional Agreement.

(d) Prior to the Raw Water Facilities Expansion Date, the maximum rate of delivery of raw water at the Alternate Raw Water Delivery Point shall not exceed 350 gpm; and the combined maximum amount of raw water delivered for CRWA to the Plant and to the Alternate Raw Water Delivery Point shall not exceed the Raw Water Commitment in any calendar year.

(e) From and after the Raw Water Facilities Expansion Date, the maximum rate of delivery of raw water to the Alternate Raw Water Delivery Point shall not exceed 350 gpm, and the combined maximum amount of raw water delivered to the Plant and to the Alternate Raw Water Delivery Point shall not exceed the Raw Water Commitment in any calendar year.

Section 9. Alternative Sources of Treated Water and Other Treatment Facilities.

Unless GBRA and CRWA agree in writing otherwise, GBRA shall have no obligation whatsoever with respect to the acquisition or supply of any alternative sources of treated water that may be desired or needed by CRWA, or the design, acquisition, construction, financing, operation or maintenance of any water treatment facilities (other than an expansion of the Plant pursuant to this Agreement) that may be desired or needed by CRWA including, without limitation, facilities that meet the requirements of Section 8(b), above, to treat raw water delivered to CRWA at the Alternate Raw Water Delivery Point.

Section 10. Purpose of Use.

No water delivered to CRWA under this Agreement for use by CRWA Customers may be used for any purpose of use other than municipal use.

Section 11. Place of Use.

No water delivered to CRWA under this Agreement may be used in any area prohibited by the Regional Agreement, or in any area outside the Guadalupe River Basin, or in any area outside the certificated service areas of CRWA Customers.

Section 12. Conservation and Drought Management Plans.

In accordance with the Regional Agreement, CRWA shall develop and implement a water conservation and drought management plan, applicable to the use of all treated water supplied to CRWA from the Plant, that is at least as effective as the plan adopted by and in effect for San Marcos at the time this Agreement is entered into. CRWA further agrees to develop and implement a water conservation and drought management plan, applicable to the use of all water supplied to CRWA under this Agreement, if required at any time by applicable law or regulation or by GBRA. Any such plan shall at all times meet all requirements of all applicable laws and regulations, and all requirements of GBRA, as such requirements may be established or modified from time to time.

Section 13. GBRA Customers Committee.

GBRA will form and maintain a customers committee made up of representatives of GBRA and those customers receiving treated water from the Plant. The committee will serve an advisory role, with GBRA providing information on the operation of the Plant and representing the customers' interests through the Management Committee established pursuant to the Regional Agreement. The customers committee shall have the opportunity to review and provide comments on plans and specifications for any expansions of the Plant requested by GBRA and for any proposed amendments to the Regional Agreement.

Section 14. Cooperation.

CRWA and GBRA agree to cooperate with each other in pursuing all necessary permits and approvals needed for the Project and to complete and file all required reports.

Section 15. Agreement Subject to Regional Agreement and Raw Water Contract.

This Agreement shall be subject to the terms and conditions of the Regional Agreement and the Raw Water Contract.

Section 16. Regulatory Requirements.

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.

Section 17. Payments for Raw Water.

CRWA shall pay GBRA for raw water pursuant to the terms of CRWA's Raw Water Contract, as such Contract may be amended from time to time.

Section 18. Payments for Raw Water Delivery.

Rates charged to CRWA to recover GBRA's cost of design, construction, maintenance and operation of the Raw Water Delivery System shall be set by GBRA in accordance with the Regional Agreement and billed on a monthly basis. The rates charged to CRWA and all other GBRA Customers, if any, shall be sufficient for GBRA to recover the entire Raw Water Delivery System Annual Requirement in accordance with Section 22 of the Regional Agreement. CRWA shall pay, solely from funds that it receives from CRWA's San Marcos System, on a take-or-pay basis for its appropriate share of the Raw Water Delivery System Annual Requirement. CRWA shall not be entitled to any equity interest in the Raw Water Delivery System for any reason including, without limitation, the payments made to GBRA under this Agreement.

In addition, CRWA shall pay GBRA a monthly charge for raw water delivery, if any, established by GBRA for the design, construction, operation and maintenance of any facilities utilized by GBRA pursuant to Section 8(a) to furnish and deliver raw water from a point on the Raw Water Delivery System to an Alternate Raw Water Delivery Point at the water treatment plant constructed for or by CRWA.

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Section 19. Payments for Water Treatment and Delivery.

(a) Rates charged to CRWA for treatment and delivery of treated water at the Point of Delivery shall be the rates established by San Marcos pursuant to the terms of the Regional Agreement, plus GBRA's costs associated with any facilities required to convey the treated water to the Point of Delivery from the point on the Plant Site at which the water is delivered to GBRA, and plus all metering and administrative and general expenses in connection with this Agreement. In addition, the rates charged to CRWA and all other GBRA Customers receiving treated water from the Plant, if any, shall be sufficient for GBRA to recover all additional costs associated with the Plant for which GBRA is responsible under the Regional Agreement. Payment of such charges shall be made by CRWA solely from funds that it receives from CRWA's San Marcos System.

(b) In addition, CRWA shall pay, solely from funds that it receives from CRWA's San Marcos System, on a take-or-pay basis for debt service, debt service coverage of not more than 10%, and other fixed costs relating to any expansion of the initial phase capacity of the Plant constructed pursuant to Section 6 of this Agreement and any facilities needed to convey treated water to the Point of Delivery from the point on the Plant Site at which the water is delivered to GBRA.

(c) CRWA shall not be entitled to any equity interest in the Plant for any reason including, without limitation, the payments made to GBRA under this Agreement.

Section 20. Certain Payments by CRWA Unconditional.

CRWA recognizes that Project Debt Instruments relating solely to the Raw Water Delivery System will be payable from and secured by pledges of the sums of money to be received by GBRA from CRWA under this Agreement (but solely from money CRWA receives from CRWA Customers) and from other customers under similar agreements. In order to make such Project Debt Instruments relating to the Raw Water Delivery System marketable at the lowest available interest rate, it is to the mutual advantage of GBRA and CRWA that CRWA's obligation to make the payments required hereunder be, and the same is hereby, made unconditional, but solely from funds that it receives from CRWA's San Marcos System. CRWA represents, and GBRA recognizes, that as of the date hereof, CRWA's San Marcos System initially will be financed solely from funds annually appropriated by certain CRWA Customers (specifically, County Line Water Supply Corporation, Crystal Clear Water Supply Corporation, Martindale Water Supply Corporation and Maxwell Water Supply Corporation) pursuant to separate take-or-pay contracts, dated August 1, 1998, between CRWA and such CRWA Customers, but additional CRWA Customers may be added by CRWA in the future to receive water from CRWA's San Marcos System. All sums payable hereunder to GBRA shall, so long as any part of such Project Debt Instruments relating to the Raw Water Delivery System are outstanding and unpaid, be paid by CRWA without set-off, counterclaim, abatement, suspension or diminution except as otherwise expressly provided herein; and so long as any part of such Project Debt Instruments relating to the Raw Water Delivery System are outstanding and unpaid, this Agreement shall not terminate, nor shall CRWA 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 CRWA be otherwise affected for any reason, it being the intention of the parties that so long as any portion of

such Project Debt Instruments relating to the Raw Water Delivery System are outstanding and unpaid, all sums required to be paid by CRWA to GBRA shall continue to be payable in all events and the obligations of CRWA hereunder shall continue unaffected, unless the requirement to pay the same shall be reduced or terminated pursuant to an express provision of this Agreement.

Section 21. Operating Expense of CRWA; Source of Payments from CRWA.

(a) The parties agree and CRWA represents and covenants that all money required to be paid by CRWA under this Agreement shall constitute reasonable and necessary operating expenses of CRWA's San Marcos System as authorized by the Constitution and laws of the State of Texas.

(b) All payments required to be made by CRWA to GBRA under this Agreement shall be payable from the revenues of CRWA's San Marcos System. GBRA shall never have the right to demand payment by CRWA of any obligations assumed by or imposed upon it under or by virtue of this Agreement from any funds raised or to be raised by taxation and CRWA's obligation under this Agreement shall never be construed to be a debt of CRWA of such kind as to require it under the Constitution and laws of the State of Texas to levy and collect a tax to discharge such obligation.

(c) CRWA represents and covenants that water provided to CRWA through the Raw Water Delivery System will only be made available by CRWA, and sold by CRWA, to CRWA Customers who are obligated pursuant to binding "take-or-pay" contracts with CRWA to pay for such water.

Section 22. CRWA's Covenant to Maintain Sufficient Income; Rates Charged.

(a) CRWA agrees to fix and maintain rates and collect charges for the facilities and services provided by CRWA's San Marcos System as will be adequate to permit CRWA to make prompt payment of all expenses of operating and maintaining CRWA's San Marcos System, including payments under this Agreement, and to make prompt payment of the interest on and principal of any bonds or other obligations of CRWA payable, in whole or in part, from the revenues of CRWA's San Marcos System. CRWA further agrees to comply with all of the provisions of the ordinances, resolutions, orders or indentures authorizing its bonds or other obligations which are payable, in whole or in part, from the revenues of CRWA's San Marcos System.

(b) CRWA and GBRA recognize that the interest on all Project Debt Instruments heretofore issued by San Marcos to finance the Plant is intended to be excludable from federal income taxation, and that the interest on some Project Debt Instruments heretofore and hereafter issued by GBRA or San Marcos is intended to be excludable from federal income taxation. GBRA hereby covenants and gives CRWA notice, and CRWA hereby acknowledges and agrees, that GBRA will not provide any water to CRWA made available through an expansion of the Plant which, in the opinion of nationally-recognized bond counsel acceptable to GBRA and the City, could cause the interest on such Project Debt Instruments to no longer be excludable from federal income taxation.

Section 23. Measurement.

(a) GBRA shall provide, operate, maintain, and read meters which shall record treated water taken by CRWA at the Point of Delivery or, alternatively, raw water taken by CRWA at the Alternate Raw Water Delivery Point. For billing and reporting purposes under this Agreement, all raw water diverted from the Guadalupe River under the Raw Water Contract will be metered at either the Point of Delivery or the Alternate Raw Water Delivery Point, subject to adjustment by GBRA based on other relevant information available to it at the time.

(b) Water shall be measured through conventional types of approved meter(s). GBRA shall keep accurate records of all measurements of water required under this Agreement, and the measuring device(s) and such records shall be open for inspection at all reasonable times. Measuring devices and recording equipment shall be accessible for adjusting and testing and the installation of check meter(s). If requested in writing and not less than once in each calendar year, GBRA shall calibrate its water meter(s) in the presence of CRWA, and the parties shall jointly observe any adjustments that shall be necessary. GBRA shall give CRWA notice of the date and time when any such calibration is to be made and, if a representative of CRWA is not present at the time set, calibration and adjustment may proceed in the absence of any representative of CRWA.

(c) 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 ($\frac{1}{2}$) 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) 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 CRWA and GBRA upon the basis of the best data available, and, upon written request, GBRA shall install new meters or repair existing meters at the cost of GBRA. If CRWA and GBRA 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 24. Quality.

The water to be delivered by GBRA to the Plant or to the Alternate Raw Water Delivery Point under this Agreement is untreated water as it is found in the Guadalupe River at the Point of Diversion. The water to be delivered by the City and received by GBRA, and in turn delivered by GBRA to CRWA at the Point of Delivery, shall be potable water from the Plant meeting applicable state and federal purity standards for potable water.

Section 25. Title to and Responsibility for Water.

Title to and responsibility for all water supplied under this Agreement shall be in GBRA from the Point of Diversion to the Plant, at which point title shall pass to San Marcos. Title to and responsibility for water delivered under this Agreement to San Marcos at the Plant for treatment and, following such treatment, delivery back to GBRA, shall be in the City up to the point at which the water is delivered to GBRA, at which point title to and responsibility for the water shall pass to GBRA, and then from GBRA to CRWA upon delivery by GBRA to CRWA at the Point of Delivery. Title to and responsibility for water supplied under this Agreement shall also be in GBRA from the Point of Diversion to the Alternate Raw Water Delivery Point. CRWA and GBRA hereby agree to save and hold each other harmless from all claims, demands, and causes of action which may be asserted by anyone on account of the transportation, delivery, processing and handling of said water while title to and responsibility for the water remains in the other party.

Section 26. Other Charges.

In the event any sales or use taxes, or other taxes, assessments, or charges of any similar nature are imposed on diverting, storing, delivering, gathering, impounding, taking, selling, using or consuming the water from the Project, the amount of the tax assessment, or charge shall be included in the Operation and Maintenance Expenses of the Raw Water Delivery System or the Operation and Maintenance Expenses of the Plant as appropriate.

Section 27. Default in Payments.

All amounts due and owing to GBRA by CRWA shall, if not paid when due, bear interest at the Texas post-judgment interest rate as set out in TEX. REV. CIV. STAT. ANN. ART. 5069-1.05 (Vernon Supp. 1996) or any successor statute from the date when due until paid, provided that such rate shall never be usurious or exceed the maximum rate as permitted by law. If any amount due and owing by CRWA is placed with an attorney for collection by GBRA, then CRWA 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.

Section 28. Waiver and Amendment.

(a) Failure to enforce or the waiver of any provision of this Agreement or any breach of nonperformance by CRWA or GBRA shall not be deemed a waiver by GBRA or CRWA of the right in the future to demand strict compliance and performance of any provision of this Agreement. Regardless of any provision contained in this Agreement to the contrary, any right or remedy or any default under this Agreement, except the right of GBRA to receive payments due under this Agreement which shall never be determined to be waived, shall be deemed to be conclusively waived unless asserted by a proper proceeding at law or in equity within two (2) years plus one (1) day after the occurrence of the default.

(b) No officer or agent of CRWA or GBRA is authorized to waive or modify any provision of the Agreement. No modifications to or rescission of this Agreement may be made except by a written document signed by CRWA's and GBRA's authorized representatives.

(c) It is further agreed that, without receiving the prior written consent of the General Manager of CRWA, GBRA will not to enter into any amendment of the Regional Agreement which, in the reasonable judgment of the General Manager of GBRA, would (i) impose an additional or increased financial obligation on CRWA not otherwise established by the Regional Agreement or this Agreement, or (ii) reduce CRWA's rights to receive treated water under this Agreement.

Section 29. Remedies.

It is not intended hereby to specify (and this Agreement shall not be considered as specifying) an exclusive remedy for any default, but all such other remedies (other than termination) existing at law or in equity may be availed of by either party hereto and shall be cumulative. Recognizing, however, that failure in the performance of either party's obligations hereunder could not be adequately compensated in money damages alone, each party agrees in the event of any default on its part that each party shall have available to it the equitable remedy of mandamus and specific performance, in addition to any other legal or equitable remedies (other than termination) which also may be available.

Section 30. Force Majeure.

If for any reason of force majeure, GBRA shall be rendered unable, wholly or in part, to carry out its obligations under this Agreement, then if GBRA shall give notice of the reasons in writing to CRWA within a reasonable time after the occurrence of the event, or cause relied on, the obligation of GBRA, 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, tornadoes, volcanos, asteroids, 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 raw or treated water under this Agreement, on account of any other cause not reasonably within the control of GBRA.

Section 31. Non-Assignability.

Neither party may assign this Agreement without the written consent of the other party, except to a successor of the duties and functions of that party.

Section 32. Sole Agreement.

Except for CRWA's Raw Water Contract, this Agreement (including all Exhibits attached hereto) constitutes the sole and only agreement of GBRA and CRWA and supersedes any prior understanding or oral or written agreements between the CRWA and GBRA respecting the subject matter of this Agreement.

Section 33. 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 34. 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 35. 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. No existing or potential GBRA Customer, and no CRWA Customer, shall have any right, title or interest in and to this Agreement.

Section 36. Notices.

All notices, payments and communication ("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:

Canyon Regional Water Authority
Attention: General Manager
850 Lakeside Pass
New Braunfels, TX 78130-8233

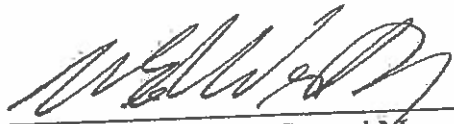
Guadalupe-Blanco River Authority
Attention: General Manager
933 E. Court Street
Seguin, Texas 78155

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.

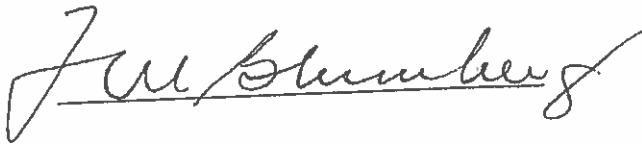
Section 37. Duplicate Originals.

GBRA and CRWA, acting under authority of their respective governing bodies, shall authorize the execution of this Agreement in several counterparts, each of which shall be an original. CRWA and GBRA shall submit written evidence in the form of bylaws, charters, resolutions or other written documentation specifying the authority of each party's representative to sign this Agreement which evidence shall be attached to this Agreement as Exhibit 5.

GUADALUPE-BLANCO RIVER AUTHORITY

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

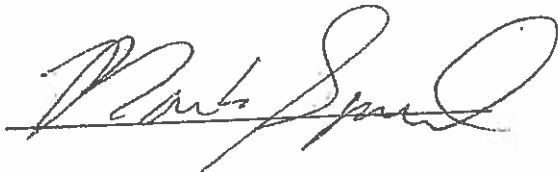
ATTEST:



CANYON REGIONAL WATER AUTHORITY

By: 

ATTEST:



THE STATE OF TEXAS

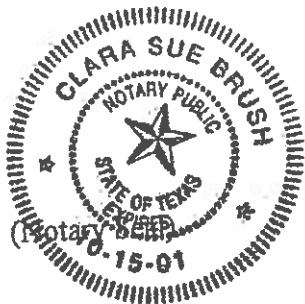
§

COUNTY OF GUADALUPE

§

BEFORE ME, the undersigned, a Notary Public in and for said State, on this day personally appeared William E. West, Jr., General Manager of the **GUADALUPE-BLANCO RIVER AUTHORITY**, 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 17th day of June, 1999.



Clara Sue Brush
Notary Public
State of Texas

THE STATE OF TEXAS

§

COUNTY OF GUADALUPE

§

BEFORE ME, the undersigned, a Notary Public in and for said State, on this day personally appeared Donald C. Speer, Chairman of the **CANYON REGIONAL WATER AUTHORITY**, 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 14th day of June, 1999.

Paul M. Taggart
Notary Public
State of Texas

(Notary Seal)

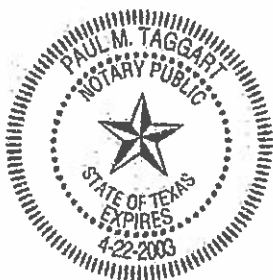


Exhibit "1"

AGREEMENT BETWEEN CITY OF SAN MARCOS AND GUADALUPE-BLANCO RIVER AUTHORITY

This Agreement Between City of San Marcos and Guadalupe-Blanco River Authority (this "Agreement") is made and entered into as of the 1st day of July, 1997, by and between the CITY OF SAN MARCOS, TEXAS (the "City"), a home rule city and municipal corporation of the State of Texas situated in Hays and Caldwell Counties, Texas, organized and operating under the provisions of its home rule charter and the Constitution and laws of the State of Texas, and the GUADALUPE-BLANCO RIVER AUTHORITY ("GBRA"), a conservation and reclamation district and political subdivision of the State of Texas created pursuant to Article XVI, Section 59 of the Texas Constitution by special act of the Legislature, formerly compiled at Article 8280-106, Vernon's Annotated Civil Statutes. The City and GBRA are referred to herein collectively as the "Parties," and separately as the "Party."

Recitals

The City and GBRA entered into an Interlocal Agreement dated April 23, 1996, as amended (the "Interlocal Agreement"). The Interlocal Agreement, was executed by the Parties for the purpose of providing for the expeditious development of a regional surface water supply project (the "San Marcos Regional Water Supply Project," or the "Project"), to meet future water needs and reduce dependence on the Edwards Aquifer by providing an alternative source of water to the City and surrounding areas in Hays, Caldwell, Guadalupe and Travis Counties, Texas. This Agreement sets forth terms and conditions agreed upon by the City and GBRA relating to the planning, development, design, financing, construction, ownership, operation and management of the Project.

GBRA holds the right to store water in and use water from Canyon Reservoir under Certificate of Adjudication No. 18-2074C. The City and GBRA have entered into a "Raw Water Contract" dated October 10, 1989, pursuant to which GBRA agrees to supply to the City up to 5,000 acre-feet per year of stored water from Canyon Reservoir ("Canyon Lake Water"). This Agreement sets forth terms and conditions agreed upon by the City and GBRA relating to the diversion, conveyance and treatment of the Canyon Lake Water to be supplied to the City.

The City is willing to acquire and construct water treatment facilities to treat raw water for municipal use by the Parties and their respective customers as contemplated herein, and is willing to provide the necessary funds through the issuance of bonds. The Parties have agreed that the water treatment facilities should be operated and maintained as provided herein.

GBRA is willing to acquire, construct, operate and maintain a raw water delivery system capable of delivering the raw water the Parties contemplate treating for municipal use by the Parties and their respective customers at the water treatment facilities to be constructed by the City.

The Parties have agreed that the water treatment facilities and the raw water delivery system comprising the San Marcos Regional Water Supply Project should be jointly owned as provided herein.

GBRA and the City have agreed to contract through this Agreement in such a manner that will allow each of the Parties to receive sufficient annual payments to cover their respective costs to provide the services contemplated herein, to pay the annual operation and maintenance expenses of the respective facilities, and to pay the entire principal and interest on the various bonds issued by the Parties to acquire, construct and operate the facilities contemplated herein.

GBRA and the City anticipate that other entities may in the future desire to obtain treated surface water on a contract basis from the Project. This Agreement further sets forth terms and conditions relating to the supply and treatment of additional raw water to the Project for supply of treated surface water to such other entities.

Agreement

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

Section 1. Definitions.

The following terms and expressions as used in this Agreement, unless the context clearly shows otherwise, shall have the following meanings:

- (1) "Annual Payment Period" means the period beginning on October 1 of each calendar year and ending on the last day of September of the next calendar year.
- (2) "Canyon Lake Water" means the water to be delivered to the City by GBRA pursuant to the City's Raw Water Contract.
- (3) "City's Raw Water Contract" means that certain contract dated October 10, 1989 by and between GBRA and the City, providing the City with a commitment of stored water from

Canyon Reservoir of up to 5,000 acre-feet per year. A copy of such contract is attached as Exhibit 1.

- (4) "City Customer" means any individual or entity that contracts with the City for treated water service from the Project whether on a wholesale or retail basis.
- (5) "GBRA Customer" means any individual or entity that contracts with GBRA for treated water service from the Project whether on a wholesale or retail basis.
- (6) "GBRA Raw Water" means raw water delivered to the Plant for treatment and delivery to GBRA.
- (7) "Management Committee" means the committee established pursuant to Section 14 of the Agreement.
- (8) "MGD" means million gallons per day.
- (9) "Minimum Plant Expansion" means a 3 MGD increment of Plant treatment capacity.
- (10) "Operation and Maintenance Expenses" means all costs and expenses of operation and maintenance of the Raw Water Delivery System or the Plant, as the case may be, including (for greater certainty but without limiting the generality of the foregoing) repairs and replacements which are not paid from a special fund created in the Bond Resolutions or other Project Debt Instruments, non-debt financed capital expenditures, operating personnel, the cost of utilities, the costs of supervision, engineering, accounting, auditing, legal services, supplies, services, administrative and general expenses of the Raw Water Delivery System or the Plant, and equipment necessary for proper operation and maintenance of the Raw Water Delivery System or the Plant. The term also includes the charges of the bank or banks where the Bonds are payable. The term does not include depreciation.
- (11) "Plant" means all facilities for treating water designed and constructed by the City pursuant to the terms of this Agreement, all facilities for pumping and transporting treated water to the Point of Delivery, and the Plant Site.
- (12) "Plant Annual Requirement" means the total amount of money required for the City to pay all Operation and Maintenance Expenses of the Plant, to pay the debt service on any Plant Project Debt Instruments, and to maintain balances in any special or reserve funds

required by the provisions of any Plant Project Debt Instruments.

- (13) "Plant Operator" means the individual or entity hired by the City as provided herein to operate and maintain the Plant.
- (14) "Plant Site" means that tract of land described on Exhibit 2 on which all facilities comprising the Plant will be located.
- (15) "Point of Delivery" means the point on the Plant Site at which the City will deliver to GBRA treated water supplied hereunder, as such point is described on Exhibit 2
- (16) "Point of Diversion" means the point on the Guadalupe River at which GBRA will divert raw water to be supplied hereunder, as such point is described on Exhibit 3.
- (17) "Project Debt Instruments" means all notes, bonds, or other financial obligations made to construct, complete, improve, or repair the Raw Water Delivery System or the Plant. The City or GBRA may be the obligor on these instruments.
- (18) "Project" or the "San Marcos Regional Water Supply Project" means the regional surface water supply project contemplated by this Agreement, which consists of the Raw Water Delivery System and the Plant.
- (19) "Raw Water Delivery System" means all facilities designed and constructed by GBRA for diverting water from Guadalupe River at the Point of Diversion to the Plant pursuant to this Agreement, all other facilities that may be agreed upon by the Parties designed and constructed by GBRA for diverting water from other sources to the Plant or for storage of raw water prior to treatment, together with all lands and interests in land on which such facilities are located.
- (20) "Raw Water Delivery System Annual Requirement" means the total amount of money required for GBRA to pay all Operation and Maintenance Expenses of the Raw Water Delivery System, to pay the debt service on any Raw Water Delivery System Project Debt Instruments, and to maintain balances in any special or reserve funds required by the provisions of any Raw Water Delivery System Project Debt Instruments.

Section 2. Term.

This Agreement shall be effective as of the date first written above, and shall continue in effect for an initial term of fifty (50) years or until all of the Project Debt Instruments (including principal and interest) for the initial phase of the Project have been fully paid, whichever occurs later (the "Initial Term"). Upon termination of the Initial Term, this Agreement shall be renewed or extended at the request of either Party for an additional fifty (50) years under such terms and conditions as may be agreed upon by GBRA and the City.

The City's Raw Water Contract is hereby amended to extend its term so that it terminates upon expiration of the term of this Agreement.

Section 3. 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 the rights or liabilities accrued prior to such termination, including the equity ownership interests acquired by the Parties in the Plant and the Raw Water Delivery System, respectively, as provided herein.

Section 4. Design, Construction, Operation and Maintenance, and Ownership of the Plant.

(1) Plant Design and Construction

The City shall design acquire and construct the Plant. The Plant shall be designed and constructed in phases, so that the completed initial phase can be easily expanded from time to time by the Minimum Plant Expansion (3 MGD) or a multiple thereof. The design capacity of the initial phase of the Plant shall be 6 MGD, unless either Party specifies a greater initial capacity as set forth below, or unless the Parties agree otherwise. The amount of any increase in the initial phase capacity of the Plant shall be 1 MGD or a multiple thereof. If either Party desires a greater initial phase capacity, it shall give the other Party notice of the amount of increase before the final Plant design is fifty percent (50%) complete. If either Party desires to increase the initial phase capacity after the final Plant design is fifty percent (50%) complete, the Party requesting the increase in capacity shall be obligated to pay all increases in the cost of design, engineering and construction actually incurred as a result of designing the Plant to include the requested increased capacity in the initial phase. Provided, however, that no change in the final design of the initial phase capacity of the Plant shall be authorized after the final design is fifty percent (50%) complete if such design change could delay the anticipated completion date for the

construction of the initial phase of the Plant which is projected for December 31, 1999. After construction of the initial phase, the City shall expand the capacity of the Plant from time to time upon the request of either Party. The amount of any such expansion shall be the Minimum Plant Expansion or a multiple thereof. The cost of any such expansion shall be borne by the Parties in accordance with the percentage of the additional capacity they intend to utilize. In the event only one of the Parties requests the expansion, that Party shall be solely responsible for all costs for design changes, engineering and construction of such expansion in the full multiple increments of the Minimum Plant Expansion.

(2) Plant Operation and Maintenance

The City shall be responsible for the operation and maintenance of the Plant pursuant to the terms and conditions of this Agreement.

The City shall select a Plant Operator after a competitive procurement process and consideration of any Management Committee recommendations. GBRA and the City may themselves submit proposals for Plant Operator. The City will review the Plant Operator's performance at least once every five years, but may review the Plant Operator's performance more frequently in the City's sole discretion. The City may select another Plant Operator using the same procedure as the original selection. The City may hire a consultant to provide start-up services for the Plant.

(3) Plant Ownership

The City shall hold legal title to the Plant including all properties, rights of way, easements and any other interest in real property acquired for the Plant, during the existence of any Project Debt Instruments issued by the City for the acquisition and construction of the initial phase of the Plant. After such Project Debt Instruments issued by the City for the initial phase of the Plant have been fully paid, redeemed or defeased, such that the City has no outstanding debt under on the initial phase of the Plant, the City shall convey to GBRA, at no cost to GBRA, legal title to an undivided interest in the Plant equal to GBRA's percentage interest in the total treatment capacity of the Plant, if any, at that time. Such conveyance shall be by written instrument in recordable form. After the transfer of legal title contemplated by this Section 4, title to the undivided interest in the Plant to all future expansions of the Plant shall be owned by the Party that requests and pays for the cost of such expansion(s).

**

Section 5. Design, Construction, Operation and Maintenance and Ownership of the Raw Water Delivery System.

(1) Raw Water Delivery System Design and Construction

GBRA shall design, acquire, construct, operate and maintain the Raw Water Delivery System. The Raw Water Delivery System shall be designed, acquired and constructed in phases. The initial phase shall consist of a pipeline or pipelines with a minimum capacity to convey 9 MGD of raw water and a pump station or stations at the Point of Diversion on the Guadalupe River with an installed capacity of 6 MGD designed for the addition of pumps to easily increase the pumping capacity, and the necessary real property interests for purposes of constructing, operating and maintaining such facilities, unless such initial parameters are enlarged as set forth below, or unless the Parties agree otherwise. If GBRA desires to construct a larger diameter pipeline and/or an additional pipeline as part of the initial phase, it shall give notice of such enlargements to the City by not later than July 1, 1998. The initial pumping capacity may be increased by 1 MGD ("Minimum Pump Expansion") or a multiple thereof. After construction of the initial phase, GBRA shall expand the installed pumping capacity from time to time at the request of either Party. The amount of any such expansion shall be the Minimum Pump Expansion or a multiple thereof.

(2) Raw Water Delivery System Operation and Maintenance

GBRA shall be responsible for the operation and maintenance of the Raw Water Delivery System.

(3) Raw Water Delivery System Ownership

GBRA shall hold legal title to the Raw Water Delivery System, including all properties, rights of way, easements and any other interest in real property acquired for the Raw Water Delivery System, during the existence of any Project Debt Instruments issued by GBRA for the acquisition and construction of the initial phase of the Raw Water Delivery System. After such Project Debt Instruments have been fully paid, redeemed, or defeased, such that GBRA has no outstanding debt on the initial phase of the Raw Water Delivery System, GBRA shall convey to the City, at no cost to the City, legal title to an undivided interest in the Raw Water Delivery System equal to the City's percentage interest in the total capacity of the Raw Water Delivery System at that time. If GBRA constructs a pipeline or pipelines with a conveyancing capacity greater than 9 MGD and/or a pumping capacity greater than 6 MGD in the initial phase of the Raw Water Delivery System, then, after such Project Debt Instruments have been fully paid, redeemed, or defeased, such that GBRA has no outstanding debt on the initial phase of the Raw Water Delivery System, GBRA shall convey to the City, at no cost to the City, legal title to an undivided interest

in the Raw Water Delivery System equal to the City's percentage interest in the total capacity of the Raw Water Delivery System at that time. Such conveyance shall be by written instrument in recordable form. After the transfer of legal title contemplated in this Section 5, title to any additional pipeline(s) or pump station(s) capacity constructed as part of the Raw Water Delivery System shall be held by the Party that requests and pays for the cost of such expansion(s).

Section 6. Approvals of Plans and Specifications; Competitive Bids.

Plans and specifications of the initial phase of the Raw Water Delivery System and the Plant, and any expansion of either, shall be approved by the City Manager and the GBRA General Manager. The City and GBRA will obtain timely review and approval of construction plans and specifications for all facilities. After approval of plans and specifications for any phase of the Raw Water Delivery System, GBRA will advertise for competitive bids for construction of that phase. After approval of plans and specifications for any phase of the Plant, the City will advertise for competitive bids for construction of that phase. As required by state law, the City Council and GBRA Board of Directors will approve the bids for their respective portions of the Project.

Section 7. Plant Treatment Capacity for GBRA.

The City shall reserve for GBRA through the term of this Agreement treatment capacity in the Plant equal to the capacity of the portion, if any, of the initial phase constructed at the request of GBRA above the initial phase capacity of 6 MGD owned by the City, and any expansions thereof subsequently constructed at the request of GBRA, pursuant to the terms of Section 4, above.

Additionally, the City shall reserve for GBRA from the effective date of this Agreement through December 31, 2003 or the fourth anniversary of the date the construction of the initial phase of Plant capacity is completed, whichever is later, treatment capacity in the amount of 1.5 MGD (the "GBRA Reservation") at no cost to GBRA, from and out of the capacity of the portion of the initial phase of the Plant constructed for and owned by the City pursuant to Section 4, above. During the term of the GBRA Reservation, the City shall have the right to use any portion of the 1.5 MGD capacity reserved for GBRA without any compensation to GBRA so long as GBRA is not using the same. Moreover, in the event that the City determines that it needs additional capacity out of the initial phase 6 MGD of capacity, the City shall have the right to reduce the GBRA Reservation by 0.5 MGD (from 1.5 MGD to 1.0 MGD) by providing GBRA with written notice of such determination ninety (90) days prior to the effective date of such reduction, but only to the extent that GBRA has not contracted with any third party to supply treated water in reliance upon the availability of that 0.5

MGD capacity as of the date of the notice. The City and GBRA shall review this reservation annually, and the City Manager and the GBRA General Manager may, without having to modify this Agreement, from time to time extend and/or otherwise modify the City's reservation of treatment capacity for GBRA from and out of the portion of the treatment capacity constructed for the City. GBRA shall be free to rely upon the availability of the 1.5 MGD capacity during the term of the GBRA Reservation, as such term may be extended, for purposes of contracting with third parties for the sale of treated surface water from the Plant. Provided, however, that all such contracts with third parties shall either terminate upon the expiration of the GBRA Reservation or GBRA shall present the City simultaneously with a copy of any such contract a written request for at least a Minimum Plant Expansion to be operational by a date certain, such date to be not earlier than eighteen (18) months from the date the City receives such request and not later than the expiration of the GBRA Reservation. GBRA shall pay the City for treated water made available out of said 1.5 MGD capacity in accordance with Section 23 of this Agreement.

Section 8. Raw Water Delivery System Capacity for the City.

GBRA shall reserve for the City through the term of this Agreement conveyance capacity of 9 MGD in the pipeline or pipelines constructed for the initial phase of the Raw Water Delivery System. GBRA shall also reserve for the City throughout the term of this Agreement pumping capacity of 6 MGD plus any additional pumping capacity that may be requested by and installed for the City from time to time, up to a total maximum pumping capacity reserved for the City of 9 MGD, subject to the reservation for GBRA of a portion of such capacity pursuant to Section 9, below.

Section 9. GBRA's Use of the Raw Water Delivery System.

Subject only to the reservations of capacity for the City set forth in Section 8, above, GBRA shall have the absolute right to use the Raw Water Delivery System to divert raw water from the Guadalupe River and other sources that may be agreed upon by GBRA and the City and to convey and deliver raw water to the Plant or to any person or location desired by GBRA. Additionally, GBRA shall also have the right to use raw water pumping capacity in the pumping facilities located at the Point of Diversion in the amount of 1.5 MGD, from and out of the portion of the capacity installed and reserved for the City during the term of the GBRA Reservation described in Section 8 above. The City and GBRA shall review this reservation of conveyance capacity annually, and the City Manager and the GBRA General Manager may, without having to modify this Agreement, from time to time extend and/or otherwise modify the City's reservation of pumping capacity for GBRA from and out of the portion of the pumping capacity installed for the City. Notwithstanding anything contained in this Section 9 to the contrary, no interconnection by which GBRA supplies raw water from

the Raw Water Delivery System to any person or location other than the Plant shall be constructed in a manner that would adversely impact the delivery of Canyon Lake Water to the Plant in the volumes desired by the City. Provided, further, that any such interconnection shall be constructed at GBRA's sole expense with either a satisfactory air gap or backflow protection device(s) that meets the applicable requirements of the TNRCC to prevent the degradation of the water being delivered to the Plant.

Section 10. GBRA Sales of Treated Surface Water from the Plant to Third Parties.

GBRA agrees that it will not enter into any contract for the sale of treated surface water from the Plant for use within the City's Service Area (hereinafter defined) without first receiving the City's written approval of the same, which approval shall not be unreasonably withheld. The "City's Service Area" is defined generally as the area contained within a line one (1) mile outside the City's extraterritorial jurisdiction ("ETJ"), as the same may be modified from time to time as the result of lawful annexation by the City; provided, however, that the City's Service Area does not include any service area of another water supplier as such area either is certificated or otherwise defined as of the date of this Agreement or is subsequently certificated, if such service area is lawfully modified before the date on which such area becomes a part of the City's Service Area; and provided further, however, that the City's Service Area does not include such other excepted areas shown on the map attached as Exhibit 4, or subsequently agreed to by the Parties. The current "City Service Area" is shown on the map attached hereto as Exhibit 4.

GBRA further agrees that any contract for the sale by GBRA of treated water from the Plant shall require the customer to develop and implement a water conservation and drought management plan that is at least as effective as the plan adopted by and in effect for the City at the time such contract is entered into.

Section 11. Delivery of Raw Water to the Plant.

GBRA shall divert water delivered to the Diversion Point under the City's Raw Water Contract, as such Contract may be amended from time to time, and shall deliver such water to the City at the Plant in volumes requested by the City at any time up to that portion of the pumping capacity installed for the City at such time that is not subject to the GBRA Reservation.

GBRA shall further deliver additional raw water to the Plant in volumes desired by GBRA, for treatment by the City up to the treatment capacity reserved and/or installed for GBRA at such time and, following such treatment, delivery back to GBRA at the Point of Delivery.

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Section 12. Delivery of Treated Water to GBRA.

The City shall treat all raw water delivered to the Plant by GBRA for treatment and delivery back to GBRA to the extent that treatment capacity in the Plant is reserved and/or installed for GBRA pursuant to the terms of this Agreement. The City shall deliver such treated water to GBRA at the Point of Delivery in volumes desired by GBRA up to the treatment capacity reserved and/or installed for GBRA at such time. The obligation of the City to supply treated water to GBRA under this Agreement shall be limited to water provided by GBRA that is in addition to the water that is committed to the City under the City's Raw Water Contract, as such Contract may be amended from time to time.

Section 13. Additional Canyon Water and Other Sources of Raw Water.

(1) Additional Canyon Water

At the time of execution of this Agreement, the City and GBRA are discussing entering into a new contract, or amending the City's Raw Water Contract, to provide the City with an additional commitment of stored water from Canyon Reservoir, for as much as an additional 5,000 acre-feet per year. If the Parties reach agreement on such an additional commitment of stored water, the new or amended contract shall provide that payment for the additional amount of stored water committed shall not commence until the date of expiration of the GBRA Reservation, or the date that GBRA first delivers water to the City under the additional commitment, whichever occurs first.

(2) Other Sources of Raw Water

The City and GBRA further agree to work together in an effort to evaluate the joint development and utilization of other sources of supply of raw water for the Plant for the mutual benefit of the Parties and in the best interests of the region. Possible benefits resulting from the joint development and use of such additional sources of supply include stretching and conserving the limited supply of stored water available in Canyon Reservoir, and reducing the overall cost of treated water supplied to all users from the Plant.

It is the intent of the Parties through this provision to insure that neither the quality or quantity of treated water produced by the Plant is impaired as a result of the introduction of such raw water to the Plant or to the Raw Water Delivery Facilities. Accordingly, if any additional facilities, modifications to facilities, and/or modifications to the operation or maintenance of facilities are required in order to avoid any such impairment, then the full costs of such additional facilities

and modifications shall be borne solely by the Party desiring to supply raw water from the other source.

Section 14. Management Committee.

Both GBRA and the City agree to the creation of a management committee (the "Management Committee") consisting of up to three representatives from each Party appointed by each Party's chief executive officer. The Management Committee shall perform the following functions:

- (a) Oversee the design and construction of the Project;
- (b) Monitor changes in the construction projects to ensure compatibility with the objectives of this Agreement;
- (c) Recommend whether a consultant should be hired by the City to provide start-up services for the Plant and, if so, provide recommendations regarding consultant selection;
- (d) Review Plant Operator proposals and provide recommendations to the City;
- (e) Review annual budgets for the Plant submitted by the Plant Operator and provide recommendations to the City;
- (f) Review annual budgets for the Raw Water Delivery System submitted by GBRA;
- (g) Review Plant and Raw Water Delivery System annual audited financial statements provided by the City and GBRA; and
- (h) Perform other tasks that GBRA and the City jointly agree would be appropriate.

Section 15. Budgets, Audits, and Records.

The Plant Operator will provide the Management Committee with the first annual Plant budget four months prior to Plant start-up and subsequent annual budgets by May 1st of each year. The City and GBRA will also submit annual audited financial statements of the Plant and the Raw Water Delivery System to the Management Committee by December 1.

All books and records pertaining to this Agreement shall be open and available for copying, inspection, and audit by the City and GBRA. Appropriate retention schedules that comply with state laws shall be agreed upon by both Parties.

Section 16. Cooperation.

The City and GBRA agree to cooperate with each other in pursuing all necessary permits and approvals needed for the Project and to complete and file all required reports. The City and GBRA further agree to attempt in good faith to resolve amicably any dispute arising from a request to either Party for treated water service from an individual or entity which the other party desires to serve. The City and GBRA further agree to attempt in good faith to develop appropriate uniform water conservation and drought contingency plans, programs and ordinances to be approved by TNRCC for all treated water supplied from the Plant for adoption by GBRA Customers and City Customers.

Section 17. Contracts.

All contracts pursuant to which either GBRA or the City supply treated water from the Plant to their respective Customers shall be subject to the terms and conditions of this Agreement.

Section 18. Regulatory Requirements.

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 Texas Natural Resource Conservation Commission, or any successor agency.

Section 19. Unconditional Obligation to Make Payments.

The City shall be unconditionally obligated to pay, without offset or counterclaim, the payments required under Section 22, below, and GBRA shall be unconditionally obligated to pay, without off-set or counterclaim, the payments required under Section 23, regardless of whether or not the City and GBRA actually acquire, construct, or complete the Project, or whether or not GBRA is actually delivering water from the Raw Water Delivery System to City hereunder, or whether or not City actually receives or uses and treats water from the Raw Water Delivery System whether due to Force Majeure or otherwise, and regardless of any other provisions of this or any other contract or agreement between the Parties. This covenant shall be for the benefit of the bond holders of the respective Party and shall continue after expiration of this Agreement until all Project Debt Instruments issued under this Agreement are retired.

Section 20. Pledge of Revenue.

Pursuant to TEX. REV. CIV. STAT. ANN. ART. 8280-106 (Vernon 1954) and TEX. REV CIV. STAT. ANN. ART. 1113 (Vernon 1963), GBRA and the City represent and covenant that all payments to be made under this Agreement shall constitute reasonable and necessary operating expenses of the Parties' San Marcos Regional Water Supply Project and that all such payments will be made from the Parties' revenues from the Plant and the Raw Water Delivery System. GBRA and the City represent and have determined that the water supply to be obtained from the Project is absolutely necessary and essential to the present and future operation of their water systems; therefore, and, accordingly, all payments required by this Agreement to be made by GBRA or the City shall constitute reasonable and necessary operating expenses of GBRA's and the City's system or systems as described above with the effect that the obligation to make such payments from revenues of such system or systems shall have priority over any obligation to make any payments from such revenues, whether of principal, interest, or otherwise, with respect to all Project Debt Instruments heretofore or hereafter issued by City or GBRA.

GBRA and the City agree throughout the term of this Agreement to continuously operate and maintain their water systems and to fix and collect such rates and charges for water services to be supplied by their water systems as will produce revenues in an amount equal to at least (i) all of their payments under this Agreement and (ii) all other amounts as required by the provisions of the ordinances or resolutions authorizing its other revenue bonds or other obligations now or hereafter outstanding.

Unless otherwise specifically provided in writing by subsequent agreement between City and GBRA, neither the City nor GBRA shall have the right to demand payment of any obligation assumed or imposed under this Agreement from funds raised or to be raised by taxation, it being expressly understood by City and GBRA that all payments due by GBRA or the City are to be made from the revenues and income received as a result of their respective interests in and operation of the San Marcos Regional Supply Project.

Section 21. Payments for Raw Water.

The City will pay GBRA for raw water pursuant to the terms of the City's Raw Water Contract, as such Contract may be amended from time to time.

Section 22. Payments for Raw Water Delivery.

Rates charged to the City to recover GBRA's cost of design, construction, maintenance and operation of the Raw Water Delivery System shall be set by GBRA in accordance with accepted rate-making

practices and billed on a monthly basis. The rates charged to the City shall be sufficient for GBRA to recover the entire Raw Water Delivery System Annual Requirement; except, however, that GBRA shall be responsible for any incremental costs incurred by GBRA for any of the following:

- (1) construction by GBRA of an initial pipeline(s) with a conveyancing or pumping capacity greater than the capacities specified in Section 5, above;
- (2) construction by GBRA of any additional pipelines;
- (3) acquisition of additional lands and interests in lands necessary for any additional pipelines and any additional pump stations for such additional pipelines; and
- (4) installation of any pumps for GBRA pursuant to Section 5, above; and

except further, however, that GBRA shall also be responsible for GBRA's share of the remainder of the Raw Water Delivery System Annual Requirement ("GBRA's Share of Remaining Raw Water Requirement"). GBRA's Share of Remaining Raw Water Requirement for any given period of time shall be based upon the amount of water, if any, pumped or conveyed for GBRA, or any third party contemplated by Section 9 of this Agreement, via the Raw Water Delivery System during that period of time relative to the total amount of water pumped or conveyed via the Raw Water Delivery System during that period of time. GBRA's Share of Remaining Raw Water Requirement for any given period of time shall not include costs associated with the design, acquisition, installation or construction of any pumping or conveyance capacity other than capacity, if any, then being reserved for and used by GBRA pursuant to Section 9, above, from and out of the portion of the pumping and conveyance capacity installed and constructed for the City.

For budget years before the date on which GBRA fully pays and retires all of the Project Debt Instruments for the initial phase of the Raw Water Delivery System, the rates charged by GBRA to its customers for the delivery of raw water via the Raw Water Delivery System shall not be less than the rates charged by GBRA to the City for the delivery of raw water under this Agreement (the "City's Rates"). All revenues received by GBRA from its customers for the delivery of raw water during any such year shall go first toward payment of GBRA's total share of the Raw Water Delivery System Annual Requirement for that year. If GBRA's revenues exceed GBRA's total share for that year, then GBRA shall credit the difference toward payment of the City's share of the Raw Water Delivery System Project Debt Instruments for that year for the initial phase of the Raw Water Delivery System, to the extent that GBRA's revenues are due to the difference between the City's Rates and the rates that GBRA would have charged its customers if such rates were calculated

based on payment by GBRA of its actual share, if any, of the Raw Water Delivery System Project Debt Instruments for the initial phase of the Raw Water Delivery System.

For budget years following the date on which GBRA fully pays and retires all of the Project Debt Instruments for the Raw Water Delivery System, the rates charged by GBRA to the City for conveying raw water to the City via the Raw Water Delivery System shall be based solely upon the City's prorata share, based on relative amounts of water pumped and delivered, of the Operation, Maintenance Expenses of the Raw Water Delivery System.

Customers of the City and GBRA shall not be entitled to any equity interest in the Raw Water Delivery System for any reason including, without limitation, the payments made to the City or GBRA under this Agreement or under any agreements between either Party and that Party's customers.

Section 23. Payments for Water Treatment and Delivery.

Rates charged to GBRA for treatment and delivery of treated water, if any, to GBRA at the Point of Delivery shall be set by the City in accordance with accepted rate-making practices and billed on a monthly basis. The City shall be responsible for the entire Plant Annual Requirement; except, however, that GBRA shall be responsible for any of the following costs incurred by the City:

- (1) GBRA's pro rata share of the construction of any treatment capacity above the City's 6 MGD that is requested by GBRA as part of the initial phase of the Plant pursuant to Section 4, above; and
- (2) GBRA's incremental share of the construction of any expansion treatment capacity that is requested by GBRA from time to time pursuant to Section 4, above;
- (3) GBRA's pro rata share of the incremental cost of the construction of any expansion treatment capacity that is requested jointly by GBRA and the City from time to time pursuant to Section 4, above; and
- (4) GBRA's prorata share of the cost of the real estate acquisition of the Plant Site based upon the percentage ownership interest in the Plant held by GBRA.

except further, however, that, GBRA shall also be responsible for GBRA's share of the remainder of the Plant Annual Requirement ("GBRA's Share of Remainder of Plant Requirement"). GBRA's Share of Remainder of Plant Requirement for any given period of time shall be based upon the amount of treated water, if any, actually delivered to GBRA at the Point of Delivery during that time period, relative to the total amount of treated water produced by the Plant

during that time period. GBRA's Share of Remaining Plant Requirement for any given period of time shall not include costs associated with the acquisition of any real property or the design, acquisition, installation, or construction of any facilities, other than costs associated with the construction of that amount of treatment capacity, if any, then being reserved for and used by GBRA pursuant to Section 7, above, from and out of the 6 MGD treatment capacity constructed for the City in the initial phase.

For budget years following the date on which the City fully pays and retires all of the Project Debt Instruments associated with the Plant, the rates charged by the City to GBRA for the treatment of GBRA's raw water at the Plant and conveyance to the Point of Delivery shall be based solely upon GBRA's prorata share, based on relative amounts of water treated and delivered, of the Operation and Maintenance Expenses of the Plant.

Customers of the City and GBRA shall not be entitled to any equity interest in the Plant for any reason including, without limitation, the payments made to GBRA or the City under this Agreement or under any agreements between either Party and that Party's customers.

Section 24. Measurement.

For billing purposes, all raw water diverted from the Guadalupe River and delivered to the Plant will be metered at the Plant entrance with meters provided, operated, maintained, and read by GBRA. At its option and expense, GBRA may also meter the raw water diverted at the Guadalupe River at the Point of Diversion. The City shall provide, operate, maintain, and read meters which shall record treated water taken by GBRA at each GBRA Point of Delivery.

Water shall be measured through conventional types of approved meter(s). The party responsible for metering shall keep accurate records of all measurements of water required under this Agreement, and the measuring device(s) and such records shall be open for inspection at all reasonable times. Measuring devices and recording equipment shall be accessible for adjusting and testing and the installation of check meter(s). If requested in writing and not less than once in each calendar year, on a date as near the end of such calendar year as practical, the party responsible for metering shall calibrate its water meter(s) in the presence of the other Party, and the Parties shall jointly observe any adjustments that shall be necessary. The Party responsible for metering shall give the requesting Party notice of the date and time when any such calibration is to be made and, if a representative of requesting Party is not present at the time set, calibration and adjustment may proceed in the absence of any representative of the requesting Party.

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 ($\frac{1}{2}$) 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) 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 the City and GBRA upon the basis of the best data available, and, upon written request, the Party responsible for metering shall install new meters or repair existing meters at the cost of Party responsible for metering. If City and GBRA 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 25. Quality.

The water to be supplied to City by GBRA is untreated water as it is found in the Guadalupe River at the Point of Diversion. The water to be delivered by City and received by GBRA at the Point of Delivery shall be potable water from the Plant meeting applicable state and federal purity standards for potable water.

Section 26. Title.

Title to all water supplied hereunder shall be in GBRA from the Point of Diversion to the Plant, then in City up to each GBRA Point of Delivery, at which point title shall pass to GBRA. City and GBRA hereby agree to save and hold each other harmless from all claims, demands, and causes of action which may be asserted by anyone on account of the transportation and delivery of said water while title remains in the other Party.

Section 27. Other Charges.

In the event any sales or use taxes, or other taxes, assessments, or charges of any similar nature are imposed on diverting, storing, delivering, gathering, impounding, taking, selling, using or consuming the water from the Project, the amount

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of the tax assessment, or charge shall be included in the Operation and Maintenance Expenses of the Raw Water Delivery System or the Operation and Maintenance Expenses of the Plant as appropriate.

Section 28. Default in Payments.

All amounts due and owing to City by GBRA or owing to GBRA by City shall, if not paid when due, bear interest at the Texas post-judgment interest rate as set out in TEX. REV. CIV. STAT. ANN. ART. 5069-1.05 (Vernon Supp. 1996) or any successor statute from the date when due until paid, provided that such rate shall never be usurious or exceed the maximum rate as permitted by law. If any amount due and owing by either Party is placed with an attorney for collection by the other Party, the owing Party shall pay to the owed Party, in addition to all other payments provided for by this Agreement, including interest, the owed Party's collection expenses, including court costs and attorney's fees.

Section 29. Waiver and Amendment.

Failure to enforce or the waiver of any provision of this Agreement or any breach of nonperformance by City or GBRA shall not be deemed a waiver by GBRA or City of the right in the future to demand strict compliance and performance of any provision of this Agreement. Regardless of any provision contained in this Agreement to the contrary, any right or remedy or any default under this Agreement, except the right of City to receive payments for water treatment and the right of GBRA to receive the payments for raw water delivery which shall never be determined to be waived, shall be deemed to be conclusively waived unless asserted by a proper proceeding at law or in equity within two (2) years plus one (1) day after the occurrence of the default.

No officer or agent of City or GBRA is authorized to waive or modify any provision of the Agreement. No modifications to or rescission of this Agreement may be made except by a written document signed by City's and GBRA's authorized representatives.

Section 30. Remedies.

It is not intended hereby to specify (and this Agreement shall not be considered as specifying) an exclusive remedy for any default, but all such other remedies (other than termination) existing at law or in equity may be availed of by any Party hereto and shall be cumulative. Recognizing, however, that failure in the performance of any Party's obligations hereunder could not be adequately compensated in money damages alone, each Party agrees in the event of any default on its part that each Party shall have available to it the equitable remedy of mandamus and specific performance, in addition to any other legal or equitable remedies (other than termination) which also may be available.

Section 31. Force Majeure.

If for any reason of force majeure, either the City or GBRA shall be rendered unable, wholly or in part, to carry out its obligations under this Agreement, other than the obligation of GBRA and the City 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 raw water, the City to receive raw water, the City to treat and/or deliver treated water, or of GBRA to receive treated water, on account of any other cause not reasonably within the control of the Party claiming the inability.

Section 32. Non-Assignability.

Neither Party may assign this Agreement without the written consent of the other Party, except to a successor of the duties and functions of that Party.

Section 33. Sole Agreement.

Except for the City's Raw Water Contract, this Agreement constitutes the sole and only agreement of GBRA and City and supersedes any prior understanding or oral or written agreements between the City and GBRA respecting the subject matter of this Agreement.

Section 34. 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 35. 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 36. 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. No existing or potential GBRA Customer or City Customer shall have any right, title or interest in and to this Agreement.

Section 37. Notices.

All notices, payments and communication ("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:

City of San Marcos
Attention: City Manager
630 East Hopkins Street
San Marcos, Texas 78666

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

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.

Section 38. Duplicate Originals.

GBRA and the City, acting under authority of their respective governing bodies, shall authorize the execution of this Agreement in several counterparts, each of which shall be an original. The City and GBRA shall submit written evidence in the form of bylaws, charters, resolutions or other written documentation specifying the authority of each Party's representative to sign this Agreement which evidence shall be attached to this Agreement as Exhibit 5.

CITY OF SAN MARCOS
630 East Hopkins Street
San Marcos, Texas 78666

BY: *James A. Dill*
TITLE: *City Manager*
DATE: *6-25-97*

ATTEST:

Daniel G. Wemach

APPROVED AS TO FORM AND LEGALITY

BY: *Mark B. Taylor*
CITY ATTORNEY

GUADALUPE-BLANCO RIVER AUTHORITY
933 E. Court Street
Seguin, Texas 78156

BY: *[Signature]*

TITLE: Gen. MGR.

DATE: 6/18/97

ATTEST:

[Signature]

APPROVED AS FORM AND LEGALITY

BY: *[Signature]*

ATTORNEY FOR GBRA

EXHIBIT "1"

WATER PURCHASE CONTRACT

This contract for the sale and purchase of water is entered into as of the 10th day October, 1989, between Guadalupe-Blanco River Authority, a conservation and reclamation district and political subdivision of the State of Texas (GBRA), and the City of San Marcos, Hays County, Texas, (San Marcos), a municipal corporation located in Hays and Caldwell Counties, Texas.

WITNESSETH

RECITALS

GBRA holds Certificate of Adjudication Number 18-2074-3 (CA-18-2074-3) issued by the Texas Water Commission, based on GBRA's rights under Permit 1885, as amended. CA-18-2074-3 authorizes GBRA to impound water in Canyon Reservoir in Comal County, Texas, and to divert and use therefrom not to exceed an average of 50,000 acre-feet of water per annum for domestic, municipal, and industrial purposes and, temporarily, irrigation and recreation purposes.

San Marcos needs a firm surface water supply in order to provide water for municipal and industrial purposes to its retail customers within the service area of the City of San Marcos, and desires to purchase from GBRA untreated water from storage in Canyon Reservoir for such purposes. The water will be treated at a water treatment plant to be constructed in the vicinity of the City of San Marcos, Hays County, Texas.

At the present time, GBRA has available for sale from Canyon Reservoir under CA-18-2074-B water for municipal use only, but shall, upon request by San Marcos pursuant to this Contract, seek the necessary authorizations from time to time from the Texas Water Commission to allow a portion of such water to be used for industrial use.

AGREEMENT

Now, therefore, for and in consideration of the mutual promises, obligations, and benefits hereinafter set forth, GBRA and San Marcos agree as follows:

A. Quantity. GBRA shall furnish San Marcos, at the point or points of delivery hereinafter specified, during the term of this contract or any renewal or extension thereof, untreated water released from conservation storage in Canyon Reservoir under CA-18-2047-B, or other reservoir storage available to GBRA in such quantity as may be required by San Marcos not to exceed the Annual Commitment. The "Annual Commitment" shall mean the minimum quantity of water to be taken from conservation storage or paid for, whether taken or not, on an annual calendar-year basis in any calendar year. The initial Annual Commitment shall be 5,000 acre-feet of water per year, but may be increased from storage in Canyon Reservoir, or other reservoir storage available to GBRA, if available, pursuant to the following provisions:

1. If the total amount of stored water diverted in any calendar year exceeds the Annual Commitment applicable during that year, then, effective as of the first day of January of the following year, the

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Annual Commitment shall be such greater amount, if such additional amount is available from storage on a firm yield basis, unless and until further increased pursuant to this paragraph A; or

2. The Annual Commitment may be increased upon request by San Marcos, if available from storage in Canyon Reservoir, or other reservoir storage available to GBRA on a firm annual yield basis.

3. If the proposed water treatment system serves another city, rural water system or other independent water system that has contracted with GBRA for water from storage, the quantity of stored water charged to each contracting user will be based on a proration of the actual amount of treated water delivered to each water system.

3. Point of Delivery. The water will be delivered to the following point(s): A water treatment plant located adjacent to the San Marcos River in Hays County, Texas, as set forth in Exhibit "A" hereto. The maximum delivery rate shall be _____ gallons per minute.

A vicinity map attached hereto as Exhibit "B" shows the Point(s) of Delivery.

C. Purpose of Use. The stored water supplied from conservation storage in Canyon Reservoir or other reservoir storage available to GBRA, under this Contract, shall be used for municipal use only; provided, however, that San Marcos may from time to time request that GBRA seek the necessary authorizations

to allow a portion of the Annual Commitment applicable at such time to be used for industrial use or, as the circumstances may be, to convert a portion back to municipal use. Upon receipt of any such request, GBRA shall seek the necessary authorizations from the Texas Water Commission to allow an appropriate portion of the Annual Commitment to be used for industrial use or, as the circumstances may be, convert an appropriate portion back to municipal use. San Marcos and GBRA contemplate that the uses of stored water supplied under this Contract for "municipal use" and "industrial use" will be within the definitions of such terms under the Rules of the Texas Water Commission in existence on the effective date of this Contract. These definitions, as found in 31 Tex. Adm. Code S 297.1, are set forth in Exhibit "C" attached hereto. If the Commission or a court of competent jurisdiction should ever determine that any of the uses of water presently included within such definitions are not either "municipal use" or "industrial use" but, determine the use is within a purpose of use other than "municipal use" or "industrial use", then, upon request by San Marcos, GBRA shall seek the necessary authorizations from the Commission to allow an appropriate portion of the Annual Commitment applicable at such time to be used for such other purpose of use.

D. Place of Use. Any use of the stored water outside the Guadalupe River Basin must be approved in advance in writing by GBRA.

E. Billing Procedure. GBRA will render bills to San Marcos on or before the tenth (10th) day of each month to the

address provided by San Marcos for the payment amount determined pursuant to Paragraphs "F" and "G", below.

F. Monthly Payments. Beginning on the date that a certification of completion is delivered in writing by San Marcos to GBRA stating that the water treatment plant to be constructed is capable of delivering treated water, or on January 1, 1995, whichever first occurs, San Marcos shall pay GBRA at its office in Guadalupe County, Texas, or such other place as GBRA may designate in writing, not later than the twentieth (20th) day of each month, pursuant to the monthly bill rendered to San Marcos as provided in Paragraph E, above, a dollar amount equal to one-twelfth of the annual cost resulting from multiplying the Annual Commitment in acre-feet times the rate to be paid by San Marcos for stored water reserved and supplied pursuant to this Contract (the "stored water rate"). The present stored water rate is \$44.76 per acre foot.

In addition, San Marcos shall pay a rate for water delivery, if any, established by GBRA, on a cost of service basis, for the construction and operation of any facilities, including but not limited to a pump station, pipeline and terminal storage facilities, necessary to deliver stored water from the Guadalupe River to the water treatment plant site selected by San Marcos. The final plans for delivery facilities shall be reviewed and approved by San Marcos prior to construction and payment by San Marcos shall begin with the initial delivery of water to the plant site.

G. Annual Adjustment. San Marcos will pay G3RA at its office in Guadalupe County, Texas, or such other place as G3RA may designate in writing, not later than the twentieth (20th) day of January of each year, a dollar amount equal to the stored water rate times the number of acre-feet of water used in the previous calendar year which exceeded the Annual Commitment applicable during that year.

H. Adjustment of Rates. The provisions of this Contract pertaining to the rates to be paid by San Marcos for stored water reserved and supplied may be adjusted by G3RA at any time and from time to time in accordance with the basin-wide rate for water from reservoir storage. If G3RA desires to adjust the rates for the water reserved and supplied pursuant to this Contract, it shall, at least sixty (60) days prior to the first day on which such adjustment is proposed to become effective, give written notice of the proposed adjustment to San Marcos.

The rate to be paid for water delivery may be adjusted by G3RA at any time and from time to time, provided that the basis for the rate established by G3RA shall be the cost of service including the debt service requirements which were incurred in connection with the financing of the water delivery system; the expenses incurred in the operation and maintenance of the delivery system including without limitation the expenses of materials, supplies, power and utilities used in connection with the system; the expenses of repairs and replacements and depreciation; the cost of insurance, rentals, licenses, taxes and all other charges of any nature whatsoever related to the

delivery system, including, without limitation, all damages and governmental or judicial assessments; interest and other related fixed charges not included in the above clause of this Paragraph; general and administrative expenses reasonably attributable to the delivery system; wages, salaries, and other compensation and fringe benefits payable to G3RA's employees, and professional fees, including, without limitation, legal, accounting, financial, engineering, consulting, and other technical fees, which may be allocated to work performed in connection with the delivery system; expenses incurred in protecting the water supply delivered to San Marcos, including, without limitation, Water Master fees; and all other costs (whether of a capital or expense nature) incurred on account of, or in connection with, the ownership, occupancy, maintenance, operation, replacement, repair or restoration of the delivery system that are not included in the above clauses of this Paragraph.

In the event of a disagreement between G3RA and San Marcos over the stored water rate or the delivery rate, G3RA and San Marcos may apply by appropriate means to the Texas Water Commission, or any agency succeeding to the rate-making jurisdiction of the Texas Water Commission, to establish a just and reasonable rate for such water.

I. Metering Equipment. At the onset of initial use of water under this Contract, G3RA shall furnish, install, operate and maintain or cause to be furnished, installed, operated and maintained at the Point of Delivery the necessary metering equipment and required devices of standard type for properly

measuring the quantity of water delivered to San Marcos and to calibrate such metering equipment not more frequently than once every twelve (12) months. A meter registering not more than five percent (5%) above or below the test results shall be deemed to be accurate. The previous readings of any meter disclosed by tests to be inaccurate shall be corrected for one-half (1/2) the period elapsed since the next preceding meter test but in no event to exceed six (6) months in accordance with the percentage of inaccuracy found by such tests. If any meter fails to register for any period, the amount of water furnished during such period shall be deemed to be the amount of water delivered in the corresponding period immediately prior to the failure, unless GBRA and San Marcos shall agree upon a different amount. The metering equipment shall be read weekly at or near the first day of each week.

All measuring devices shall be subject at all reasonable times to inspection, examination and testing by GBRA and San Marcos. Any measuring device which fails to function or which functions incorrectly shall promptly be adjusted, repaired or replaced by a like device having the required accuracy.

J. Term of Contract. This Contract shall extend for a term of thirty (30) years from the date hereof and thereafter may be renewed or extended for such term, or terms, as may be agreed upon by GBRA and San Marcos.

K. Quality of Water. The water to be supplied under this Contract shall be untreated water released from storage, delivered to a Point of Diversion in the Guadalupe River, and

transported to San Marcos by pipeline. San Marcos shall not be obligated to pay for the use of any water which because of the wilful acts or negligence of GBRA, its representatives, agents and employees, is rendered untreatable by San Marcos' water treatment plant of standard design and capability for waters of the Guadalupe River as established by the appropriate governmental authority for the reach of the Guadalupe River in which the Point of Diversion is located. To the extent such untreatable water prevents San Marcos from using the full amount of water delivered, the payment due for the Annual Commitment shall be reduced proportionately.

L. Modification of Contract. The provisions of this Contract may be modified or altered only by written agreement of the parties.

M. Regulatory Agencies. This Contract is subject to CA-13-2074-B and to such laws, rules, and regulations as may be applicable to this Contract and as may be applicable to rights to use water in the State of Texas. GBRA and San Marcos agree to cooperate with each other to obtain any permits, approvals or other authorizations as may be required to comply therewith.

N. Assignment. San Marcos may not assign this Contract to parties other than those holding mortgages on San Marcos' water supply system without the prior written consent of GBRA. Any successor or assign of GBRA shall succeed to the rights and obligations of GBRA hereunder.

O. Captions. All titles of the sections of this Contract have been inserted for convenience of reference only and are not

considered a part of this Contract and in no way shall they affect the interpretation of any provisions of this Contract.

P. Termination. If San Marcos fails to pay any amounts payable under this contract when due and payable, G3RA may give written notice of such delinquency to San Marcos, and if all amounts due and unpaid, including interest thereon from the date payment was due at maximum legal rates, are not paid within thirty days after delivery of such notice, then G3RA may, at its option, institute suit for collection thereof and utilize such other remedies as may exist to collect any amounts due and unpaid, together with interest thereon at the maximum legal rate and attorney's fees. In addition to all other remedies, G3RA may, at its option, if such amounts are not paid within said thirty day period, terminate this Contract without recourse.

Q. Additional Water. In the event that G3RA should obtain any additional water in whatever manner from Canyon Reservoir or other reservoir storage, which water would be subject to sale by G3RA, then G3RA shall inform San Marcos and thereby provide San Marcos the opportunity to purchase additional water from reservoir storage for the purposes set out under this Contract.

R. Remedies. Unless a particular remedy procedure is set forth herein for any default under the Contract, the parties hereto shall have available to it all remedies at law or in equity.

S. Notices. All notices provided for herein shall be by certified United States mail, addressed to the following parties at the address set out for each:

Guadalupe-Blanco River Authority
Attention: General Manager
P. O. Box 271
Seguin, Texas 78156-0271

City of San Marcos
Attention: City Manager
630 East Hopkins Street
San Marcos, Texas 78666

In witness whereof, the parties hereto, acting under the authority of the respective governing bodies, have caused this Contract to be duly executed in five (5) counterparts, each of which shall constitute an original.


GUADALUPE-BLANCO RIVER AUTHORITY

By: 
General Manager

ATTEST:



CITY OF SAN MARCOS

By: 
Larry D. Gilley
City Manager

ATTEST:

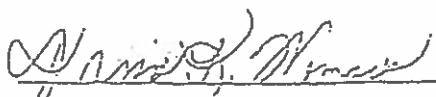
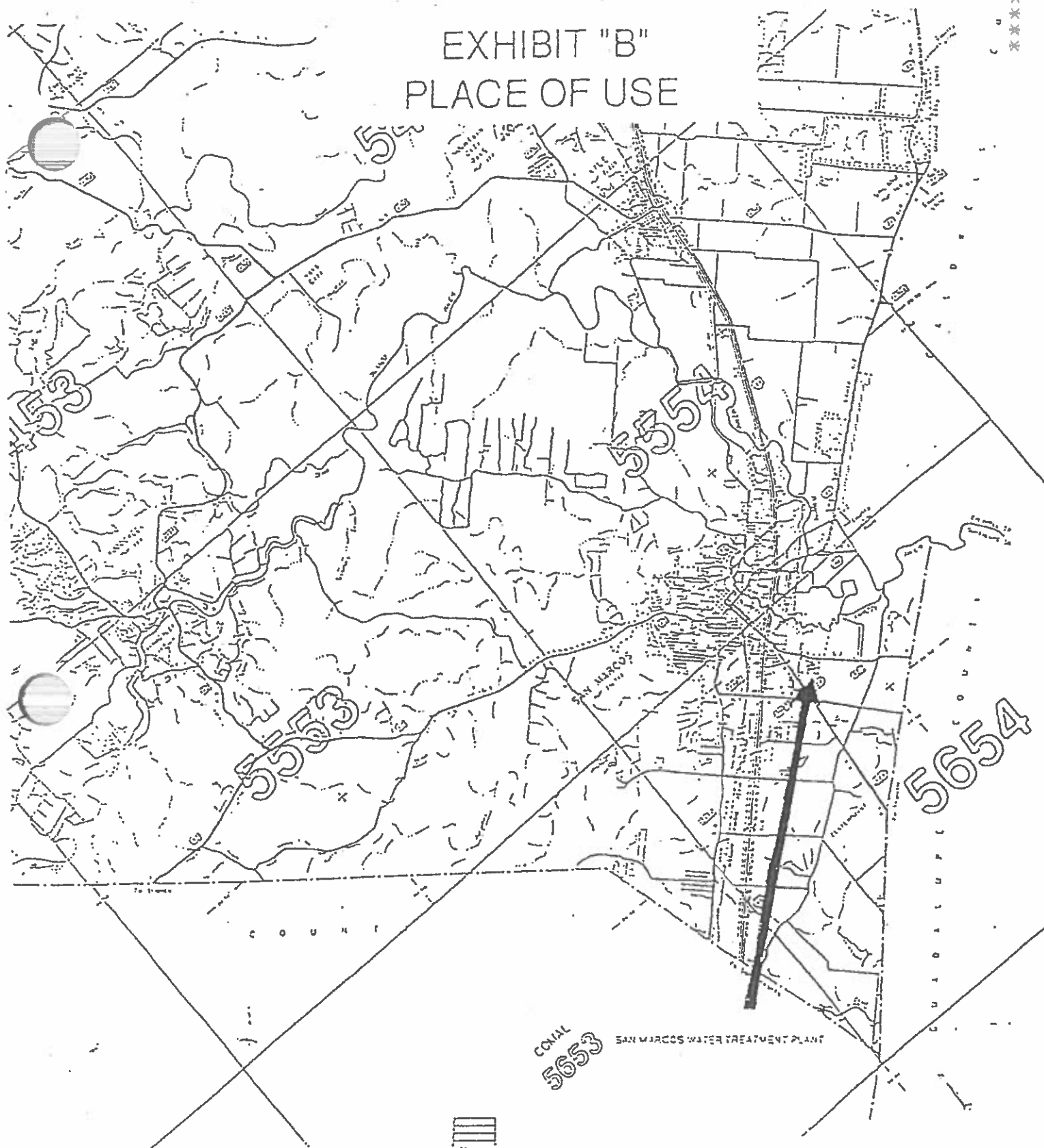

Janis K. Womack
City Secretary

Exhibit "A"
 Legal Description
 San Marcos Water Treatment Plant

On the North end of the San Marcos pipeline N 14° 6,830 feet from the
 South corner of the Thomas G. McGehee Survey.

EXHIBIT "B"
PLACE OF USE



SAN MARCOS WATER TREATMENT PLANT IN RCNO. 1744-A
CITY OF SAN MARCOS WATER PURCHASE CONTRACT

GENERAL HIGHWAY MAP
HAYS COUNTY
TEXAS
REVISED BY THE
TEXAS DEPARTMENT OF TRANSPORTATION

EXHIBIT "C"

§ 297.1 Definitions.

* * *

Industrial use - The use of water in processes designed to convert materials of a lower order of value into forms having greater usability and commercial value, including commercial feedlot operations, commercial fish production and the development of power by means other than hydroelectric.

* * *

Municipal use - The use of treated water within or without a municipality and its environs whether supplied by a person, privately-owned utility, political subdivision, or other entity as well as the use of municipal sewage effluent for certain purposes specified as follows. It includes the use of treated water for domestic purposes, fighting fires, sprinkling streets, flushing sewers and drains, watering parks and parkways, and recreational purposes including public and private swimming pools, the use of treated water in industrial and commercial enterprises supplied by a municipal distribution system without special construction to meet its demands, and for the watering of lawns and family gardens. Municipal use also includes the application of municipal sewage effluent upon land sites, pursuant to a Texas Water Code, Chapter 26, permit, where:

- (A) the primary purpose of the application is the treatment and/or necessary disposal of such effluent, or
- (B) the application site is a park, parkway, golf course, or other landscaped area owned by the owner of the permitted sewerage system, or
- (C) the effluent applied to such site is generated within an area for which the commission has adopted a no-discharge rule.

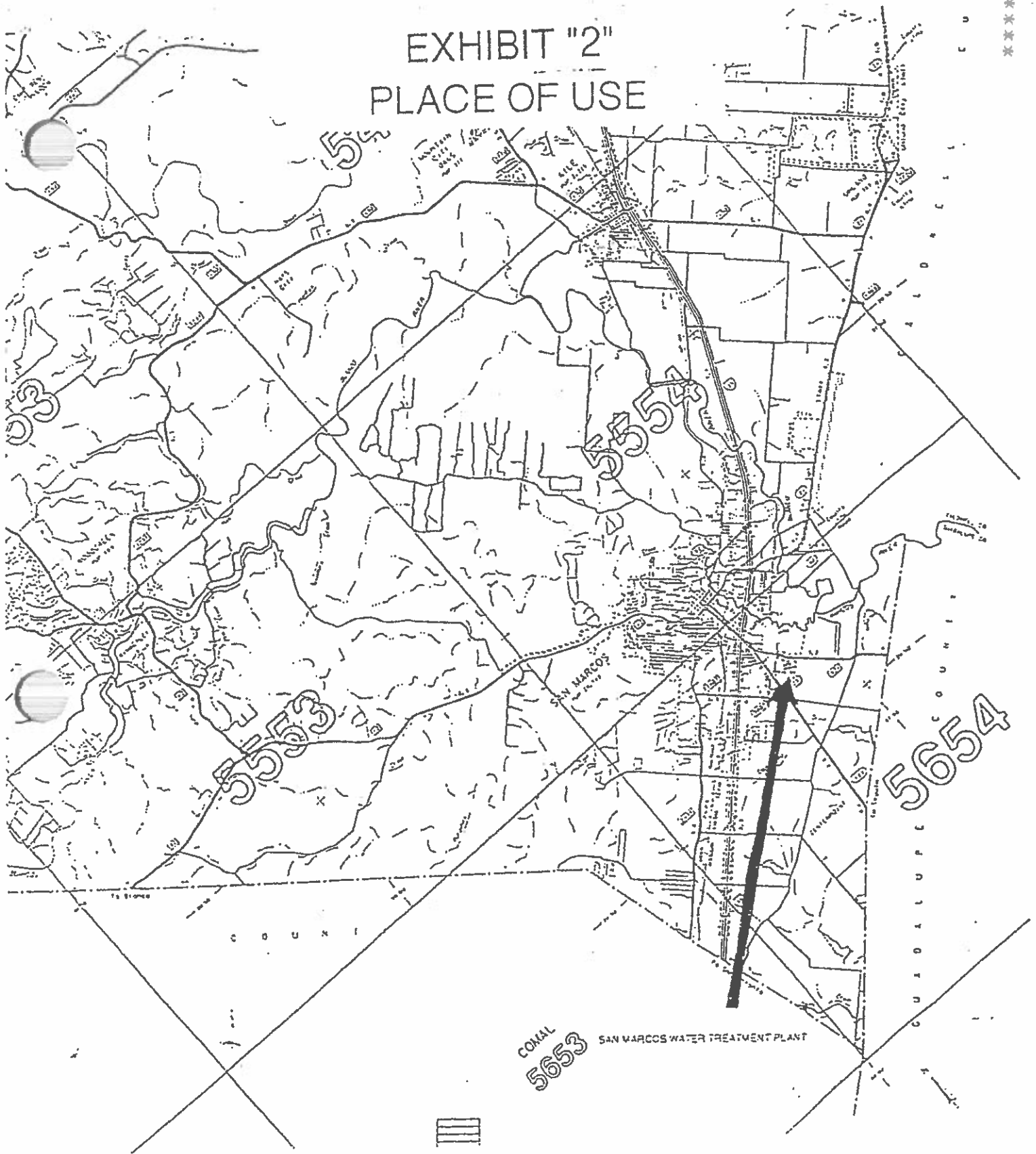
* * *

EXHIBIT "2"

Legal Description San Marcos Water Treatment Plant

On the North end of the San Marcos pipeline N 14° 6,830 feet from the
South corner of the Thomas G. McGehee Survey.

EXHIBIT "2" PLACE OF USE



COMAL
5653

SAN MARCOS WATER TREATMENT PLANT



GENERAL HIGHWAY MAP
HAYS COUNTY
TEXAS

PREPARED BY THE
TEXAS DEPARTMENT OF TRANSPORTATION

SAN MARCOS WATER TREATMENT PLANT NRCC NO. 1741-A
CITY OF SAN MARCOS WATER PURCHASE CONTRACT

EXHIBIT "3" POINT OF DIVERSION

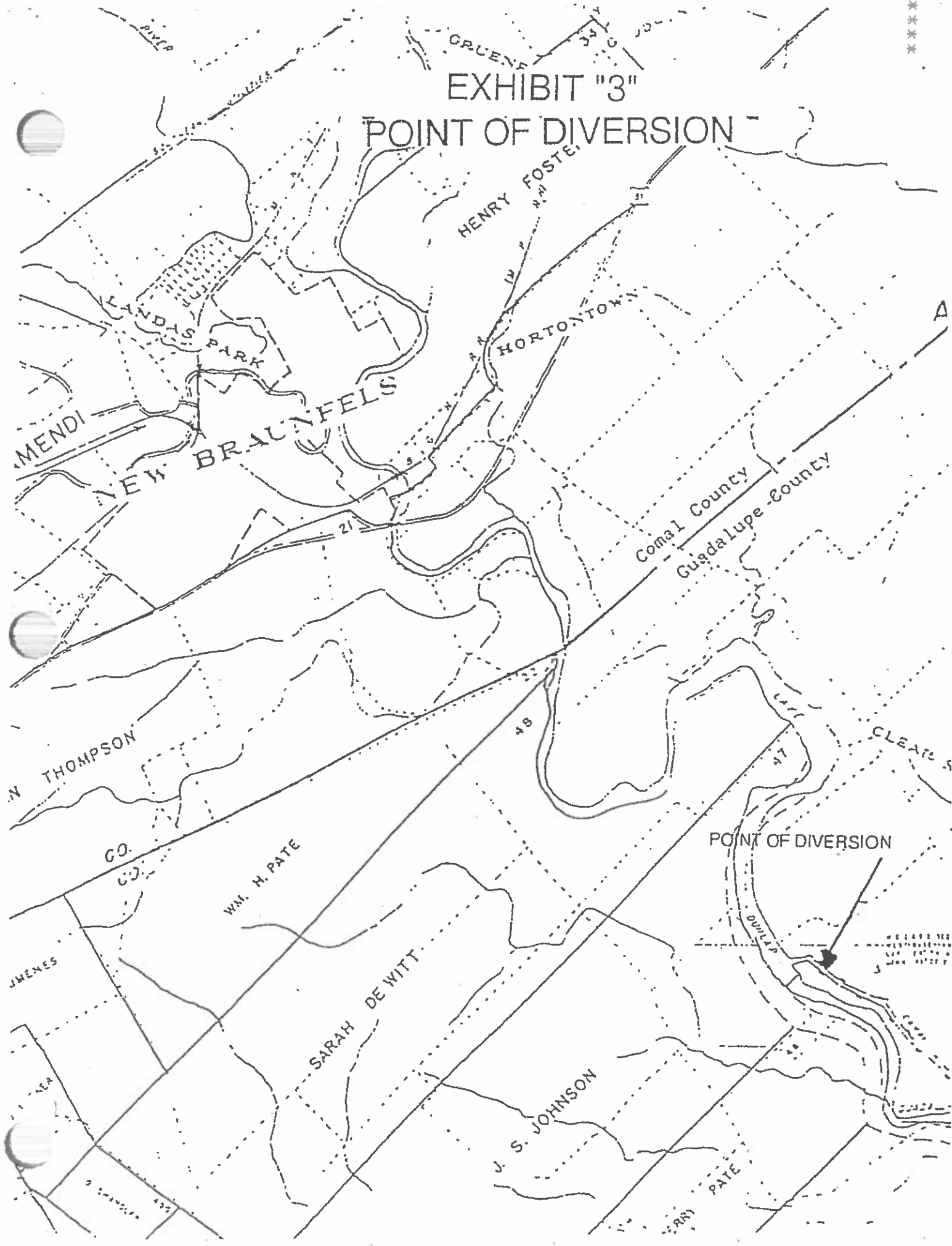


Exhibit "2"

CONTRACT FOR RAW WATER SERVICE

This Contract for Raw Water Service is entered into as of June 16, 1999 between Guadalupe-Blanco River Authority, a conservation district and political subdivision of the State of Texas ("GBRA"), and Canyon Regional Water Authority ("Purchaser").

RECITALS

Pursuant to the terms of that certain contract for raw water service between GBRA and Maxwell Water Supply Corporation ("Maxwell WSC") dated December 23, 1996, as amended, designated by the Texas Natural Resource Conservation Commission ("TNRCC") as **Contract No. 2071**, GBRA agreed to supply 350 acre-feet of untreated water per annum to Maxwell WSC.

Pursuant to the terms of that certain contract for raw water service between GBRA and County Line Water Supply Corporation ("County Line WSC") dated April 7, 1997, and designated by TNRCC as **Contract No. 2140**, GBRA agreed to supply 30 acre-feet of untreated water per annum to County Line WSC.

Maxwell WSC and County Line WSC desire that the two existing contracts described above be cancelled and that the commitment by GBRA for untreated water to be delivered by GBRA to Maxwell WSC and County Line WSC be included in this Contract for Raw Water Service with CRWA. GBRA agrees that the contracts with Maxwell WSC and County Line WSC may be cancelled and that the commitments in those contracts be included in this Contract. Also included in this Contract is a commitment of 50 acre-feet per annum of untreated water that will be delivered through CRWA to the Martindale Water Supply Corporation.

AGREEMENT

For and in consideration of the mutual promises, obligations, and benefits hereinafter set forth, GBRA and Purchaser agree as follows:

1. **QUANTITY.** GBRA agrees to furnish Purchaser, at the Point of Diversion (hereinafter defined), during the term of this agreement, untreated water from conservation storage in Canyon Reservoir under Certificate of Adjudication 18-2074D, as amended, in such quantity as may be required by Purchaser, not to exceed 430 acre-feet per year (the "Annual Commitment"), to be used for Municipal purposes.

2. **POINT OF DIVERSION.** The water will be furnished at a point in Guadalupe County (the "Point of Diversion") as follows: North 21° West from the South corner of the Antonio M. Esnaurrizar Survey, a distance of 34,800 feet. Said point is also located on the East bank of the GBRA Dunlap Hydro Canal and downstream 100' due South from the headwork tainter gates.

The maximum rate of diversion at the Point of Diversion shall not exceed 350 gallons per minute (0.78 cubic feet/second). The vicinity map attached hereto as Exhibit "A" shows the Point of Diversion. Exhibit "B" shows the place of use. Certificate of Adjudication 18-2074D authorizes GBRA to use the bed and banks of

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the Guadalupe River to convey water released from Canyon Reservoir to the Point of Diversion.

3. MONTHLY PAYMENTS. Purchaser agrees to pay GBRA at its office in Guadalupe County, Texas, or such other place as GBRA may designate in writing, upon execution of this contract by Purchaser, and thereafter not later than the twentieth (20th) day of each month during the term of this contract, an amount of money equal to one-twelfth of the Annual Commitment multiplied by the then applicable rate for water supplied from conservation storage in Canyon Reservoir (the "Raw Water Rate"). The payment due upon execution of this contract shall be \$ 2,185.83 based upon the current Raw Water Rate of \$ 61.00 per acre-foot per year.

4. ANNUAL ADJUSTMENT. Purchaser agrees to pay GBRA at its office in Guadalupe County, Texas, or such other place as GBRA may designate in writing, not later than the thirty-first day of January of each year, a dollar amount equal to the Raw Water Rate times the number of acre-feet by which the total amount of water diverted at the Point of Diversion in the previous calendar year exceeds the Annual Commitment, provided, however, that nothing in this section shall be construed as obligating GBRA to supply in any year more water than the Annual Commitment.

5. ADJUSTMENT OF RAW WATER RATE. The Raw Water Rate may be adjusted by GBRA at any time and from time to time. If GBRA desires to adjust the Raw Water Rate, it shall, at least sixty (60) days prior to the first day on which the adjustment is proposed to become effective, give written notice of the proposed adjustment to Purchaser.

6. METERING. GBRA shall furnish, install, operate and maintain at its own expense at the Point of Diversion a measuring device or devices to measure the quantity of water diverted for Purchaser within five percent (5%) above or below the amount actually diverted. All measuring devices shall be subject at all reasonable times to inspection, examination and testing by an employee or agent of Purchaser. Any measuring device which fails to function or which functions incorrectly shall, at GBRA's expense, promptly be adjusted, repaired or replaced by a like device having the required accuracy. Purchaser may, at its expense, install and maintain such measuring devices as it deems appropriate to measure the quantity of water diverted for Purchaser at the Point of Diversion, in which case measurement of water shall be made by GBRA's measuring devices. GBRA shall read the metering equipment monthly and shall maintain records of such readings. Purchaser shall furnish GBRA by the first day of each month with an estimate of the total amount of water to be diverted that month, as well as the amount actually diverted the previous month. GBRA agrees to complete and file with the TNRCC (or its successor) all reports of water used by Purchaser.

7. QUALITY. The water to be supplied hereunder shall be untreated water as it occurs in the Guadalupe River at the Point of Diversion.

8. REGULATORY AGENCIES. The effectiveness of this contract is dependent upon compliance with the applicable provisions, if any, of 31 TAC 295 and 297, Subchapter J of the Texas Natural Resource Conservation Commission.

9. ASSIGNMENT. Except as specifically provided otherwise below, Purchaser may not assign this contract without the prior written consent of GBRA. Without obtaining GBRA's consent, Purchaser may assign this contract to the U. S. Department of Agriculture-Rural Development. Any successor or assign of GBRA shall succeed to the rights and obligations of GBRA hereunder.

10. CAPTIONS. All titles of the sections of this contract have been inserted for convenience of reference only and are not considered a part of this contract and in no way shall they affect the interpretation of any provisions of this contract.

11. TERMINATION. Purchaser may terminate this contract at any time for any reason by giving GBRA written notice of termination thirty (30) days prior to the date of termination. If Purchaser fails to pay any amounts payable under this contract when due and payable, GBRA may give written notice of such delinquency to Purchaser, and if all amounts due and unpaid, including interest thereon from the date payment was due at maximum legal rates, are not paid within thirty days after delivery of such notice, then GBRA may, at its option, institute suit for the collection thereof and utilize such other remedies as may exist to collect any amounts due and unpaid, together with interest thereon at the maximum legal rate and attorney's fees. In addition to all other remedies, GBRA may, at its option, if such amounts are not paid within said thirty day period, terminate this contract without recourse.

12. TERM. This contract shall terminate on December 31, 2039 unless it is terminated earlier pursuant to the provisions hereof.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be duly executed in multiple counterparts, each of which shall constitute an original.

Attest: Julie Slumberg

Guadalupe-Blanco River Authority

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

Attest: David Davenport

Purchaser

By David Davenport
David Davenport, General Manager
850 Lakeside Pass Drive

Address
New Braunfels, TX 78130

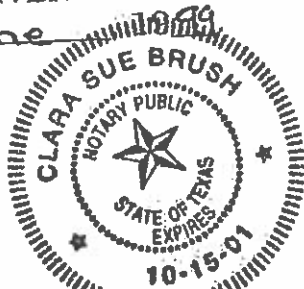
City, State, Zip
830-609-0543

Telephone No.

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 17th day of June, 1999



Clara Sue Brush
Notary Public
The State of Texas

THE STATE OF TEXAS §
COUNTY OF Guadalupe §

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared DAVID DAVENPORT, GENERAL MANAGER OF THE CANYON REGIONAL WATER AUTHORITY, 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 14th day of June, 1999.



Paul M. Taggart
Notary Public
The State of Texas

**RESOLUTION AND ORDER OF BOARD OF DIRECTORS OF
GUADALUPE-BLANCO RIVER AUTHORITY
ADOPTED AT REGULAR MEETING ON JUNE 16, 1999**

At a regular meeting of the Board of Directors of Guadalupe-Blanco River Authority had on June 16, 1999, at the Seguin Independent School District Board Room, 1221 East Kingsbury, Seguin, Guadalupe County, Texas, a quorum being present, the following Resolution and Order of the Board was unanimously adopted, that is:

"Next the Chair called for Action Item 1 - "Consideration of and possible action approving a Water Supply Agreement between Canyon Regional Water Authority and Guadalupe-Blanco River Authority" and Action Item 2 - "Consideration of and possible action approving a Water Supply Agreement between Hays Energy Limited Partnership and Guadalupe-Blanco River Authority." The Board was briefed on the San Marcos pipeline project. Canyon Regional Water Authority will take treated water from the San Marcos Water Treatment Plant and Hays Energy Limited Partnership will take untreated water from the pipeline and purchase additional effluent from the City of San Marcos. Upon motion by Director Cooper, seconded by Director Schlather, the Board approved the Water Supply Agreements with Canyon Regional Water Authority and Hays Energy Limited Partnership and rescinded the Board action of July 15, 1998, approving a Water Supply Agreement with Canyon Regional Water Authority for delivery and treatment of surface water from the San Marcos Regional Water Project by the following vote:

AYES: Directors McHaney, Hodges, Cooper, Blackwell,
Devine, Schlather, and Wilson

NOES: None

ABSTENTIONS: Director Schneider

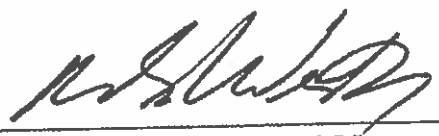
A copy of the Water Supply Agreements is attached and made a part of these minutes."

C E R T I F I C A T E

THE STATE OF TEXAS)

COUNTY OF GUADALUPE)

I, W. E. West, Jr., do hereby certify that I am the General Manager of the Guadalupe-Blanco River Authority; that the above and foregoing is a true and correct copy of an excerpt from the minutes of a meeting of the Board of Directors of Guadalupe-Blanco River Authority; that the action evidenced by such excerpt has not been in any way changed, altered, modified, or amended; and that I am the custodian of the minutes of the meetings of said Board of Directors, TO CERTIFY WHICH WITNESS MY HAND AND THE SEAL OF THE GUADALUPE-BLANCO RIVER AUTHORITY, on this the 12th day of June 1999.



W. E. West, Jr., General Manager

(SEAL)

**Certification of Minutes
of the Canyon Regional Water Authority
Regular Board Meeting
On June 14th, 1999**

I, Paul Taggart, do hereby certify that this is a true and correct copy of an excerpt from the minutes of a meeting of the Board of Trustees of Canyon Regional Water Authority; that the action evidence by such excerpt has not been in any way changed, altered, modified, or amended; and that I am the custodian of the minutes of the meetings of said Board of Trustees, TO CERTIFY WHICH WITNESS MY HAND AND THE SEAL OF CANYON REGIONAL WATER AUTHORITY, on this the 13th day of July 1999.



(SEAL)

Item 4. Consideration and Approval of a Water Supply Agreement between Canyon Regional Water Authority and the Guadalupe blanco River Authority (San Marcos Project).

Mr. Davenport provided an overview of the take or pay contract and advised members that he felt that this was a good contract for CRWA. He further advised that the costs would only apply to the member entities from Hays Caldwell. Mr. Davenport asked Mr. Rosenberg if he had any comments on the contract.

Mr. Rosenberg advised that CRWA is piggy backing on an existing contract between GBRA and San Marcos. He further advised his reluctance to have to rely on one party, but that there was an economic benefit to CRWA by doing the contract this way.

A general discussion followed on the flow rate and method of costing (GPM) of the water.

Mr. Alvin Schuarg of the GBRA then briefed the members on additional details of the contract, and also the costs of the project. He further advised that other organizations in the San Marcos area are getting water from GBRA from the same source and that all of the contracts are worded very similarly to the contract provided to CRWA.

Several members expressed concern that a golf course had the same priority to the treated water that individuals would have.

Mr. Rosenberg commented that while he didn't agree either, GBRA is operating according to current legislation on this issue.

Chairman Speer asked the water companies concerned (Hays Caldwell Group) if they had looked at the contract closely and were they prepared to live with the contract as written.

Mr. Fonville (Martindale WSC) and Secretary Speed (Crystal Clear WSC) stated they would like the opportunity to brief their respective boards prior to any action being taken.

Mr. Schuarg stated that GBRA has a scheduled board meeting for Wednesday and that timing was becoming critical because of the bonds for funding.

Mr. Davenport stated that timing was critical and that the Martindale board had accepted the contract and that if Martindale didn't want to participate, their 50 A/F would be dropped or reallocated. He further stated that Crystal Clear was not getting any water from this source and that there would be no impact on them.

Mr. Cook made the motion and Vice Chairman Tschirhart seconded to approve the contract as submitted.

Chairman Speer called for a vote and the motion passed unanimously.

FIRST AMENDMENT TO WATER SUPPLY AGREEMENT
BETWEEN
CANYON REGIONAL WATER AUTHORITY AND
GUADALUPE-BLANCO RIVER AUTHORITY

CANYON REGIONAL WATER AUTHORITY
RECEIVED
JAN 25 2001

FILE COPY

This Amendment (hereinafter called the "First Amendment"), entered into as of the 24th day of January, 2001, between the GUADALUPE-BLANCO RIVER AUTHORITY, a conservation district and political subdivision of the State of Texas (hereinafter called "GBRA"), and CANYON REGIONAL WATER AUTHORITY, a regional water authority created under Article XVI, Section 59 of the Texas Constitution, (hereinafter called "CRWA"), shall constitute an amendment to that certain contract (between the parties, dated as of June 16, 1999, entitled "Water Supply Agreement" (such contract as amended, hereinafter called the "Agreement");

WITNESSETH:

Recitals

Under the terms of the Agreement between Guadalupe-Blanco River Authority ("GBRA") and Canyon Regional Water Authority ("CRWA") dated June 16, 1999, GBRA has agreed to deliver to CRWA for its customers a total commitment of 430 acre-feet. Purchaser's customers include several water supply corporations. Of the total 430 acre-feet of untreated water, Maxwell Water Supply Corporation ("Maxwell WSC") is to be supplied 350 acre-feet; County Line Water Supply Corporation ("County Line WSC") is to be supplied 30 acre-feet; and Martindale Water Supply Corporation ("Martindale WSC") is to be supplied 50 acre-feet.

Maxwell WSC now desires to increase the amount of water supplied under this Agreement from 350 acre-feet per year to 550 acre-feet per year. County Line WSC also desires to increase the amount of water supplied under this Agreement from 30 acre-feet per year to 230 acre-feet per year.

Based on these increased quantities, CRWA also desires to increase the rate at which water is delivered under the Agreement.

Agreement

NOW, THEREFORE, for and in consideration of the mutual promises, obligations, and benefits hereinafter set forth, GBRA and CRWA agree to amend, modify and change certain sections of the Agreement as follow:

1. The definition of "CRWA's Raw Water Contract" in **Section 1** shall be amended in its entirety to read as follows:

"CRWA's Raw Water Contract" means that certain contract dated June 16 1999 by and between GBRA and CRWA (designated Contract Number 2204 by the TNRCC), as it may be amended from time to time, providing CRWA with a commitment of stored water from Canyon Reservoir.

2. Paragraphs (b) and (c) of **Section 4** shall be amended in their entirety to read as follows:

(b) Prior to the Plant Expansion Date, the maximum rate of delivery of raw water for CRWA to the Plant, or to another point of delivery agreed to pursuant to subsection (a) of this Section, shall not exceed 514 gpm.

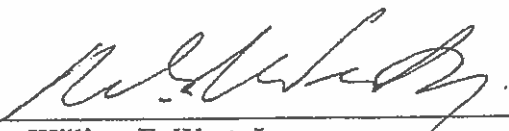
(c) From and after the Plant Expansion Date, the maximum rate of delivery of raw water for CRWA to the Plant shall not exceed 514 gpm.

3. Paragraph (d) of **Section 5** shall be amended in its entirety to read as follows:

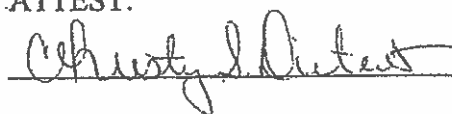
(d) From and after the Plant Expansion Date, the maximum rate of delivery to CRWA of treated water from the Plant shall not exceed 514 gpm or 0.74 MGD.

IN WITNESS WHEREOF, the parties hereto, acting under the authority of their respective governing bodies, have caused the First Amendment to be duly executed in four (4) counterparts, each of which shall constitute an original.


GUADALUPE-BLANCO RIVER AUTHORITY

By 
William E. West, Jr.
General Manager


ATTEST:



CANYON REGIONAL WATER AUTHORITY

By 
David Davenport, General Manager
850 Lakeside Pass Drive
New Braunfels, Texas 78130
830/609-0543

ATTEST:



§ THE STATE OF TEXAS

§ COUNTY OF GUADALUPE

BEFORE ME, the undersigned authority, on this day personally appeared WILLIAM E. WEST, Jr., known to me to be the person whose name is subscribed to the foregoing instrument as GENERAL MANAGER OF THE GUADALUPE-BLANCO RIVER AUTHORITY, a conservation and reclamation district, a governmental agency and a body politic and corporate, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said Authority.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 24th day of January, 2001.



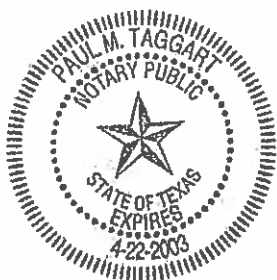
Clara Sue Brush
Notary Public in and for
The State of Texas
My Commission Expires: 10-15-01

§ THE STATE OF TEXAS

§ COUNTY OF GUADALUPE

BEFORE ME, the undersigned authority, on this day personally appeared DAVID DAVENPORT, GENERAL MANAGER of the CANYON REGIONAL WATER AUTHORITY, 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, in the capacity therein stated, and as the act and deed of said Authority.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 8th day of January, 2001.



Paul M. Taggart
Notary Public in and for
The State of Texas
My Commission Expires: 4-22-03

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**SECOND AMENDMENT TO WATER SUPPLY AGREEMENT
BETWEEN
CANYON REGIONAL WATER AUTHORITY AND
GUADALUPE-BLANCO RIVER AUTHORITY**

This Amendment (hereinafter called the "Second Amendment"), entered into as of the 1st day of February, 2002, between the GUADALUPE-BLANCO RIVER AUTHORITY, a conservation district and political subdivision of the State of Texas (hereinafter called "GBRA"), and CANYON REGIONAL WATER AUTHORITY, a regional water authority created under Article XVI, Section 59 of the Texas Constitution, (hereinafter called "CRWA"), shall constitute an amendment to that certain contract between the parties, dated as of June 16, 1999, and first amended on January 24, 2001 entitled "Water Supply Agreement" (such contract as amended, hereinafter called the "Agreement");

WITNESSETH:

Recitals

Under the terms of the Agreement between Guadalupe-Blanco River Authority ("GBRA") and Canyon Regional Water Authority ("CRWA") dated June 16, 1999, and amended on January 24, 2001 GBRA has agreed to deliver to CRWA for its customers a total commitment of 830 acre-feet of water per year. Purchaser's customers include several water supply corporations. Of the total 830 acre-feet of untreated water per year, Maxwell Water Supply Corporation ("Maxwell WSC") is to be supplied 550 acre-feet; County Line Water Supply Corporation ("County Line WSC") is to be supplied 230 acre-feet; and Martindale Water Supply Corporation ("Martindale WSC") is to be supplied 50 acre-feet.

County Line WSC now desires to increase the amount of water delivered to it under this Agreement from 230 acre-feet per year to 654 acre-feet per year.

Based on this increased quantity of water, CRWA desires to increase the rate at which water is delivered under the Agreement.

Agreement

NOW, THEREFORE, for and in consideration of the mutual promises, obligations, and benefits hereinafter set forth, GBRA and CRWA agree to amend, modify and change certain sections of the Agreement as follow:

1. Paragraphs (b) and (c) of Section 4 shall be amended in their entirety to read as follows:

(b) Prior to the Plant Expansion Date, the maximum rate of delivery of raw water for CRWA to the Plant, or to another point of delivery agreed to pursuant to subsection (a) of this Section, shall not exceed 777 gpm.

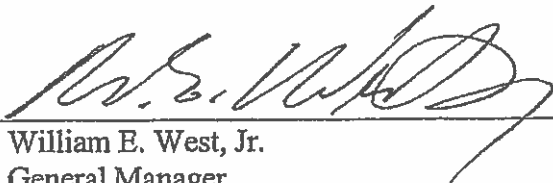
(c) From and after the Plant Expansion Date, the maximum rate of delivery of raw water for CRWA to the Plant shall not exceed 777 gpm.

2. Paragraph (d) of Section 5 shall be amended in its entirety to read as follows:

(d) From and after the Plant Expansion Date, the maximum rate of delivery to CRWA of treated water from the Plant shall not exceed 777 gpm or 1.16 MGD.


IN WITNESS WHEREOF, the parties hereto, acting under the authority of their respective governing bodies, have caused the Second Amendment to be duly executed in three (3) counterparts, each of which shall constitute an original.

GUADALUPE-BLANCO RIVER AUTHORITY

By 
William E. West, Jr.
General Manager

ATTEST:


CANYON REGIONAL WATER AUTHORITY

By 
David Davenport, General Manager
850 Lakeside Pass Drive
New Braunfels, Texas 78130
830/609-0543

ATTEST:


§ THE STATE OF TEXAS

§ COUNTY OF GUADALUPE

BEFORE ME, the undersigned authority, on this day personally appeared WILLIAM E. WEST, Jr., known to me to be the person whose name is subscribed to the foregoing instrument as GENERAL MANAGER OF THE GUADALUPE-BLANCO RIVER AUTHORITY, a conservation and reclamation district, a governmental agency and a body politic and corporate, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said Authority.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 15th day of February, 2002.

Christy S. Dietert

Notary Public in and for
The State of Texas

My Commission Expires: 5-11-04

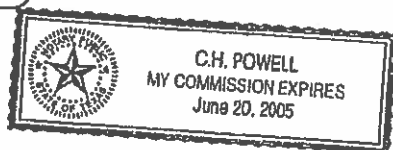


§ THE STATE OF TEXAS

§ COUNTY OF GUADALUPE

BEFORE ME, the undersigned authority, on this day personally appeared DAVID DAVENPORT, GENERAL MANAGER of the CANYON REGIONAL WATER AUTHORITY, 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, in the capacity therein stated, and as the act and deed of said Authority.

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



C.H. Powell

Notary Public in and for
The State of Texas

My Commission Expires: _____

**THIRD AMENDMENT TO WATER SUPPLY AGREEMENT
BETWEEN
CANYON REGIONAL WATER AUTHORITY AND
GUADALUPE-BLANCO RIVER AUTHORITY**

This Amendment (hereinafter called the "Third Amendment"), entered into as of the 4th day of June, 2003, between the GUADALUPE-BLANCO RIVER AUTHORITY, a conservation district and political subdivision of the State of Texas (hereinafter called "GBRA"), and CANYON REGIONAL WATER AUTHORITY, a regional water authority created under Article XVI, Section 59 of the Texas Constitution, (hereinafter called "CRWA"), shall constitute an amendment to that certain contract between the parties, dated as of June 16, 1999, and amended on January 24, 2001, and February 1, 2002, entitled "Water Supply Agreement" (such contract as amended, hereinafter called the "Agreement");

WITNESSETH:

Recitals

Under the terms of the Agreement between Guadalupe-Blanco River Authority ("GBRA") and Canyon Regional Water Authority ("CRWA") dated June 16, 1999, and amended on January 24, 2001, and February 1, 2002, GBRA has agreed to deliver to CRWA for its customers a total commitment of 1,254 acre-feet of water per year. Purchaser's customers include several water supply corporations. Of the total 1,254 acre-feet of untreated water per year, Maxwell Water Supply Corporation ("Maxwell WSC") is to be supplied 550 acre-feet; County Line Water Supply Corporation ("County Line WSC") is to be supplied 654 acre-feet; and Martindale Water Supply Corporation ("Martindale WSC") is to be supplied 50 acre-feet.

County Line WSC now desires to increase the amount of water delivered to it under the Agreement from 654 acre-feet per year to 1,052 acre-feet per year. Maxwell WSC now desires to increase the amount of untreated water to be supplied under the Agreement from 550 acre-feet of water per year to 644 acre-feet of water per year.

In addition, another of CRWA's customers, Crystal Clear Water Supply Corporation ("Crystal Clear WSC") desires to be supplied 292 acre-feet of water per year under the Agreement.

Based on this increased quantity of water, CRWA desires to increase the rate at which water is delivered under the Agreement.

Agreement

NOW, THEREFORE, for and in consideration of the mutual promises, obligations, and benefits hereinafter set forth, GBRA and CRWA agree to amend, modify and change certain sections of the Agreement as follow. All other terms and conditions of the Contract not expressly amended by this Third Amendment shall continue in full force and effect.

1. Paragraphs (b) and (c) of **Section 4** shall be amended in their entirety to read as follows:

(b) Prior to the Plant Expansion Date, the maximum rate of delivery of raw water for CRWA to the Plant, or to another point of delivery agreed to pursuant to subsection (a) of this Section, shall not exceed 1,390 gpm.

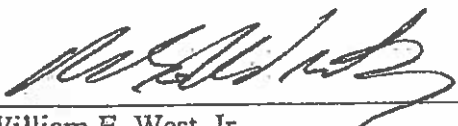
(c) From and after the Plant Expansion Date, the maximum rate of delivery of raw water for CRWA to the Plant shall not exceed 1,390 gpm.

2. Paragraph (d) of **Section 5** shall be amended in its entirety to read as follows:

(d) From and after the Plant Expansion Date, the maximum rate of delivery to CRWA of treated water from the Plant shall not exceed 1,390 gpm or 2.0 MGD.

IN WITNESS WHEREOF, the parties hereto, acting under the authority of their respective governing bodies, have caused the Third Amendment to be duly executed in three (3) counterparts, each of which shall constitute an original.


GUADALUPE-BLANCO RIVER AUTHORITY

By 
William E. West, Jr.
General Manager


ATTEST:



CANYON REGIONAL WATER AUTHORITY

By 
David Davenport, General Manager
850 Lakeside Pass Drive
New Braunfels, Texas 78130
830/609-0543

ATTEST:



§ THE STATE OF TEXAS

§ COUNTY OF GUADALUPE

BEFORE ME, the undersigned authority, on this day personally appeared WILLIAM E. WEST, Jr., known to me to be the person whose name is subscribed to the foregoing instrument as GENERAL MANAGER OF THE GUADALUPE-BLANCO RIVER AUTHORITY, a conservation and reclamation district, a governmental agency and a body politic and corporate, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said Authority.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 16th day of June, 2003



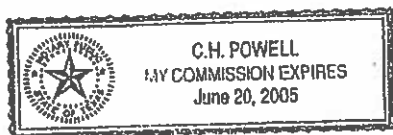
Christy L. Dittus
Notary Public in and for
The State of Texas
My Commission Expires: 5-11-2004

§ THE STATE OF TEXAS

§ COUNTY OF GUADALUPE

BEFORE ME, the undersigned authority, on this day personally appeared DAVID DAVENPORT, GENERAL MANAGER of the CANYON REGIONAL WATER AUTHORITY, 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, in the capacity therein stated, and as the act and deed of said Authority.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 4th day of June, 2003



C.H. Powell

Notary Public in and for
The State of Texas
My Commission Expires: _____

**THIRD AMENDMENT TO CONTRACT FOR RAW WATER SERVICE
BETWEEN
GUADALUPE-BLANCO RIVER AUTHORITY
AND CANYON REGIONAL WATER AUTHORITY**

This Contract Amendment (hereinafter called the "Third Amendment"), entered into as of the 4th day of June, 2003, between the GUADALUPE-BLANCO RIVER AUTHORITY, a conservation district and political subdivision of the State of Texas (hereinafter called "GBRA"), and CANYON REGIONAL WATER AUTHORITY, a regional water authority created under Article XVI, Section 59 of the Texas Constitution, (hereinafter called "Purchaser"), shall constitute an amendment to that certain contract (TCEQ Water Contract No. 2204A) between the parties dated as of June 16, 1999 and amended on January 24, 2001, and February 1, 2002, entitled "Contract for Raw Water Service" (such contract as amended, hereinafter called the "Contract");

WITNESSETH:

Recitals

Under the terms of the Contract for Raw Water Service between Guadalupe-Blanco River Authority ("GBRA") and Canyon Regional Water Authority ("Purchaser") dated June 16, 1999, and amended on January 24, 2001, and February 1, 2002, designated by Texas Commission on Environmental Quality ("TCEQ") as Contract No. 2204A, GBRA has agreed to supply to Purchaser for its customers a total commitment of 1,254 acre-feet of water per year. Purchaser's customers include several water supply corporations. Of the total 1,254 acre-feet of untreated water, Maxwell Water Supply Corporation ("Maxwell WSC") is to be supplied 550 acre-feet; County Line Water Supply Corporation ("County Line WSC") is to be supplied 654 acre-feet; and Martindale Water Supply Corporation ("Martindale WSC") is to be supplied 50 acre-feet of water per year.

County Line WSC now desires to increase the amount of untreated water to be supplied under the Contract from 654 acre-feet of water per year to 1,052 acre-feet of water per year. Maxwell WSC

now desires to increase the amount of untreated water to be supplied under the Contract from 550 acre-feet of water per year to 644 acre-feet of water per year.

In addition, another of Purchaser's customers, Crystal Clear Water Supply Corporation ("Crystal Clear WSC") desires to be supplied 292 acre-feet of water per year under the Contract.

Agreement

NOW, THEREFORE, for and in consideration of the mutual promises, obligations, and benefits hereinafter set forth, GBRA and Purchaser agree to amend, modify and change certain sections of the Contract as follow. All other terms and conditions of the Contract not expressly amended by this Third Amendment shall continue in full force and effect.

Section 1 shall be amended in its entirety to read as follows:

1. QUANTITY. GBRA agrees to furnish Purchaser, at the Point of Diversion (hereinafter defined), during the term of this Contract, untreated water from conservation storage in Canyon Reservoir under Certificate of Adjudication 18-2074, as amended, in such quantity as may be required by Purchaser, not to exceed 2,038 acre-feet of water per year (the "Annual Commitment"), to be used for Municipal purposes. The 2,038 acre-foot Annual Commitment shall be divided as follows: Maxwell WSC shall have an Annual Commitment of 644 acre-feet; County Line WSC shall have an Annual Commitment of 1,052 acre-feet; Martindale WSC shall have an Annual Commitment of 50 acre-feet; and Crystal Clear WSC shall have an Annual Commitment of 292 acre-feet.

Section 2, shall be amended in its entirety to read as follows:

2. POINT OF DIVERSION. The water will be furnished at a point in Guadalupe County (the "Point of Diversion") as follows: North 21 degrees West from the South corner of the Antonio M. Esnaurrizar Survey, a distance of 34,800 feet. Said point is also located on the East bank of the GBRA Dunlap Hydroelectric Canal and downstream 100 feet from the headworks tainter gates.


The maximum rate of diversion at the Point of Diversion shall not exceed 1,390 gallons per minute (3.1 cubic feet per second). The vicinity map attached hereto as Exhibit "A" shows the Point of Diversion. Exhibit "B" shows the place of use. Certificate of Adjudication 18-2074, as amended, authorizes GBRA to use the bed and banks of the Guadalupe River to convey water released from Canyon Reservoir to the Point of Diversion.

Section 3, shall be amended in its entirety to read as follows:

3. MONTHLY PAYMENTS. Purchaser agrees to pay GBRA at its office in Guadalupe County, Texas, or such or other place as GBRA may designate in writing, upon execution of this Amendment by Purchaser, and thereafter not later than the twentieth (20th) day of each month during the term of this contract, an amount of money equal to one-twelfth of the Annual Commitment multiplied by the then applicable rate for water supplied from conservation storage in Canyon Reservoir (the "Raw Water Rate"). The payment due upon execution of this Amendment shall be \$13,586.67 based upon the current Raw Water Rate of \$80.00 per acre-foot per year.


IN WITNESS WHEREOF, the parties hereto, acting under the authority of their respective governing bodies, have caused this Third Amendment to be duly executed in three (3) counterparts, each of which shall constitute an original.

GUADALUPE-BLANCO RIVER AUTHORITY

By 
William E. West, Jr.
General Manager

ATTEST:


CANYON REGIONAL WATER AUTHORITY

By 
David Davenport, General Manager
850 Lakeside Pass Drive
New Braunfels, Texas 78130
830/609-0543

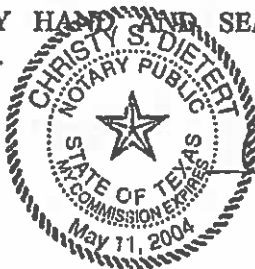
ATTEST:


§ THE STATE OF TEXAS

§ COUNTY OF GUADALUPE

BEFORE ME, the undersigned authority, on this day personally appeared WILLIAM E. WEST, Jr., known to me to be the person whose name is subscribed to the foregoing instrument as GENERAL MANAGER OF THE GUADALUPE-BLANCO RIVER AUTHORITY, a conservation and reclamation district, a governmental agency and a body politic and corporate, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said Authority.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 16th day of June, 2003



Christy S. Dietert
Notary Public in and for
The State of Texas

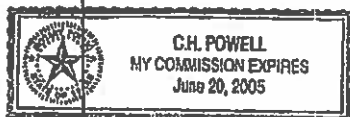
My Commission Expires: 5-11-2004

§ THE STATE OF TEXAS

§ COUNTY OF GUADALUPE

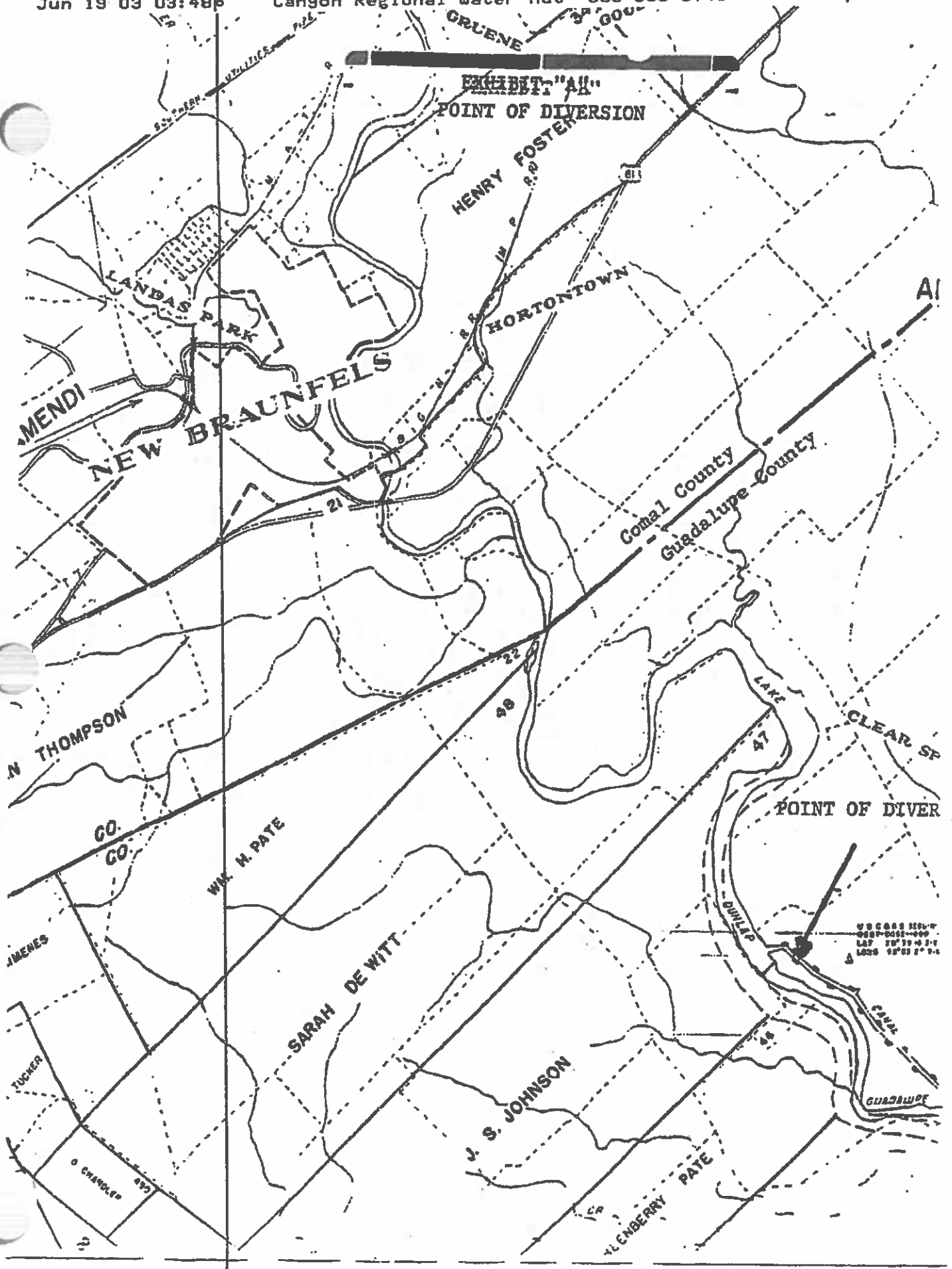
BEFORE ME, the undersigned authority, on this day personally appeared DAVID DAVENPORT, GENERAL MANAGER of the CANYON REGIONAL WATER AUTHORITY, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said Authority.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 4th day of June, 2003

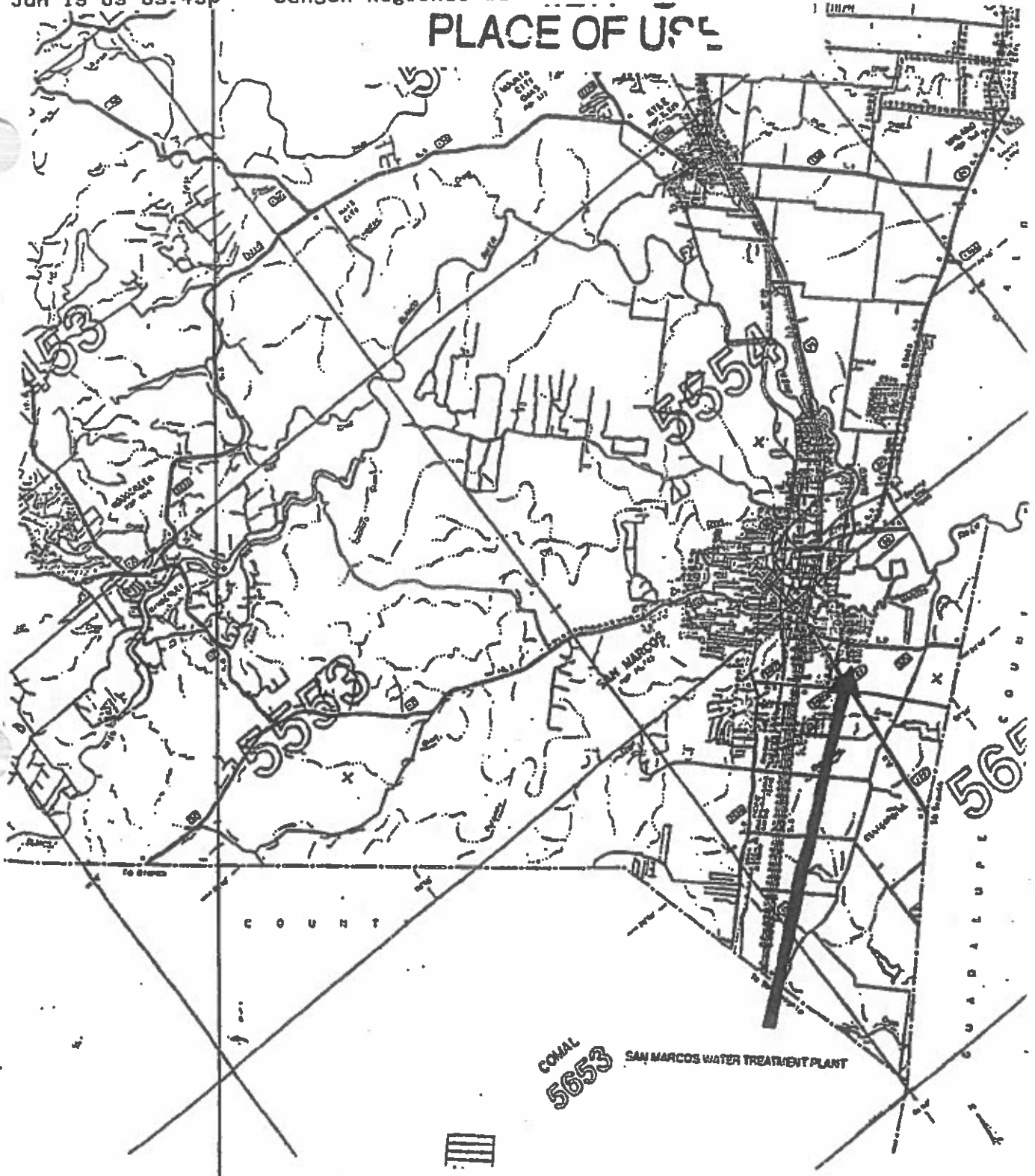


C.H. Powell
Notary Public in and for
The State of Texas

My Commission Expires: _____



PLACE OF USE



SAN MARCOS WATER TREATMENT PLANT NRCC NO. 1746-A
CITY OF SAN MARCOS WATER PURCHASE CONTRACT

GENERAL HIGHWAY MAP
HAYS COUNTY
TEXAS
PREPARED BY THE
TEXAS DEPARTMENT OF TRANSPORTATION

Exhibit "C"

North 21° West from the South corner of the Antonio M. Esnaurrizar Survey, a distance of 34,800 feet. Said point is also located on the East bank of the GBRA Dunlap Hydro Canal and downstream 100' due South from the headwork tainter gates.



Wet Rock Groundwater Services, L.L.C.

Groundwater Specialists

TBPG Firm No: 50038

311 Ranch Road 620 South, Suite 103
Austin, Texas 78734 • Ph: 512-773-3226

www.wetrockgs.com

October 7, 2013

Mr. Mike Taylor
General Manager
Crystal Clear WSC
2370 FM 1979
San Marcos, Texas 78666

RE: Crystal Clear WSC Kutscher Well Capacity

Dear Mr. Taylor:

The Kutscher Well is located within Comal County approximately 7.5 miles north of the City of New Braunfels within the TXI Hunter Cement Plant property. Figure 1 provides a well location map of the Kutscher Well.

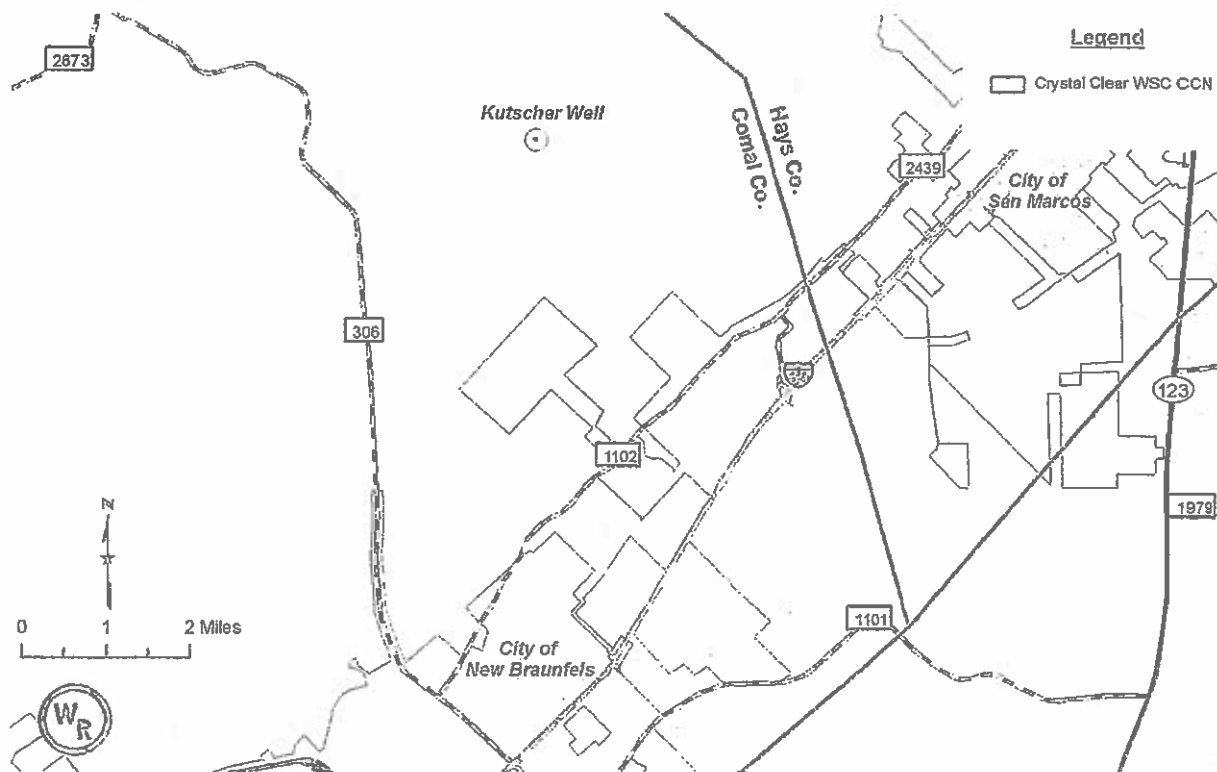


Figure 1: Well location map of the Kutscher Well

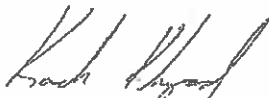
The well was completed in September of 2012 to a total depth of 1,240 ft. below ground surface (bgs) within the Trinity Aquifer with 14-inch steel casing pressure cemented. An initial pumping test during well construction was conducted on June 19, 2012 for approximately 25 hours. A 50 Horsepower (HP) pump was set in the well at 703 ft. bgs with a static water level of 465.8 ft. bgs. The well averaged an approximate production rate measured via flow meter of 225 gpm with 159.3 ft. of drawdown for a specific capacity of 1.41 gpm/ft. Aquifer test analysis of the pumping test yielded a transmissivity of 595 ft²/day and a hydraulic conductivity of 0.68 ft./day. Based upon the pumping test we estimated the production well capacity of the well at 300 gpm. Appendix A provides the aquifer test analysis for the June 19, 2012 test.

Upon completion of the well construction, the well was acidized with 10,000 gallons of 28% HCl under pressure followed by a flushing with approximately 60,000 gallons of water. On January 14, 2013 another pumping test was conducted to quantify the new well production capacity. The well was pumped for approximately 48 hours and the pumping rate was measure via a flow meter. A 200 HP pump was set in the well at 798 ft. bgs with a static water level of 437.68 ft. bgs. The well averaged an approximate production rate of 580 gpm over the 48-hour test with 308 ft of drawdown for a specific capacity of 1.88 gpm/ft. Aquifer test analysis of the pumping test yielded a transmissivity of 540 ft²/day and a hydraulic conductivity of 0.61 ft./day. Based upon the pumping test we estimated the production well capacity of the well at 600 gpm; doubling the initial well capacity with the acidization. Appendix B provides the aquifer test analysis for the January 14, 2013 test.

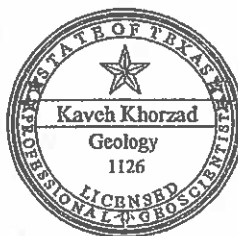
Both pumping tests conducted on the Kutscher Well were conducted during a period of extreme drought within the Central Texas area where water levels were at historic lows. The production well capacity of the Kutscher Well provided in this report represent historic drought conditions.

I appreciate the opportunity to provide my services. Please call me at 512-773-3226 if you have any questions or require additional information.

Respectfully submitted,



Kaveh Khorzad, P.G.



KK/bms

"The seal appearing on this document was authorized by Kaveh Khorzad, P.G. 1126 on October 7, 2013



Wet Rock Groundwater Services, LLC



Groundwater Specialists



Appendix A

June 19, 2012 Pumping Test



Wet Rock Groundwater Services, LLC



Groundwater Specialists

Results of Aquifer Test Analysis

for the

Kutscher Test Well

for

Crystal Clear Water Supply Corporation
2370 FM 1979
San Marcos, TX 78666

Comal County, Texas
June 2012

WRGS Project No. 059-004-12



Wet Rock Groundwater Services, L.L.C.

Groundwater Specialists

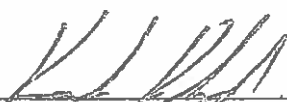
311 Ranch Road 620 South, Suite 103

Austin, Texas 78734

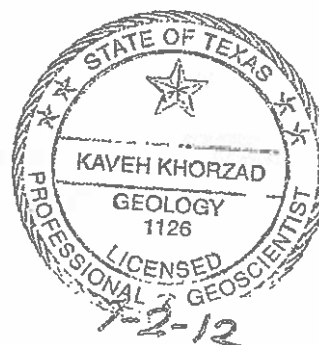
Phone: 512-773-3226 • www.wetrockgs.com

TBPG Firm No: 59038

The seal appearing on this document was authorized on July 2, 2012 by:


 Kaveh Khorzad, P.G.
 License No. 1126

Wet Rock Groundwater Services, LLC
 TBPG Firm Registration No. 50038



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Wet Rock Groundwater Services, L.L.C.

Groundwater Specialists

TBPG Firm No: 50038

311 Ranch Road 620 South, Suite 103

Austin, Texas 78734 • Ph: 512-773-3226

www.wetrockgs.com

Crystal Clear Water Supply Corporation

Kutscher Test Well

Trinity Aquifer

Contents

Attachment 1:	Trinity Test Well Location Map
Attachment 2:	Water Level and Temperature Graph
Attachment 3:	Aquifer Test Data
Attachment 4:	Table 1 - Well Construction Summary Table 2 - Aquifer Testing Summary Table 3 - Summary of Aquifer Testing Analysis
Attachment 5:	Aquifer Test Analysis



Wet Rock Groundwater Services, LLC

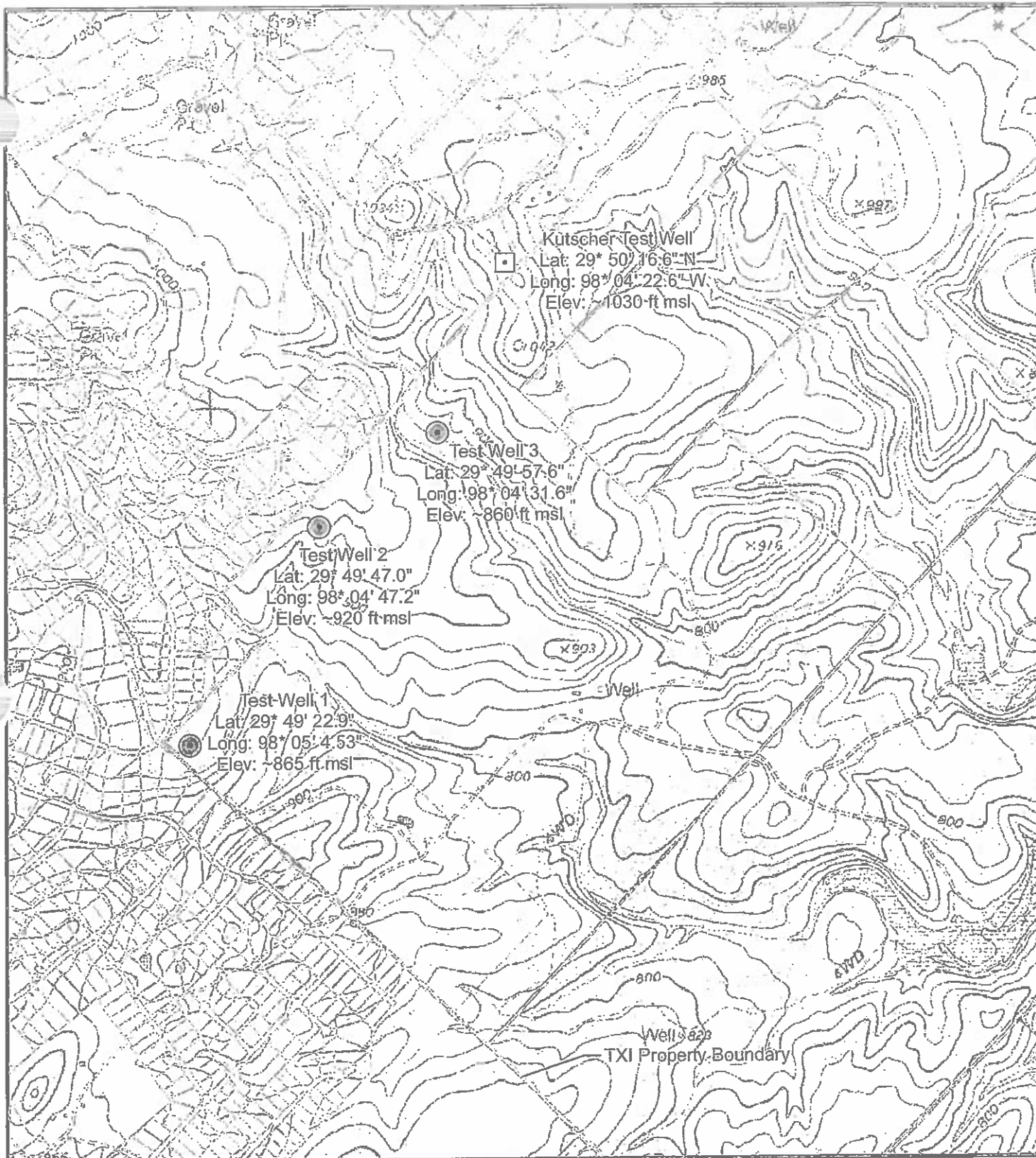


Groundwater Specialists

Attachment 1

Trinity Test Well Location Map





Scale: 1 in = 1,500 ft

Drawn By: BB Date: 6-12

Quad Name and No:
 Hunter, Texas 29098-G1

Projection:
 UTM NAD 83 Zone 14

ATTACHMENT 1 - CRYSTAL CLEAR WSC: TRINITY TEST WELL LOCATIONS

Crystal Clear WSC
Comal County, Texas



Wet Rock Groundwater Services, L.L.C.
Groundwater Specialists

TBPG Firm No: 50038

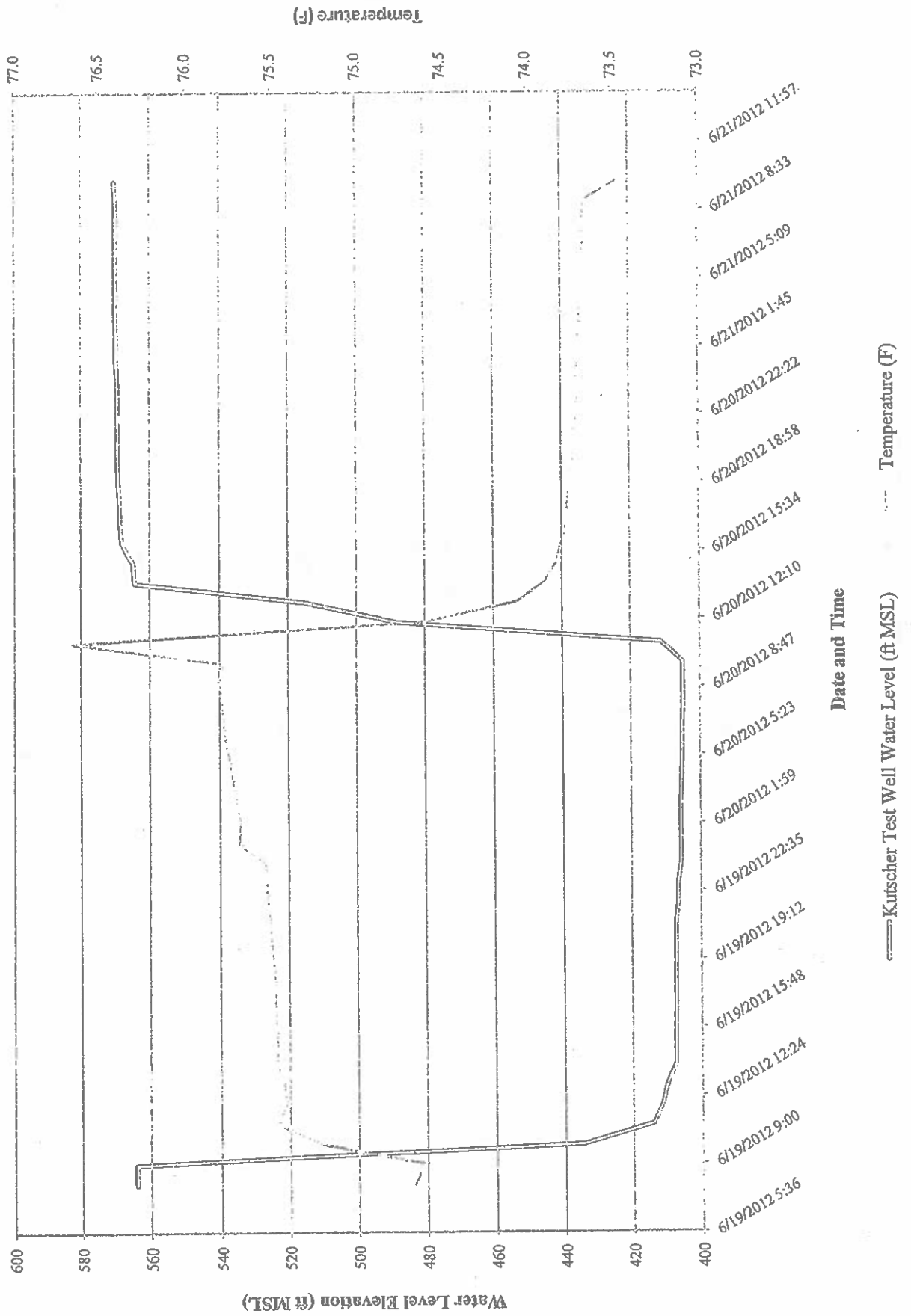
311 RR 620 S, Ste 103 Austin, TX 78734
 PH: 512-773-3226 www.wetrockgs.com

Attachment 2

Water Level and Temperature Graph



Crystal Clear WSC - Kutscher Well - Aquifer Test (June 19, 2012)



Attachment 3

Aquifer Test Data



Crystal Clear WSC - Kutscher Test Well - Aquifer Test (June 19, 2012)

Date and Time	Time Since Pump Start (hour)	Time Since Pump Stop (hour)	Temperature (F)	Water Level (ft bgs)	Water Level (ft MSL)	Drawdown (ft)	Pump Rate (gpm)	Specific Capacity (gpm/ft)	Comments
6/19/2012 9:00	0		74.6	465.8	570.2	0			
6/19/2012 10:00	1		75.2	595.8	440.2	130	225	1.73	
6/19/2012 11:00	2		75.5	615.9	420.1	150.1	225	1.50	
6/19/2012 12:00	3		75.4	618.6	417.4	152.8	225	1.47	
6/19/2012 13:00	4		75.4	620	416	154.2	225	1.46	
6/19/2012 14:00	5		75.5	622.4	413.6	156.6	225	1.44	
6/19/2012 15:00	6		75.5	622.4	413.6	156.6	225	1.44	
6/19/2012 16:00	7		75.5	622.4	413.6	156.6	225	1.44	
6/19/2012 17:00	8		75.5	622.5	413.5	156.7	225	1.44	
6/19/2012 18:00	9		75.5	622.5	413.5	156.7	225	1.44	
6/19/2012 19:00	10		75.5	622.5	413.5	156.7	225	1.44	
6/19/2012 20:00	11		75.5	622.6	413.4	156.8	225	1.43	
6/19/2012 21:00	12		75.5	622.6	413.4	156.8	225	1.43	
6/19/2012 22:00	13		75.5	623.3	412.7	157.5	225	1.43	
6/19/2012 23:00	14		75.5	623.3	412.7	157.5	225	1.43	
6/20/2012 0:00	15		75.5	624.2	411.8	158.4	225	1.42	
6/20/2012 1:00	16		75.7	624.3	411.7	158.5	225	1.42	
6/20/2012 2:00	17		75.7	624.3	411.7	158.5	225	1.42	
6/20/2012 3:00	18		75.7	624.3	411.7	158.5	225	1.42	
6/20/2012 4:00	19		75.7	624.5	411.5	158.7	225	1.42	
6/20/2012 5:00	20		75.7	624.7	411.3	158.9	225	1.42	
6/20/2012 6:00	21		75.8	624.8	411.2	159	225	1.42	
6/20/2012 7:00	22		75.8	624.8	411.2	159	225	1.42	
6/20/2012 8:00	23		75.8	625.1	410.9	159.3	225	1.41	
6/20/2012 9:00	24		75.8	625.1	410.9	159.3	225	1.41	
6/20/2012 10:00	25	0	75.8	625.1	410.9	159.3	225	1.41	Pump Stopped at 10:36 AM
6/20/2012 11:00	26	1	76.7	618.9	417.1	153.1			
6/20/2012 12:00	27	2	74.6	542	494	76.2			
6/20/2012 13:00	28	3	74.1	515	521	49.2			
6/20/2012 14:00	29	4	73.9	465.6	570.4	-0.2			
6/20/2012 15:00	30	5	73.8	465.2	570.8	-0.6			
6/20/2012 16:00	31	6	73.8	462.1	573.9	-3.7			
6/20/2012 17:00	32	7	73.8	461.5	574.5	-4.3			
6/20/2012 18:00	33	8	73.8	461.4	574.6	-4.4			
6/20/2012 19:00	34	9	73.7	461	575	-4.8			

Note: bgs = below ground surface Column Pipe Diameter = 4-inch Horsepower = 50 HP

MSL = Mean Sea Level Pump Setting = 703 feet bgs

Crystal Clear WSC - Kutscher Test Well - Aquifer Test (June 19, 2012)

Date and Time	Time Since Pump Start (hour)	Time Since Pump Stop (hour)	Temperature (F)	Water Level (ft bgs)	Water Level (ft MSL)	Drawdown (ft)	Pump Rate (gpm)	Specific Capacity (gpm/ft)	Comments
6/20/2012 20:00	35	10	73.7	460.9	575.1	-4.9			
6/20/2012 21:00	36	11	73.7	460.9	575.1	-4.9			
6/20/2012 22:00	37	12	73.7	460.8	575.2	-5			
6/20/2012 23:00	38	13	73.7	460.8	575.2	-5			
6/21/2012 0:00	39	14	73.7	460.8	575.2	-5			
6/21/2012 1:00	40	15	73.7	460.4	575.6	-5.4			
6/21/2012 2:00	41	16	73.7	460.4	575.6	-5.4			
6/21/2012 3:00	42	17	73.7	460.3	575.7	-5.5			
6/21/2012 4:00	43	18	73.7	460.3	575.7	-5.5			
6/21/2012 5:00	44	19	73.7	460.3	575.7	-5.5			
6/21/2012 6:00	45	20	73.7	460.3	575.7	-5.5			
6/21/2012 7:00	46	21	73.7	460.3	575.7	-5.5			
6/21/2012 8:00	47	22	73.7	460.3	575.7	-5.5			
6/21/2012 9:00	48	23	73.7	460.3	575.7	-5.5			
6/21/2012 10:00	49	24	73.5	459.9	576.1	-5.9			

Note: bgs = below ground surface Column Pipe Diameter = 4-inch Horsepower = 50 HP

MSL = Mean Sea Level Pump Setting = 703 feet bgs

Attachment 4

Table 1: Well Construction Summary

Table 2: Aquifer Testing Summary

Table 3: Summary of Aquifer Testing Analysis



Table 1 - Well Construction Summary

<u>Well</u>	<u>Hole Diameter (inches)</u>	<u>From (ft)</u>	<u>To (ft)</u>	<u>Casing Type</u>	<u>Casing Diameter (inches)</u>	<u>From (ft)</u>	<u>To (ft)</u>
Kutscher Test Well	7 7/8	0	1,360	Steel (Surface)	-	0	2
	-	-	-	Open Hole	7 7/8	0	1,360

Table 2 - Aquifer Testing Summary

<u>Well</u>	<u>Static Water Level (ft bgs)</u>	<u>Static Water Level (ft MSL)</u>	<u>Q (gpm)</u>	<u>Drawdown (ft)</u>	<u>SC (gpm/ft)</u>	<u>Pumping Duration (hours)</u>
Kutscher Test Well	465.8	564.2	225	159.3	1.41	25.0

Notes: Q = discharge; SC = specific capacity; bgs = below ground surface; MSL = Mean Sea Level; gpm = gallons per minute; ft = feet

Table 3 - Summary of Aquifer Testing Analysis

<u>Well</u>	<u>Analysis</u>	<u>b (ft)</u>	<u>T (ft²/day)</u>	<u>K (ft/day)</u>
Kutscher Test Well	Theis	881	595	0.68

Notes: b = aquifer thickness; r = distance from pumping well; T = transmissivity; K = hydraulic conductivity; ft = feet



Attachment 5

Aquifer Test Analysis



Appendix B

January 14, 2013 Pumping Test



Results of Aquifer Test Analysis

for the

Kutscher Well

for

Crystal Clear Water Supply Corporation
2370 FM 1979
San Marcos, TX 78666

Comal County, Texas
January 2013

WRGS Project No. 059-001-13



Wet Rock Groundwater Services, L.L.C.

Groundwater Specialists

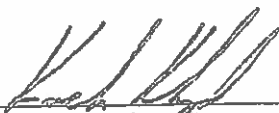
311 Ranch Road 620 South, Suite 103

Austin, Texas 78734

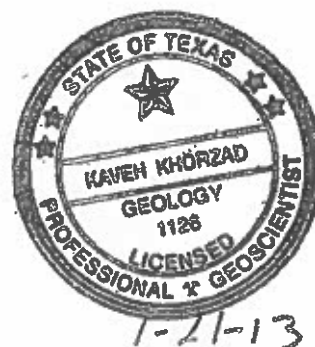
Phone: 512-773-3226 • www.wetrockgs.com

TBPG Form No: 50038

The seal appearing on this document was authorized on January 21, 2013 by:


Kaveh Khorzad, P.G.
License No. 1126

Wet Rock Groundwater Services, LLC
TBPG Firm Registration No. 50038



Wet Rock Groundwater Services, LLC



Groundwater Specialists

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Wet Rock Groundwater Services, L.L.C.

Groundwater Specialists

TBPG Firm No: 50038

311 Ranch Road 620 South, Suite 103

Austin, Texas 78734 • Ph: 512-773-3226

www.wetrockgs.com

Crystal Clear Water Supply Corporation
Kutscher Test Well
Trinity Aquifer

Contents

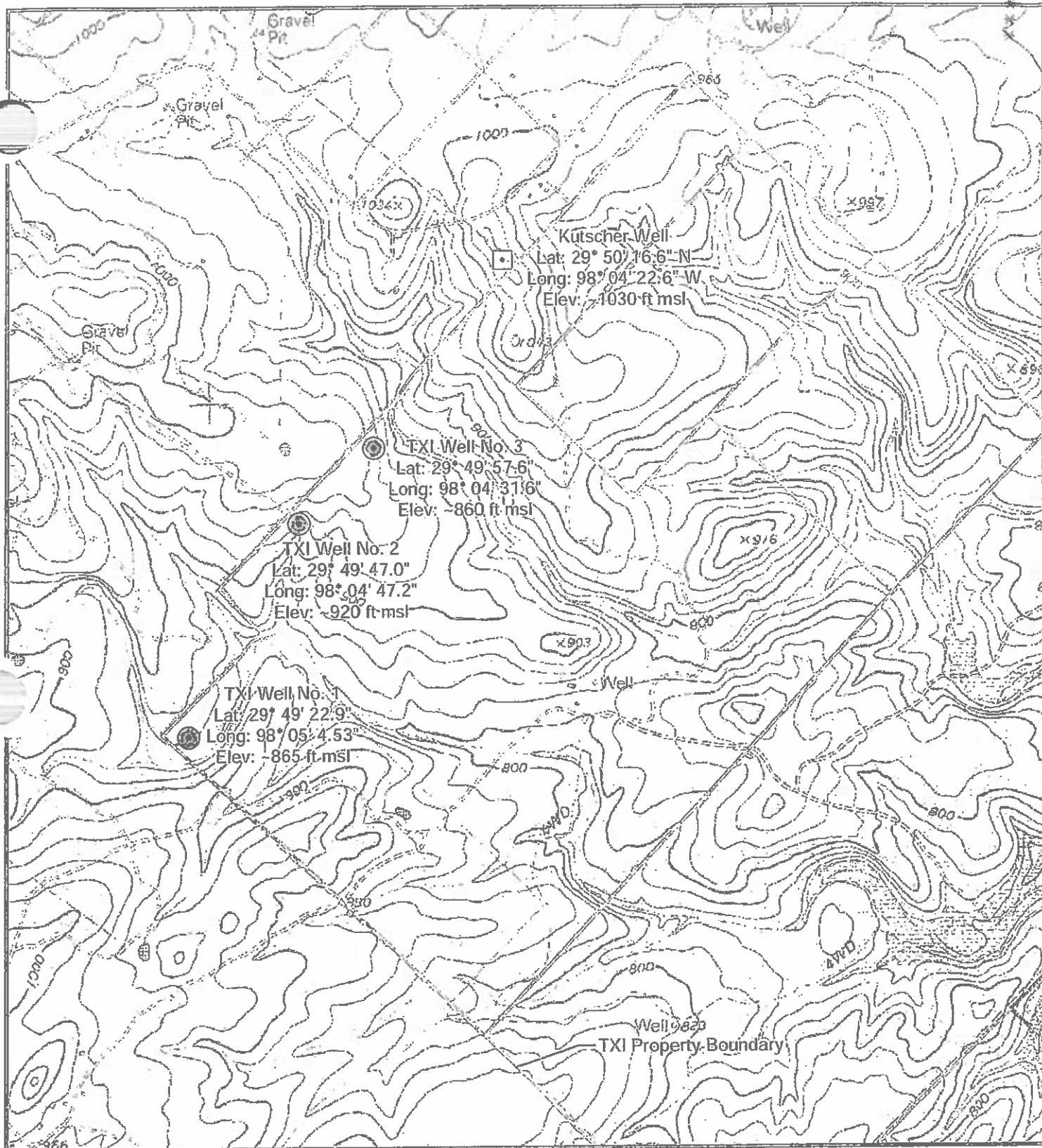
Attachment 1:	Trinity Well Location Map
Attachment 2:	Water Level and Temperature Graph
Attachment 3:	Aquifer Test Data
Attachment 4:	Table 1 - Well Construction Summary Table 2 - Aquifer Testing Summary Table 3 - Summary of Aquifer Testing Analysis
Attachment 5:	Aquifer Test Analysis



Attachment 1

Trinity Test Well Location Map





Scale: 1 in = 1,500 ft

Drawn By: BB Date: 1-13

Quad Name and No:
inter, Texas 29098-G1

Projection:
UTM NAD 83 Zone 14

ATTACHMENT 1 - CRYSTAL CLEAR WSC: TRINITY TEST WELL LOCATIONS



Crystal Clear WSC
Comal County, Texas



Wet Rock Groundwater Services, L.L.C.
Groundwater Specialists

TBPG Firm No: 50038

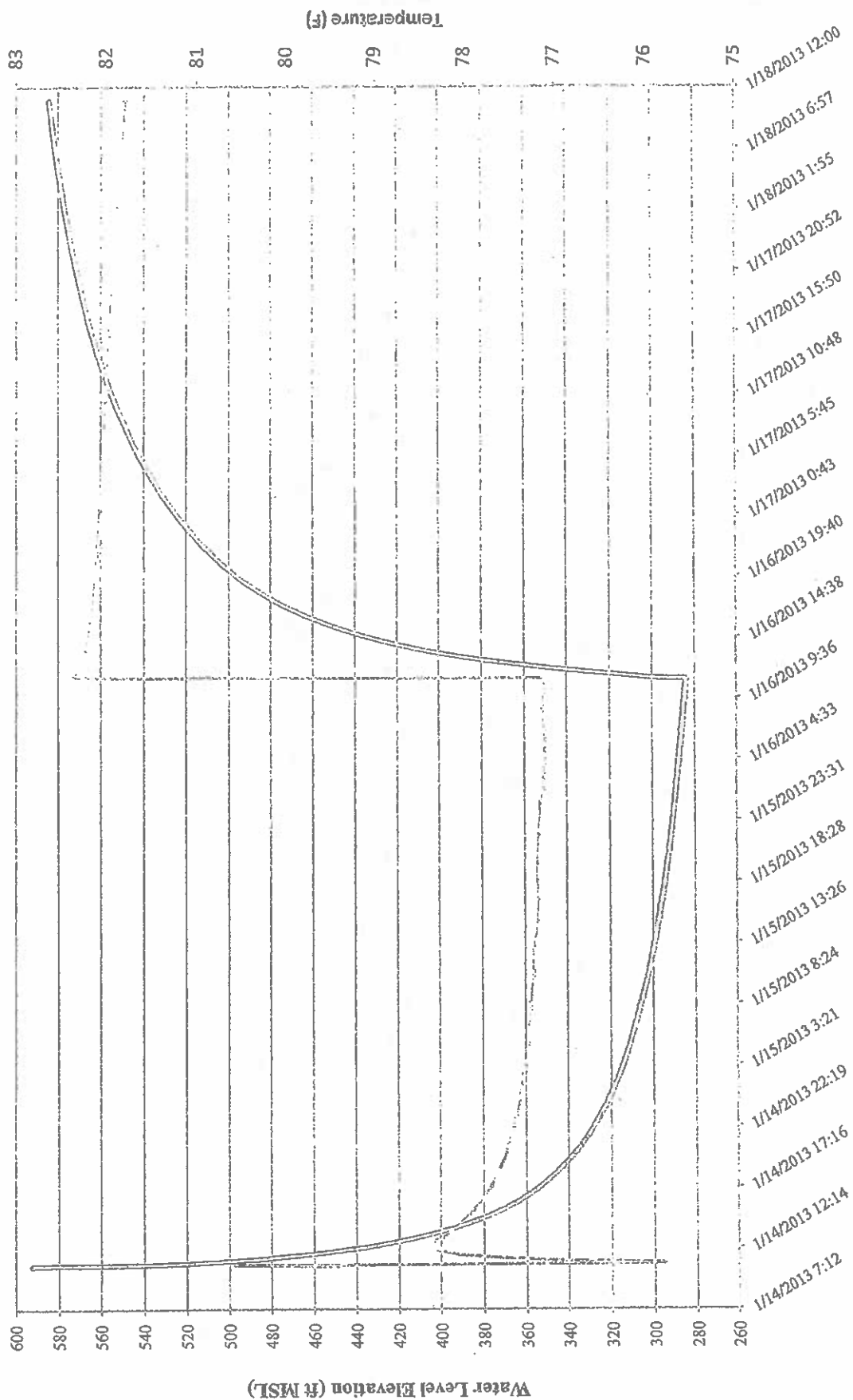
311 RR 620 S, Ste 103 Austin, TX 78734
PH: 512-773-3226 www.wetrockgs.com

Attachment 2

Water Level and Temperature Graph



Crystal Clear WSC - Kutscher Well - Aquifer Test (January 14, 2013)



Kutscher Well Water Level Elevation (ft MSL)
 Temperature (F)

Attachment 3

Aquifer Test Data



Crystal Clear WSC - Kutscher Test Well - Aquifer Test (January 14, 2013)

Date and Time	Time Since Pump Start (minute)	Time Since Pump Stop (minute)	Temperature (F)	Water Level (ft bgs)	Water Level (ft MSL)	Drawdown (ft)	Pump Rate (gpm)	Specific Capacity (gpm/ft)	Comments
1/14/2013 10:49	0		80.48	437.68	592.32	0.00			Pump Start
1/14/2013 10:50	1		80.59	446.52	583.49	8.83	1100	124.56	Meter = 5,643,724
1/14/2013 10:51	2		79.29	472.69	557.31	35.00			
1/14/2013 10:52	3		77.99	480.94	549.06	43.26	1060	24.51	
1/14/2013 10:53	4		77.06	489.49	540.51	51.81			
1/14/2013 10:54	5		76.46	494.23	535.77	56.55	1040	18.39	
1/14/2013 10:55	6		76.10	497.70	532.30	60.01			
1/14/2013 10:56	7		75.90	500.79	529.21	63.10			
1/14/2013 10:57	8		75.83	504.12	525.88	66.44	1030	15.50	
1/14/2013 10:58	9		75.83	506.27	523.73	68.59			
1/14/2013 10:59	10		75.86	509.17	520.83	71.48	1020	14.27	
1/14/2013 11:00	11		75.92	511.54	518.46	73.86			
1/14/2013 11:01	12		76.01	513.88	516.12	76.20			
1/14/2013 11:02	13		76.10	515.71	514.29	78.02			
1/14/2013 11:03	14		76.21	517.60	512.41	79.91			
1/14/2013 11:04	15		76.29	520.01	509.99	82.33	1010	12.27	
1/14/2013 11:09	20		76.75	528.58	501.43	90.89	985	10.84	
1/14/2013 11:14	25		77.13	536.93	493.07	99.25	970	9.77	
1/14/2013 11:19	30		77.37	544.00	486.00	106.32	970	9.12	
1/14/2013 11:34	45		77.95	569.79	470.22	122.10	920	7.53	
1/14/2013 11:49	60		78.21	573.15	456.85	135.47	870	6.42	
1/14/2013 12:04	75		78.35	584.70	445.31	147.01	850	5.78	
1/14/2013 12:19	90		78.36	596.24	434.76	157.56	830	5.27	
1/14/2013 12:34	105		78.35	603.81	426.19	166.12	810	4.88	
1/14/2013 12:49	120		78.36	611.53	418.47	173.85	795	4.57	
1/14/2013 13:49	180		78.15	635.03	394.97	197.34			
1/14/2013 14:49	240		78.00	651.56	378.44	213.87			
1/14/2013 15:49	300		77.88	663.47	366.53	225.79			
1/14/2013 16:49	360		77.79	672.98	357.02	235.29			
1/14/2013 17:49	420		77.70	680.46	349.54	242.78			
1/14/2013 18:49	480		77.64	686.63	343.37	248.95			
1/14/2013 19:49	540		77.58	692.19	337.81	254.50			
1/14/2013 20:49	600		77.55	696.25	333.75	258.57			
1/14/2013 21:49	660		77.51	700.41	329.59	262.73			
1/14/2013 22:49	720		77.48	704.04	325.96	266.36			

Note: bgs = below ground surface Column Pipe Diameter = 6-inch Horsepower = 200 HP

MSL = Mean Sea Level Pump Setting = 798 feet bgs

Crystal Clear WSC - Kutscher Test Well - Aquifer Test (January 14, 2013)

Date and Time	Time Since Pump Start (minute)	Time Since Pump Stop (minute)	Temperature (F)	Water Level (ft bgs)	Water Level (ft MSL)	Drawdown (ft)	Pump Rate (gpm)	Specific Capacity (gpm/ft)	Comments
1/14/2013 23:49	780		77.44	706.70	323.30	269.01			
1/15/2013 0:49	840		77.43	709.75	320.25	272.06			
1/15/2013 1:49	900		77.39	712.09	317.91	274.41			
1/15/2013 2:49	960		77.38	714.48	315.52	276.79			
1/15/2013 3:49	1020		77.35	716.60	313.40	278.92			
1/15/2013 4:49	1080		77.33	718.58	311.42	280.90			
1/15/2013 5:49	1140		77.32	720.45	309.55	282.76			
1/15/2013 6:49	1200		77.31	721.81	308.19	284.12			
1/15/2013 7:49	1260		77.29	723.30	306.70	285.62			
1/15/2013 8:49	1320		77.28	724.82	305.18	287.14			
1/15/2013 9:49	1380		77.27	726.37	303.63	288.69			
1/15/2013 10:49	1440		77.26	727.65	302.35	289.97			
1/15/2013 11:49	1500		77.26	728.95	301.05	291.26			
1/15/2013 12:49	1560		77.26	729.70	300.30	292.01			
1/15/2013 13:49	1620		77.23	731.07	298.93	293.38			
1/15/2013 14:49	1680		77.22	731.72	298.28	294.04			
1/15/2013 15:49	1740		77.21	733.68	296.32	296.00			
1/15/2013 16:49	1800		77.21	733.81	296.19	296.13			
1/15/2013 17:49	1860		77.20	735.00	295.00	297.32			
1/15/2013 18:49	1920		77.21	735.85	294.15	298.17			
1/15/2013 19:49	1980		77.21	736.57	293.43	298.89			
1/15/2013 20:49	2040		77.21	737.68	292.32	299.99			
1/15/2013 21:49	2100		77.20	738.22	291.78	300.53			
1/15/2013 22:49	2160		77.20	738.60	291.40	300.91			
1/15/2013 23:49	2220		77.18	739.76	290.24	302.07			
1/16/2013 0:49	2280		77.19	740.30	289.70	302.62			
1/16/2013 1:49	2340		77.14	740.90	289.10	303.22			
1/16/2013 2:49	2400		77.13	741.20	288.80	303.51			
1/16/2013 3:49	2460		77.13	741.84	288.16	304.16			
1/16/2013 4:49	2520		77.13	742.55	287.45	304.86			
1/16/2013 5:49	2580		77.12	743.07	286.93	305.39			
1/16/2013 6:49	2640		77.12	743.83	286.17	306.15			
1/16/2013 7:49	2700		77.15	744.37	285.63	306.69			
1/16/2013 8:49	2760		77.14	744.52	285.48	306.84			
1/16/2013 9:49	2820		77.13	745.17	284.83	307.48			

Note: bgs = below ground surface Column Pipe Diameter = 6-inch Horsepower = 200 HP

MSL = Mean Sea Level Pump Setting = 798 feet bgs

Crystal Clear WSC - Kutscher Test Well - Aquifer Test (January 14, 2013)

Date and Time	Time Since Pump Start (minute)	Time Since Pump Stop (minute)	Temperature (F)	Water Level (ft bgs)	Water Level (ft MSL)	Drawdown (ft)	Pump Rate (gpm)	Specific Capacity (gpm/ft)	Comments
1/16/2013 10:49	2880		77.12	745.70	284.31	308.01			
1/16/2013 11:08	2899	0	77.13	745.86	284.14	308.18	580	1.88	Pump Stop
1/16/2013 11:09	2900	1	77.13	737.44	292.56	299.76			Meter = 7,476,580
1/16/2013 11:10	2901	2	77.14	733.82	296.18	296.14			
1/16/2013 11:11	2902	3	77.53	732.04	297.96	294.35			
1/16/2013 11:12	2903	4	78.69	730.63	299.37	292.95			
1/16/2013 11:13	2904	5	79.78	729.34	300.66	291.65			
1/16/2013 11:14	2905	6	80.62	728.13	301.88	290.44			
1/16/2013 11:15	2906	7	81.21	727.18	302.82	289.49			
1/16/2013 11:16	2907	8	81.59	726.03	303.97	288.35			
1/16/2013 11:17	2908	9	81.84	724.96	305.04	287.28			
1/16/2013 11:18	2909	10	82.02	723.76	306.24	286.07			
1/16/2013 11:19	2910	11	82.14	722.84	307.16	285.16			
1/16/2013 11:20	2911	12	82.21	721.81	308.19	284.13			
1/16/2013 11:21	2912	13	82.27	720.82	309.18	283.14			
1/16/2013 11:22	2913	14	82.30	719.67	310.33	281.98			
1/16/2013 11:23	2914	15	82.33	718.55	311.46	280.86			
1/16/2013 11:28	2919	20	82.36	713.61	316.39	275.93			
1/16/2013 11:33	2924	25	82.35	708.60	321.40	270.91			
1/16/2013 11:38	2929	30	82.32	703.41	326.59	265.73			
1/16/2013 11:39	2930	31	82.32	702.43	327.57	264.75			
1/16/2013 11:40	2931	32	82.31	701.56	328.44	263.88			
1/16/2013 11:41	2932	33	82.31	700.44	329.56	262.76			
1/16/2013 11:53	2944	45	82.29	688.92	341.08	251.23			
1/16/2013 12:08	2959	60	82.27	675.56	354.45	237.87			
1/16/2013 12:23	2974	75	82.26	663.56	366.44	225.88			
1/16/2013 12:38	2989	90	82.25	653.03	376.97	215.34			
1/16/2013 12:53	3004	105	82.25	643.32	386.68	205.63			
1/16/2013 13:08	3019	120	82.23	634.27	395.73	196.58			
1/16/2013 14:08	3079	180	82.20	606.53	423.47	168.85			
1/16/2013 15:08	3139	240	82.18	585.82	444.18	148.13			
1/16/2013 16:08	3199	300	82.17	570.12	459.88	132.43			
1/16/2013 17:08	3259	360	82.15	557.29	472.71	119.61			
1/16/2013 18:08	3319	420	82.13	546.50	483.51	108.81			
1/16/2013 19:08	3379	480	82.13	538.07	491.94	100.38			

Note: bgs = below ground surface Column Pipe Diameter = 6-inch Horsepower = 200 HP

MSL = Mean Sea Level Pump Setting = 798 feet bgs

Crystal Clear WSC - Kutscher Test Well - Aquifer Test (January 14, 2013)

Date and Time	Time Since Pump Start (minute)	Time Since Pump Stop (minute)	Temperature (F)	Water Level (ft bgs)	Water Level (ft MSL)	Drawdown (ft)	Pump Rate (gpm)	Specific Capacity (gpm/ft)	Comments
1/16/2013 20:08	3439	540	82.11	530.25	499.75	92.57			
1/16/2013 21:08	3499	600	82.10	523.82	506.18	86.14			
1/16/2013 22:08	3559	660	82.09	517.97	512.04	80.28			
1/16/2013 23:08	3619	720	82.09	512.73	517.27	75.05			
1/17/2013 0:08	3679	780	82.08	508.28	521.72	70.60			
1/17/2013 1:08	3739	840	82.07	503.51	526.50	66.82			
1/17/2013 2:08	3799	900	82.06	499.79	530.21	62.11			
1/17/2013 3:08	3859	960	82.05	495.72	534.28	58.03			
1/17/2013 4:08	3919	1020	82.04	492.22	537.78	54.54			
1/17/2013 5:08	3979	1080	82.04	489.45	540.55	51.77			
1/17/2013 6:08	4039	1140	82.03	486.41	543.59	48.72			
1/17/2013 7:08	4099	1200	82.02	483.26	546.74	45.57			
1/17/2013 8:08	4159	1260	82.01	480.62	549.38	42.93			
1/17/2013 9:08	4219	1320	82.01	478.27	551.73	40.59			
1/17/2013 10:08	4279	1380	82.00	476.03	553.97	38.34			
1/17/2013 11:08	4339	1440	82.00	474.28	555.72	36.60			
1/17/2013 12:08	4399	1500	81.98	472.24	557.76	34.55			
1/17/2013 13:08	4459	1560	81.98	469.98	560.02	32.30			
1/17/2013 14:08	4519	1620	81.97	468.58	561.42	30.90			
1/17/2013 15:08	4579	1680	81.96	466.91	563.10	29.22			
1/17/2013 16:08	4639	1740	81.96	465.30	564.70	27.61			
1/17/2013 17:08	4699	1800	81.95	463.40	566.60	25.72			
1/17/2013 18:08	4759	1860	81.94	462.32	567.68	24.64			
1/17/2013 19:08	4819	1920	81.93	460.52	569.48	22.83			
1/17/2013 20:08	4879	1980	81.93	459.66	570.34	21.97			
1/17/2013 21:08	4939	2040	81.92	458.33	571.67	20.65			
1/17/2013 22:08	4999	2100	81.91	457.19	572.81	19.51			
1/17/2013 23:08	5059	2160	81.90	456.06	573.94	18.38			
1/18/2013 0:08	5119	2220	81.89	454.95	575.06	17.26			
1/18/2013 1:08	5179	2280	81.88	453.45	576.55	15.76			
1/18/2013 2:08	5239	2340	81.87	452.90	577.10	15.22			
1/18/2013 3:08	5299	2400	81.86	451.53	578.47	13.84			
1/18/2013 4:08	5359	2460	81.85	450.58	579.42	12.90			
1/18/2013 5:08	5419	2520	81.84	450.09	579.91	12.41			
1/18/2013 6:08	5479	2580	81.84	448.84	581.16	11.15			

Note: bgs = below ground surface Column Pipe Diameter = 6-inch Horsepower = 200 HP

MSL = Mean Sea Level Pump Setting = 798 feet bgs

Crystal Clear WSC - Kutscher Test Well - Aquifer Test (January 14, 2013)

Date and Time	Time Since Pump Start (minute)	Time Since Pump Stop (minute)	Temperature (F)	Water Level (ft bgs)	Water Level (ft MSL)	Drawdown (ft)	Pump Rate (gpm)	Specific Capacity (gpm/ft)	Comments
1/18/2013 7:08	5539	2640	81.82	448.01	581.99	10.33			
1/18/2013 8:08	5599	2700	81.82	447.77	582.23	10.08			
1/18/2013 9:08	5659	2760	81.80	447.02	582.99	9.33			
1/18/2013 10:08	5719	2820	81.80	445.82	584.18	8.14			
1/18/2013 10:55	5766	2867	81.83	445.72	584.28	8.04			

Horsepower = 200 HP

Column Pipe Diameter = 6-inch

Note: bgs = below ground surface

MSL = Mean Sea Level

Pump Setting = 798 feet bgs

Attachment 4

Table 1: Well Construction Summary

Table 2: Aquifer Testing Summary

Table 3: Summary of Aquifer Testing Analysis



Attachment 5

Aquifer Test Analysis





Wet Rock Groundwater Services, LLC
Groundwater Specialists
341 Ranch Road 520 South, Suite 103
Austin, Texas 78734
Ph: 512.773.3226
www.wetrocks.com

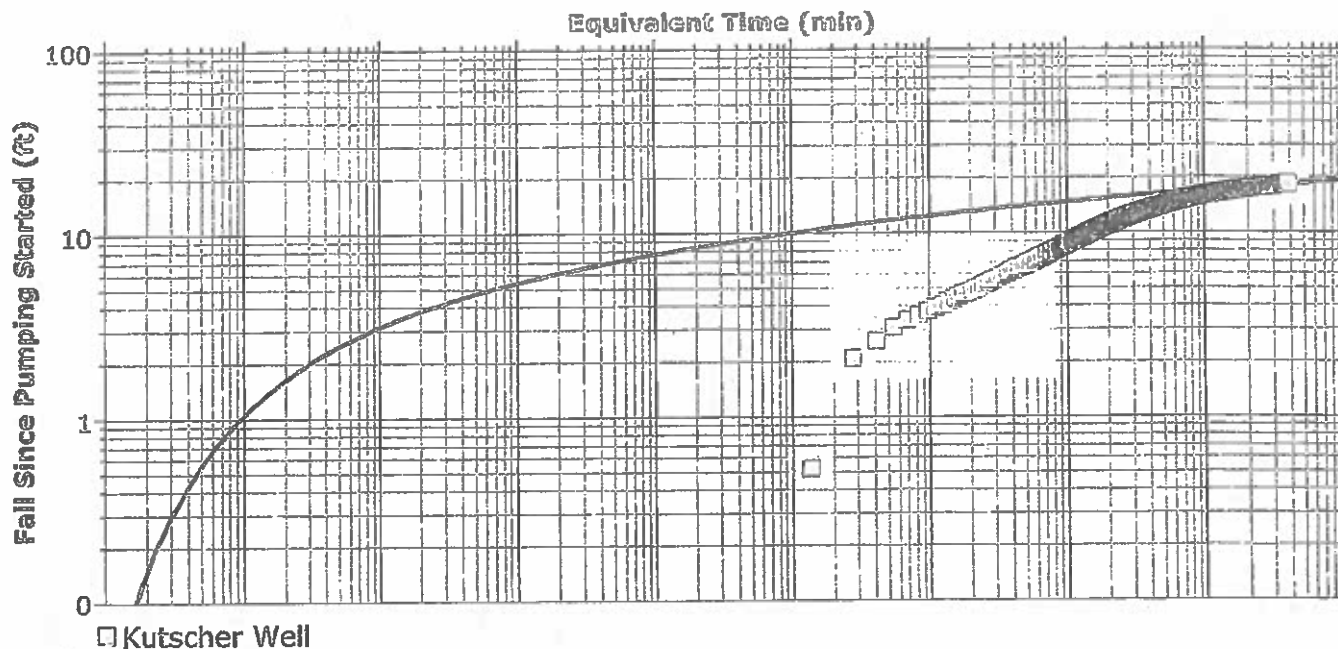
Pumping Test Analysis Report

Project: Trinity Aquifer Water Supply Project

Number: 059-001-13

Client: Crystal Clear WSC

Location: Comal County, Texas	Pumping Test: Kutscher Well - 6775 Wegner Rd	Pumping Well: Kutscher Well
Test Conducted by: Kutscher Drilling	Test Date: 1/14/2013	
Analysis Performed by: BWB	Theis	Analysis Date: 1/21/2013
Aquifer Thickness: 882.50 ft	Discharge: variable, average rate 592.59 [U.S. gal/min]	



Calculation after Theis

Observation Well	Transmissivity [ft ² /d]	Hydraulic Conductivity [ft/d]	Storage coefficient	Radial Distance to PW [ft]	
Kutscher Well	5.40×10^{-2}	6.12×10^{-1}			

October 3rd, 2013

Mr. Mike Taylor
General Manager
Crystal Clear Water Supply Corporation
2370 FM 1979
San Marcos, TX 78666

RE: Crystal Clear Participation In and Water Resources Allocation from Hays Caldwell Public Utility Agency

Dear Mike,

I understand you need confirmation of sources available to Crystal Clear WSC for water supply review by Comal County.

Crystal Clear Water Supply Corporation ("Crystal Clear") was a founding member and has remained a member of Canyon Regional Water Authority ("CRWA") since its inception in 1989. CRWA is a regional water authority serving the needs of its eleven (11) members through contracts with Guadalupe Blanco River Authority with Canyon Lake water and the its development of water resources, such as, the Wells Ranch Project which entails the withdrawal and treatment of a total 13,029 acre feet per year permitted by both the Gonzales and Guadalupe County Underground Water/Groundwater Districts. Crystal Clear is committed to and has contracted for 741 acre feet per year of the Wells Ranch Project.

CRWA was a founding member and remains a member of the Hays Caldwell Public Utility Agency ("HCPUA") since its beginnings in the last decade. HCPUA is a regional water group formed by the City of San Marcos, City of Kyle, City of Buda and CRWA to promote and develop water resources from the Carrizo Aquifer in the Gonzales County Underground Water Conservation District ("GCUWCD"). CRWA is committed to a participation of 30.89% of the total water resources both currently permitted and on future permits. Currently, the GCUWCD has permitted 10,300 acre feet per year to the HCPUA. Therefore, CRWA's current allocation is 3,181.67 acre feet per year. This is referred to as Phase 1 of what is planned over the next 30 years to be a roughly 35,000 acre feet per year water development. Crystal Clear, as a member of the CRWA, is committed to obtain 33.3% of the CRWA share in the HCPUA for a total of 1,059.496 acre feet per year participation in the current phase of the project. The Crystal Clear percentage (10.29%) participation in the overall HCPUA project will remain the same throughout the life of the endeavor.

We trust that the above is duly reviewed by the parties reading this letter and that this receives their full consideration.

Respectfully,



David Davenport
General Manager

850 Lakeside Pass • New Braunfels, TX 78130-8233
(830) 609-0543 • Fax: (830) 609-0740
email: crwa@crwa.com

Guadalupe County Groundwater Conservation District

APPLICATION FOR WATER WELL PERMIT

Well #	_____
Date of	_____
Application	_____
Date	_____
Certified	_____
Date officially	_____
Approved	_____
Size of	Maximum
Pump	Yield _____ GPM
()	Located on Map

I, Crystal Clear Water Supply Corporation
(Name of Applicant)

(830) 372-1031
(Phone Number)

2370 FM 1979 San Marcos, TX 78666
(Address) (City, State, Zip)

hereby make application to GUADALUPE COUNTY GROUNDWATER CONSERVATION DISTRICT for a permit to drill the hereinafter described water well at the location indicated:

- Proposed Size 10 INCHES Maximum Yield 167 GPM
- Proposed Use Public Water Supply
- NW1/4, NE1/4, SW1/4, SE1/4 of Sec. NA Blk NA Survey Samuel Highsmith

(Circle the one that applies)

4. County Guadalupe Latitude 29° 39' 15.74" N Longitude 97° 43' 49.32" W

5. This well to be located: 1.7 miles N of S and 4.7 miles E or W of the town of
Luling

(Circle the ones that apply. Directions should be in directions shown only.)

6. Driller To be determined after bidding of project.

Drilling to start about Winter 2013, _____

Date

Please Make Sure Your Measurements Are Correct--They Will Be Checked for Accuracy

Location of Proposed Well as submitted by applicant is 381 measured yards from (N)S and
63.3 measured yards from (E)W property line, or section line. (Circle direction that applies.)

Number the three adjacent wells, and/or applications, on the plate on the back of this permit as 1, 2, and 3, to correspond with the following:

Well 1 283 measured yards from the proposed well.

Owned by Nelson

Address 3667 Baker Rd., Kingsbury, TX 78638

Well 2 576 measured yards from the proposed well.

Owned by Five Star Energy

Address 16512 US Highway 90, Kingsbury, TX 78638

Well 3 273.6 measured yards from the proposed well.

Owned by Five Star Energy

Address 16512 US Highway 90, Kingsbury, TX 78638

MARK X INSIDE CIRCLE ⊕ WITHIN GRID FOR PROPOSED WELL LOCATION. (Grid square indicates 1 section, or square mile.) MARK X showing 3 closest wells and/or applications

I agree that this well will be drilled within ten (10) yards of the location specified and not elsewhere, and that I will furnish the Board of Directors the completed driller's log immediately upon completion of this well and prior to the production of water. I hereby certify that I have read the foregoing statements and, to the best of my knowledge and belief, all data therein contained are true and correct and complies with all District Rules.

This notice given by:

Robert W. Wyley

Signature (Owner or Agent)

Interim General Manager

Title

This permit approved subject to the rules for spacing from existing wells and/or prior permits.

1. [Signature]

Board Member

2. [Signature]

Board Member

3. [Signature]

Board Member

4. [Signature]

Board Member

5. [Signature]

Board Member

6. [Signature]

Board Member

7. [Signature]

Board Member

I, hereby, certify that this application has been verified and is in compliance with the Rules of the District.

[Signature]

District Manager

6-13-13

Date

Guadalupe County Groundwater Conservation District

APPLICATION FOR WATER WELL PERMIT

Well #	_____
Date of	_____
Application	_____
Date	_____
Certified	_____
Date officially	_____
Approved	_____
Size of	Maximum
Pump	Yield _____ GPM
() Located on Map	

1. Crystal Clear Water Supply Corporation
(Name of Applicant)

(830) 372-1031
(Phone Number)

2370 FM 1979
(Address)

San Marcos, TX 78666
(City, State, Zip)

hereby make application to GUADALUPE COUNTY GROUNDWATER CONSERVATION DISTRICT for a permit to drill the hereinafter described water well at the location indicated:

- Proposed Size 10 INCHES Maximum Yield 167 GPM
- Proposed Use Public Water Supply
- NW1/4, NE1/4, SW1/4, SE1/4 of Sec. NA Blk NA Survey Samuel Highsmith
(Circle the one that applies)
- County Guadalupe Latitude 29° 39' 04.2" N Longitude 97° 44' 05.5" W
- This well to be located: 2.1 miles N of S and 5.1 miles E or W of the town of Luling
(Circle the ones that apply. Directions should be in directions shown only.)
- Driller To be determined after bidding of project.
Drilling to start about Spring 2014, _____
Date

Please Make Sure Your Measurements Are Correct--They Will Be Checked for Accuracy

Location of Proposed Well as submitted by applicant is 267 measured yards from (N)S) and 80 measured yards from (E)W) property line, or section line. (Circle direction that applies.)

Number the three adjacent wells, and/or applications, on the plate on the back of this permit as 1, 2, and 3, to correspond with the following:

Well 1 456 measured yards from the proposed well.

Owned by Crystal Clear Water Supply Corporation (Application)

Address 16512 US Highway 90, Kingsbury, TX 78638

Well 2 388 measured yards from the proposed well.

Owned by Nelson

Address 3667 Baker Road, Kingsbury, TX 78638

Well 3 388 measured yards from the proposed well.

Owned by Five Star Energy

Address 16512 US Highway 90, Kingsbury, TX 78638

MARK X INSIDE CIRCLE ⊕ WITHIN GRID FOR PROPOSED WELL LOCATION. (Grid square indicates 1 section, or square mile.) MARK X showing 3 closest wells and/or applications

I agree that this well will be drilled within ten (10) yards of the location specified and not elsewhere, and that I will furnish the Board of Directors the completed driller's log immediately upon completion of this well and prior to the production of water. I hereby certify that I have read the foregoing statements and, to the best of my knowledge and belief, all data therein contained are true and correct and complies with all District Rules.

This notice given by:

Robert W. Wyley
Signature (Owner or Agent)

Interim General Manager
Title

This permit approved subject to the rules for spacing from existing wells and/or prior permits.

1. [Signature]
Board Member

2. [Signature]
Board Member

3. [Signature]
Board Member

4. [Signature]
Board Member

5. [Signature]
Board Member

6. [Signature]
Board Member

7. [Signature]
Board Member

I, hereby, certify that this application has been verified and is in compliance with the Rules of the District.

[Signature]
District Manager

6-13-13
Date

Guadalupe County Groundwater Conservation District

APPLICATION FOR WATER WELL PERMIT

Well #	_____
Date of Application	_____
Date	_____
Certified	_____
Date officially	_____
Approved	_____
Size of Pump	_____
Maximum Yield	_____ GPM
() Located on Map	_____

1. Crystal Clear Water Supply Corporation
(Name of Applicant)

(830) 372-1031
(Phone Number)

2370 FM 1979
(Address)

San Marcos, TX 78666
(City, State, Zip)

hereby make application to GUADALUPE COUNTY GROUNDWATER CONSERVATION DISTRICT for a permit to drill the hereinafter described water well at the location indicated:

- Proposed Size 10 INCHES Maximum Yield 125 GPM
- Proposed Use Public Water Supply
- NW1/4, NE1/4, SW1/4, SE1/4 of Sec. NA Blk NA Survey Samuel Highsmith
(Circle the one that applies)
- County Guadalupe Latitude 29° 38' 54.64" N Longitude 97° 44' 16.48" W
- This well to be located: 2.3 miles N of (S) and 5.3 miles E of (W) of the town of Luling
(Circle the ones that apply. Directions should be in directions shown only.)
- Driller To be determined after bidding of project.
Drilling to start about Spring 2014, _____

Date

Please Make Sure Your Measurements Are Correct--They Will Be Checked for Accuracy

Location of Proposed Well as submitted by applicant is 601 measured yards from (N) (S) and 33.33 measured yards from (E) (W) property line, or section line. (Circle direction that applies.)

Number the three adjacent wells, and/or applications, on the plate on the back of this permit as 1, 2, and 3, to correspond with the following:

Well 1 456 measured yards from the proposed well.

Owned by Crystal Clear Water Supply Corporation (Application)

Address 16512 US Highway 90, Kingsbury, TX 78638

Well 2 828 measured yards from the proposed well.

Owned by Nelson

Address 3667 Baker Road, Kingsbury, TX 78638

Well 3 651 measured yards from the proposed well.

Owned by Water World

Address 15655 US Highway 90, Kingsbury, TX 78638

MARK X INSIDE CIRCLE  WITHIN GRID FOR PROPOSED WELL LOCATION. (Grid square indicates 1 section, or square mile.) MARK X showing 3 closest wells and/or applications

I agree that this well will be drilled within ten (10) yards of the location specified and not elsewhere, and that I will furnish the Board of Directors the completed driller's log immediately upon completion of this well and prior to the production of water. I hereby certify that I have read the foregoing statements and, to the best of my knowledge and belief, all data therein contained are true and correct and complies with all District Rules.

This notice given by:

Robert W. Wyley
Signature (Owner or Agent)

Interim General Manager
Title

This permit approved subject to the rules for spacing from existing wells and/or prior permits.

1. [Signature]
Board Member

2. [Signature]
Board Member

3. [Signature]
Board Member

4. [Signature]
Board Member

5. [Signature]
Board Member

6. [Signature]
Board Member

7. [Signature]
Board Member

I, hereby, certify that this application has been verified and is in compliance with the Rules of the District.

[Signature]
District Manager

6-13-13
Date

INDEX OF DOCUMENTS

Canyon Regional Water Authority
Regional Tax-Exempt Water Supply Contract
(Lake Dunlap Project) – Amendment

Canyon Regional Water Authority
Regional Taxable Water Supply Contract
(Lake Dunlap Project) – Amendment

Canyon Regional Water Authority
Regional (Hays/Caldwell Counties Area)
Taxable Water Supply Contract – Amendment No. 2

INDEX OF DOCUMENTS

TAB NO.	DOCUMENT
1.	Regional Tax-Exempt Water Supply Contract (Lake Dunlap Project) – Amendment
2.	Certified Resolution of Canyon Regional Water Authority
3.	Certified Resolution of City of Cibolo, Texas
4.	Certified Resolution of City of Marion, Texas
5.	Certified Resolution of Bexar Metropolitan Water District
6.	Certified Resolution of Green Valley Special Utility District
7.	Regional Taxable Water Supply Contract (Lake Dunlap Project) – Amendment
8.	Certified Resolution of Canyon Regional Water Authority
9.	Certified Resolution of Crystal Clear Water Supply Corporation
10.	Certified Resolution of East Central Water Supply Corporation
11.	Certified Resolution of Springs Hill Water Supply Corporation
12.	Regional (Hays/Caldwell Counties Area) Taxable Water Supply Contract – Amendment No. 2
13.	Certified Resolution of Canyon Regional Water Authority
14.	Certified Resolution of County Line Water Supply Corporation
15.	Certified Resolution of Crystal Clear Water Supply Corporation
16.	Certified Resolution of Martindale Water Supply Corporation
17.	Certified Resolution of Maxwell Water Supply Corporation

AMENDMENT TO THE REGIONAL TAX-EXEMPT WATER SUPPLY
CONTRACT, DATED AUGUST 1, 1998, BETWEEN CANYON REGIONAL
WATER AUTHORITY AND GREEN VALLEY SPECIAL UTILITY
DISTRICT, BEXAR METROPOLITAN WATER DISTRICT, CITY OF
CIBOLO, TEXAS AND CITY OF MARION, TEXAS

This amendment to the Regional Tax-Exempt Water Supply Contract (the "Contract"), originally dated August 1, 1998 (the "Amendment") is made by and between the CANYON REGIONAL WATER AUTHORITY, a regional water authority created under and essential to accomplish the purposes of Article XVI, Section 59 of the Constitution of the State of Texas (the "Authority"), and GREEN VALLEY SPECIAL UTILITY DISTRICT, a special utility district created under Chapter 65, as amended, Texas Water Code, BEXAR METROPOLITAN WATER DISTRICT, a reclamation and conservation district created under a special act of the Texas legislature and pursuant to Article XVI, Section 59 of the Texas Constitution, CITY OF CIBOLO, TEXAS and CITY OF MARION, TEXAS, each a Type A general law municipality (certain of the "Original Participating Members", which, together with any Additional Participating Members as hereinafter defined, are collectively or individually referred to herein as "Participating Members"). Capitalized terms used herein and not otherwise defined shall have the meanings assigned in the Contract (hereinafter defined).

WITNESSETH:

WHEREAS, each of the Participating Members under the Contract has agreed to pay its share of costs of the Project and the Bonds based upon a rate methodology to be developed by the Authority or in proportion to the respective amounts of treated water each has agreed to purchase under the Contract; and

WHEREAS, each of the Participating Members has requested that the share of treated water each Participating Member has agreed to purchase pursuant to the terms of the Contract and as specified in Exhibit A thereto be revised;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and subject to the terms and conditions hereinafter set forth, the Authority and each of the Participating Members agree and contract as follows:

Section 1: Exhibit A of the Contract is amended to read as Exhibit A attached hereto.

Section 2: This Amendment shall be construed and governed in accordance with the laws of the State of Texas. Except as provided by this Amendment, the Contract is hereby ratified, reconfirmed, and readopted by the Authority and each Participating Member.

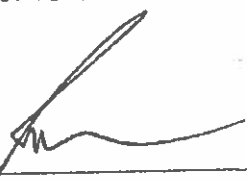
Section 3: This Amendment may be executed in several counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same instrument.

Section 4: This Amendment supersedes and takes the place of any and all previous agreements entered into among the parties hereto with respect to the subject matter hereof. All other provisions of the Contract not specifically amended herein are hereby confirmed and ratified.

Section 5: The persons signing this Amendment are duly authorized to execute it on behalf of such party, and each party warrants that it is authorized to execute and deliver this Amendment and to perform its duties hereunder.

Section 6: This Amendment has been entered into as of November 1, 2003.

GREEN VALLEY SPECIAL UTILITY DISTRICT



President

(Seal)



Secretary

BEXAR METROPOLITAN WATER DISTRICT

Ronald L. Williamson
President

(Seal)

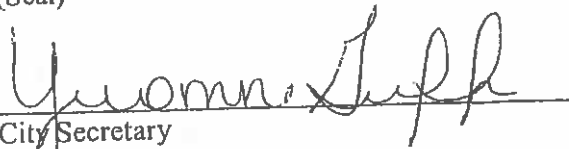
Jim Hopen
Secretary

CITY OF CIBOLO, TEXAS

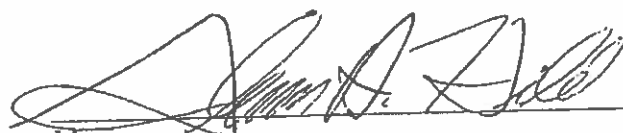


Mayor

(Seal)



City Secretary

CITY OF MARION, TEXAS




Mayor

(Seal)



City Secretary

CANYON REGIONAL WATER AUTHORITY


Chairman

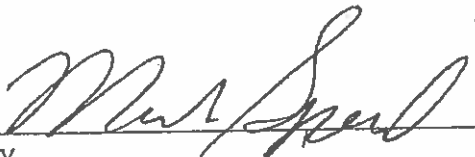

Secretary

EXHIBIT A

Schedule A

Part 1

Lake Dunlap Plant Contracts

The attached table for Plant Contracts lists the amount of production of finished water from the Lake Dunlap Plant (the "Plant"); expressed in acre-feet (AF) and gallons-per-day (GPD), that have been contracted with the Participating Members.

In addition to the Plant contract figures, Canyon Regional Water Authority recognizes a peaking factor of 1.3 (30%) as a logical and necessary requirement and the peaking GPD figures are also listed.

Canyon Regional Water Authority agrees to use its best efforts to supply to each individual entity, on any given day, the amount of water specified in the peaking figures.

The total capability of the Plant is listed in the Ownership column in the table cited above. The Participating Members can be provided with this amount of water from the Plant on any given day, at the discretion of the Lake Dunlap Plant Manager. Additional water, over the peaking GPD and up to the Ownership GPD, will be provided to the Participating Member without penalty; however, any water processed over and above the amounts listed in the Ownership column will incur a System Capacity Fee as determined by the Participating Members.

The total amount of water processed through the Plant for each Participating Member must be supported by a sufficient amount of raw water that is under contract to each individual entity and that water must be available to Canyon Regional Water Authority for processing at the Plant.

LAKE DUNLAP PLANT CONTRACTS

Item	Plant Capacity in A/F	Percent of Ownership	Contract Capacity in GPD	1.3 Peak Capacity in GPD	Ownership of 15,200,000 GPD
Dunlap Exempt					
Bexar Metro	4,000.00	36.43%	3,570,970	4,642,261	5,537,341
Cibolo	1,230.00	11.20%	1,098,073	1,427,495	1,702,732
Green Valley	1,800.00	16.39%	1,606,936	2,089,017	2,491,803
Marion	100.00	0.91%	89,274	116,057	138,434
Dunlap Exempt Totals	7,130.00	64.94%	6,365,254	8,274,830	9,870,310
Dunlap Taxable					
Crystal Clear	500.00	4.55%	446,371	580,283	692,168
East Central	1,400.00	12.75%	1,249,839	1,624,791	1,938,069
Springs Hill	1,950.00	17.76%	1,740,848	2,263,102	2,699,454
Dunlap Taxable Totals	3,850.00	35.06%	3,437,058	4,468,176	5,329,690
Dunlap Totals	10,980.00	100.00%	9,802,312	12,743,006	15,200,000

**
**
**
**

**Schedule A
Part 2
Mid Cities Pipeline Contracts**

The attached tables lists' the amount of finished water (Pipeline Capacity and Percent of Ownership) through the Mid Cities Pipeline that each member entity has contracted for with Canyon Regional Water Authority. This contract is expressed in acre-feet (AF) and gallons-per-day (GPD.)

In addition to the Pipeline Capacity contract figures, Canyon Regional Water Authority recognizes a peaking factor of 1.3 (30%) as a logical and necessary requirement and the peaking GPD figures are also listed.

Additionally, the total capability of the Mid Cities Pipeline is also listed under the Ownership column.

The individual Participating Member contract amounts expressed as Pipeline Capacity and Percent of Ownership and Contract Capacity; 1.3 Peak Capacity; and Ownership, are listed on the attached tables as follows:

Table 1: Lake Dunlap Plant to the Wagner Booster Station.

Table 2: Wagner Booster Station to Loop 1604.

Table 3: Loop 1604 to FM 1518.

At this time, the amounts of water in the above listed tables are not cumulative from table to table.

The volume and rate of water that can be transmitted through the Mid Cities Pipeline is dependant upon several factors, such as the amount of water produced at a plant, pumps, storage facilities, etc. Due to these variables, the current amount of water available to the individual member's, is the amount listed in Table 1. As additional sources of treated water and pumping stations become available the increased amounts listed in Tables 2 and 3 may become available simultaneously with the amount listed in Table 1.

Canyon Regional Water Authority agrees to use its best efforts to supply to each individual Participating Member, on any given day, the amount of water specified in the peaking figures listed in Table 1, through the Mid Cities Pipeline, dependant upon the Participating Member's diversion point along the Mid Cities Pipeline.

Additionally, the total capability (Ownership) of the Mid Cities Pipeline, depending upon the diversion point, is available to each Participating Member, on any given day, at the discretion of the Lake Dunlap Plant Manager. Additional water transmission over the peaking GPD and up to the Ownership GPD will be provided to the Participating Member without penalty; however, any water delivered over and above the amounts listed in the Ownership column will incur a Pipeline Capacity Fee as determined by the Participating Members.

LAKE DUNLAP PLANT TO WAGNER BOOSTER STATION

Item	Pipeline Capacity in Acre-Feet	Percent of Ownership	Contract Capacity in GPD	1.3 Peak Capacity in GPD	Ownership 10,080,000 GPD
Dunlap Exempt					
Bexar Metro	4,000	57.35%	3,570,970	4,642,261	5,780,645
Cibolo	875	12.54%	781,150	1,015,495	1,264,516
Green Valley	500	7.17%	446,371	580,283	722,581
Marion	200	2.87%	178,548	232,113	289,032
Dunlap Exempt Totals	5,575	79.93%	4,977,039	6,470,151	8,056,774
Dunlap Taxable					
Crystal Clear	-	0.00%	-	-	-
East Central	1,400	20.07%	1,249,839	1,624,791	2,023,226
Springs Hill	-	0.00%	-	-	-
Dunlap Taxable Totals	1,400	20.07%	1,249,839	1,624,791	2,023,226
Dunlap Totals	6,975	100.00%	6,226,879	8,094,942	10,080,000

WAGNER BOOSTER STATION TO LOOP 1604

Item	Pipeline Capacity in Acre-Feet	Percent of Ownership	Contract Capacity in GPD	1.3 Peak Capacity in GPD	Ownership 15,120,000 GPD
Dunlap Exempt					
Bexar Metro	4,000	57.35%	3,570,970	4,642,261	8,670,968
Cibolo	875	12.54%	781,150	1,015,495	1,896,774
Green Valley	500	7.17%	446,371	580,283	1,083,871
Marion	200	2.87%	178,548	232,113	433,548
Dunlap Exempt Totals	5,575	79.93%	4,977,039	6,470,151	12,085,161
Dunlap Taxable					
Crystal Clear	-	0.00%	-	-	-
East Central	1,400	20.07%	1,249,839	1,624,791	3,034,839
Springs Hill	-	0.00%	-	-	-
Dunlap Taxable Totals	1,400	20.07%	1,249,839	1,624,791	3,034,839
Dunlap Totals	6,975	100.00%	6,226,879	8,094,942	15,120,000

LOOP 1604 TO FM 1518

Item	Pipeline Capacity in Acre-Feet	Percent of Ownership	Contract Capacity in GPD	1.3 Peak Capacity in GPD	Ownership 10,080,000 GPD
Dunlap Exempt					
Bexar Metro	4,000	57.35%	3,570,970	4,642,261	5,780,645
Cibolo	875	12.54%	781,150	1,015,495	1,264,516
Green Valley	500	7.17%	446,371	580,283	722,581
Marion	200	2.87%	178,548	232,113	289,032
Dunlap Exempt Totals	5,575	79.93%	4,977,039	6,470,151	8,056,774
Dunlap Taxable					
Crystal Clear	-	0.00%	-	-	-
East Central	1,400	20.07%	1,249,839	1,624,791	2,023,226
Springs Hill	-	0.00%	-	-	-
Dunlap Taxable Totals	1,400	20.07%	1,249,839	1,624,791	2,023,226
Dunlap Totals	6,975	100.00%	6,226,879	8,094,942	10,080,000

AMENDMENT TO THE REGIONAL (HAYS/CALDWELL COUNTIES
AREA) TAXABLE WATER SUPPLY CONTRACT, DATED AUGUST 1,
1998, BETWEEN CANYON REGIONAL WATER AUTHORITY AND
COUNTY LINE WATER SUPPLY CORPORATION, CRYSTAL CLEAR
WATER SUPPLY CORPORATION, MARTINDALE WATER SUPPLY
CORPORATION, AND MAXWELL WATER SUPPLY CORPORATION

This amendment to the Regional (Hays/Caldwell Counties Area) Taxable Water Supply Contract (the "Contract"), originally dated August 1, 1998 (the "Amendment") is made by and between the is between the CANYON REGIONAL WATER AUTHORITY, a regional water authority created under and essential to accomplish the purposes of Article VI, Section 59 of the Constitution of the State of Texas (the "Authority"), and COUNTY LINE WATER SUPPLY CORPORATION, CRYSTAL CLEAR WATER SUPPLY CORPORATION, MARTINDALE WATER SUPPLY CORPORATION, and MAXWELL WATER SUPPLY CORPORATION, each a Texas water supply corporation organized originally pursuant to Texas Revised Civil Statutes Annotated Article 1434a, as amended (certain of the "Original Participating Members", which, together with any Additional Participating Members as hereinafter defined, are collectively or individually referred to herein as "Participating Members"). Capitalized terms used herein and not otherwise defined shall have the meanings assigned in the Contract (hereinafter defined).

WITNESSETH:

WHEREAS, each of the Participating Members under the Contract has agreed to pay its share of costs of the Project and the Bonds based upon a rate methodology to be developed by the Authority or in proportion to the respective amounts of treated water each has agreed to purchase under the Contract; and

WHEREAS, each of the Participating Members has requested that the share of treated water each Participating Member has agreed to purchase pursuant to the terms of the Contract and as specified in Exhibit A thereto be revised;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and subject to the terms and conditions hereinafter set forth, the Authority and each of the Participating Members agree and contract as follows:

Section 1: Exhibit A of the Contract is amended to read as follows:

Exhibit A

Allocations and Maximum Rate of Flow

<u>Participating Members</u>	<u>Amount of Water*</u>	<u>Maximum Rate of Flow per Day</u>
County Line Water Supply Corporation	1,308 acre feet	1,300.60 gpm
Crystal Clear Water Supply Corporation	500 acre feet	497.28 gpm
Martindale Water Supply Corporation	100 acre feet	99.40 gpm
Maxwell Water Supply Corporation	908 acre feet	902.72 gpm

*Annually per fiscal year

Section 2: This Amendment shall be construed and governed in accordance with the laws of the State of Texas. Except as provided by this Amendment, the Contract is hereby ratified, reconfirmed, and readopted by the Authority and each Participating Member.

Section 3: This Amendment may be executed in several counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same instrument.

Section 4: This Amendment supersedes and takes the place of any and all previous agreements entered into among the parties hereto with respect to the subject matter hereof. All other provisions of the Contract not specifically amended herein are hereby confirmed and ratified.

Section 5: The persons signing this Amendment are duly authorized to execute it on behalf of such party, and each party warrants that it is authorized to execute and deliver this Amendment and to perform its duties hereunder.

Section 6: This Amendment has been entered into as of May 12, 2003.

COUNTY LINE WATER SUPPLY CORPORATION

Bruce Lockhart

President

(Corporation Seal)

Shana E. Davies

Secretary

CRYSTAL CLEARWATER SUPPLY CORPORATION

Richard A. Hanz
President

(Corporation Seal)

W. L. Blumenthal
Secretary/Treasurer

MARTINDALE WATER SUPPLY CORPORATION

John W. Doherty
President

(Corporation Seal)

Paul Jesny
Secretary

MAXWELL WATER SUPPLY CORPORATION

Jesse Shantz


President

(Corporation Seal)

Frank J. Wilt

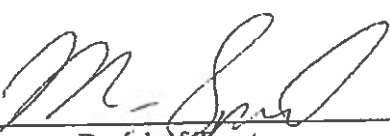
Secretary

WITNESS OUR HANDS AND SEAL OF THE CANYON REGIONAL WATER
AUTHORITY, this 12th day of May, 2003.



Chairman, Board of Trustees
Canyon Regional Water Authority

(Authority Seal)



Secretary, Board of Trustees
Canyon Regional Water Authority

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AMENDMENT NO. 2 TO THE REGIONAL (HAYS/CALDWELL COUNTIES
AREA) TAXABLE WATER SUPPLY CONTRACT, DATED AUGUST 1,
1998, BETWEEN CANYON REGIONAL WATER AUTHORITY AND
COUNTY LINE WATER SUPPLY CORPORATION, CRYSTAL CLEAR
WATER SUPPLY CORPORATION, MARTINDALE WATER SUPPLY
CORPORATION, AND MAXWELL WATER SUPPLY CORPORATION

This second amendment to the Regional (Hays/Caldwell Counties Area) Taxable Water Supply Contract (the "Contract") originally dated August 1, 1998, as originally amended as of May 12, 2003 (the "Amendment No. 1") as herein amended (the "Amendment No. 2") is made by and between the is between the CANYON REGIONAL WATER AUTHORITY, a regional water authority created under and essential to accomplish the purposes of Article XVI, Section 59 of the Constitution of the State of Texas (the "Authority"), and COUNTY LINE WATER SUPPLY CORPORATION, CRYSTAL CLEAR WATER SUPPLY CORPORATION, MARTINDALE WATER SUPPLY CORPORATION, and MAXWELL WATER SUPPLY CORPORATION, each a Texas water supply corporation organized originally pursuant to Texas Revised Civil Statutes Annotated Article 1434a, as amended (certain of the "Original Participating Members", which, together with any Additional Participating Members as hereinafter defined, are collectively or individually referred to herein as "Participating Members"). Capitalized terms used herein and not otherwise defined shall have the meanings assigned in the Contract (hereinafter defined).

WITNESSETH:

WHEREAS, each of the Participating Members under the Contract has agreed to pay its share of costs of the Project and the Bonds based upon a rate methodology to be developed by the Authority or in proportion to the respective amounts of treated water each has agreed to purchase under the Contract and Amendment No. 1; and

WHEREAS, each of the Participating Members has requested that the share of treated water each Participating Member has agreed to purchase pursuant to the terms of the Contract and Amendment No. 1 and as specified in Exhibit A thereto be revised;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and subject to the terms and conditions hereinafter set forth, the Authority and each of the Participating Members agree and contract as follows:

Section 1: Exhibit A of the Contract is amended to read as Exhibit A attached hereto.

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Section 2: This Amendment No. 2 shall be construed and governed in accordance with the laws of the State of Texas. Except as provided by this Amendment No. 2, the Contract and Amendment No. 1 are hereby ratified, reconfirmed, and readopted by the Authority and each Participating Member.

Section 3: This Amendment No. 2 may be executed in several counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same instrument.

Section 4: This Amendment No. 2 supersedes and takes the place of any and all previous agreements entered into among the parties hereto with respect to the subject matter hereof. All other provisions of the Contract and Amendment No. 1 not specifically amended herein are hereby confirmed and ratified.

Section 5: The persons signing this Amendment No. 2 are duly authorized to execute it on behalf of such party, and each party warrants that it is authorized to execute and deliver this Amendment No. 2 and to perform its duties hereunder.

Section 6: This Amendment No. 2 has been entered into as of November 1, 2003.

COUNTY LINE WATER SUPPLY CORPORATION

Bruce Lockhart
President

(Corporation Seal)

Shane E. Duvies
Secretary

CRYSTAL CLEARWATER SUPPLY CORPORATION

Richard A. Hanz
President

(Corporation Seal)

W.L. Gienewinkel
Secretary/Treasurer


MARTINDALE WATER SUPPLY CORPORATION

Th. W. Dale
President

(Corporation Seal)

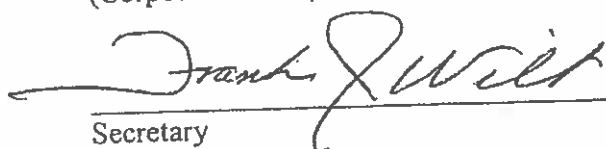
Rae Jones
Secretary

MAXWELL WATER SUPPLY CORPORATION



President

(Corporation Seal)



Secretary

CANYON REGIONAL WATER AUTHORITY


Chairman


Secretary

EXHIBIT A

Schedule A Part 1 Hays Caldwell Plant Contracts

The attached table for Plant Contracts lists the amount of production of finished water from the Hays Caldwell Plant (the "Plant"); expressed in acre-feet (AF) and gallons-per-day (GPD), that have been contracted with the member entities.

In addition to the plant contract figures, Canyon Regional Water Authority recognizes a peaking factor of 1.3 (30%) as a logical and necessary requirement and the peaking GPD figures are also listed.

Canyon Regional Water Authority agrees to supply to each Participating Member, on any given day, the amount of water specified in the peaking figures.

The total capability of the Plant is listed in the Ownership column in the table cited above. Each Participating Member can be provided with this amount of water from the Plant on any given day, at the discretion of the Plant Manager. Additional water, over the peaking GPD and up to the Ownership GPD, will be provided to the Participating Member without penalty; however, any water processed over and above the amounts listed in the Ownership column will incur a System Capacity Fee as determined by the Participating Members.

The total amount of water processed through the Plant for each Participating Member must be supported by a sufficient amount of raw water that is under contract to each Participating Member and that water must be available to Canyon Regional Water Authority for processing at the Plant.

Hays Caldwell Plant Contracts

Item	Plant Capacity in A/F	Percent of Ownership	Contract Capacity in GPD	1.3 Peak Capacity in GPD	Ownership of 5,500,000 GPD
Hays Caldwell					
County Line	1,308.00	44.98%	1,167,707	1,518,019	2,473,865
Crystal Clear	500.00	17.19%	446,371	580,283	945,667
Martindale	200.00	6.88%	178,548	232,113	378,267
Maxwell	900.00	30.95%	803,468	1,044,509	1,702,201
Hays Caldwell Totals	2,908.00	100.00%	2,596,095	3,374,924	5,500,000